



# NATIONAL CENTER FOR POLICY ANALYSIS

# NEWS ADVISORY

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## Who Pays the Taxes?

*NCPA Expert Debunks Myth that the Rich Don't Pay Their Fair Share of Taxes*

Contrary to popular belief that the rich are paying less and less of the tax burden, a recent report from the Congressional Budget Office (CBO) states otherwise, says Pamela Villarreal, Senior Policy Analyst with the National Center for Policy Analysis.

As tax day nears, people are starting to show their resentment toward the government and the rich, as tax tea parties are being held across the country in protest of excess government spending, and as people praise President Obama's plan to raise taxes on who he considers rich.

"Advocates of a progressive tax system claim that the Bush Administration accelerated the trend of the rich not paying their fair share of taxes," Villarreal says. "Ironically, the Obama Administration has raised the federal tax that affects low-income earners the most, not the rich."

Villarreal points out that in 2006, the most recent year for which data were calculated, there were few changes from the 2005 tax burden:

- The top 1 percent of income earners paid 39.1 percent of federal income taxes, a slight increase over 2005.
- The top fifth of income earners paid 86.3 percent of federal income taxes, unchanged from the prior year.
- But when including all federal taxes (income, corporate, excise and social insurance), both groups paid more in 2006 than in 2005; the top 1 percent paid 28.3 percent of all federal taxes and the top 20 percent paid 69.3 percent of all federal taxes

Meanwhile, the bottom 20 percent of earners paid no federal income taxes, but had a tax liability of -2.8 percent due to tax credits, slightly less than in 2005. But their overall federal tax burden remained unchanged at less than one percent.

When paid taxes are calculated as a percent of a household's income (known as the effective tax rate):

- The top 1 percent paid 31.2 percent of their income in federal taxes in 2006, slightly higher than the previous year.
- The bottom 20 percent paid 4.3 percent, unchanged from the previous year.
- Among all income groups, households paid an average of 20.7 percent of their income in taxes, slightly more than in 2005.

Which federal tax affects the low-income earners the most? The excise tax. The bottom 20 percent paid nearly 11 percent of all excise taxes.

Because the Obama Administration raised the excise tax, lower-income earners may see a greater proportion of their income going to federal taxes, says Villarreal.