



tax facts

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17 Percent of Families Have Stock Dividends

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President Bush has proposed to eliminate individual income tax on most stock dividends and both houses of Congress have passed bills that would reduce or eliminate taxes on dividends, at least temporarily. This column looks at who has stock dividends and how dividend income is distributed.

Based on the most recent data from the Federal Reserve Board's Survey of Consumer Finances (SCF), about 17 percent of families had stock dividends in 2000. About 11 percent had more than \$500 of dividends, and less than 9 percent had more than \$1,000. Less than 4 percent of families had dividends over \$5,000, but they accounted for 83 percent of all dividends.

The likelihood of receiving dividends increases sharply with income. Less than 4 percent of families with incomes under \$20,000 had dividends, compared to 58 percent of those with incomes over \$200,000. Not surprisingly, those with higher incomes tended to receive larger dividends.

Elderly people were more likely to have dividends than the rest of the population, but most do not have dividends. About one-quarter of families headed by someone over age 65 report earning dividends. Only about one in six older families with incomes under \$50,000 report any dividends.

Most dividends are reported by families with higher incomes. The 3.8 percent of families with income above \$200,000 received 47 percent of all dividends, and families with incomes over \$100,000 accounted for 72 percent. Similarly, households with large amounts of dividends accounted for most dividends. The 0.7 percent of households with dividends larger than \$25,000 accounted for about half of all dividends.

Note that income tax returns significantly overstate dividends. Based on data from the Bureau of Economic Analysis (BEA), 42 percent of total reported "dividends" in 2000 were actually interest paid through mutual funds.¹ SCF data match up well with the BEA totals.

¹ Thae S. Park, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income," *Survey of Current Business*, November 2002, pp. 13-20.

Percentage of Families With Dividends by Income and by Size of Dividend, 2000							
	Family Income in \$1,000						Percent of Dividend Income
	All	0-19.9	20-49.9	50-99.9	100-199.9	200 and over	
Size of Dividend (dollars)							
1-200	4.1	1.3	3.2	6.2	7.8	4.6	0.4
201-500	1.8	0.2	1.3	3.1	3.9	3.8	0.7
501-1,000	2.3	0.6	1.6	3.3	4.7	5.5	1.8
1,001-5,000	5.0	1.3	3.6	5.1	13.1	17.9	14.0
5,001-25,000	2.9	0.4	2.0	2.5	8.4	14.7	32.7
25,001 and over	0.7	0.0	0.0	0.2	2.0	11.7	50.6
All families	16.8	3.8	11.7	20.3	39.8	58.4	100.0
Head age 65 and over	25.6	7.2	26.2	50.8	62.0	59.9	44.1
Dividend over \$500	20.1	4.7	21.1	37.3	54.3	56.0	43.8
Percent of Households	100.0	23.8	35.5	26.7	10.2	3.8	
Percent of Dividend Income	100.0	2.1	12.1	13.7	25.2	47.0	

Source: Tax Policy Center computations based on Survey of Consumer Finances, Federal Reserve Board, 2001.



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