

Who Pays No Income Tax? A 2013 Update

By Roberton Williams

Four years ago, the Tax Policy Center (TPC) estimated that 47 percent of Americans would pay no federal income tax in 2009 (*Tax Notes*, June 29, 2009, p. 1583). Subsequent revisions based on tax return data and new economic projections raised that estimate to 50 percent. The fraction was particularly high that year, in part because the Great Recession had reduced incomes substantially and in part because the American Recovery and Reinvestment Tax Act of 2009 provided economic stimulus through temporary tax cuts.

Since 2009, the improving economy has boosted incomes and the Making Work Pay credit expired, taking away the largest tax stimulus. The result: 43 percent of tax units will pay no federal income tax in 2013, according to TPC estimates. Rising real incomes and fixed-dollar tax guidelines will cut that percentage further over time — to 34 percent in 2024.

The fraction of tax units paying no income tax varies widely by filing status, age, and presence of children (see table). That variation results from the differences in income and tax preferences claimed.

Single people have the lowest incomes — the median is about \$22,000 — but get fewer tax breaks than other tax units. That situation leaves not quite half of them off the income tax rolls. Heads of household also have relatively low incomes (about \$32,500) but most benefit from the tax code's many child-related provisions, so nearly 70 percent pay no income tax. Tax units with children claim the same preferences but generally have higher income — a median of nearly \$60,000 — resulting in only about half not paying income tax.

Elderly people benefit from the exclusion of most Social Security payments and some extra deductions, so even though they have relatively high income (median is nearly \$50,000), slightly more than half will pay no income tax in 2013. As a group, joint filers have the highest income — a median slightly less than \$80,000 — so although many of them claim a variety of tax preferences, less than a third of them won't pay income tax this year.

It's important to keep in mind, however, that two-thirds of Americans who owe no income tax do pay payroll taxes and almost everyone pays one or more of the federal excise taxes, state income and sales taxes, and local property taxes that fund government activities.

Expanded Cash Income (2013 dollars) ^b	Tax Filing Status			Elderly Tax Units	Tax Units With Children	All Tax Units
	Single	Married Filing Jointly	Head of Household			
Less than \$10,000	99.6	99.5	99.5	100.0	99.5	99.5
\$10,000 - \$20,000	82.4	98.3	98.7	99.0	99.9	86.2
\$20,000 - \$30,000	51.3	90.2	94.0	89.8	99.5	66.2
\$30,000 - \$40,000	23.7	83.0	86.0	54.8	95.7	49.3
\$40,000 - \$50,000	9.0	72.8	72.6	48.1	84.6	40.8
\$50,000 - \$75,000	4.8	44.2	38.1	24.7	57.5	26.4
\$75,000 - \$100,000	3.1	18.1	9.7	9.7	25.5	12.6
\$100,000 - \$200,000	2.0	3.7	3.5	3.7	5.2	3.4
\$200,000 - \$500,000	1.5	0.8	0.3	1.3	0.8	0.8
\$500,000 - \$1,000,000	0.9	0.5	1.2	0.4	0.6	0.5
More than \$1,000,000	0.2	0.2	0.2	0.3	0.1	0.2
All	46.6	30.7	68.4	52.9	51.3	43.3

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0613-1), Table T13-0230.
^aCalendar year. Includes both filing and nonfiling units but excludes those that are dependents of other tax units.
^bTax units that pay no individual income tax are those with individual income tax liability of less than \$5. For a description of expanded cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.



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