

Table T21-0152
Effective Marginal Tax Rates on Wages, Salaries, and Capital Income
By Expanded Cash Income Percentile, 2021¹

Expanded Cash Income Percentiles ^{2,3}	Tax Units (thousands)	Individual Income Tax ⁴				Individual Income Tax plus Payroll Tax ⁵
		Wages and Salaries	Long-term Capital Gains	Qualified Dividends	Interest Income	Wages and Salaries
Lowest Quintile	47,360	6.4	0.8	1.2	1.4	20.2
Second Quintile	38,780	16.4	1.5	2.5	6.9	30.2
Third Quintile	36,130	18.0	9.8	9.7	16.8	31.7
Fourth Quintile	29,780	20.6	12.9	12.7	20.3	34.0
Top Quintile	24,560	30.6	22.0	21.6	32.7	37.8
All	178,140	24.6	20.5	19.0	25.7	34.9
Addendum						
80-90	12,570	30.4	16.6	16.5	26.0	40.6
90-95	6,150	26.3	17.8	17.2	26.7	34.2
95-99	4,710	30.6	20.1	19.6	32.1	35.8
Top 1 Percent	1,140	36.0	23.0	23.7	35.4	40.0
Top 0.1 Percent	120	36.0	23.0	23.6	34.7	39.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0721-1).

(1) Calendar year. Baseline is current law as of 7/19/2021. Effective marginal tax rates are weighted by the appropriate income source. For more information on TPC's baseline definitions, see :

(2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. For 2020 and 2021, tax units that file a federal individual income tax return does not include those that file only to claim economic impact payments. For a description of expanded cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2020 dollars): 20% \$27,900; 40% \$55,100; 60% \$97,700; 80% \$178,100; 90% \$259,000; 95% \$372,600; 99% \$882,500; 99.9% \$4,052,100.

(4) We calculate each tax unit's effective marginal individual income tax rate by adding \$1,000 to the income source and dividing the resulting tax change by that \$1,000. We then calculate the averages by weighting by the initial value of the appropriate income source.

(5) We calculate each tax unit's effective marginal individual plus payroll tax rate by adding \$1,000 to wages and salaries. We then divide the resulting change in individual income tax plus the resulting change in the employer and employee portions of payroll taxes for Social Security and Medicare by that \$1,000. We then calculate the averages by weighting by the initial value of wages and salaries. For married couples filing jointly, we assign a portion of the \$1,000 increase to each spouse based on their initial shares of the household's total wages and salaries.