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# The Distribution of Household Income: Two Decades of Change<sup>1</sup>

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**A**verage household income grew by more than 40 percent in real terms between 1979 and 2000, climbing from \$52,300 to \$74,200 (in 2000 dollars). The rate of income growth varied sharply across the income distribution, however. Average real income of the lowest quintile—or fifth of the distribution—increased just 7 percent over the 21-year period, compared with a 70-percent gain for the top quintile. Growth was even faster at the very top of the distribution: real income for the top 5 percent of households more than doubled, and that of the top 1 percent nearly tripled. Income growth also varied across types of households: incomes of households with children increased at about the same rate as those of all households, incomes of nonelderly childless households grew more slowly, and incomes of the elderly climbed nearly half again as fast as the overall average.

This paper examines trends in household income between 1979 and 2000, utilizing a measure that includes both cash and in-kind income. To look at changes in the distribution of income, the paper divides households into quintiles and further subdivides the top quintile into four parts—the 80th-90th percentiles, the 90th-95th percentiles, the 95th-99th percentiles, and the top 1 percent.<sup>2</sup> Analysis includes both pretax and post-tax income to assess the effects of taxes on the distribution of income. The paper also separates households into three types based on the presence of children and the age of the household head. The paper is purely descriptive; it makes no attempt to examine why incomes changed as they did or to analyze patterns of change among components of income.

## ► Measuring Income

The principal income measure used in this paper is pretax comprehensive household income. That measure counts both cash and in-kind income, including:

- all cash income (both taxable and tax-exempt);

- taxes paid by businesses (the employer share of payroll taxes is imputed to workers, and corporate income taxes are imputed to owners of capital);
- employee contributions to 401(k) retirement plans; and
- the value of income received in kind from various sources (including employer-paid health insurance premiums, Medicare, Medicaid, food stamps, housing and energy assistance, and school breakfasts and lunches).

Income thus includes more sources than people often consider in assessing their well-being. Furthermore, income is counted when it is reported, generally for tax purposes. Thus, capital gains are included in income when they are realized, even though they may have accrued over many years and might thus be more appropriately counted on an accrual basis (that is, the increase or decrease in value in a given year would count as income in that year).<sup>3</sup> As a result, households that realize large gains in a given year may show higher up the income distribution than they would in an average year, and the distribution based on that measure of income would appear to be more unequal than if based on an accrued income measure.

A second measure—after-tax comprehensive household income—is comparable to the pretax measure described above but subtracts the major Federal taxes paid by the household: individual and corporate income taxes, payroll taxes, and excise taxes.<sup>4</sup> Comparing the two measures thus shows the impact of major Federal taxes on the distribution of income.

The unit of observation is the household—groups of people sharing the same living quarters, regardless of their relationships. Households thus include single people living by themselves, nuclear families with no nonfamily

members living with them, unmarried couples living together, and groups of unrelated people sharing a house or apartment, among many other possibilities. In most cases, members of households share all costs out of their common income, and the household is the appropriate unit over which to measure income. In some cases, the only sharing of income is for housing costs, and household members cover their own expenses for everything else; for those groups, using household as the unit of measurement misstates members' well-being.<sup>5</sup>

Placement of households in the income distribution is based not on total household income but rather on "adjusted household income." That measure takes account of the greater needs of larger households by dividing total household income by the square root of household size. Thus, for example, a person living alone and a four-person household with twice the total income of the single person would have the same adjusted income. Adjusted household income is used only to rank households in the income distribution. All dollar measures of income reported in the paper are total income, unadjusted for differences in household size. As a result, households of different sizes that are at the same point in the income distribution will have different incomes. Average income for a given segment of the distribution thus depends on the relative numbers of households of different sizes.

The choice of income measure and unit of observation affects how households are ranked within the income distribution.<sup>6</sup> Counting income from more sources moves households with income from those sources up the distribution relative to those not receiving such income. Using households rather than families as the unit of analysis lifts people in multifamily households up the distribution ahead of some people in single-family households. And adjusting income to account for the greater needs of larger households drops those larger households down the income distribution and consequently pushes smaller households up.

Quintiles contain equal numbers of people. Because households vary in size, quintiles generally contain unequal numbers of households. Income measures are broken down further by type of household: those with

any members under age 18 (households with children), those headed by a person aged 65 or older and with no member under age 18 (elderly childless households), and all others (nonelderly childless households). The income and size of households vary more widely across those three groups than across all households; that means that the distributions of specific types of households among quintiles are more unequal than the distribution of all households.

### ► Pretax Income

Pretax household income increased by 42 percent in real terms between 1979 and 2000, with half of the gain coming in the last 5 years of the period (see Tables 1 and 2). Average income—measured in 2000 dollars—grew from about \$52,300 in 1979 to \$63,200 in 1995 and \$74,200 in 2000.

Much of the gain, however, came from much more rapid increases in income of households with the highest incomes, and average incomes of all but the highest quintile climbed much more slowly than the overall average. Average real income of the lowest quintile increased 7 percent over the period, that of the middle quintile 13 percent, and that of the highest quintile 70 percent. The disparity in growth rates was just as pronounced within the top quintile: incomes of households in the 80<sup>th</sup> to 90<sup>th</sup> percentiles rose 32 percent over the two decades compared with 43-percent growth for those in the 90<sup>th</sup> to 95<sup>th</sup> percentiles, 60-percent growth for those in the 95<sup>th</sup> to 99<sup>th</sup> percentiles, and 185-percent growth for the top 1 percent of households.<sup>7</sup> Had average income of households in the top 1 percent grown at the same rate as that for all other households, overall growth would have been one-third less over the period: 28 percent.

Because of those differences in growth rates of incomes, differentials among incomes increased sharply over the period. In 1979, households in the top quintile had average income 2.6 times that of households in the middle quintile and 8.5 times that of households in the lowest quintile. By 1995, those ratios had increased by about one-quarter to 3.3 and 10.9, respectively, and by 2000, they had risen another fifth to 3.9 and 13.5.

## ► The Impact of Federal Taxes

Federal taxes reduce after-tax income below their pretax levels. Overall, Federal taxes claimed 23 percent of pretax income in 2000, slightly more than the 22 percent taken in taxes in 1979. Because that change in effective Federal tax rates was small, after-tax incomes grew at roughly the same rate as their pretax equivalents. The overall average after-tax income in 2000 dollars increased 40 percent from \$40,700 in 1979 to \$57,000 in 2000 (see Tables 3 and 4).

Federal taxes are highly progressive, claiming a larger share of high incomes than of low incomes (see Table 5). In 2000, for example, households in the lowest income quintile paid Federal taxes equal to about 6 percent of pretax income, while households in the middle quintile paid nearly 17 percent, and those in the highest quintile paid 28 percent. Effective tax rates for the bottom four quintiles fell between 1979 and 2000, thus yielding larger percentage gains in after-tax income than in pretax income. In contrast, tax rates were slightly higher in 2000 than 1979 for the highest quintile. At the very top of the income distribution, however, tax rates dropped sharply over the period; the top 1 percentile's tax rate fell from 37 percent to 33 percent, increasing the rate of growth of after-tax income 16 percentage points above that of pretax income.

The progressivity of the Federal tax system mitigates the differential of incomes across quintiles. Because tax rates changed little over the 1979-2000 period, however, taxes did little to offset the growing disparity of incomes across quintiles. Average after-tax income for the highest quintile was 3.4 times that for the middle quintile, substantially below the 3.9 level for pretax incomes but nearly 50 percent above the 1979 after-tax ratio of 2.3. Federal taxes in 2000 did little more to equalize incomes across the distribution than they did in 1979 and had very little effect on the rapidly widening income differences across quintiles.

## ► Changing Shares of Income

The different rates of income growth across quintiles resulted in a shift in shares of income from lower income categories to higher ones, both for pretax and af-

ter-tax incomes (see Table 6). The share of pretax income going to the lowest quintile declined from 5.8 percent in 1979 to 4.0 percent in 2000, and that for the middle quintile fell from 15.8 percent to 13.5 percent. In contrast, the share going to the highest quintile increased from 45.5 percent to 54.9 percent and that for the top 1 percent of households nearly doubled from 9.3 percent to 17.8 percent.

After-tax income shares showed similar patterns, starting from slightly greater equality but shifting relatively more. The share of after-tax income going to the lowest quintile fell from 6.8 percent in 1979 to 4.9 percent in 2000; for the middle quintile, the decline was from 16.5 percent to 14.7 percent. Gains at the upper end of the distribution were substantial: the share going to the highest quintile rose from 42.4 percent to 51.3 percent, and that going to the top 1 percent more than doubled from 7.5 percent to 15.5 percent, in part because of the 10-percent drop in their effective tax rate and in part because of the large income gains they experienced.

## ► Changes Across Types of Household

Average pretax income varies across types of household: households with children have incomes above those of nonelderly childless households, and both groups have average incomes above that of elderly childless households (see Table 7). In 2000, for example, households with children had an average pretax income of \$85,300, about 19 percent greater than the \$71,900 average for nonelderly childless households and 42 percent above the \$60,100 average for elderly childless households.

Incomes of the three types of household grew at different rates over the past two decades. Average pretax income of the elderly climbed most rapidly, rising 57 percent between 1979 and 2000. In comparison, average income of households with children increased 43 percent, and that of other households rose 38 percent. Average income of households with children grew more slowly than those of the other two types of household during the 1980's but rose faster in the 1990's to make up some of the difference. The more rapid income growth for elderly households raised their average income from 73 percent of that for all households in 1979 to 81 percent in 2000.

The three types of household face quite different effective tax rates, largely because their incomes derive from sources that are taxed differentially but also because the tax code treats them differently. The elderly get more of their income in kind—principally from Medicare—and a large part of their Social Security benefits are not subject to income tax. Furthermore, because relatively little of their income comes from earnings, payroll taxes claim a smaller share of their income than is the case for households getting more income from work. At the same time, households with children are generally larger than other households and qualify for more dependent exemptions that serve to lower their income tax liabilities. As a result of those differences, elderly households face a lower than average effective Federal tax rate, and nonelderly childless households incur a higher than average rate (see Table 8). The effective tax rate for households with children was close to that for all households throughout the past two decades. Over that period, effective tax rates rose for both households with children and other nonelderly households but declined for the elderly.

Differential tax rates served to narrow the gap between incomes of the elderly and other households, and that effect grew over the past two decades (see Table 9). Average after-tax income of elderly households increased 60 percent from \$30,500 in 1979 to \$48,800 in 2000. Over the same period, average after-tax income of households with children rose 40 percent from \$47,000 to \$65,700, and that for other nonelderly households climbed 36 percent from \$39,500 to \$53,900. The more rapid income growth for the elderly raised their average after-tax income from 75 percent of that for all households in 1979 to 86 percent in 2000.

### ► Caveats

The preceding analysis should be viewed with caution for many reasons. First, the study compares income groups over time, showing how incomes have changed for each quintile. The composition of each quintile changes, however, from year to year. Over time, people join and leave households, enter and leave the labor force, and experience other changes that can alter their positions in the income distribution. Trends in tax rates and income that are discussed here reflect what

has happened to people in the same parts of the distribution over time, not what has happened to the same people.

Second, expanding the income measure for calculating effective tax rates to include taxes paid by businesses, employee contributions to 401(k) plans, and in-kind benefits makes that measure larger than what many people think of when they consider their own incomes. As a result, it may be difficult for readers to determine their own placement within the reported distributions. Third, adjusting income for the size of households in order to rank them substantially reorders those units throughout the income distribution. Consequently, total household income can vary markedly among households of differing size, even though they are closely ranked in the distribution.<sup>8</sup>

Fourth, any choice of a period over which to assess changes in effective tax rates or incomes is arbitrary. Many of the comparisons made in this paper compare incomes in 1979 against those in 2000. Changes over other periods may show markedly different patterns. For example, between 1979 and 2000, average household income rose 42 percent. But it also rose 42 percent between 1983 and 2000, having lost and recovered 4 percent of its value between 1979 and 1983. What period is most appropriate depends on the question posed. The tables provide measures of income for every year of the 1979-2000 period and thus allow an evaluation of changes between any pair of years.

Finally, the study looks only at annual income and taxes. A better indication of the well-being of households at different points in the income distribution would cover a longer period—ideally, each person's lifetime. That kind of time frame would remove the effects of year-to-year variations and avoid the problem that information about a single year might differ markedly from average values for longer periods. For example, households realize capital gains irregularly over time, some years having large gains and other years having none. The annual income measures used in this paper count gains in the year they are realized, even though they may represent accumulations of wealth over many years. Using a lifetime measure of income would avoid that shortcoming and yield a flatter income distribution than the one shown here.

**► Footnotes**

- <sup>1</sup> The views expressed in this paper are those of the author and should not be interpreted as those of the Congressional Budget Office.
- <sup>2</sup> That breakdown reveals the effects of the disproportionately rapid growth of income that has occurred over the past two decades at the top end of the distribution. The analysis does not show a comparable subdivision of the lowest quintile because income moved in similar ways for households in different parts of that income group.
- <sup>3</sup> Available data do not allow the counting of accrued gains, thus precluding that alternative measure of income.
- <sup>4</sup> Other Federal taxes, representing about 5 percent of Federal revenue collections, are not counted. The omitted taxes include estate and gift taxes, customs duties, and other miscellaneous revenues.
- <sup>5</sup> See Chapter 2 of Congressional Budget Office, *Effective Federal Tax Rates: 1979-1997* (October 2001) for further discussion of methodological questions concerning the appropriate unit of observation and measure of income.
- <sup>6</sup> Previous work has compared the income measure used in this paper with alternatives to assess the effects of the choice of measure. See *ibid.*
- <sup>7</sup> It is important to remember that households in a given income category in one year are not the same as those in that category in another year. Households move up and down the distribution over time, faring better or worse than average. At the same time, changes in income for quintiles or other parts of the income distribution do indicate how income gains are shared among households.
- <sup>8</sup> Statistics based on household cash income that omits in-kind income and is unadjusted for household size may provide information that is more consistent with how most people think about their own tax and income situations. This paper does not examine such a measure. For information on unadjusted cash incomes, see Congressional Budget Office, *op. cit.*

**Table 1. Total Pretax Household Income by Quintile, All Households, 1979-2000 (in 2000 dollars)**

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	80th-90th Percentile	90th-95th Percentile	95th-99th Percentile	Top 1 Percent
1979	13,700	29,800	44,700	60,500	115,800	52,300	78,600	96,800	142,400	454,200
1980	13,200	28,600	43,300	58,700	112,100	50,700	76,500	95,300	136,900	428,400
1981	12,900	28,400	42,700	59,000	111,400	50,600	76,400	95,000	134,800	425,900
1982	12,500	27,900	42,200	58,700	112,400	50,700	76,400	95,200	135,300	447,800
1983	12,100	26,700	41,200	58,100	115,400	50,800	76,500	96,600	138,400	487,400
1984	12,500	28,300	43,000	60,600	123,600	53,100	80,200	102,400	148,400	537,100
1985	12,600	28,400	43,800	61,200	127,000	54,500	81,100	103,800	151,500	577,400
1986	12,600	29,100	44,800	63,500	143,300	58,500	85,700	109,500	166,300	751,500
1987	12,400	28,000	44,500	63,600	134,900	56,500	86,100	111,000	164,500	607,200
1988	12,700	28,600	45,200	64,300	145,200	59,000	88,100	112,800	170,500	765,000
1989	13,100	29,100	45,700	65,100	144,400	59,500	88,800	115,200	174,100	712,100
1990	13,500	29,900	45,500	64,300	140,300	58,800	87,400	112,400	168,400	683,400
1991	13,500	29,400	44,800	63,600	135,300	57,300	86,100	111,000	164,600	615,900
1992	13,200	29,200	45,100	64,200	141,300	58,900	87,100	112,800	171,600	698,600
1993	13,500	29,400	45,300	64,700	141,300	59,100	88,200	114,000	171,000	671,000
1994	13,400	29,600	45,700	65,900	144,200	59,800	89,400	116,000	175,500	692,100
1995	14,300	31,200	47,500	67,500	155,600	63,200	93,600	121,200	191,800	783,800
1996	13,900	30,900	47,500	68,000	158,500	64,100	93,400	122,800	190,700	841,000
1997	14,200	31,600	48,300	69,300	168,100	66,700	95,600	126,500	202,600	964,600
1998	14,900	33,000	49,500	72,000	178,300	69,900	99,000	131,400	213,400	1,083,300
1999	15,300	33,900	50,500	73,800	189,100	73,000	102,300	136,300	222,400	1,181,000
2000	14,600	33,300	50,300	74,500	196,900	74,200	103,700	139,000	227,800	1,295,300

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.

**Table 2. Pretax Household Income Relative to 1979 by Quintile, All Households, 1979-2000 (in percent of 1979 income)**

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	80th-90th Percentile	90th-95th Percentile	95th-99th Percentile	Top 1 Percent
1979	100	100	100	100	100	100	100	100	100	100
1980	96	96	97	97	97	97	97	98	96	94
1981	94	95	96	98	96	97	97	98	95	94
1982	91	94	94	97	97	97	97	98	95	99
1983	88	90	92	96	100	97	97	100	97	107
1984	91	95	96	100	107	102	102	106	104	118
1985	92	95	98	101	110	104	103	107	106	127
1986	92	98	100	105	124	112	109	113	117	165
1987	91	94	100	105	116	108	110	115	116	134
1988	93	96	101	106	125	113	112	117	120	168
1989	96	98	102	108	125	114	113	119	122	157
1990	99	100	102	106	121	112	111	116	118	150
1991	99	99	100	105	117	110	110	115	116	136
1992	96	98	101	106	122	113	111	117	121	154
1993	99	99	101	107	122	113	112	118	120	148
1994	98	99	102	109	125	114	114	120	123	152
1995	104	105	106	112	134	121	119	125	135	173
1996	101	104	106	112	137	123	119	127	134	185
1997	104	106	108	115	145	128	122	131	142	212
1998	109	111	111	119	154	134	126	136	150	239
1999	112	114	113	122	163	140	130	141	156	260
2000	107	112	113	123	170	142	132	144	160	285

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.

**Table 3. Total After-Tax Household Income by Quintile, All Households, 1979-2000 (in 2000 dollars)**

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	80th-90th Percentile	90th-95th Percentile	95th-99th Percentile	Top 1 Percent
1979	12,600	25,600	36,400	47,700	84,000	40,700	60,400	72,700	103,000	286,300
1980	12,200	24,600	35,200	46,100	81,500	39,400	58,300	71,100	98,900	280,300
1981	11,900	24,200	34,500	46,000	81,500	39,200	58,000	70,400	97,700	290,400
1982	11,500	24,100	34,700	46,700	85,200	40,200	59,200	72,800	102,200	326,200
1983	11,000	23,000	34,000	46,400	87,900	40,400	59,800	74,400	105,600	352,200
1984	11,200	24,100	35,300	48,200	93,600	42,000	62,400	78,600	112,600	385,500
1985	11,400	24,200	35,800	48,700	96,500	43,100	62,900	79,700	115,400	421,500
1986	11,400	24,800	36,800	50,500	109,200	46,300	66,300	83,900	127,000	559,900
1987	11,300	24,100	36,700	50,800	100,100	44,300	66,600	84,100	121,700	417,800
1988	11,600	24,500	37,100	51,000	108,000	46,100	67,700	85,800	126,900	537,900
1989	12,100	25,100	37,500	51,800	108,000	46,700	68,600	87,400	129,800	506,500
1990	12,300	25,500	37,400	51,000	105,000	46,200	67,400	85,400	125,800	486,800
1991	12,300	25,200	36,900	50,500	101,000	45,000	66,500	84,400	122,500	431,900
1992	12,100	25,200	37,200	51,200	105,100	46,200	67,400	85,700	127,600	484,900
1993	12,400	25,400	37,500	51,600	103,500	46,000	68,300	86,400	125,400	439,800
1994	12,600	25,700	37,800	52,400	104,700	46,500	69,000	87,400	128,100	444,500
1995	13,400	27,100	39,300	53,800	113,500	49,200	72,200	91,400	140,800	515,200
1996	13,100	26,800	39,300	54,200	114,100	49,500	71,900	92,100	137,800	538,200
1997	13,400	27,300	39,900	55,100	121,000	51,400	73,300	94,900	146,300	627,700
1998	14,000	28,700	41,200	57,300	129,100	54,100	76,200	98,600	154,500	721,100
1999	14,400	29,300	42,000	58,700	136,000	56,200	78,400	101,700	159,700	783,600
2000	13,700	29,000	41,900	59,200	141,400	57,000	79,500	103,600	163,200	862,400

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.



**Table 4. After-Tax Household Income Relative to 1979 by Quintile, All Households, 1979-2000 (in percent of 1979 income)**

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	80th-90th Percentile	90th-95th Percentile	95th-99th Percentile	Top 1 Percent
1979	100	100	100	100	100	100	100	100	100	100
1980	97	96	97	97	97	97	97	98	96	98
1981	94	95	95	96	97	96	96	97	95	101
1982	91	94	95	98	101	99	98	100	99	114
1983	87	90	93	97	105	99	99	102	103	123
1984	89	94	97	101	111	103	103	108	109	135
1985	90	95	98	102	115	106	104	110	112	147
1986	90	97	101	106	130	114	110	115	123	196
1987	90	94	101	106	119	109	110	116	118	146
1988	92	96	102	107	129	113	112	118	123	188
1989	96	98	103	109	129	115	114	120	126	177
1990	98	100	103	107	125	114	112	117	122	170
1991	98	98	101	106	120	111	110	116	119	151
1992	96	98	102	107	125	114	112	118	124	169
1993	98	99	103	108	123	113	113	119	122	154
1994	100	100	104	110	125	114	114	120	124	155
1995	106	106	108	113	135	121	120	126	137	180
1996	104	105	108	114	136	122	119	127	134	188
1997	106	107	110	116	144	126	121	131	142	219
1998	111	112	113	120	154	133	126	136	150	252
1999	114	114	115	123	162	138	130	140	155	274
2000	109	113	115	124	168	140	132	143	158	301

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.

**Table 5. Effective Federal Tax Rates by Quintile, All Households, 1979-2000 (in percent)**

Year	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	All Quintiles	80th-90th Percentile	90th-95th Percentile	95th-99th Percentile	Top 1 Percent
1979	8.0	14.1	18.6	21.2	27.5	22.2	23.1	24.9	27.7	37.0
1980	7.6	14.0	18.7	21.5	27.3	22.3	23.8	25.4	27.8	34.6
1981	7.8	14.8	19.2	22.0	26.8	22.5	24.0	25.9	27.5	31.8
1982	8.0	13.6	17.8	20.4	24.2	20.7	22.6	23.5	24.5	27.2
1983	9.1	13.9	17.5	20.1	23.8	20.5	21.8	23.0	23.7	27.7
1984	10.4	14.8	17.9	20.5	24.3	20.9	22.2	23.3	24.1	28.2
1985	9.5	14.8	18.3	20.4	24.0	20.9	22.4	23.2	23.8	27.0
1986	9.5	14.8	17.9	20.5	23.8	20.9	22.6	23.3	23.6	25.5
1987	8.9	13.9	17.5	20.1	25.8	21.6	22.7	24.3	26.0	31.2
1988	8.7	14.3	17.9	20.7	25.6	21.9	23.2	24.0	25.6	29.7
1989	7.6	13.7	17.9	20.4	25.2	21.5	22.7	24.1	25.4	28.9
1990	8.9	14.7	17.8	20.7	25.2	21.4	22.9	24.0	25.3	28.8
1991	8.9	14.3	17.6	20.6	25.4	21.5	22.8	24.0	25.6	29.9
1992	8.3	13.7	17.5	20.2	25.6	21.6	22.6	24.0	25.6	30.6
1993	8.1	13.6	17.2	20.2	26.8	22.2	22.5	24.2	26.6	34.5
1994	6.0	13.2	17.3	20.5	27.4	22.2	22.9	24.7	27.0	35.8
1995	6.3	13.1	17.3	20.3	27.1	22.2	22.9	24.6	26.6	34.3
1996	5.8	13.3	17.3	20.3	28.0	22.8	22.9	24.9	27.7	36.0
1997	5.6	13.6	17.4	20.5	28.0	22.9	23.3	25.0	27.8	34.9
1998	6.0	13.0	16.8	20.4	27.6	22.6	23.1	25.0	27.6	33.4
1999	5.9	13.6	16.8	20.5	28.1	23.0	23.3	25.4	28.2	33.6
2000	6.2	12.9	16.7	20.5	28.2	23.2	23.4	25.4	28.3	33.4

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: Effective tax rates include individual and corporate income taxes, payroll taxes, and excise taxes. They omit estate and gift taxes, customs duties, and other miscellaneous collections; revenues from those sources total about 5 percent of all Federal revenues.

**Table 6. Shares of Pretax and After-Tax Household Income by Quintile, All Households, 1979-2000 (in percent)**

Year	Shares of Pretax Income					Shares of After-Tax Income				
	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile	Lowest Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Highest Quintile
1979	5.8	11.1	15.8	22.0	45.4	6.8	12.2	16.5	22.2	42.3
1980	5.7	10.9	15.7	22.0	45.7	6.7	12.1	16.4	22.2	42.6
1981	5.4	10.9	15.8	22.1	45.8	6.4	11.9	16.4	22.2	43.1
1982	5.1	10.6	15.7	22.1	46.5	5.9	11.5	16.2	22.1	44.3
1983	4.8	10.2	15.4	22.1	47.5	5.5	11.1	15.9	22.1	45.4
1984	5.0	10.2	15.3	21.9	47.7	5.6	11.0	15.8	22.0	45.6
1985	4.8	10.1	15.1	21.7	48.3	5.4	10.8	15.6	21.8	46.3
1986	4.5	9.5	14.6	21.1	50.3	5.1	10.2	15.2	21.1	48.3
1987	4.3	9.9	15.2	22.0	48.6	5.0	10.8	16.0	22.3	45.9
1988	4.2	9.7	14.7	21.4	49.9	4.9	10.6	15.4	21.7	47.4
1989	4.3	9.7	14.9	21.4	49.6	5.0	10.7	15.6	21.7	47.1
1990	4.5	9.9	15.0	21.5	49.2	5.2	10.7	15.6	21.6	46.8
1991	4.7	9.9	15.3	21.6	48.5	5.4	10.7	16.0	21.8	46.0
1992	4.4	9.7	14.9	21.4	49.6	5.1	10.6	15.7	21.7	46.9
1993	4.5	9.7	14.9	21.4	49.4	5.2	10.8	15.8	21.9	46.3
1994	4.4	9.7	15.1	21.5	49.4	5.3	10.8	16.0	21.9	46.0
1995	4.5	9.6	14.6	21.0	50.2	5.4	10.7	15.5	21.4	46.9
1996	4.3	9.4	14.4	20.8	51.1	5.2	10.5	15.4	21.4	47.5
1997	4.2	9.1	14.2	20.3	52.2	5.2	10.2	15.1	20.9	48.6
1998	4.3	8.9	14.0	20.1	52.7	5.2	10.0	15.0	20.6	49.2
1999	4.2	8.8	13.7	19.8	53.5	5.1	9.9	14.8	20.4	49.8
2000	4.0	8.6	13.4	19.5	54.6	4.9	9.7	14.5	20.1	50.9

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.

**Table 7. Average Pretax Household Income by Quintile and Household Type, 1979-2000  
(in 2000 dollars)**

Year	Average Pretax Household Income				Pretax Income Relative to 1979			
	All	With Children	Elderly Childless	Nonelderly Childless	All	With Children	Elderly Childless	Nonelderly Childless
1979	52,300	59,500	38,200	52,200	100	100	100	100
1980	50,700	57,000	37,900	50,900	97	96	99	98
1981	50,600	56,500	39,100	50,600	97	95	102	97
1982	50,700	55,500	40,600	51,200	97	93	106	98
1983	50,800	55,600	41,300	51,100	97	93	108	98
1984	53,100	58,900	43,600	52,500	102	99	114	101
1985	54,500	59,200	45,100	54,900	104	99	118	105
1986	58,500	64,000	48,800	58,300	112	108	128	112
1987	56,500	61,700	44,700	57,800	108	104	117	111
1988	59,000	63,300	46,400	61,500	113	106	121	118
1989	59,500	65,000	47,100	61,000	114	109	123	117
1990	58,800	63,700	46,100	61,200	112	107	121	117
1991	57,300	62,800	44,100	59,300	110	106	115	114
1992	58,900	63,800	45,700	61,100	113	107	120	117
1993	59,100	65,400	45,700	60,100	113	110	120	115
1994	59,800	66,100	46,400	61,200	114	111	121	117
1995	63,200	70,900	50,400	62,900	121	119	132	120
1996	64,100	70,400	53,300	63,900	123	118	140	122
1997	66,700	73,400	56,100	66,100	128	123	147	127
1998	69,900	77,800	59,000	68,500	134	131	154	131
1999	73,000	82,100	60,900	71,200	140	138	159	136
2000	74,200	85,300	60,100	71,900	142	143	157	138

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.

**Table 8. Effective Federal Tax Rates by Type of Household, 1979-2000 (in percent)**

Year	All	With Children	Elderly Childless	Nonelderly Childless
1979	22.2	21.0	20.2	24.3
1980	22.3	21.4	19.0	24.4
1981	22.5	21.9	17.6	24.7
1982	20.7	20.5	15.0	22.9
1983	20.5	20.5	15.5	22.3
1984	20.9	20.9	16.5	22.7
1985	20.9	20.8	16.4	23.0
1986	20.9	21.1	16.0	22.8
1987	21.6	21.4	17.0	23.7
1988	21.9	21.3	17.2	23.9
1989	21.5	21.4	17.0	23.4
1990	21.4	21.4	16.5	23.7
1991	21.5	21.5	15.6	23.8
1992	21.6	21.2	16.2	23.9
1993	22.2	21.9	16.8	24.1
1994	22.2	21.9	17.5	24.7
1995	22.2	22.0	17.5	24.2
1996	22.8	22.2	19.1	24.7
1997	22.9	22.5	18.9	25.0
1998	22.6	22.0	18.5	24.7
1999	23.0	22.5	19.0	25.0
2000	23.2	23.0	18.8	25.0

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: Effective tax rates include individual and corporate income taxes, payroll taxes, and excise taxes. They omit estate and gift taxes, customs duties, and other miscellaneous collections; revenues from those sources total about 5 percent of all Federal revenues.

**Table 9. Average After-Tax Household Income by Quintile and Household Type, 1979-2000  
(in 2000 dollars)**

Year	Average Pretax Household Income				Pretax Income Relative to 1979			
	All	With Children	Elderly Childless	Nonelderly Childless	All	With Children	Elderly Childless	Nonelderly Childless
1979	40,700	47,000	30,500	39,500	100	100	100	100
1980	39,400	44,800	30,700	38,500	97	95	101	97
1981	39,200	44,100	32,200	38,100	96	94	106	96
1982	40,200	44,100	34,500	39,500	99	94	113	100
1983	40,400	44,200	34,900	39,700	99	94	114	101
1984	42,000	46,600	36,400	40,600	103	99	119	103
1985	43,100	46,900	37,700	42,300	106	100	124	107
1986	46,300	50,500	41,000	45,000	114	107	134	114
1987	44,300	48,500	37,100	44,100	109	103	122	112
1988	46,100	49,800	38,400	46,800	113	106	126	118
1989	46,700	51,100	39,100	46,700	115	109	128	118
1990	46,200	50,100	38,500	46,700	114	107	126	118
1991	45,000	49,300	37,200	45,200	111	105	122	114
1992	46,200	50,300	38,300	46,500	114	107	126	118
1993	46,000	51,100	38,000	45,600	113	109	125	115
1994	46,500	51,600	38,300	46,100	114	110	126	117
1995	49,200	55,300	41,600	47,700	121	118	136	121
1996	49,500	54,800	43,100	48,100	122	117	141	122
1997	51,400	56,900	45,500	49,600	126	121	149	126
1998	54,100	60,700	48,100	51,600	133	129	158	131
1999	56,200	63,600	49,300	53,400	138	135	162	135
2000	57,000	65,700	48,800	53,900	140	140	160	136

Source: Congressional Budget Office tabulations of data from the 1979-2000 Statistics of Income (Internal Revenue Service) and from the March 1980-March 2001 Current Population Survey (Bureau of the Census).

NOTE: See text for discussion of methodology used to combine data bases.