

## Top Federal Individual Income Tax Rates

By Jim Nunns

The reduction in individual income tax rates and the other tax cut provisions enacted in 2001 and 2003 were “sunset” to expire at the end of 2010. Unless Congress acts to delay the expiration of the rate reductions, the top individual rate will rise from 35 percent in 2010 to 39.6 percent for 2011 and later years.

Throughout the history of the income tax the top rate has been 39.6 percent or higher except for brief periods before World War I, during the 1920s, and following enactment of the Tax Reform Act of 1986, which reduced the top rate in two steps to 28 percent. The Omnibus Budget Reconciliation Act (OBRA) of 1990 raised the top rate to 31 percent and the 1993 OBRA raised it further, to 39.6 percent. The 2001 and 2003 tax cuts reduced the top rate in steps over three years to the current 35 percent.

The top individual income tax rate has exceeded both the current 35 percent rate and the scheduled 39.6 percent

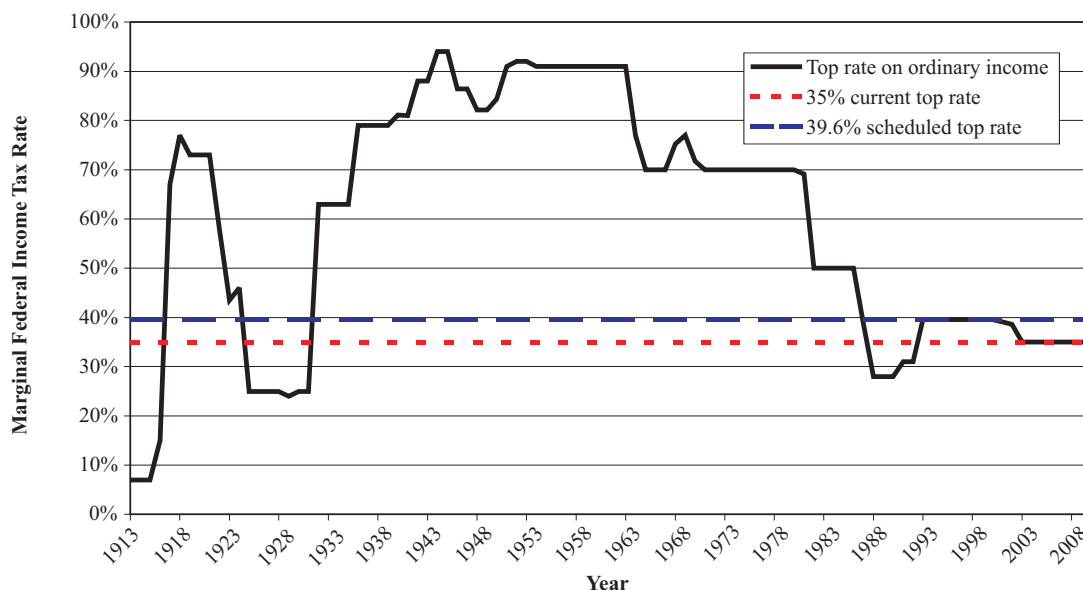
rate for most of the past century (see graph).<sup>1</sup> Over the 98-year history of the income tax, the top rate has been lower than 35 percent in only 16 years, and lower than 39.6 percent in only 27 years. Conversely, the top rate has been *higher* than 60 percent in 56 years, or well over half the history of the tax, and higher than 80 percent in 24 years, nearly as long as the rate has been below 39.6 percent.<sup>2</sup>

No one (to my knowledge) is seriously considering a return to the very high tax rates that we’ve had historically, and taxpayers facing the prospect of a 39.6 percent rate can only take cold comfort in knowing that their parents and grandparents may have faced much higher rates. But the history provides some perspective.

<sup>1</sup>Top individual income tax rates and other parameters since 1913 are available on the Urban-Brookings Tax Policy Center website at <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=543>.

<sup>2</sup>The top federal income tax rate, of course, is not the whole story; it does not capture the effect of tax brackets and other provisions that determine the applicability of the top rate, and taxpayers in the top bracket also may have been subject to payroll and state income tax rates.

Top Federal Individual Income Tax Rate on Ordinary Income, 1913-2010



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