

Federal Taxes, Especially Individual Income Taxes, Are Highly Progressive

1. Under current law, the federal tax system is highly progressive

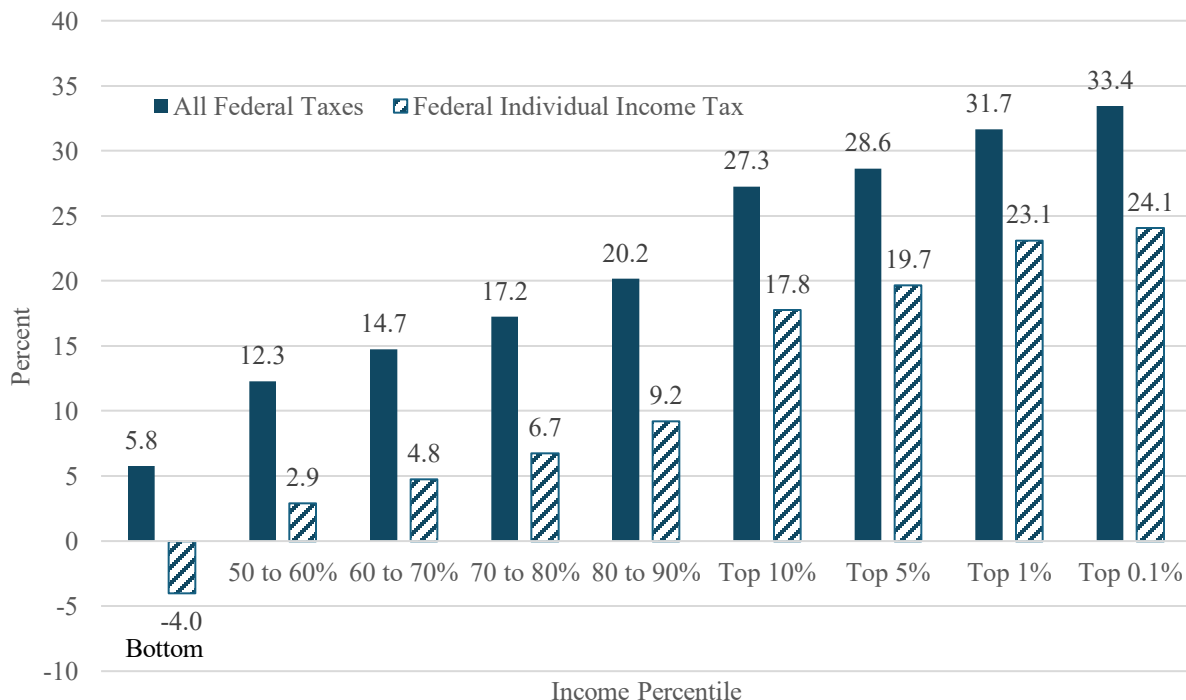
- According to the Treasury Department,¹ both the individual income tax and all federal taxes combined are highly progressive, meaning that the proportion of income paid in taxes rises with family income.

Table 1.—Average Federal Tax Rates, 2025 Law

Income Group	Cash Income Range	Average Tax Rates	
		All Federal Taxes	Individual Income Taxes
Bottom 50%	\$0 to \$75,567	5.8	-4.0
50 to 60%	\$75,567 to \$96,782	12.3	2.9
60 to 70%	\$96,782 to \$121,919	14.7	4.8
70 to 80%	\$121,919 to \$157,722	17.2	6.7
80 to 90%	\$157,722 to \$228,060	20.2	9.2
Top 10%	\$228,060+	27.3	17.8
Top 5%	\$320,855+	28.6	19.7
Top 1%	\$743,247+	31.7	23.1
Top 0.1%	\$3,515,685+	33.4	24.1

Source: U.S. Department of Treasury, Office of Tax Analysis

Figure 1.—Average Federal Tax Rates by Income Percentile, 2025 Law



Source: U.S. Department of Treasury, Office of Tax Analysis

¹ <https://home.treasury.gov/system/files/131/Distribution-of-Tax-Burden-Current-Law-2025.pdf>

- The bottom half of families (those with income less than \$75,567) pay negative individual income taxes, i.e., they receive refundable tax credits that exceed their tax liability, while the top 0.1% of families (those with income over \$3.5 million) pay 24.1% of their income in individual income taxes. All federal taxes, such as payroll taxes, excise taxes, and corporate income taxes, consume over one-third of the income of the top 0.1% of families.
- 2. Since 1986, U.S. tax progressivity has more than doubled.²**
- The Tax Cuts and Jobs Act (“TCJA”) is responsible for about 25% of the increase in progressivity of the income tax since 1986.³
 - Extending the expiring individual income tax provisions of the TCJA would cut taxes for those making less than \$50,000 per year by about twice as much in percentage terms (12.4%) as for those making more than \$1 million per year (5.6%).⁴
- 3. High-income taxpayers pay a lot of taxes.**
- The top 1% of families by income earn 19.7% of income but pay 44.4% of individual income taxes. By contrast, the bottom 50% of taxpayers receive payments from the IRS (i.e., they have negative income tax liability).

Table 2.—Distribution of Income and Federal Taxes, 2025 Law

Income Group	Cash Income Range	Share of Cash Income	Share of Individual Income Tax	Share of Corporate Income Tax	Share of All Federal Taxes
Bottom 50%	\$0 to \$75,567	14.3	-5.6	4.4	4.1
Top 20%	\$157,722+	60.9	92.7	81.3	76.4
Top 10%	\$228,060+	45.7	79.1	71.4	61.3
Top 5%	\$320,855+	34.6	66.4	62.8	48.9
Top 1%	\$743,247+	19.7	44.4	46.5	30.8

Source: U.S. Department of Treasury, Office of Tax Analysis

- 4. The U.S. tax system is progressive relative to other developed countries.**
- A 2008 OECD report (the most recent available) concluded that the United States had the most progressive tax system among the 24 OECD countries studied.⁵ The U.S. tax system has become more progressive since the OECD conducted its study.

² David Splinter, “U.S. Tax Progressivity and Redistribution,” *National Tax Journal*, vol. 73, no. 4, December 2020, pp. 1005-1024.

³ David Splinter, “Who Pays No Tax? The Declining Fraction Paying Income Taxes and Increasing Tax Progressivity,” *Contemporary Economic Policy*, vol. 37, no. 3, July 2019, pp. 413-426.

⁴ Joint Committee on Taxation, *Present Law and Background on the Income Taxation of High Income and High Wealth Taxpayers* (JCX-47-24), September 10, 2024, p. 79.

⁵ OECD, *Growing Unequal? Income Distribution and Poverty in OECD Countries*, 2008