



CONGRESSIONAL BUDGET OFFICE

# The Distribution of Household Income, 2016

July 2019

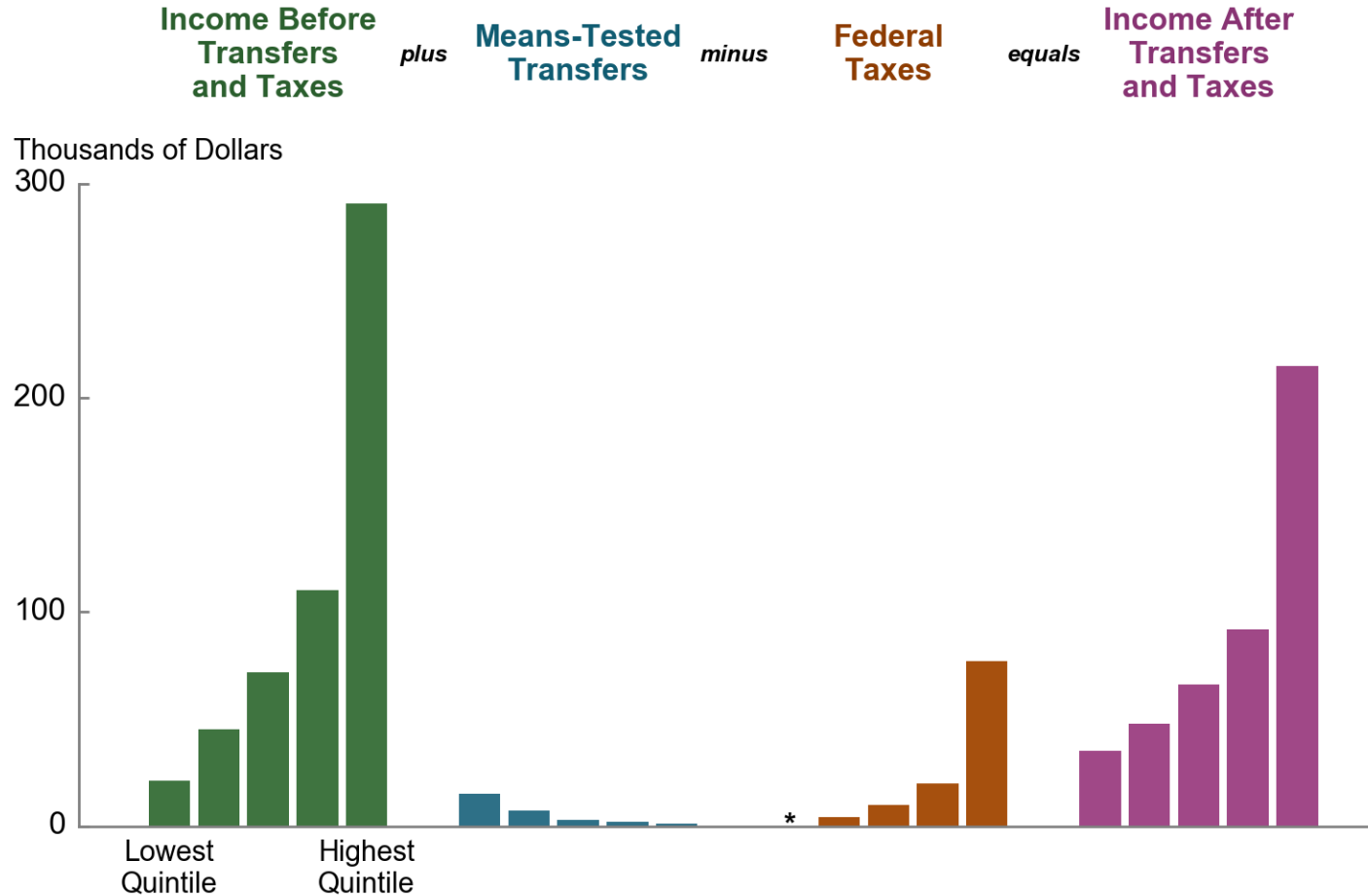
This publication updates the figures in CBO's report *The Distribution of Household Income, 2014* (March 2018), [www.cbo.gov/publication/53597](http://www.cbo.gov/publication/53597).

# Definitions

- **Market income** consists of labor income; business income; capital income (including capital gains); income received in retirement for past services; and other non-governmental sources of income.
- **Income before transfers and taxes** consists of market income plus social insurance benefits (including benefits from Social Security, Medicare, unemployment insurance, and workers' compensation).
- **Means-tested transfers** are cash payments and in-kind services provided through federal, state, and local government assistance programs. Eligibility to receive such transfers is determined primarily on the basis on income, which must be below certain thresholds.
- **Federal taxes** consist of individual income taxes, payroll taxes, corporate income taxes, and excise taxes.

# Summary

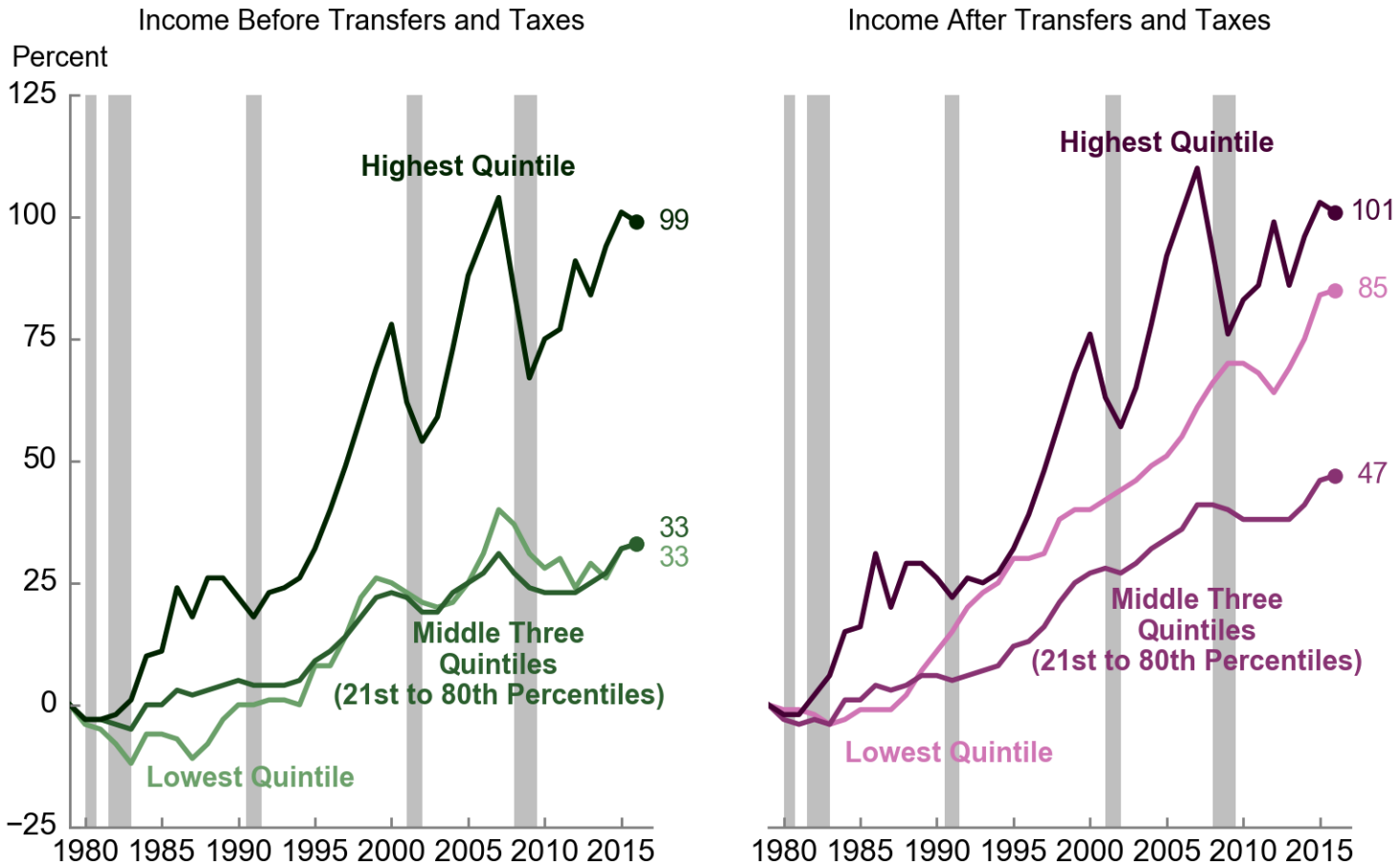
# Average Income, Means-Tested Transfers, and Federal Taxes, by Income Group, 2016



Source: Congressional Budget Office.

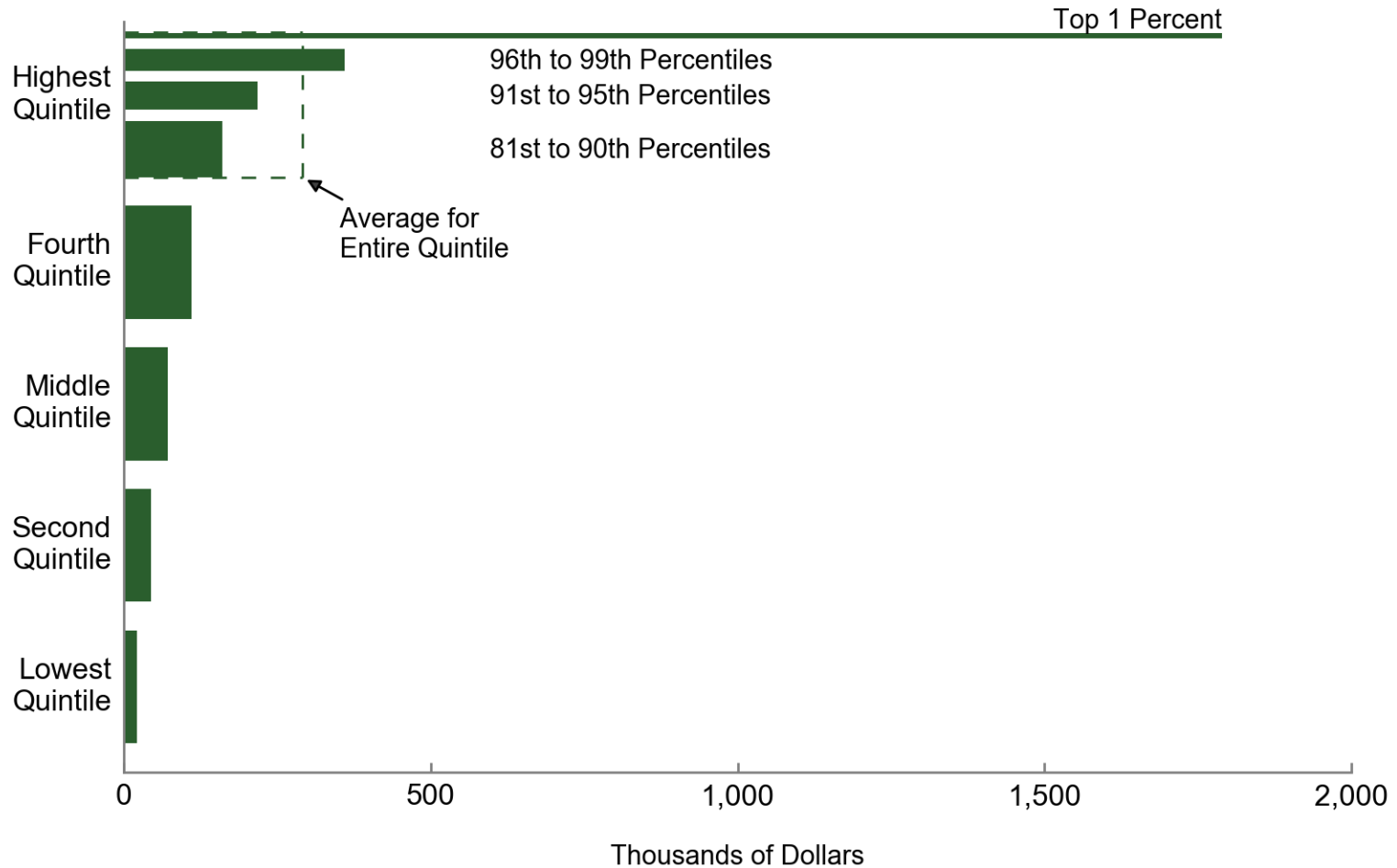
\* = less than \$500.

# Cumulative Growth in Average Income, by Income Group, 1979 to 2016

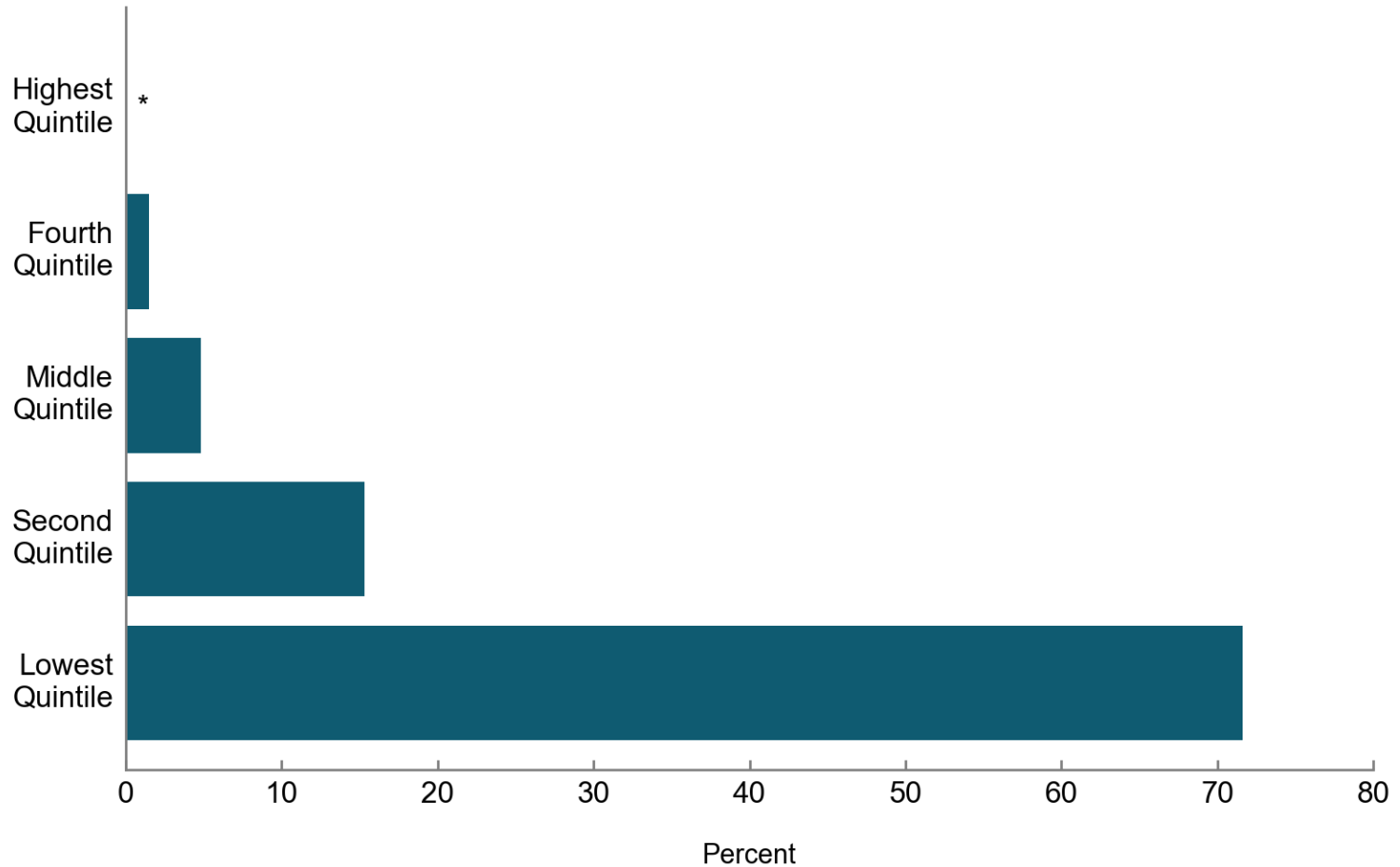


# **Income, Transfers, and Taxes, 2016**

# Average Income Before Means-Tested Transfers and Federal Taxes, by Income Group, 2016



# Average Means-Tested Transfer Rates, by Income Group, 2016

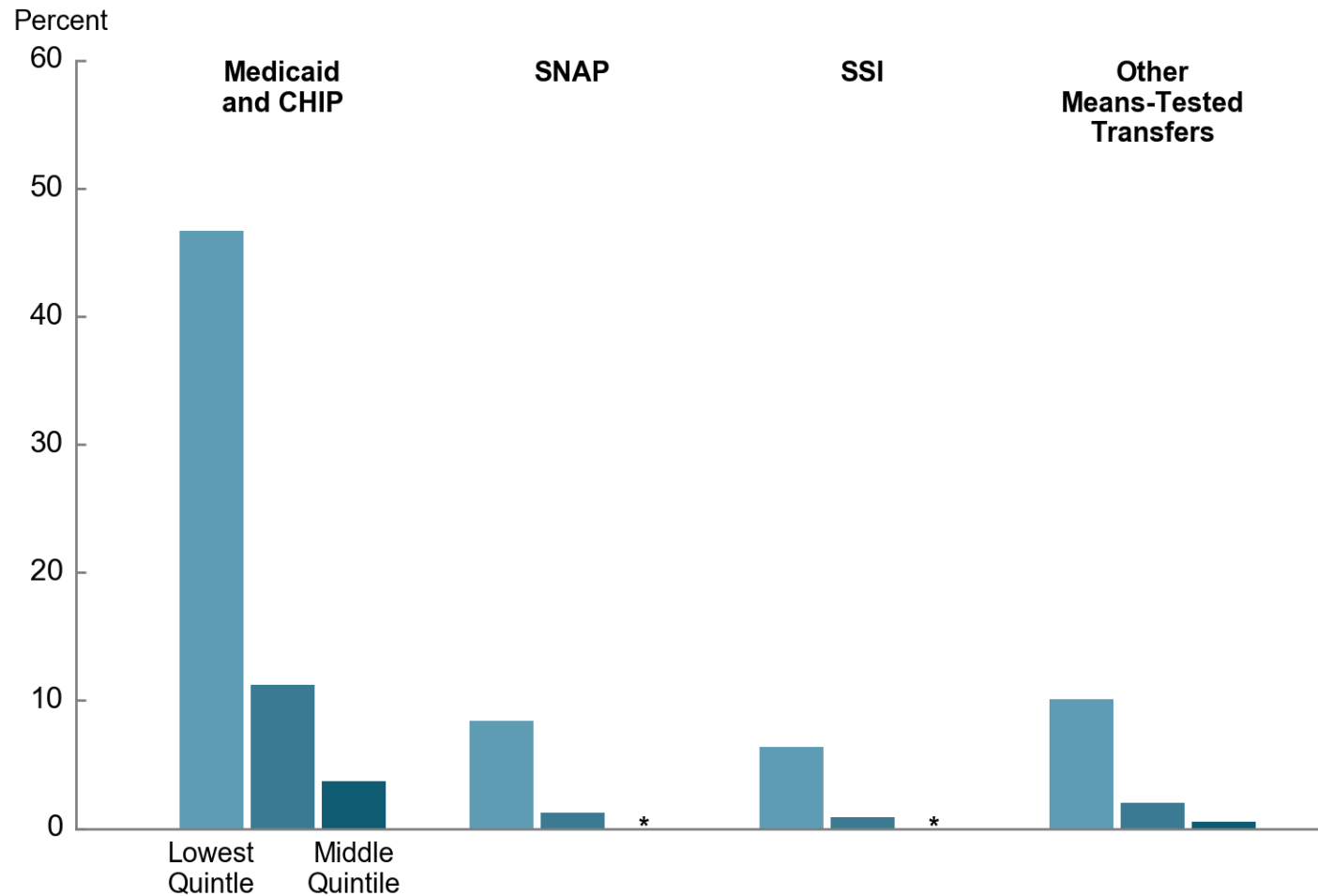


Source: Congressional Budget Office.

Average means-tested transfer rates are calculated by dividing total means-tested transfers by total income before transfers and taxes in each income group; \* = less than 0.5 percent.



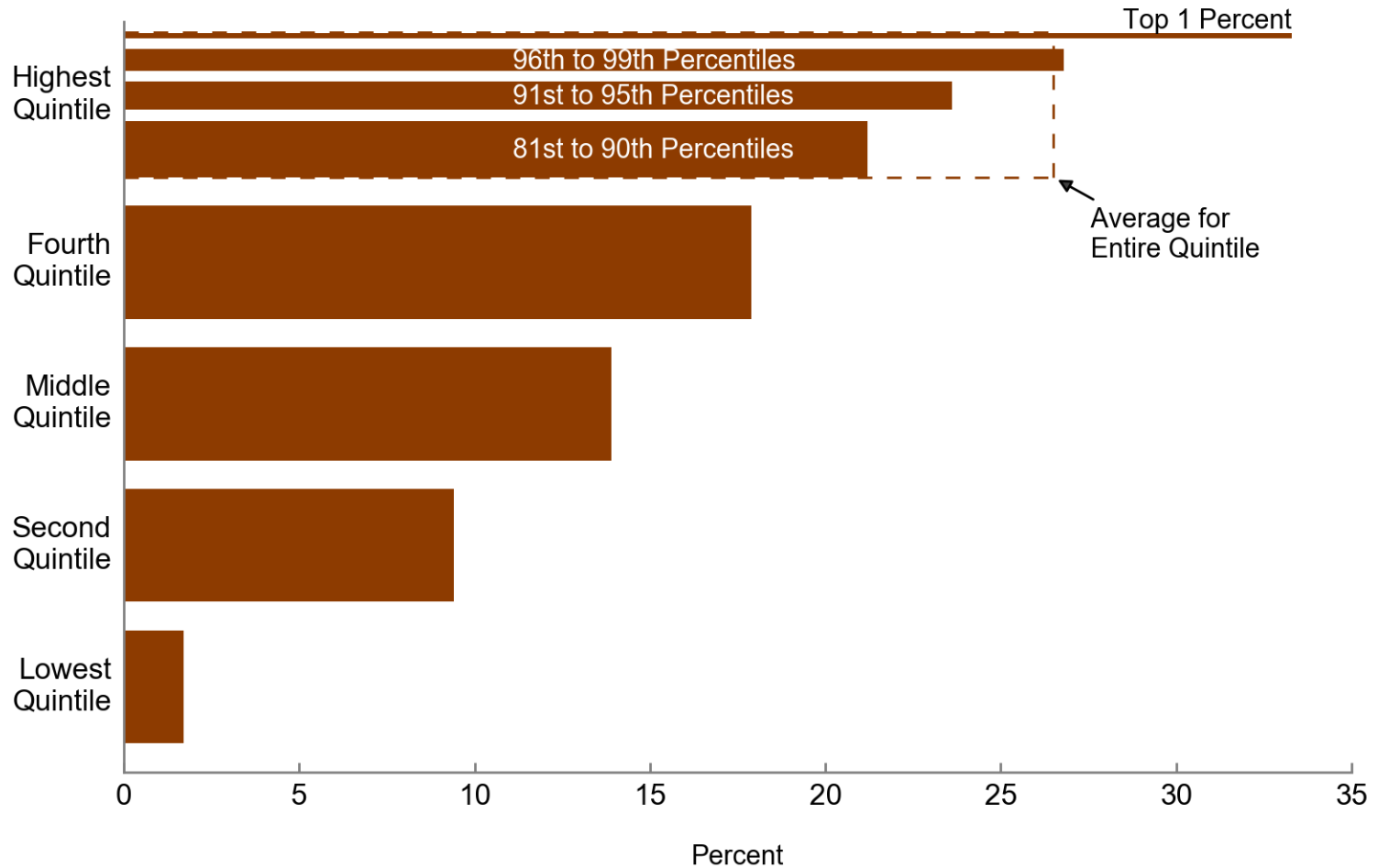
# Average Means-Tested Transfer Rates, for Selected Income Groups, 2016



Source: Congressional Budget Office.

Average means-tested transfer rates are calculated by dividing total means-tested transfers by total income before transfers and taxes in each income group; CHIP = Children's Health Insurance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; \* = less than 0.5 percent.

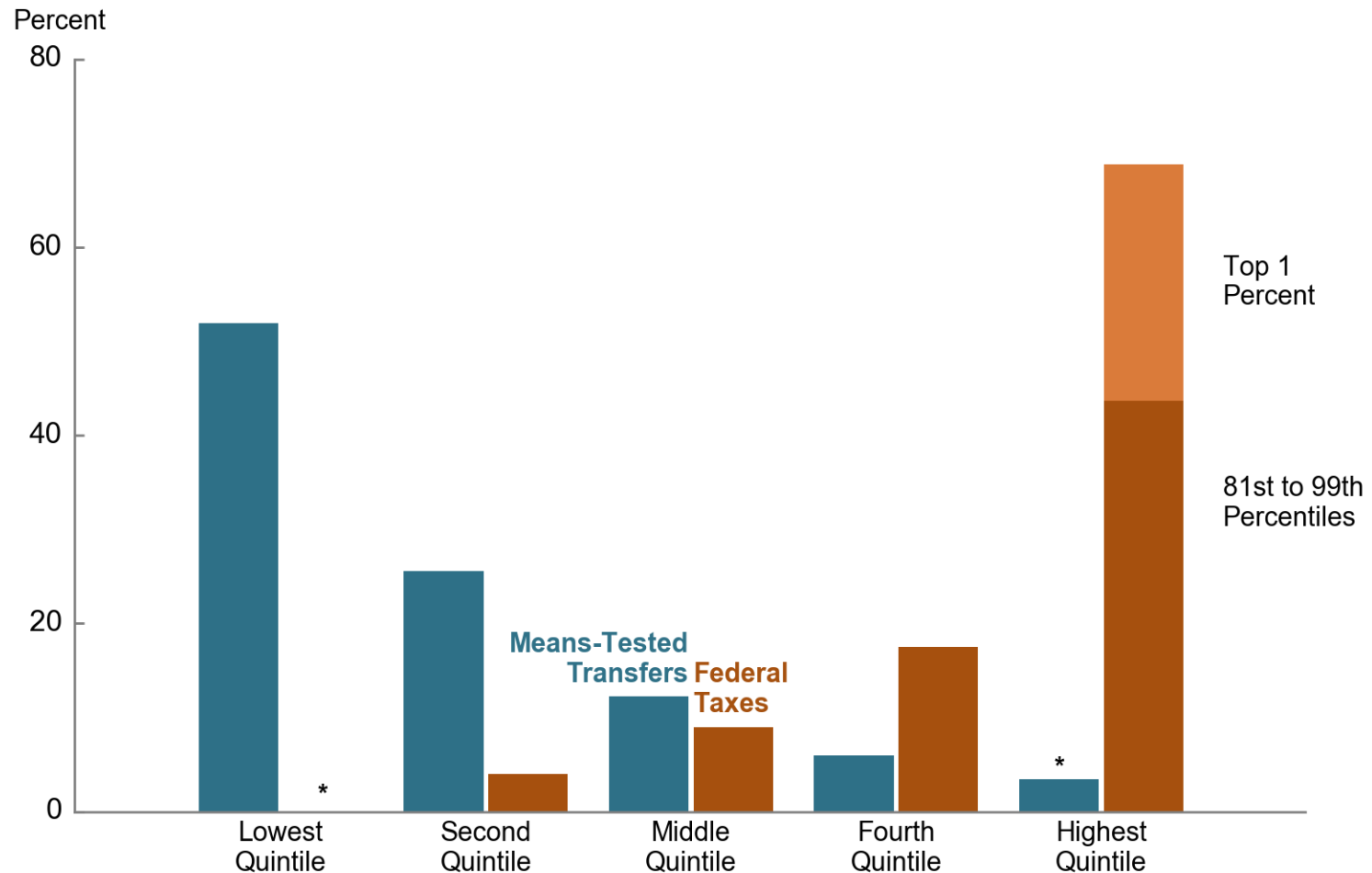
# Average Federal Tax Rates, by Income Group, 2016



Source: Congressional Budget Office.

Average federal tax rates are calculated by dividing total federal taxes by total income before transfers and taxes in each income group.

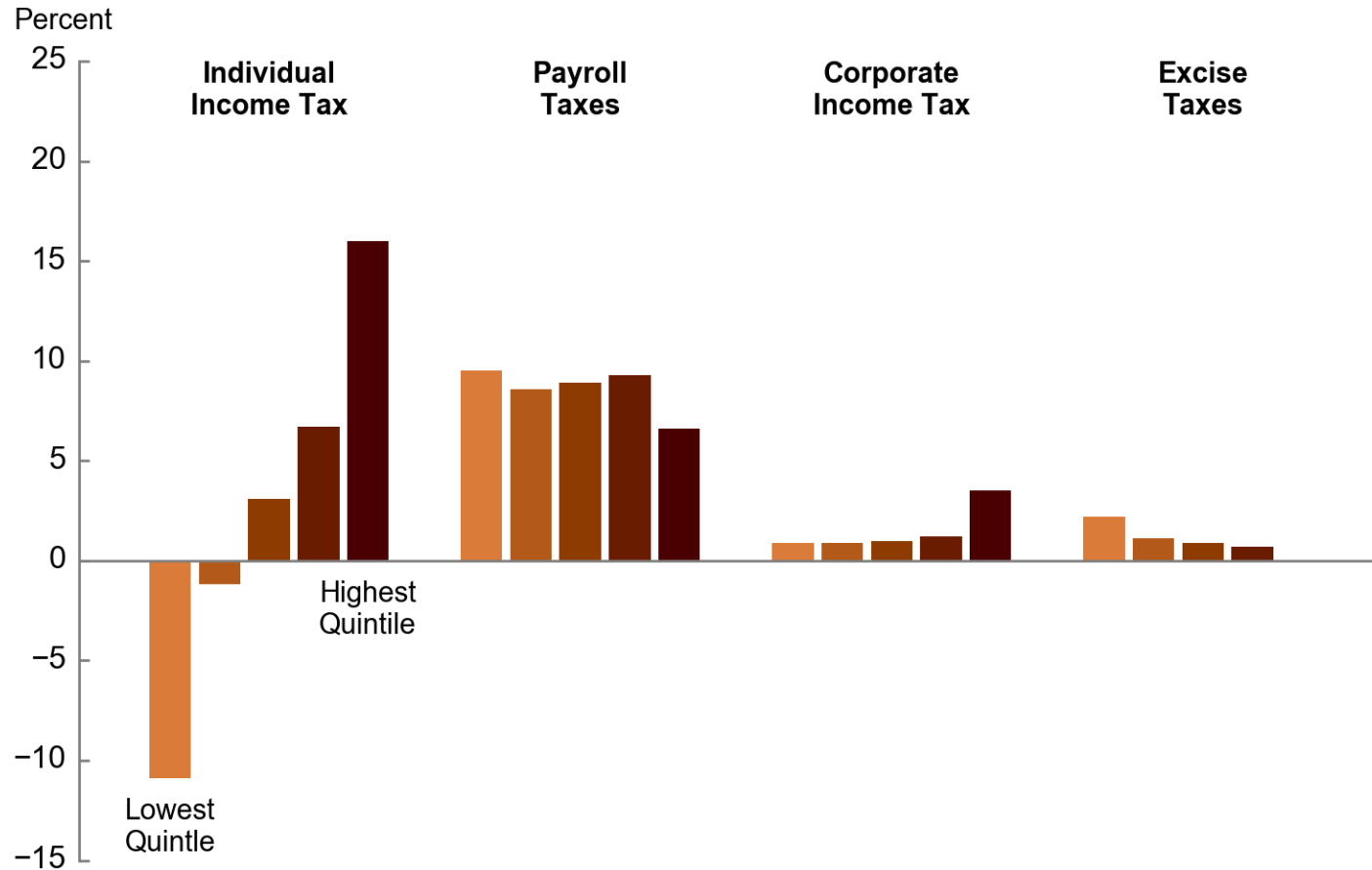
# Shares of Means-Tested Transfers and Federal Taxes, by Income Group, 2016



Source: Congressional Budget Office.

\* = less than 0.5 percent.

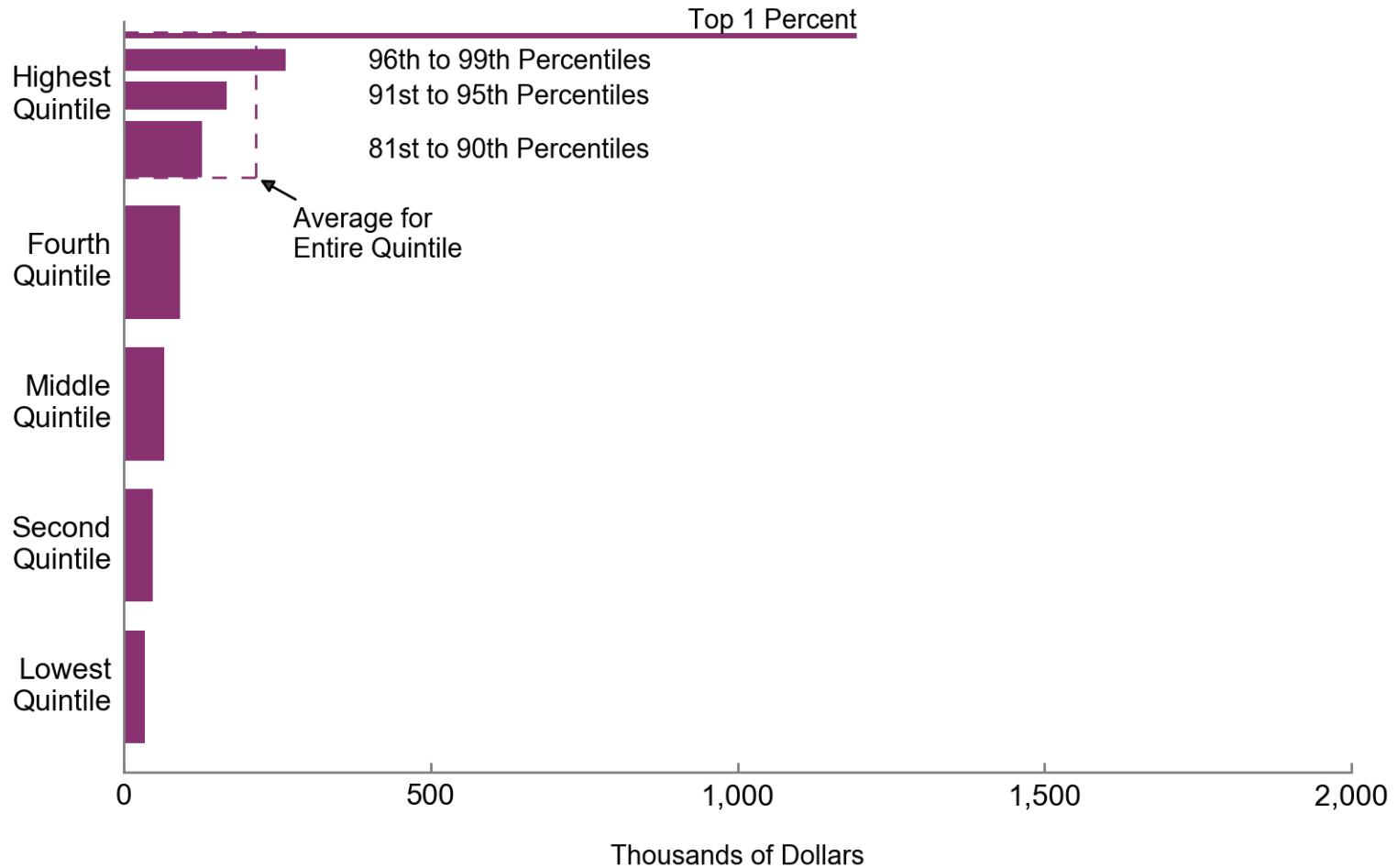
# Average Federal Tax Rates, by Income Group and Tax Source, 2016



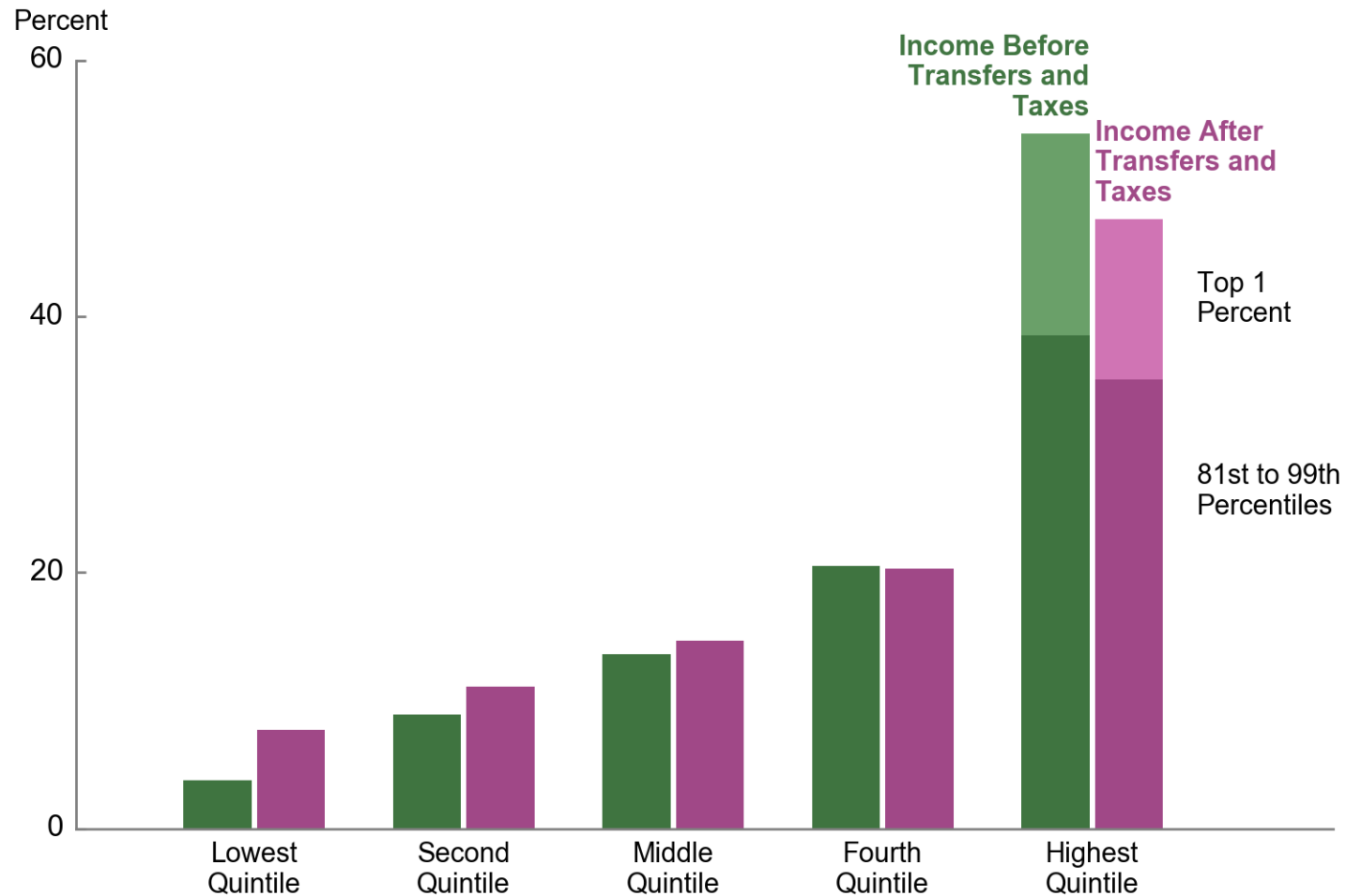
Source: Congressional Budget Office.

Average federal tax rates are calculated by dividing total federal taxes by total income before transfers and taxes in each income group.

# Average Income After Means-Tested Transfers and Federal Taxes, by Income Group, 2016

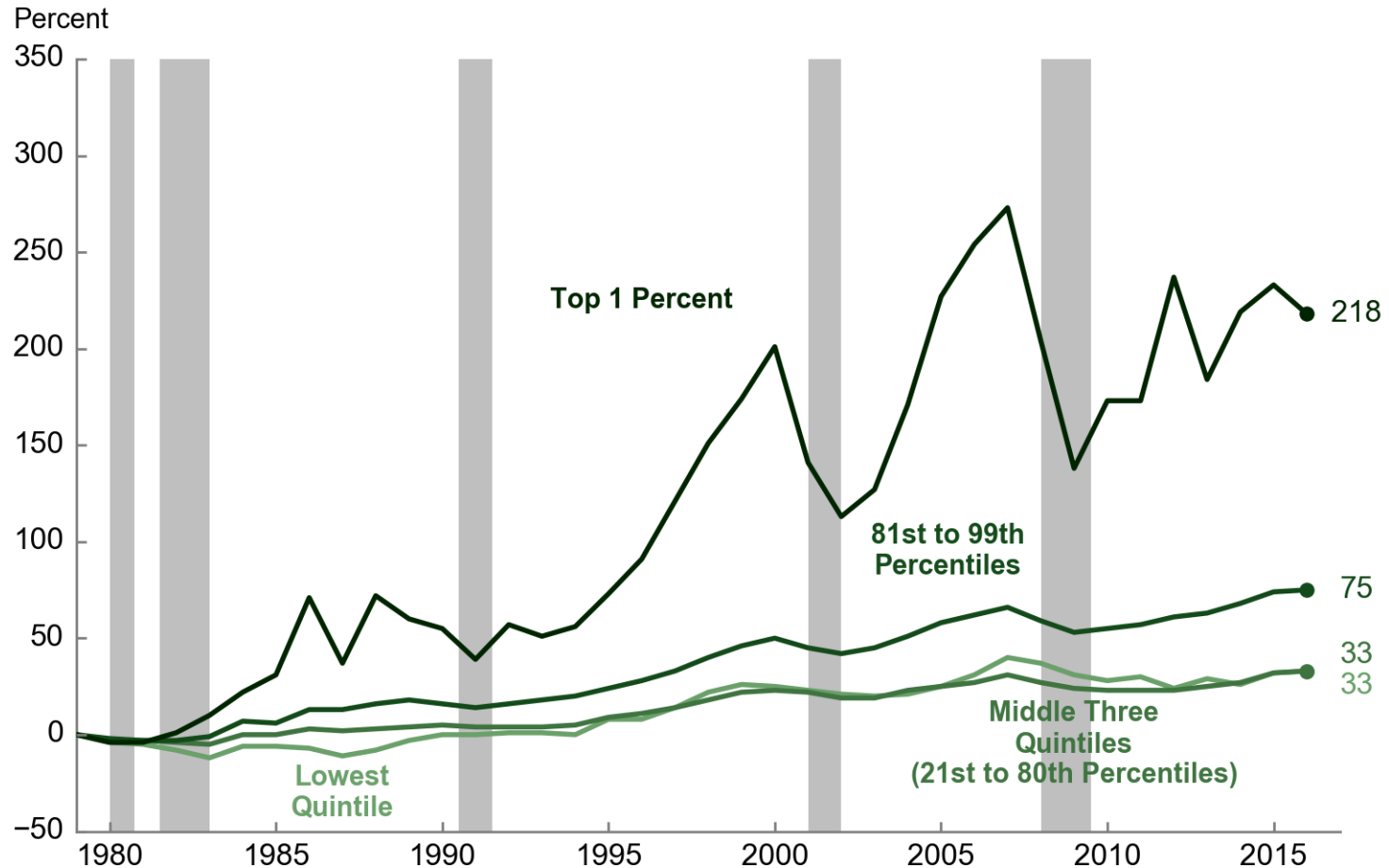


# Shares of Income Before and After Transfers and Taxes, by Income Group, 2016



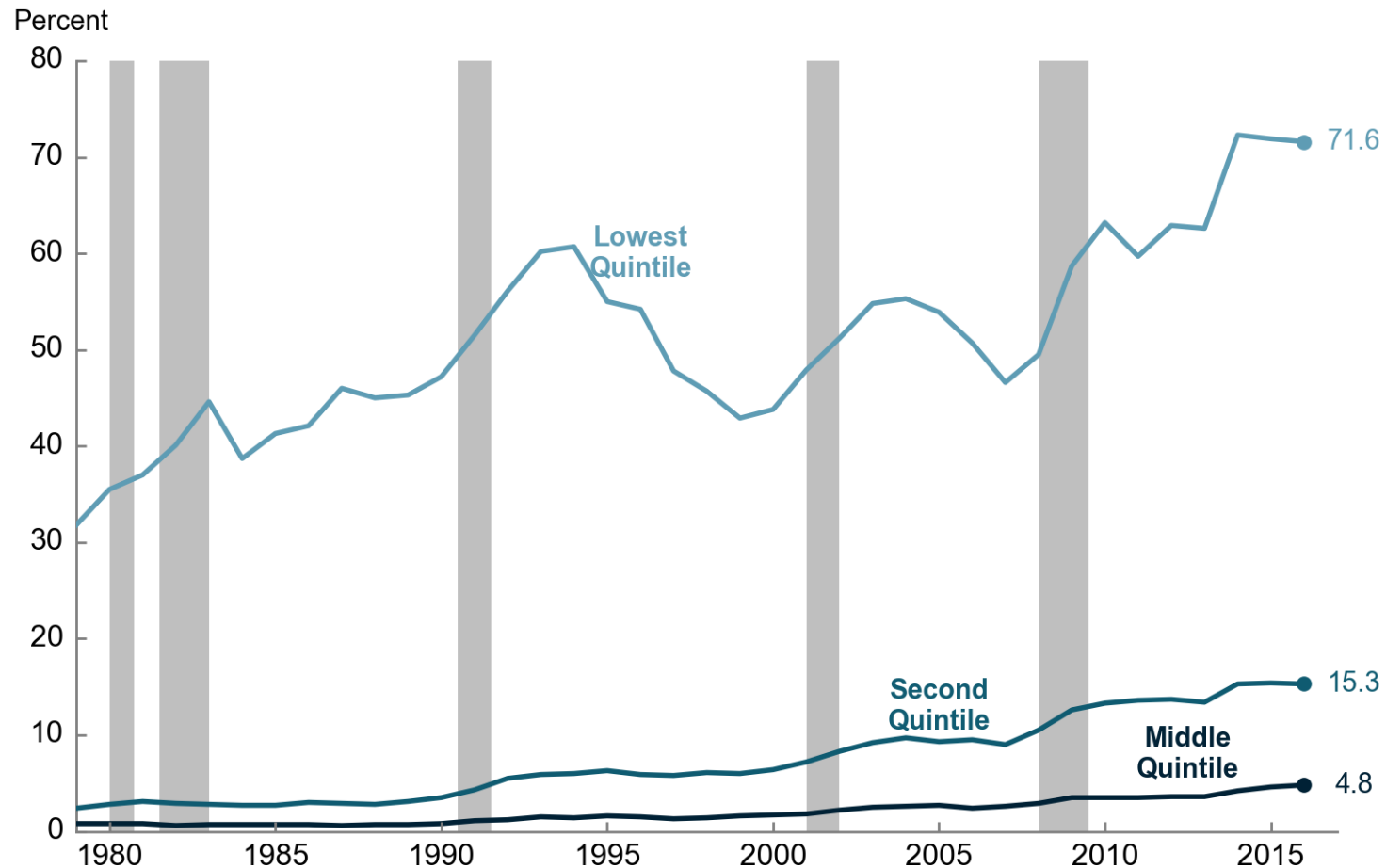
# **Trends, 1979 to 2016**

# Cumulative Growth in Income Before Transfers and Taxes, by Income Group, 1979 to 2016





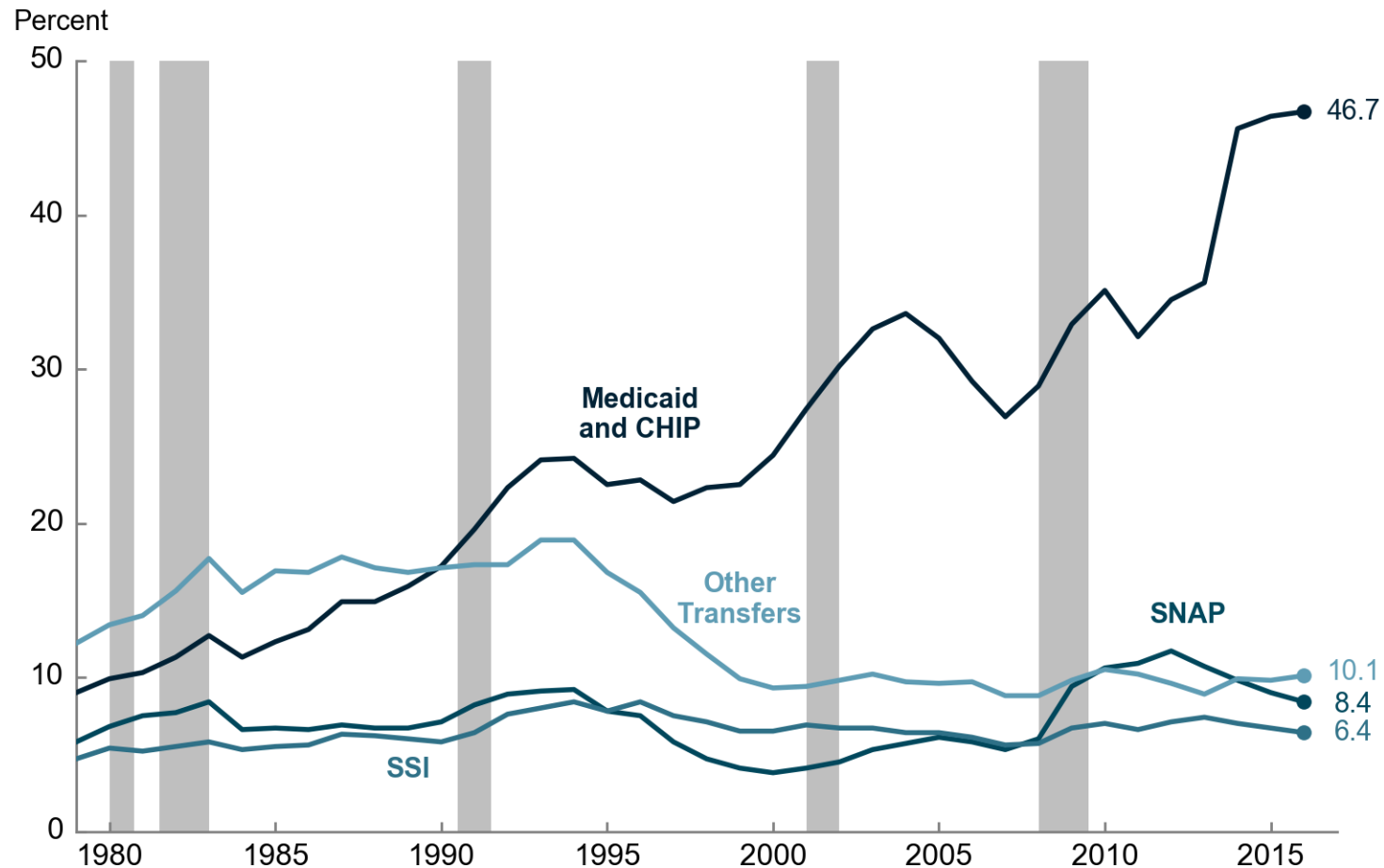
# Average Means-Tested Transfer Rates, for Selected Income Groups, 1979 to 2016



Source: Congressional Budget Office.

Average means-tested transfer rates are calculated by dividing total means-tested transfers by total income before transfers and taxes in each income group.

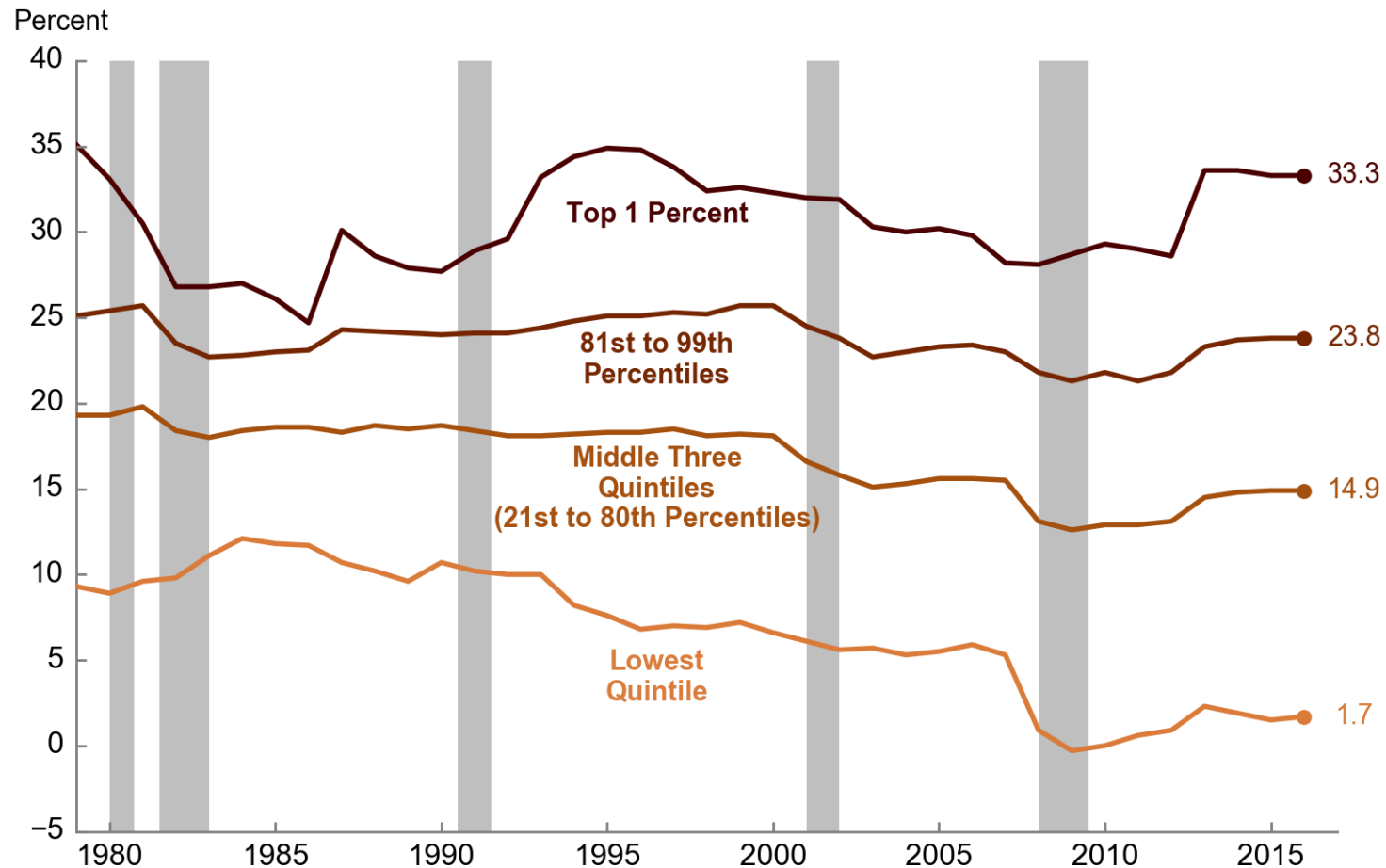
# Means-Tested Transfer Rates, by Source, 1979 to 2016 (Households in Lowest Quintile)



Source: Congressional Budget Office.

Average means-tested transfer rates are calculated by dividing means-tested transfers by total income before transfers and taxes in each income group; CHIP = Children's Health Insurance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income.

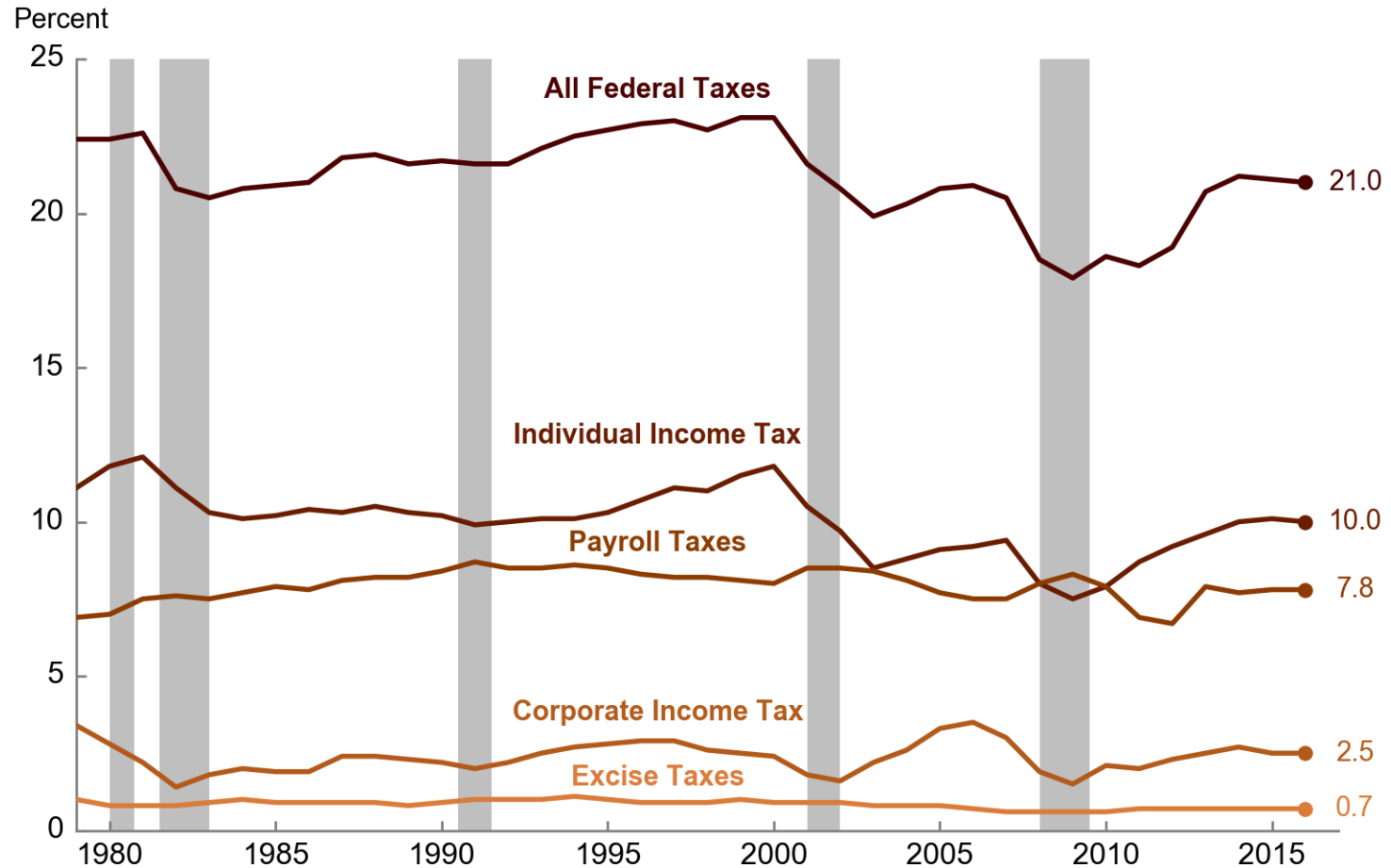
# Average Federal Tax Rates, by Income Group, 1979 to 2016



Source: Congressional Budget Office.

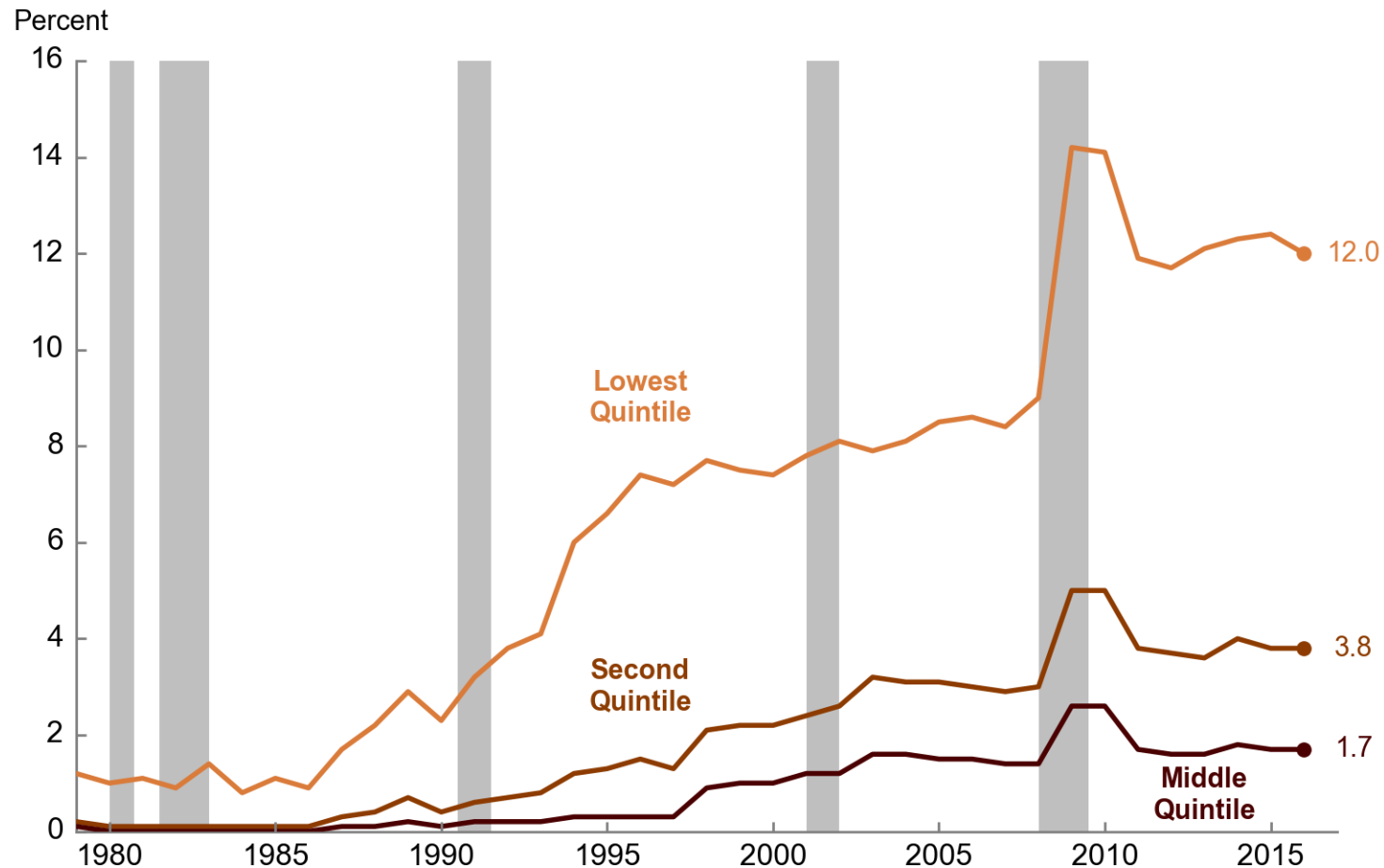
Average federal tax rates are calculated by dividing total federal taxes by total income before transfers and taxes in each income group.

# Average Federal Tax Rates, by Source, 1979 to 2016



Source: Congressional Budget Office.  
Average federal tax rates are calculated by dividing federal taxes by total income before transfers and taxes.

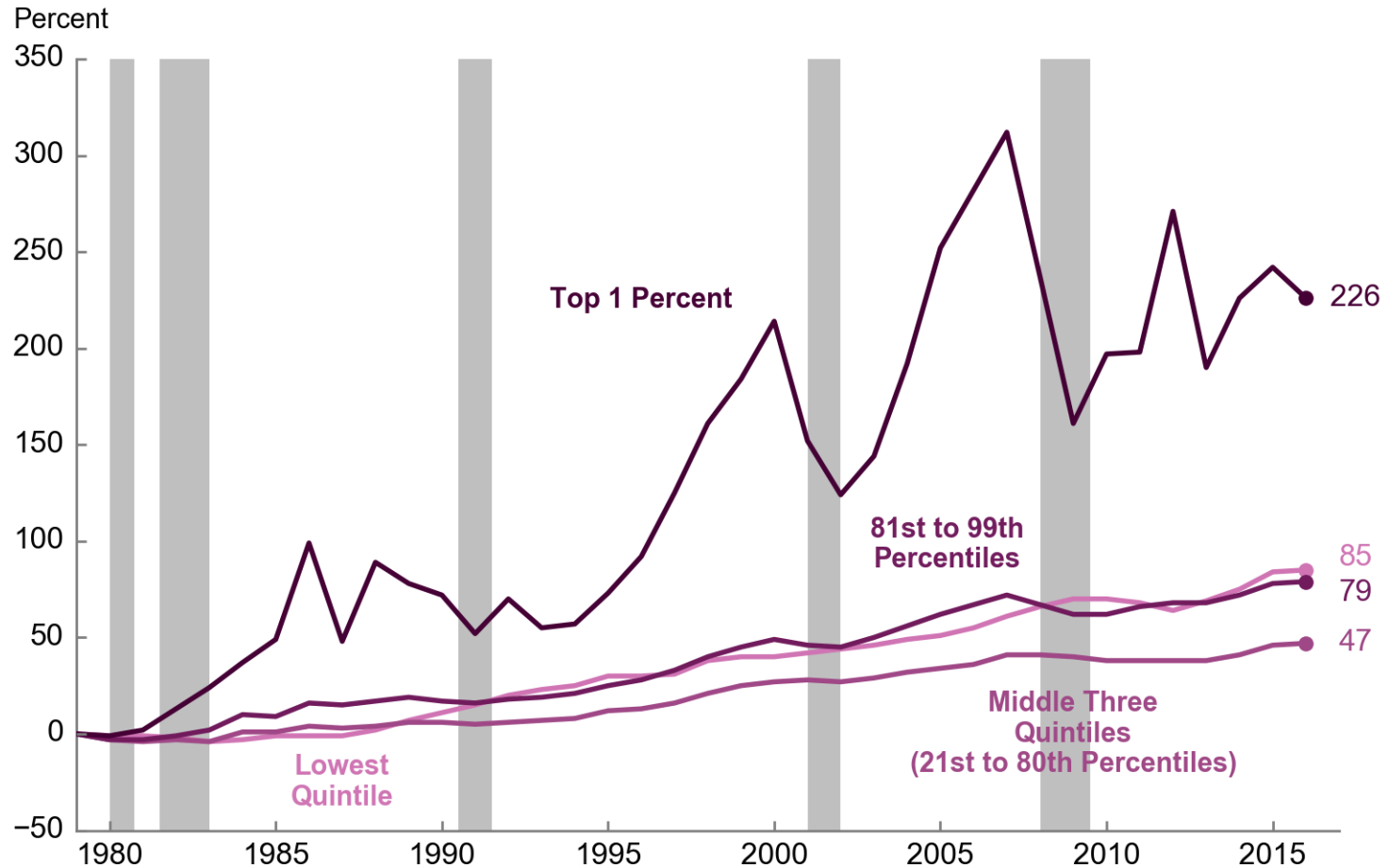
# Average Refundable Tax Credit Rates, for Selected Income Groups, 1979 to 2016



Source: Congressional Budget Office.

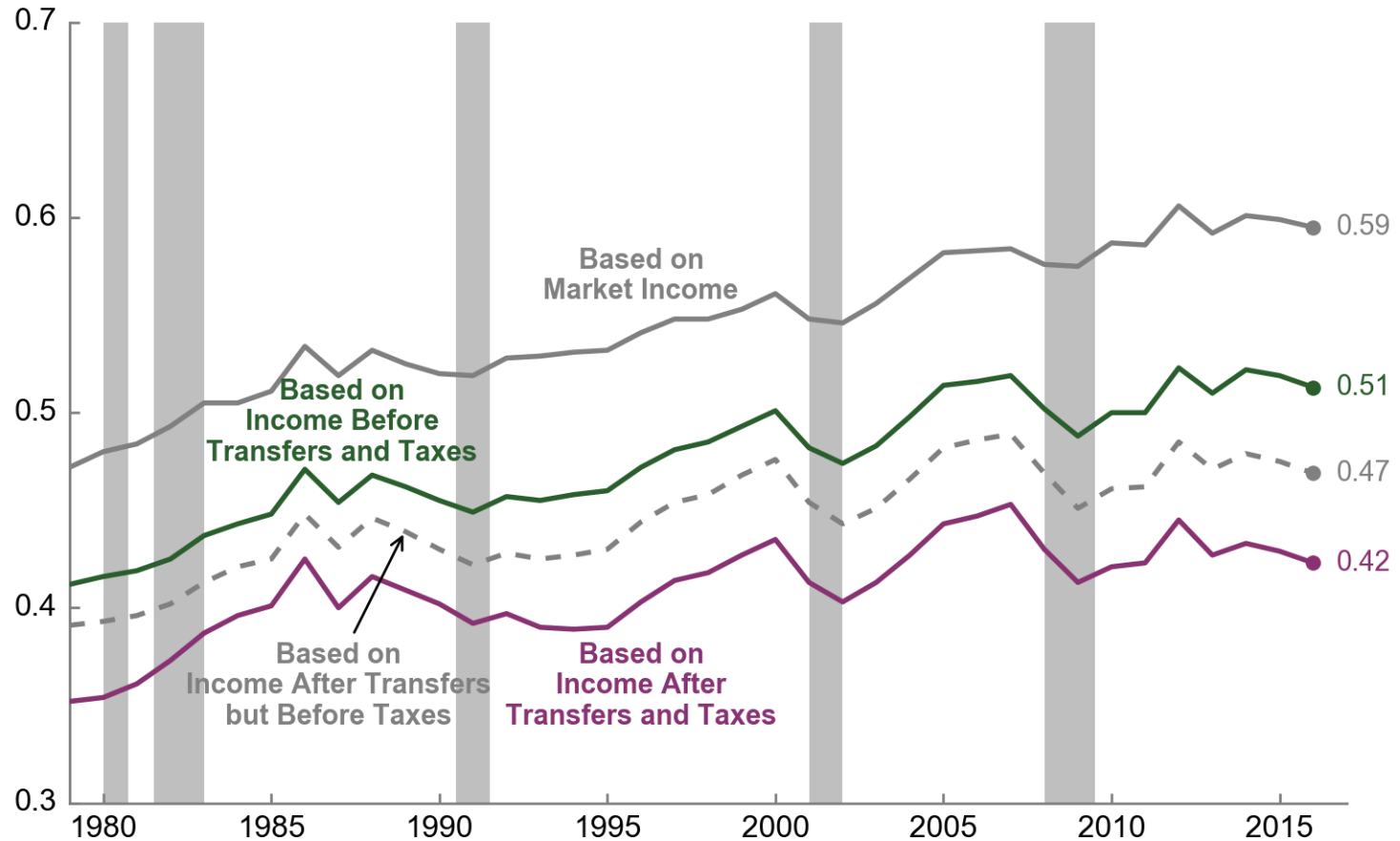
Tax credit rates are calculated by dividing the total amount of major individual income tax credits by total income before transfers and taxes in each income group. Major individual income tax credits include the earned income tax credit, the child tax credit, postsecondary education tax credits, the premium tax credit, the 2008 economic stimulus payments, and the Making Work Pay credit. Both the refundable and nonrefundable portions of those credits are included, when applicable.

# Cumulative Growth in Income After Transfers and Taxes, by Income Group, 1979 to 2016



# Income Inequality as Measured by the Gini Coefficient, 1979 to 2016

Gini Coefficient (1.0 = highest inequality, 0.0 = lowest inequality)



## Additional Information

For this most recent analysis, CBO made two changes to its estimates of means-tested transfers. First, the agency improved its estimates of Medicaid and the Children's Health Insurance Program by better apportioning the value of benefits allocated to recipients to account for variations in the amount of time recipients spent enrolled in the program. Second, the agency adopted a new method to calculate the value of federal housing benefits to better match the totals in administrative data.

Taken together, those two changes increased the share of means-tested transfers that went to the lowest quintile. As a result, income inequality after transfers is slightly less in the current analysis than in previous iterations.

For more information about CBO's methods, see *The Distribution of Household Income, 2014* ([www.cbo.gov/publication/53597](http://www.cbo.gov/publication/53597)); *How CBO Adjusts for Survey Underreporting of Transfer Income in Its Distributional Analyses* ([www.cbo.gov/publication/54234](http://www.cbo.gov/publication/54234)); and *The Distribution of Household Income, 2015* ([www.cbo.gov/publication/54646](http://www.cbo.gov/publication/54646)).



# Additional Information (Continued)

CBO has posted three data files with this document:

- Data Underlying Figures—an Excel file containing the data used to make each figure in this document
- Supplemental Data—an Excel file containing 12 additional tables of data related to the distribution of household income
- Additional Data for Researchers—a zipped archive of comma-separated values (CSV) files containing the supplemental data with household rankings based on alternative definitions of income and with each ranking disaggregated by household type
- Table Builder—an Excel-based tool to create custom data tables presenting the results of the analysis

# About This Document

Some of the figures have shaded vertical bars that indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

Bilal Habib and Kevin Perese of CBO's Tax Analysis Division prepared this document with guidance from Edward Harris and John McClelland. Bayard Meiser, Naveen Singhal, and Ellen Steele provided helpful comments and assistance. Jeffrey Kling and Robert Sunshine reviewed the document, and John Skeen edited it.