

ETCETERA

Slouch

By Jim Earle



"Last week? You mean we were supposed to come back last week?"

Study: low income Americans pay large share of federal taxes

Associated Press

WASHINGTON — The share of all taxes paid by lower-income Americans has risen over the past two decades, due mainly to increasing Social Security taxes and a decline in corporate levies, according to a study released Wednesday.

Research by economist Joseph A. Pechman of the private Brookings Institution here found the share paid by the wealthiest 10 percent of taxpayers has declined since 1966.

And while taxes have done little to shift income among various levels of society, Pechman wrote in a book entitled, "Who Paid the Taxes, 1966-85," such government payments as Social Security and food stamps have "a major equalizing effect on the distribution of income."

Those payments have offset some of the redistribution of wealth that otherwise would have occurred under the tax system, he said.

Pechman also found a dollar of

The total tax burden has increased on the lowest one-fifth of taxpayers, remained steady on the next-lowest group and rose slightly for everyone else except the top 10 percent, whose tax share declined. — economist Joseph Pechman

wages is likely to be taxed at a higher rate this year than a dollar of investment income because of long-term reductions in corporate income taxes and a reduced role for local property taxes.

But his key finding was that the American tax system — federal, state and local — has become less progressive since 1966. The federal income tax is generally known as progressive — meaning that it is based on ability to pay and that taxes claim a larger share of each dollar as income increases.

The Social Security tax, by con-

trast, is regressive — the flat rate of 7.05 percent this year applies to the first \$39,600 earned by every covered worker.

Using what he called the most progressive set of assumptions, Pechman found that over the last two decades, the total tax burden increased on the lowest one-fifth of taxpayers, remained steady on the next-lowest group and rose slightly for everyone else except the top 10 percent, whose tax share declined.

At the bottom income level, a family paid 16.8 percent in taxes in 1966 and will pay 21.9 percent this year,

Pechman said. At the top, the average rate was 30.1 percent in 1966 and 25.3 percent this year.

The main reason for the growing low-income burden has been the steady increase in taxes to finance Social Security and unemployment compensation, Pechman said.

Individual federal income taxes at lower earning levels also went up because adjustments in the personal exemption and standard deduction failed to keep pace with inflation, he said. Those increases outweighed reductions in property and corporate income taxes, which are assumed to be passed on at least partially to consumers.

At high-income levels, the overall tax burden has declined because of the reduction in federal income-tax rates enacted in 1981 and the continuing drop in the share of taxes contributed by corporations, the economist said.

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