

Troy Ruboyianes' Tax Tips

Who is Paying the Tax in America?

Who?

We have all heard the stories about how the rich make all the money in America and pay the majority of taxes. A report by the Congressional Budget Office confirms just what percentage of US taxes are paid by the rich. (The following figures are for 2003)

Wealthiest 1%:	33.6%
Wealthiest 5%:	55.1%
Wealthiest 10%:	67.9%
Wealthiest 20%:	83.0%
Wealthiest 40%:	97.8%
Wealthiest 60%:	103.0%

This report shows that the bottom 40% of taxpayers actually get more money back on their taxes than they actually paid! This is because of the earned income tax credit, which actually allows low income households to receive more money back on their taxes than they paid in.

So just how much are people making. The most recent data that I could find was for the year 2001, and refers to household incomes.

Wealthiest 1%:	\$1,050,100
Wealthiest 5%:	\$ 379,800
Wealthiest 10%:	\$ 259,000
Wealthiest 20%:	\$ 82,700
Wealthiest 40%:	\$ 75,600
Wealthiest 60%:	\$ 51,500
Lowest 40%:	\$ 34,200
Lowest 20%:	\$ 14,900

Tax Cuts?

So, what happens when the government makes tax cuts in order to help stimulate the economy? There is often an argument made that the rich receive all the benefits of the tax cuts.

This stands to reason, since those that are hardly paying any taxes, the lowest 40%, would not see significant savings on their taxes. It is inevitable that the people who pay taxes would get the tax cut.

If the government were to cut taxes only for the people with the lowest 40% of income, there would be virtually no change in taxes, and there would be no stimulation to the economy.

The US has a progressive tax system, which means that the average tax rate rises at a faster rate than your income. So the rich pay a higher portion of their income in taxes than does a low income person. This helps to explain why the majority of taxes are paid by the richest people.

If you are interested in the United States tax system and would like to discuss the history or the US tax system, please feel free to give me a call.

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P.S. Please don't keep me a secret. You may have a friend or family members who can benefit from this free service. If you appreciate this service, the biggest compliment that I can receive is a referral.

Troy Ruboyianes graduated from the University of Arizona with a degree in accounting, finance, and entrepreneurship and is working for DeBenedetti & Co., PC. He is committed to providing personalized, quality service to business and individual clients and is always interested in developing new client relationships.

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