

# The Distribution of Household Income, 2018

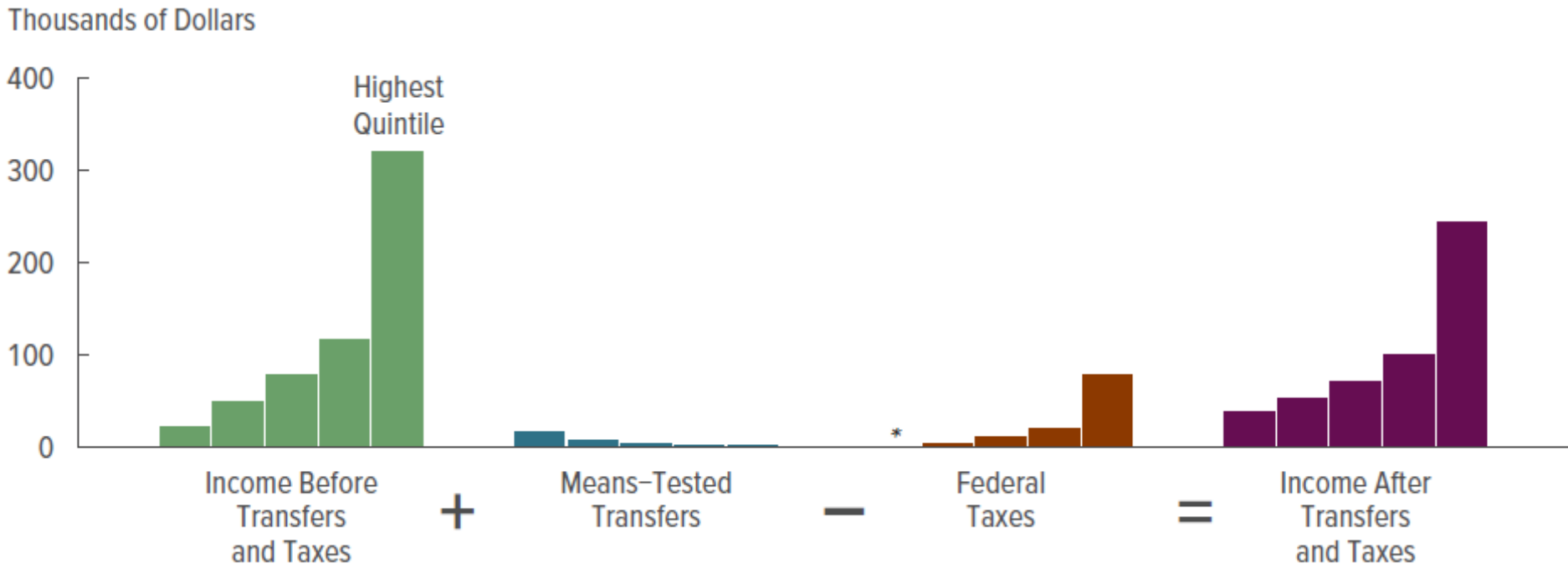
Congressional Budget Office  
August 2021

James J. Heckman



Econ 350, Winter 2023

# Figure 1a. Average Income, Means-Tested Transfers, and Federal Taxes, 2018

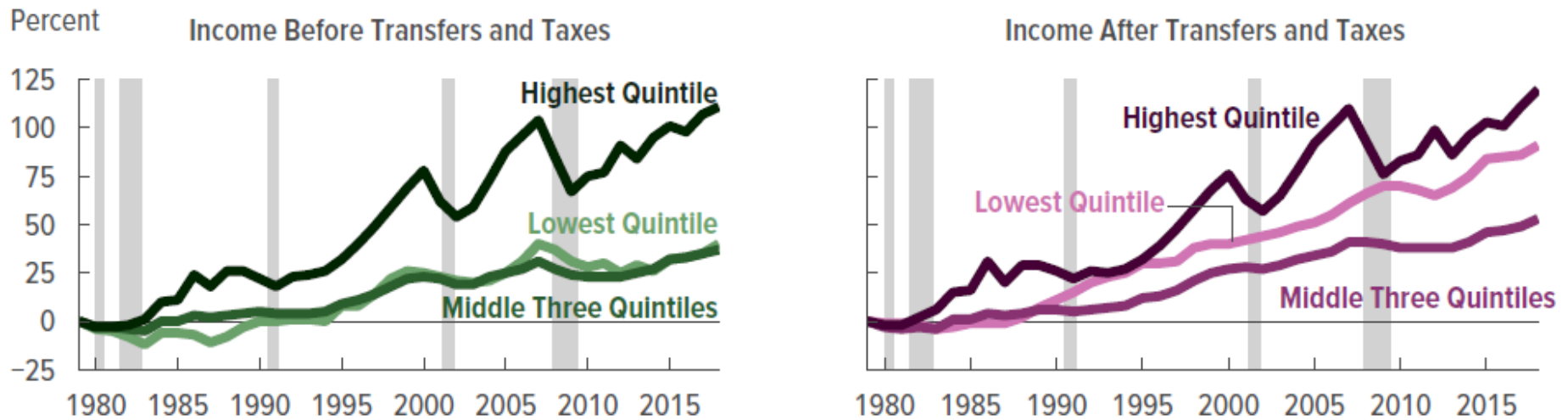


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

All dollar amounts are in 2018 dollars.

\* = between zero and \$500.

Figure 1b. Cumulative Growth in Average Income, 1979 to 2018

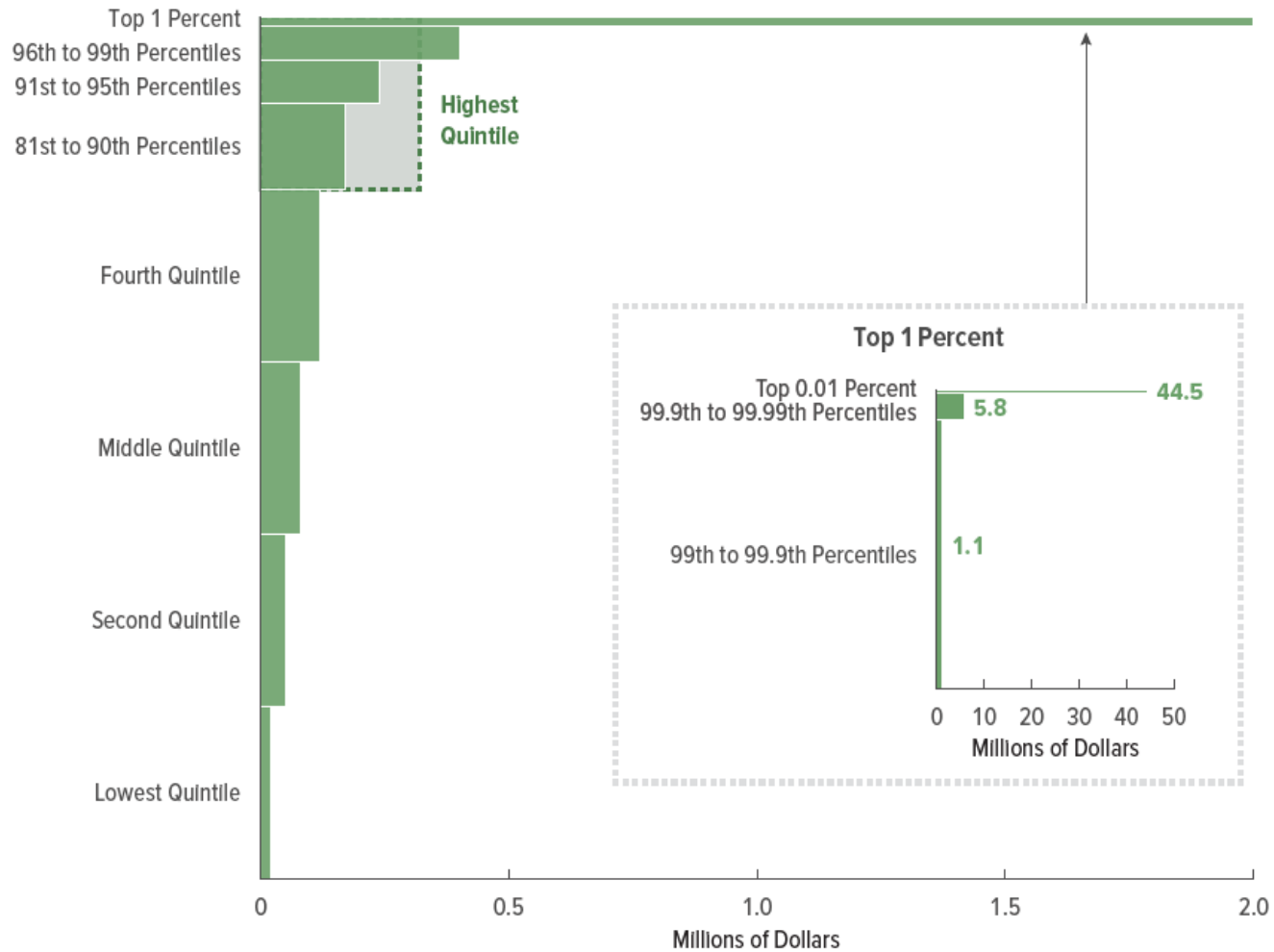


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

To calculate growth rates, CBO first converted all dollar amounts to 2018 dollars using the Bureau of Economic Analysis's price index for personal consumption expenditures.

Income Before Transfers and Taxes

# Exhibit 1. Average Household Income Before Transfers and Taxes, 2018



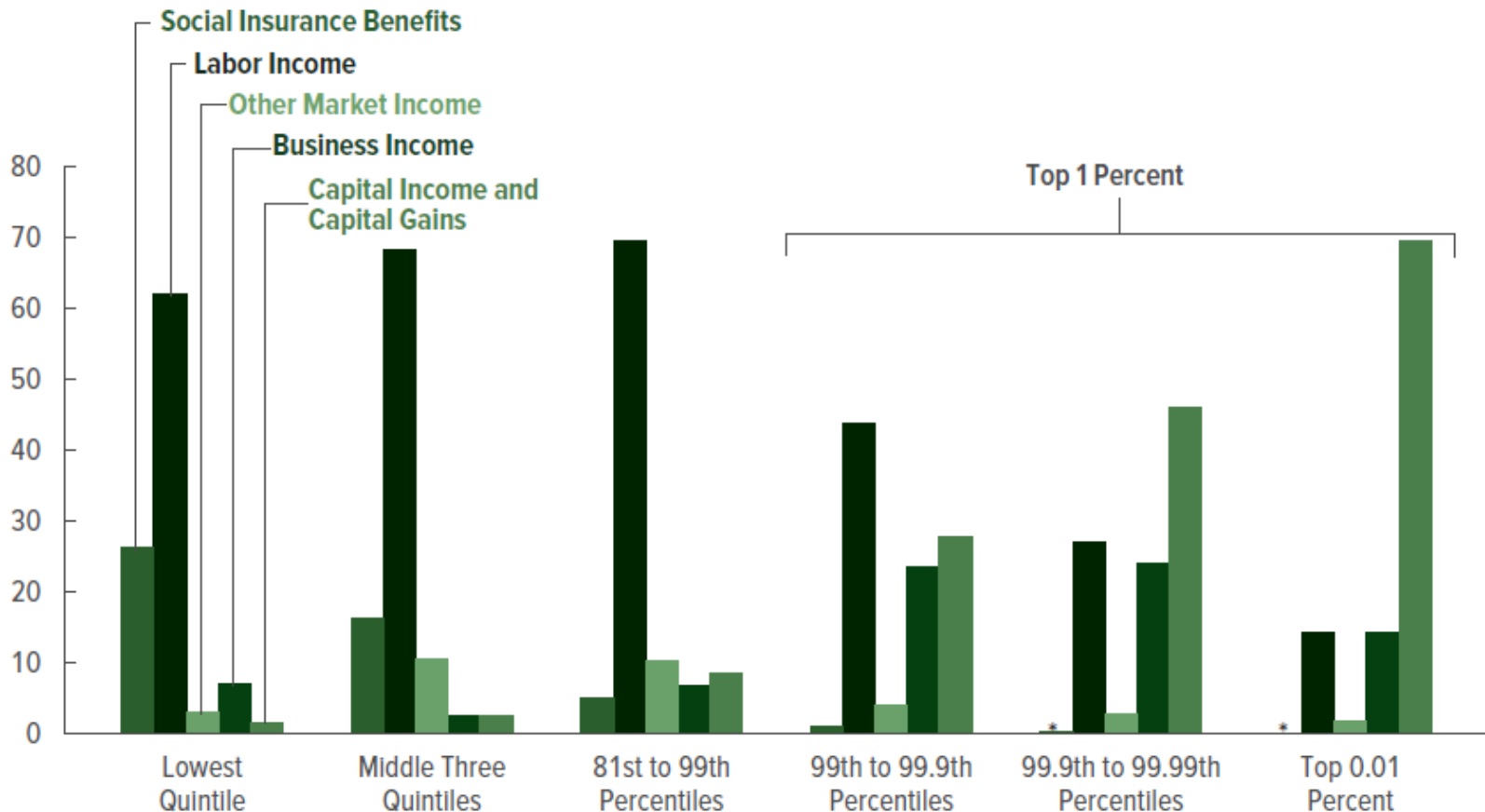
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

All dollar amounts are in 2018 dollars.

Income groups are created by ranking households by income before transfers and taxes, adjusted for household size. Each quintile (fifth) contains approximately the same number of people. The lowest quintile does not include households with negative income.

## Exhibit 2. Composition of Income Before Transfers and Taxes, 2018

Percent



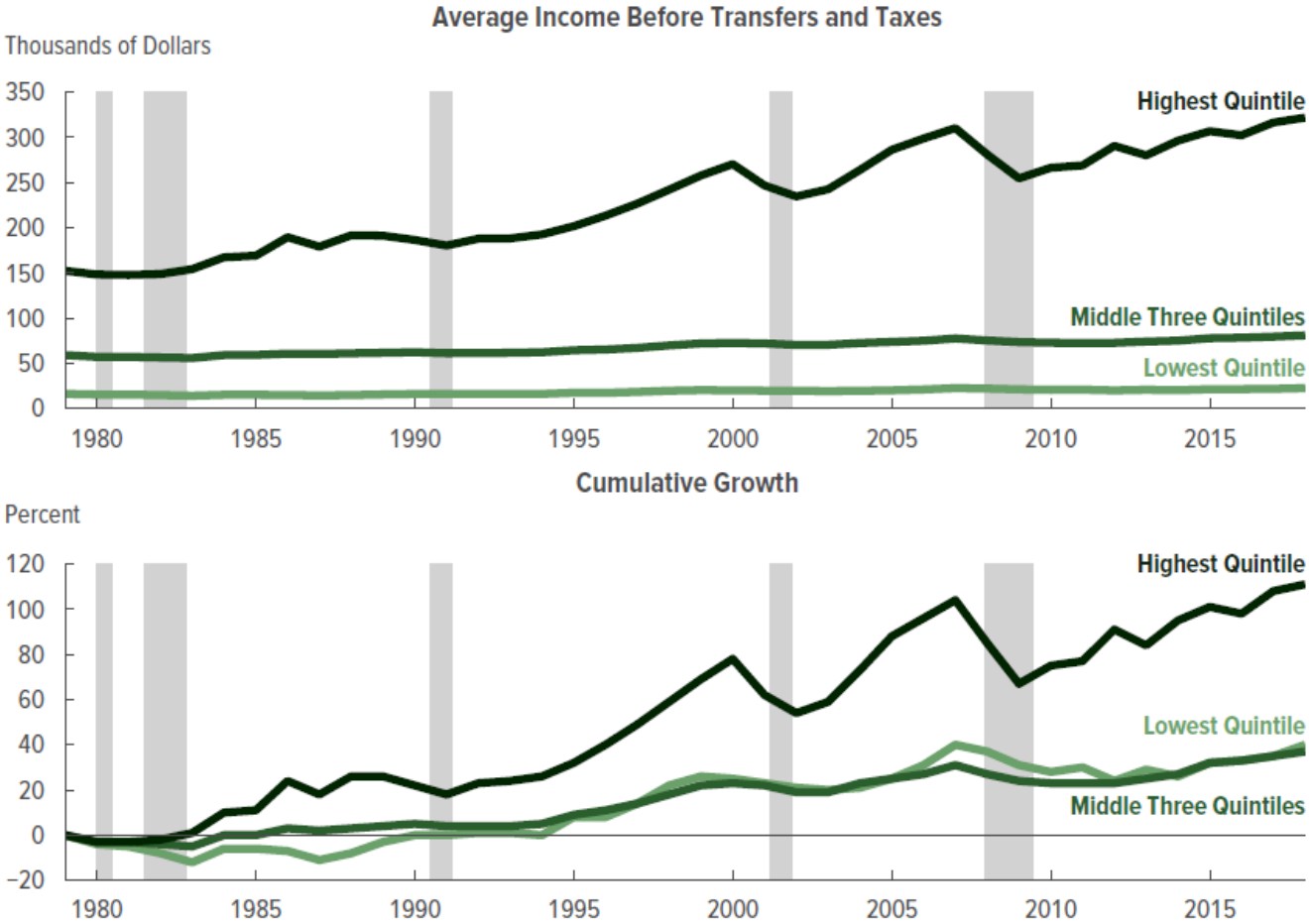
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Other market income includes income received in retirement for past services and other nongovernmental sources of income.

For information about the methods underlying this analysis, see Appendix A. For detailed definitions of income measures, see Appendix C.

\* = between zero and 0.5 percent.

# Exhibit 3. Trends in the Distribution of Income Before Transfers and Taxes, 1979 to 2018



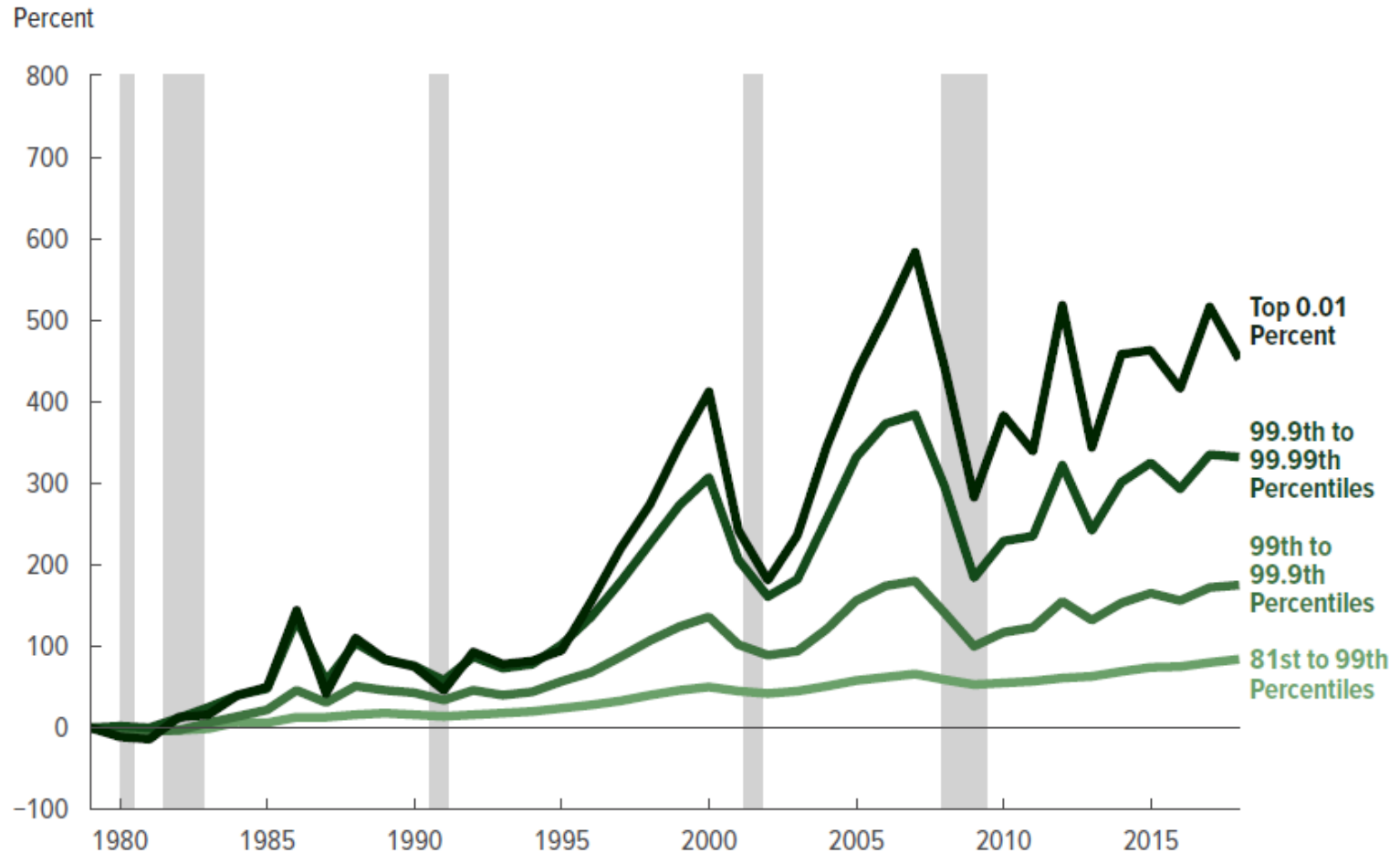
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

All dollar amounts are in 2018 dollars.

To calculate growth rates, CBO first converted all dollar amounts to 2018 dollars using the Bureau of Economic Analysis's price index for personal consumption expenditures.

## Exhibit 4. Cumulative Growth in Income Before Transfers and Taxes Among Households in the Highest Quintile, 1979 to 2018



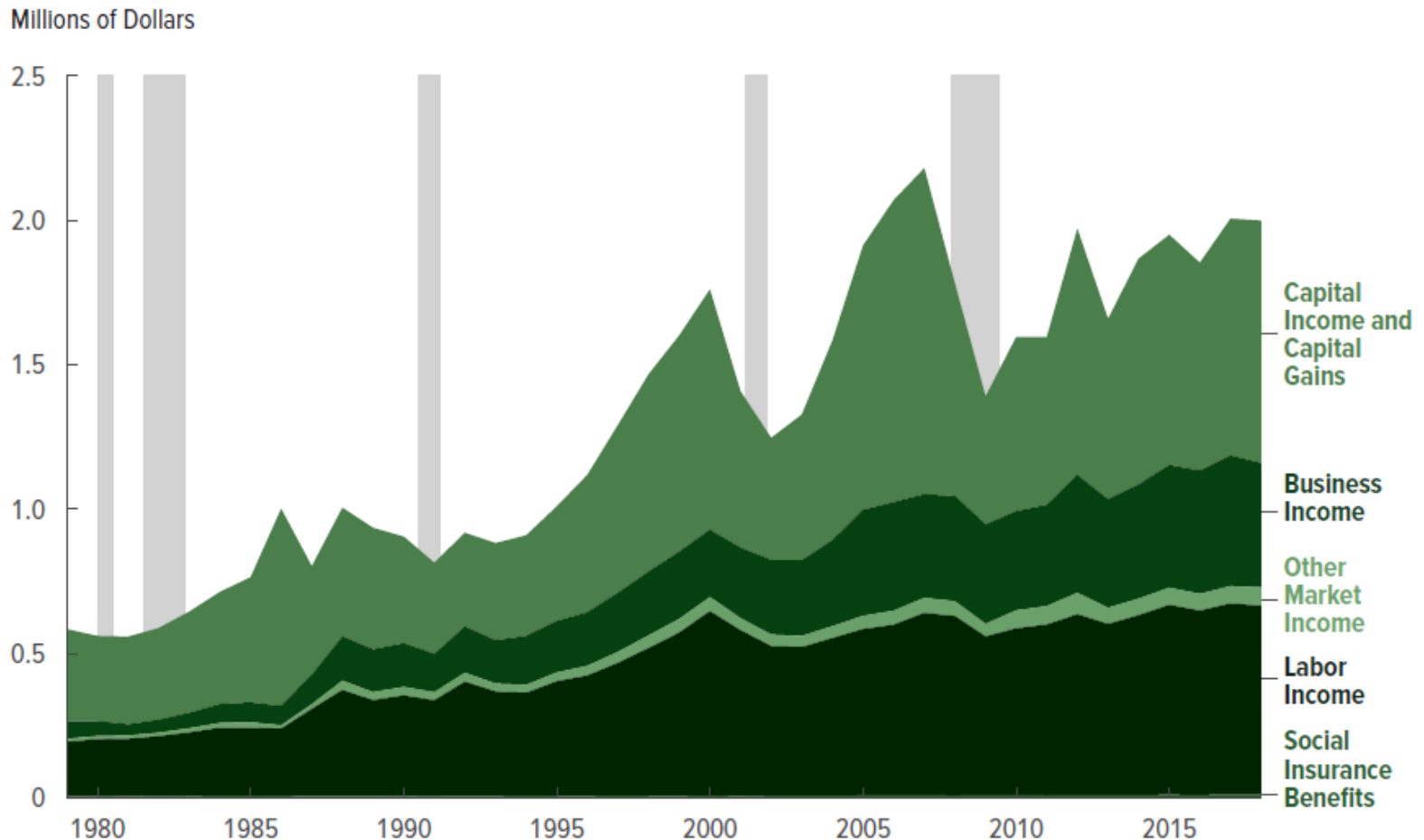
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

To calculate growth rates, CBO first converted all dollar amounts to 2018 dollars using the Bureau of Economic Analysis's price index for personal consumption expenditures.



## Exhibit 5. Composition of Income Before Transfers and Taxes Among Households in the Top 1 Percent, 1979 to 2018



Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

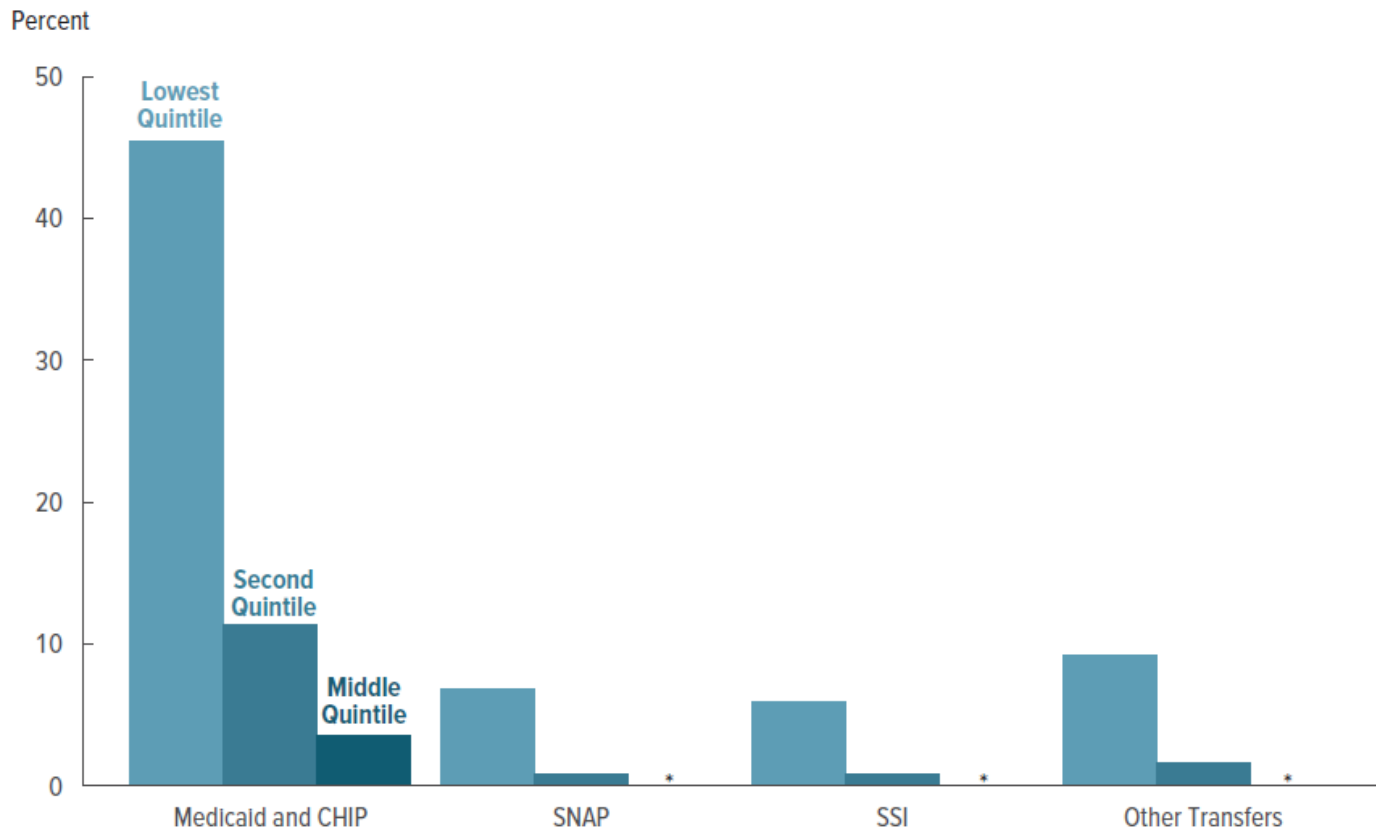
Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

All dollar amounts are in 2018 dollars.

Other market income includes income received in retirement for past services and other nongovernmental sources of income.

# Means-Tested Transfers

## Exhibit 6. Average Means-Tested Transfer Rates Among Selected Income Groups, by Type of Transfer, 2018



Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Average means-tested transfer rates for both the fourth quintile and the highest quintile are less than 0.5 percent for all sources and transfer programs, except the average transfer rate for Medicaid in the fourth quintile, which is 1.2 percent.

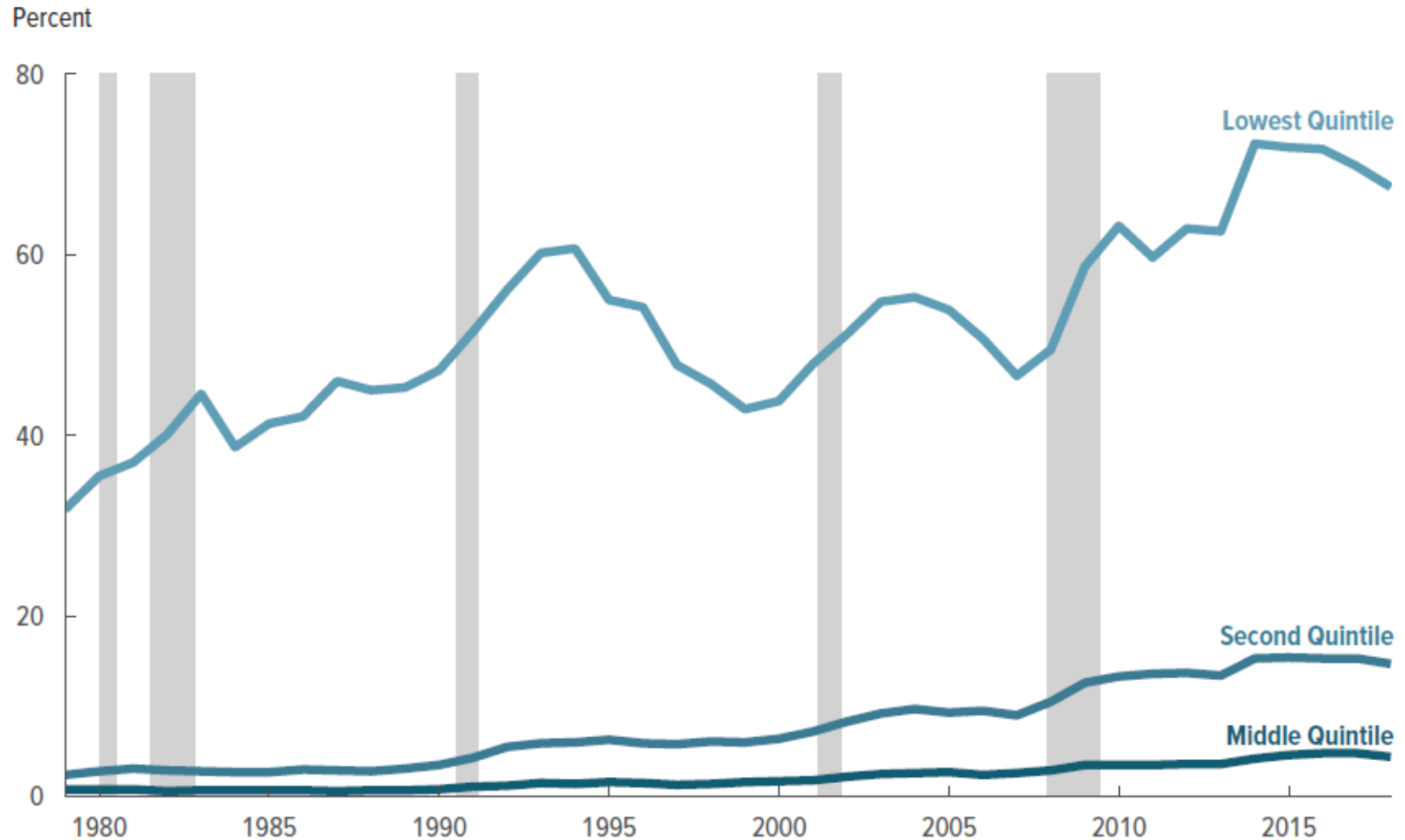
Other transfers consist of housing assistance programs; low-income subsidies for Part D of Medicare (which covers prescription drugs); Temporary Assistance for Needy Families; child nutrition programs; cost-sharing reductions under the Affordable Care Act; the Low Income Home Energy Assistance Program; and state and local government general assistance programs.

For information about the methods underlying this analysis, see Appendix A. For detailed definitions of income measures, see Appendix C.

CHIP = Children's Health Insurance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income;

\* = between zero and 0.5 percent.

## Exhibit 7. Average Means-Tested Transfer Rates Among Selected Income Groups, 1979 to 2018

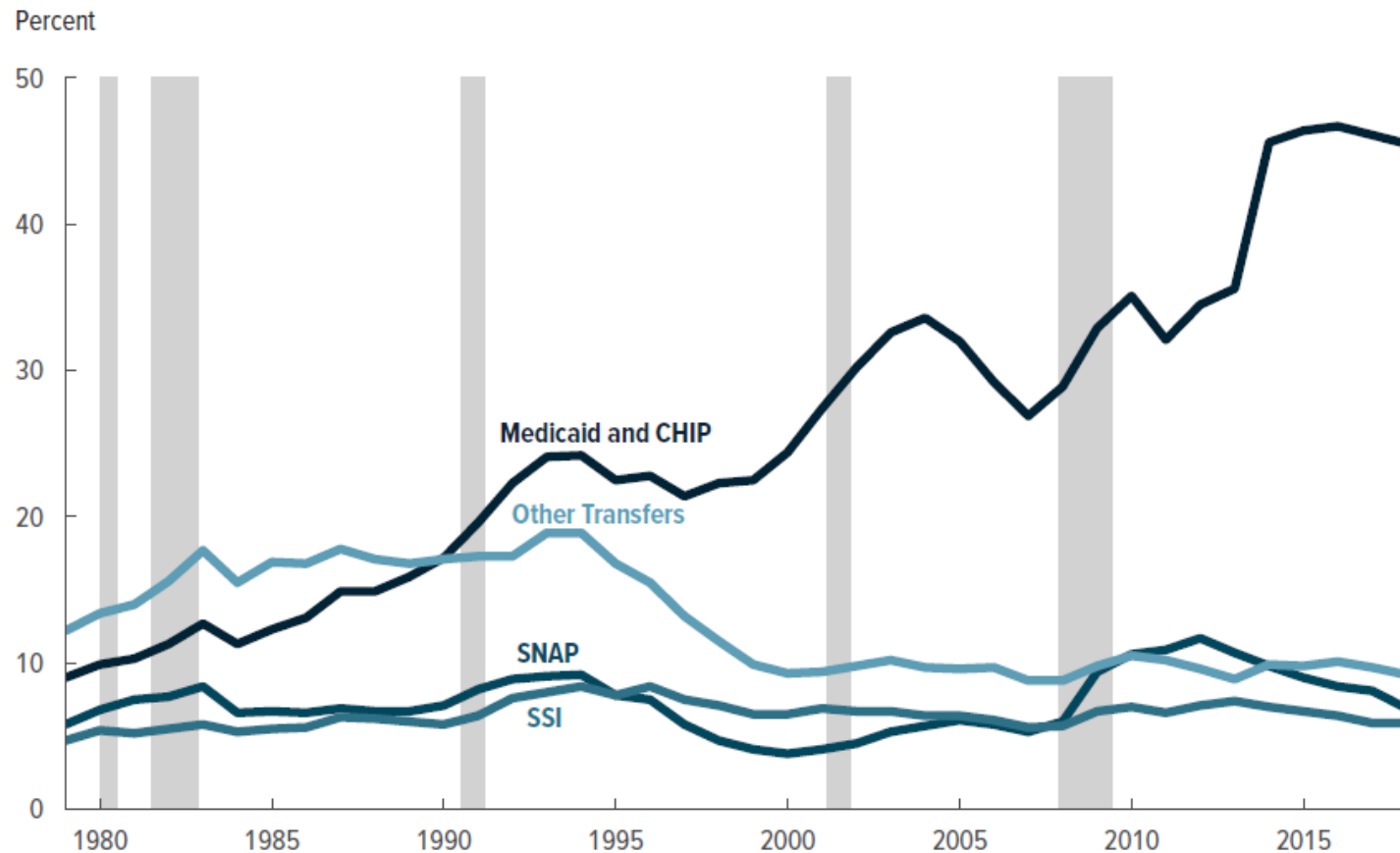


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

Average means-tested transfer rates for the highest two quintiles have been less than 2 percent since 1979.

## Exhibit 8. Average Means-Tested Transfer Rates Among Households in the Lowest Quintile, by Type of Transfer, 1979 to 2018



Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

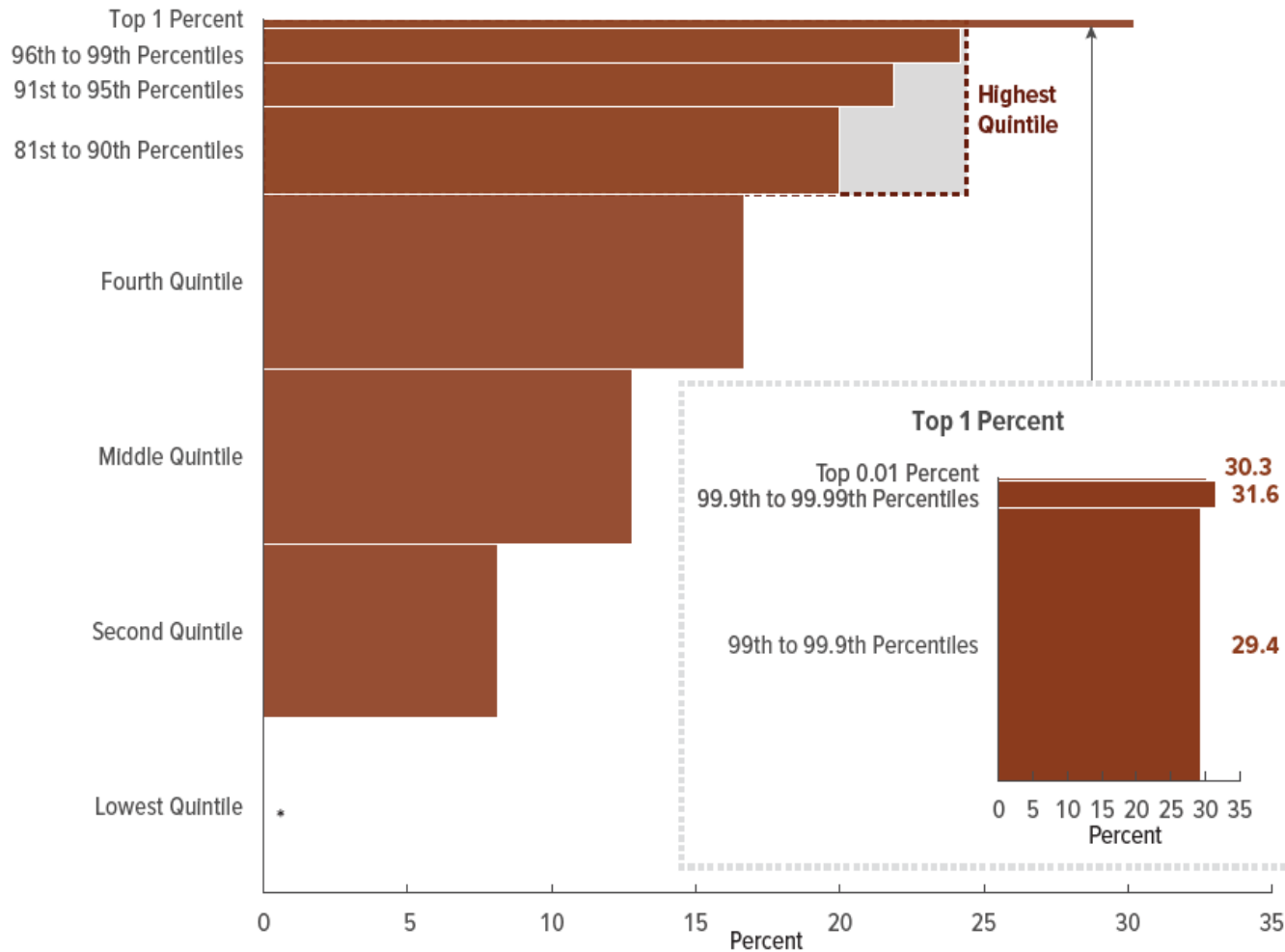
Other transfers consist of housing assistance programs; low-income subsidies for Part D of Medicare (which covers prescription drugs); Temporary Assistance for Needy Families; child nutrition programs; cost-sharing reductions as part of the Affordable Care Act; the Low Income Home Energy Assistance Program; and state and local government general assistance programs.

For information about the methods underlying this analysis, see Appendix A. For detailed definitions of income measures, see Appendix C.

CHIP = Children's Health Insurance Program; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income.

# Federal Taxes

## Exhibit 9. Average Federal Tax Rates, by Income Group, 2018



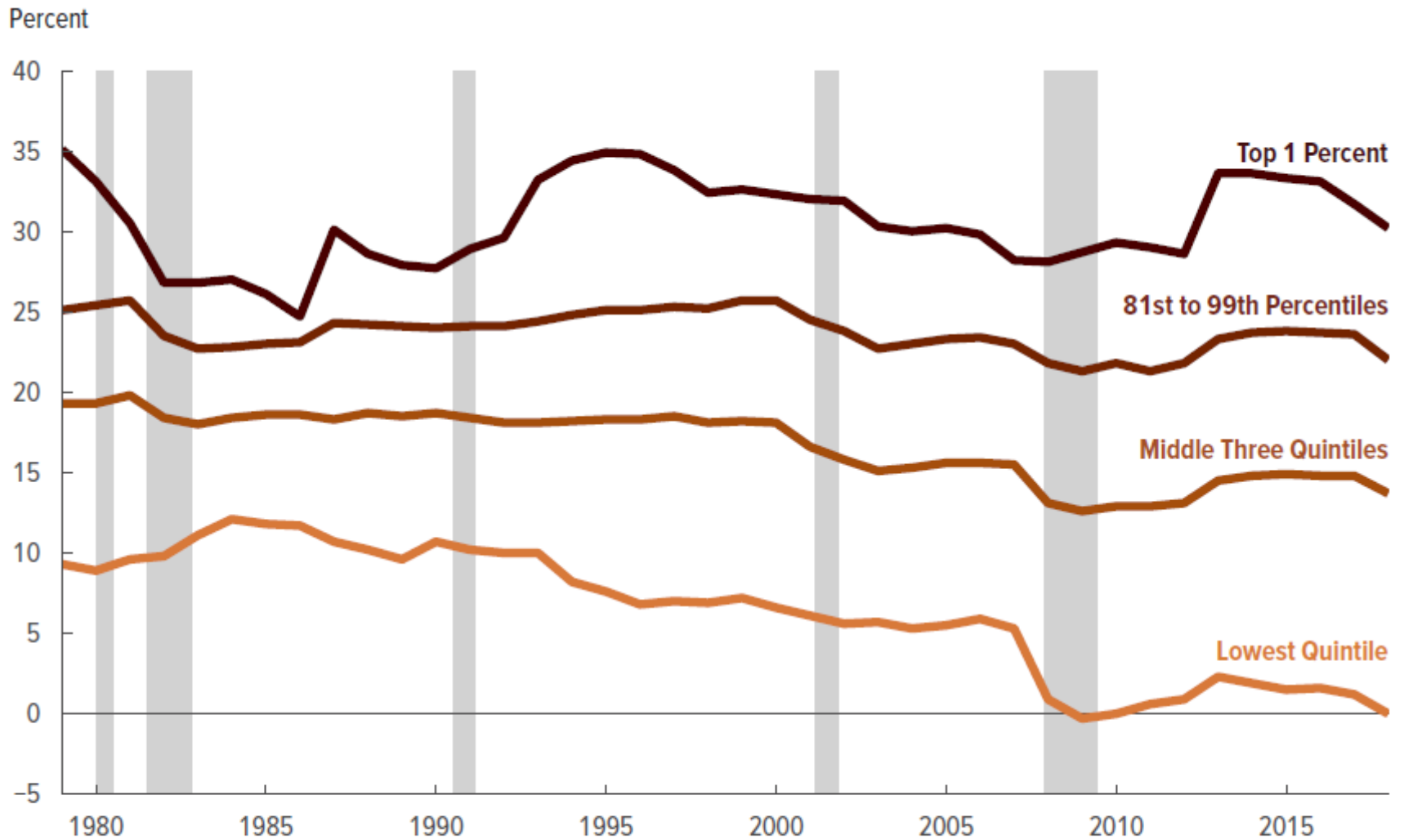
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Income groups are created by ranking households by income before transfers and taxes, adjusted for household size. Each quintile (fifth) contains approximately the same number of people. The lowest quintile does not include households with negative income.

For information about the methods underlying this analysis, see Appendix A. For detailed definitions of income measures, see Appendix C.

\* = between zero and 0.1 percent.

## Exhibit 10. Average Federal Tax Rates, by Income Group, 1979 to 2018

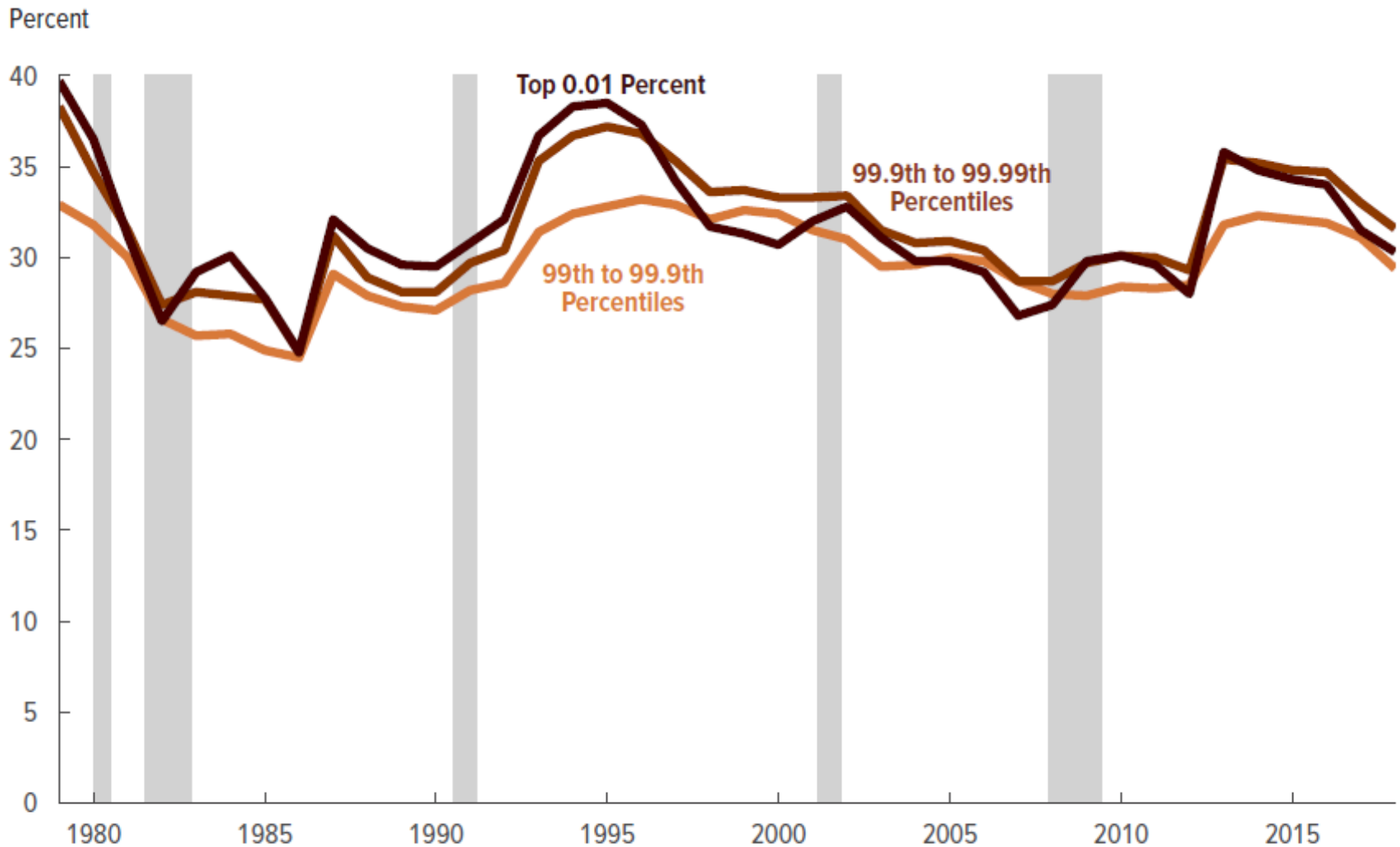


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)



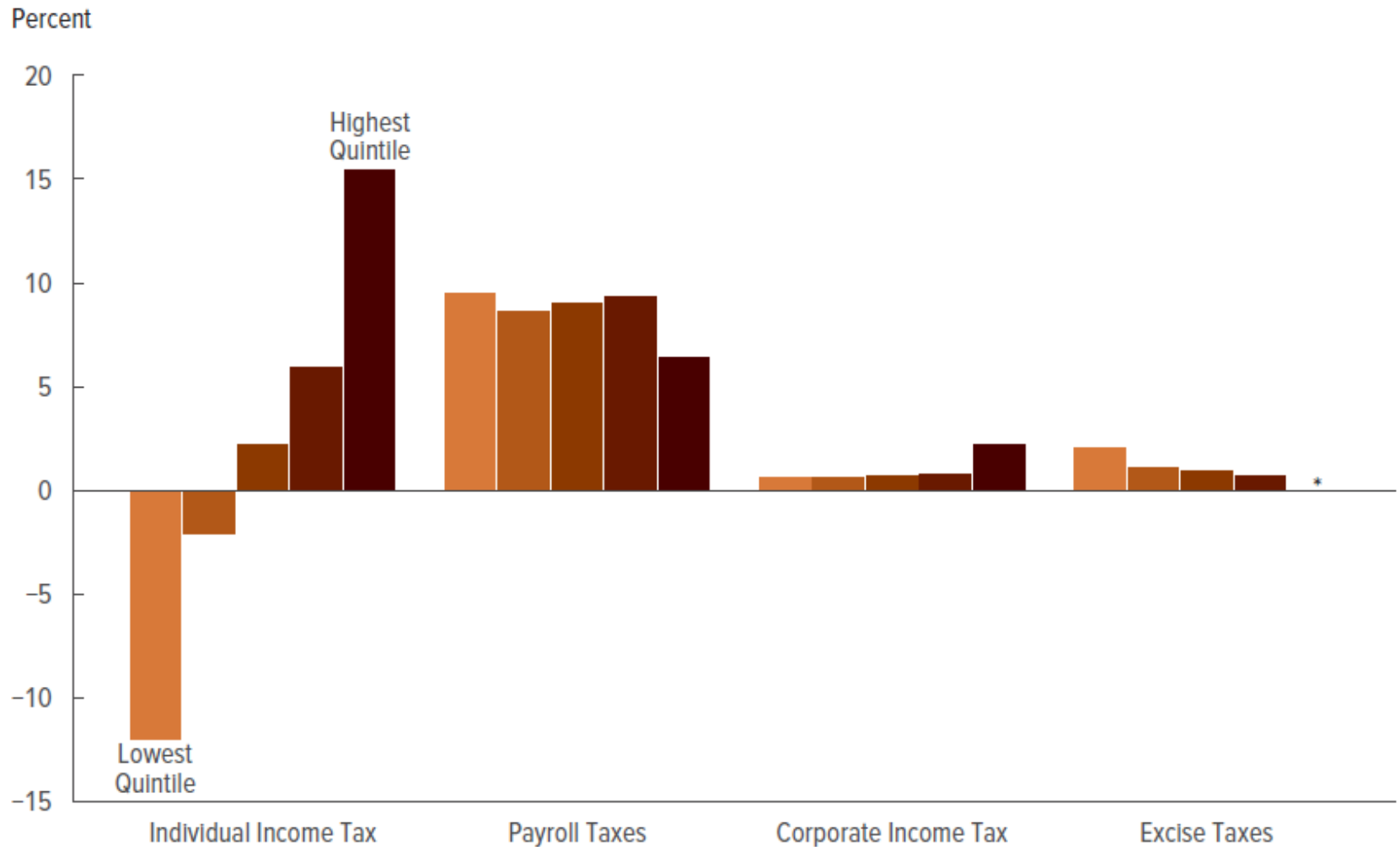
## Exhibit 11. Average Federal Tax Rates Among Households in the Top 1 Percent, 1979 to 2018



Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

## Exhibit 12. Average Federal Tax Rates, by Tax Source, 2018

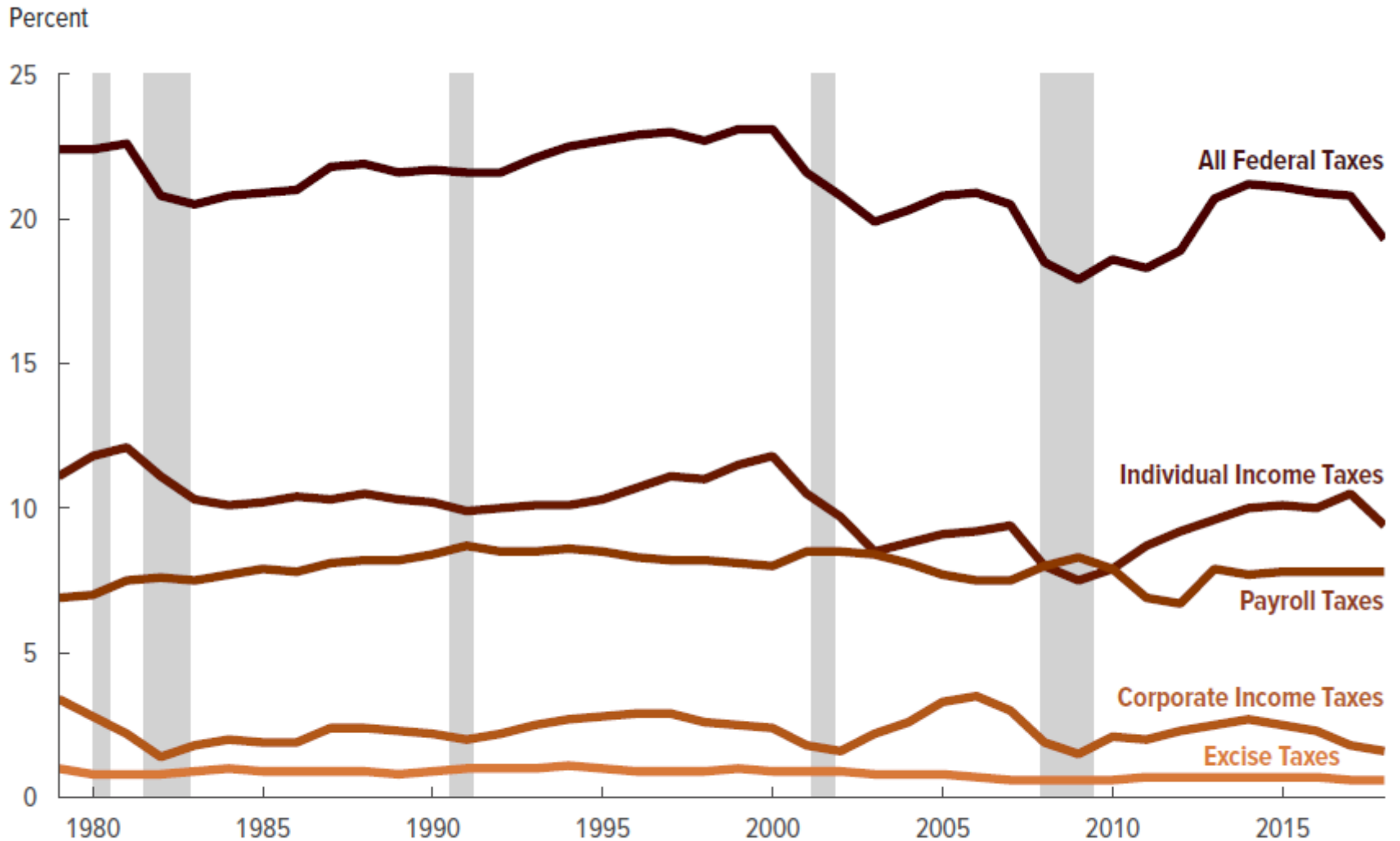


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

For information about the methods underlying this analysis, see Appendix A. For detailed definitions of income measures, see Appendix C.

\* = between zero and 0.5 percent.

## Exhibit 13. Average Federal Tax Rates, by Tax Source, 1979 to 2018

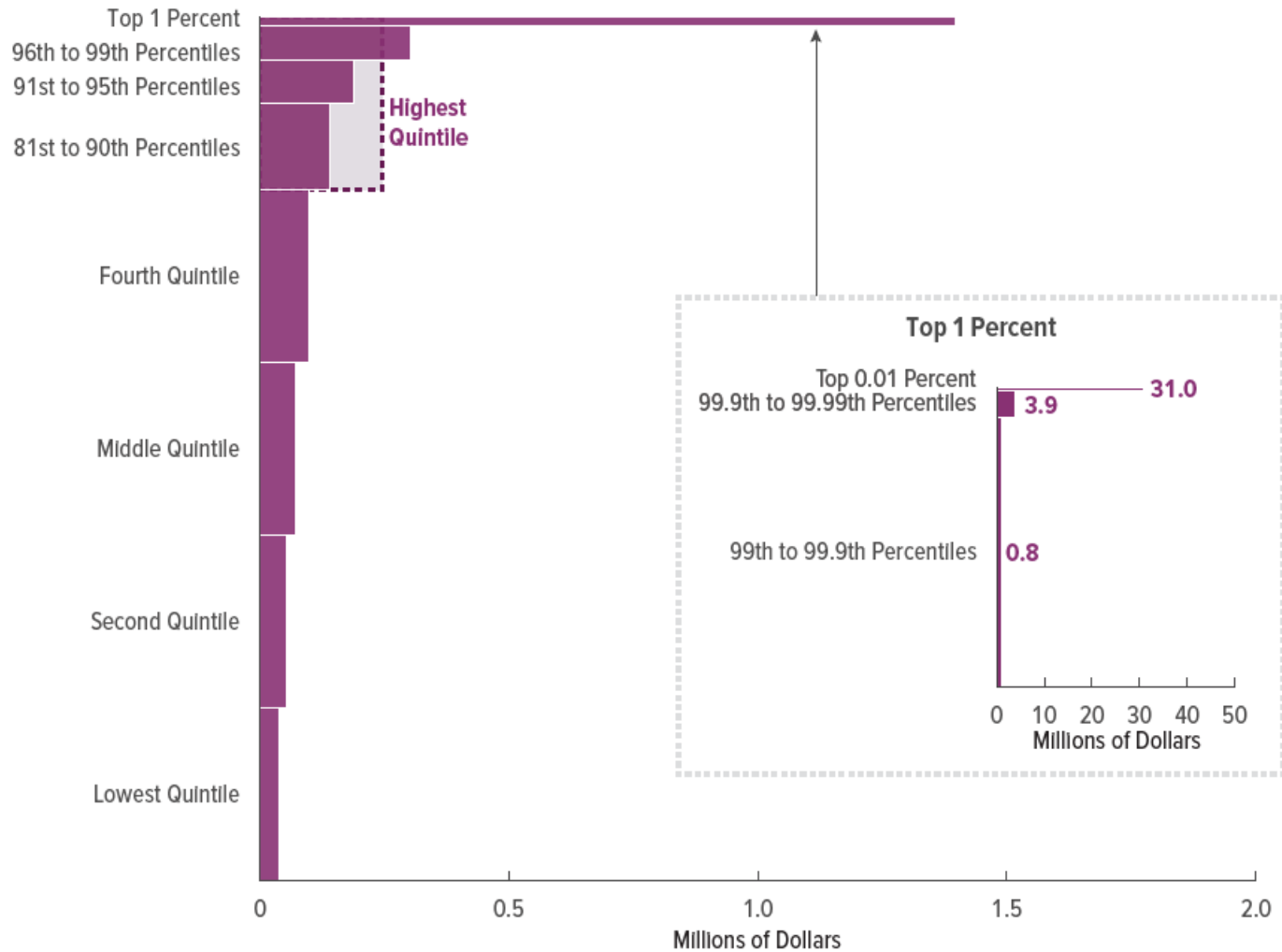


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

Income After Transfers and Taxes

# Exhibit 14. Average Household Income After Transfers and Taxes, 2018

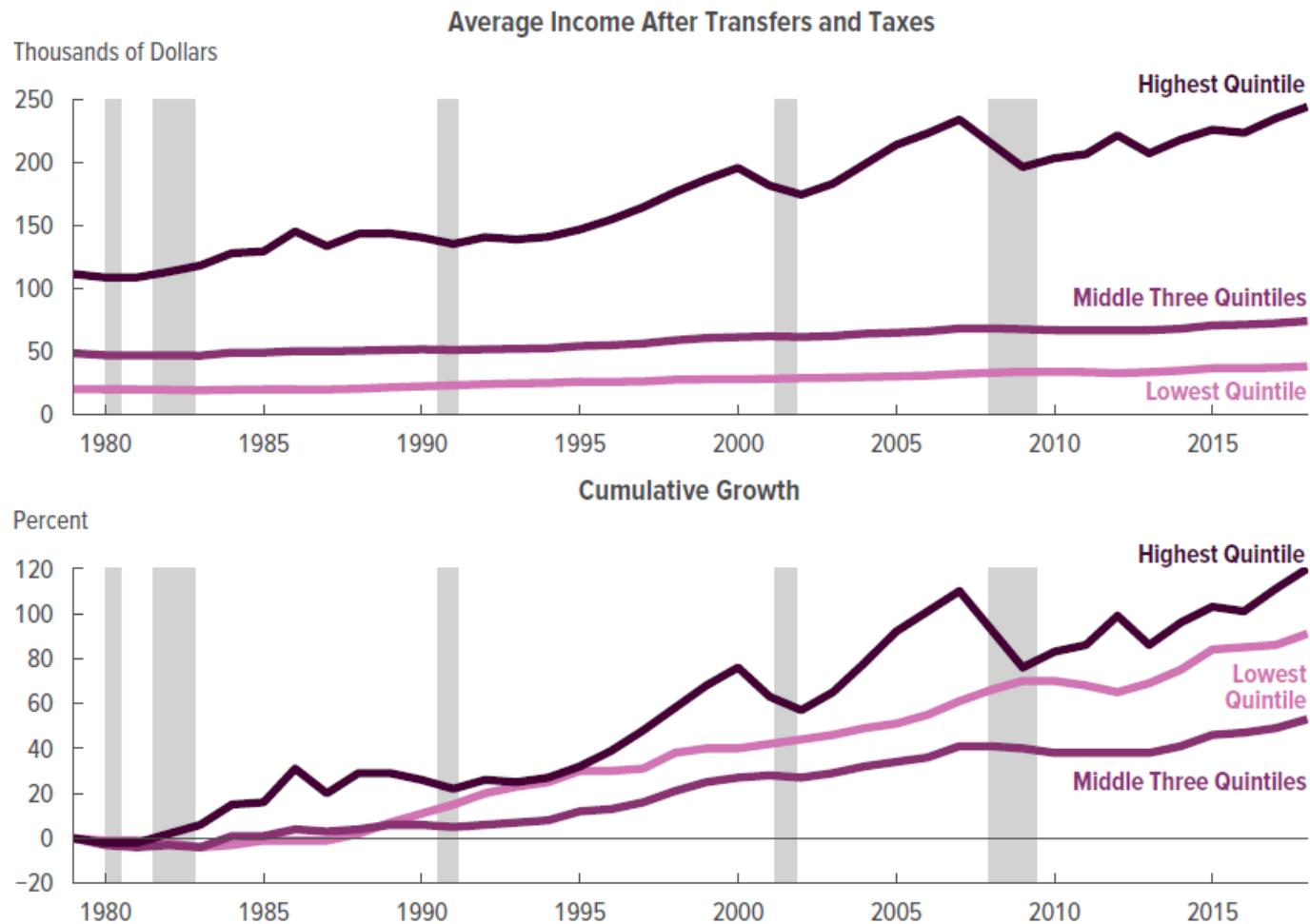


Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

All dollar amounts are in 2018 dollars.

Income groups are created by ranking households by income before transfers and taxes, adjusted for household size. Each quintile (fifth) contains approximately the same number of people. The lowest quintile does not include households with negative income.

# Exhibit 15. Trends in the Distribution of Income After Transfers and Taxes, 1979 to 2018



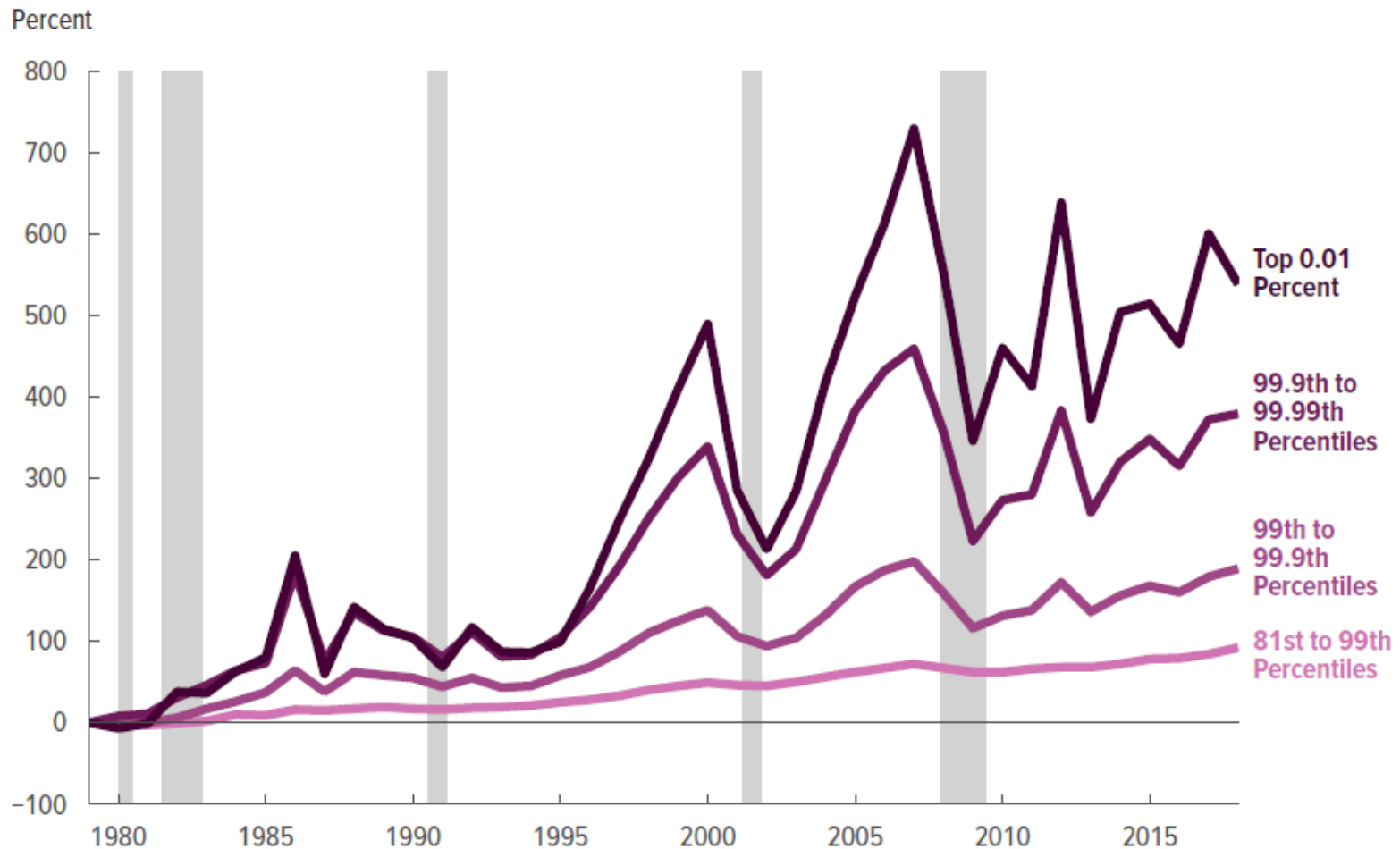
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

All dollar amounts are in 2018 dollars.

To calculate growth rates, CBO first converted all dollar amounts to 2018 dollars using the Bureau of Economic Analysis's price index for personal consumption expenditures.

## Exhibit 16. Cumulative Growth in Income After Transfers and Taxes Among Households in the Highest Quintile, 1979 to 2018



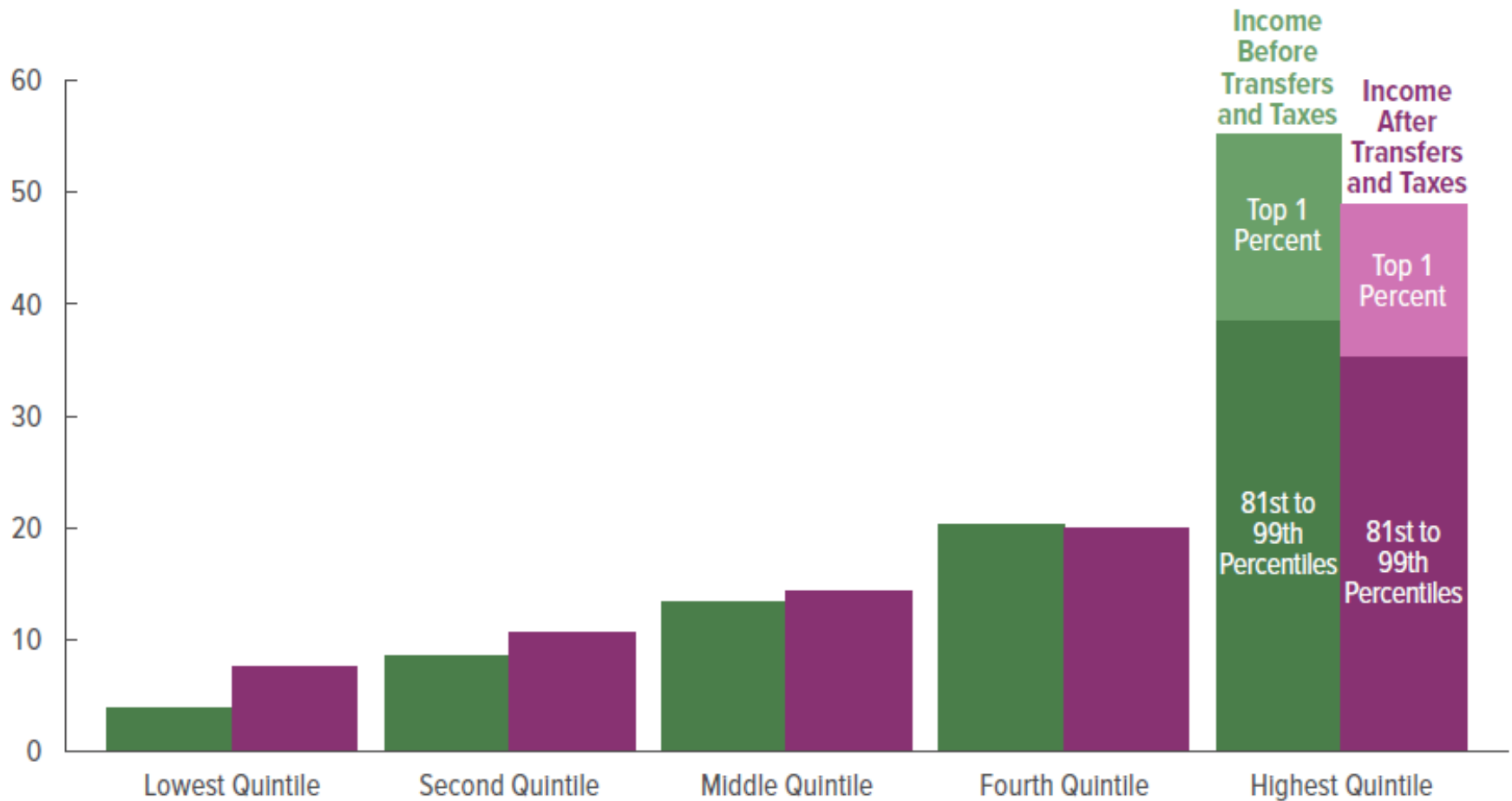
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

To calculate growth rates, CBO first converted all dollar amounts to 2018 dollars using the Bureau of Economic Analysis's price index for personal consumption expenditures.

# Exhibit 17. Shares of Income Before and After Transfers and Taxes, 2018

Percent



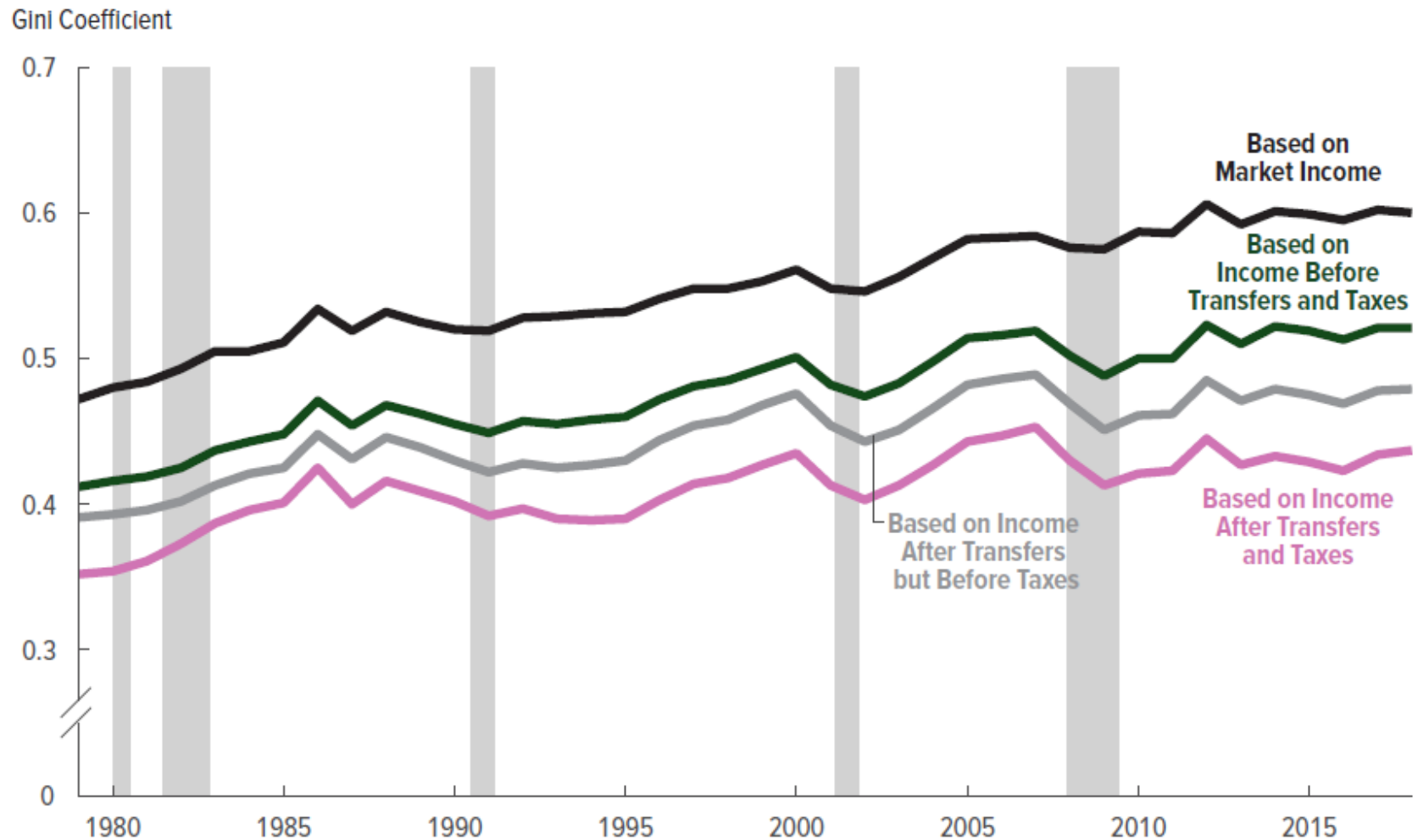
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shares do not add up to 100, because households with negative income are not shown.



# Income Inequality

## Exhibit 18. Income Inequality As Measured by the Gini Coefficient, 1979 to 2018



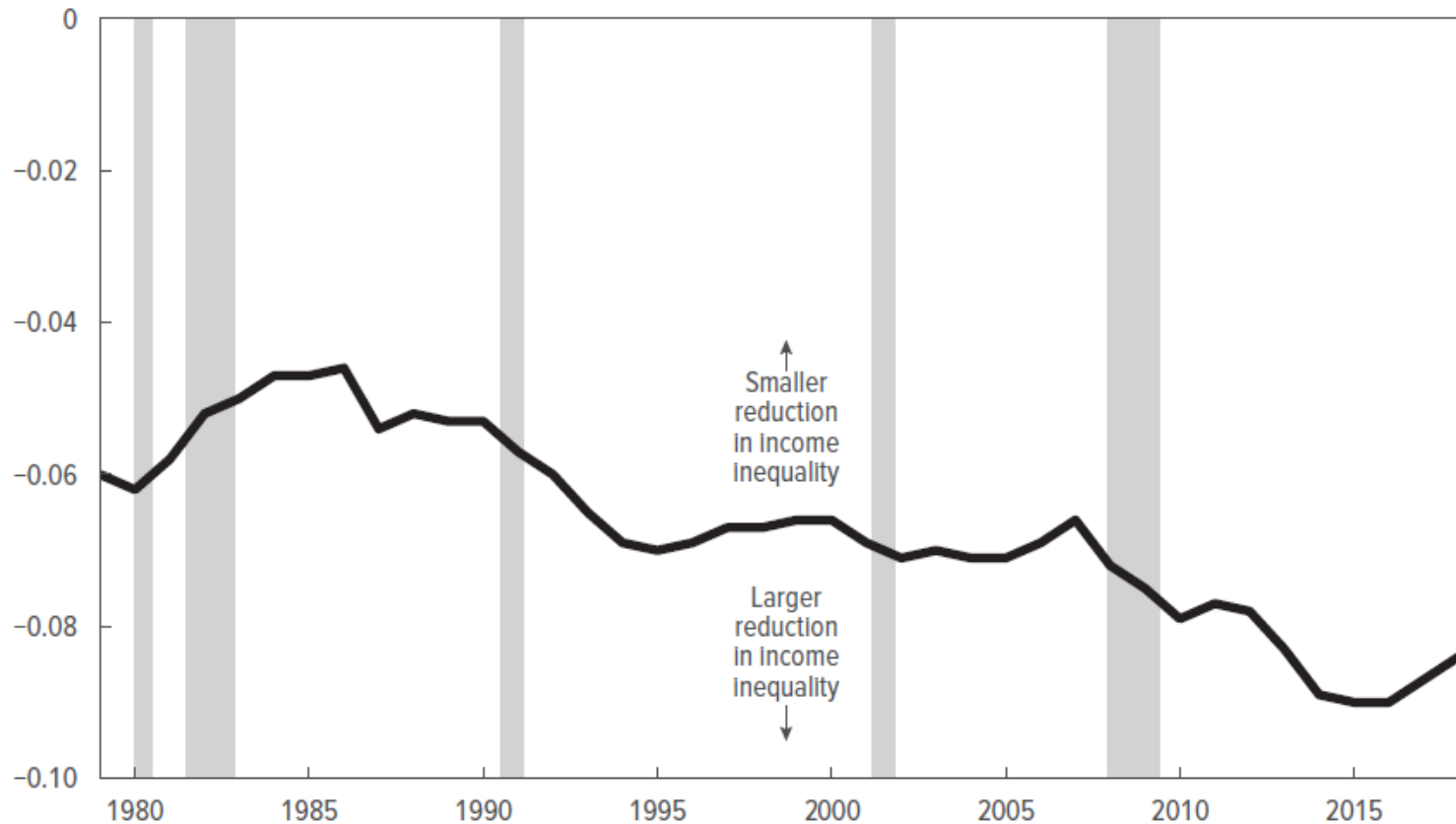
Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

The Gini coefficient is a measure of income inequality that ranges from zero (the most equal distribution of income) to one (the least equal distribution of income).

## Exhibit 19. Reduction in Income Inequality Stemming From Means-Tested Transfers and Federal Taxes, 1979 to 2018

Change in Gini Coefficient



Data source: Congressional Budget Office. See [www.cbo.gov/publication/57061#data](http://www.cbo.gov/publication/57061#data).

Shaded vertical bars indicate the duration of recessions. (A recession extends from the peak of a business cycle to its trough.)

To measure the effect of means-tested transfers and federal taxes on inequality in each year, CBO subtracted the Gini coefficient for income before transfers and taxes from the Gini coefficient for income after transfers and taxes. A Gini coefficient value of zero indicates complete equality, and a value of one indicates complete inequality; thus, a negative change in the Gini coefficient indicates that inequality was reduced. The more negative the change, the greater the reduction in inequality.