

## Changes in Reported Income, 2007-2009

By Eric Toder

Between 2007 and 2009, adjusted gross income dropped 12 percent, from \$8.7 trillion to \$7.6 trillion (see table). AGIs reported by taxpayers with AGIs of \$1 million or more fell by nearly half, accounting for almost two-thirds of the total decline. Much of the drop for the top income group reflects a decline of nearly 40 percent in the number of taxpayers in this group.

Lower realized capital gains accounted for three-fifths of the drop in AGI. Net capital gains reported on tax returns fell from \$912 billion in 2007 to \$263 billion in 2009. Although the percentage drop in net capital gains for taxpayers with income of \$1 million or more was only slightly higher (74 percent) than the percentage decline for all taxpayers (71 percent), they accounted for two-thirds of the total drop in capital gains, reflecting the much larger

than average share of their income coming from gains. In 2007, capital gains were 41 percent of AGI for the top income group, compared with 11 percent for all taxpayers. By 2009, capital gains as a share of AGI had dropped to about 21 percent for taxpayers in the top group and just 3 percent for the population as a whole.

These changes made the income distribution less skewed to the top in 2009 than in 2007. The share of AGI dropped from 16.1 to 9.5 percent for taxpayers with AGIs of \$1 million or more. But the post-2009 market recovery may have since reversed this decline in inequality. Emmanuel Saez reports that real incomes increased 11.6 percent in 2010 for the top 1 percent of taxpayers, compared with 0.2 percent for everyone else.<sup>1</sup>

<sup>1</sup>Emmanuel Saez, "Striking It Richer: The Evolution of Top Incomes in the United States (Updated with 2009 and 2010 Estimates)" (Mar. 2, 2012).

Changes in AGI, 2007-2009 (percentage changes in <i>italics</i> )*									
AGI Group	Number of Returns			Adjusted Gross Income			Net Capital Gains		
	2007	2009	Change	2007	2009	Change	2007	2009	Change
All returns	143	140.5	-2.5 <i>-1.7%</i>	8,688	7,626	-1,061 <i>-12.2%</i>	912	263	-649 <i>-71.2%</i>
Less than \$75,000	113.2	111.6	-1.7 <i>-1.5%</i>	3,033	2,870	-163 <i>-5.4%</i>	54	27	-27 <i>-50.4%</i>
\$75,000 to \$200,000	25.2	25	-0.2 <i>-0.9%</i>	2,808	2,792	-16 <i>-0.6%</i>	95	32	-63 <i>-66.4%</i>
\$200,000 to \$1 million	4.1	3.7	-0.5 <i>-11.0%</i>	1,446	1,237	-209 <i>-14.4%</i>	186	54	-132 <i>-71.1%</i>
\$1 million or more	0.4	0.2	-0.2 <i>-39.6%</i>	1,401	727	-674 <i>-48.1%</i>	577	150	-426 <i>-73.9%</i>

\*Number of returns in millions, AGI and net capital gains in billions.  
Source: IRS, Statistics of Income division, "Individual Income Tax Returns, 2007 and 2009," and author's calculations.



**Tax Policy Center**  
Urban Institute and Brookings Institution

The Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution, provides independent, timely, and accessible analysis of current and emerging tax policy issues for the public, journalists, policymakers, and academic researchers. For more tax facts, see <http://www.taxpolicycenter.org/taxfacts>.