

## Who Pays No Income Tax?

By **Roberton Williams**

During the 2008 election campaign, President Obama proposed to create or expand a variety of refundable tax credits, most notably his Making Work Pay credit. Refundability was key for Obama — that’s the only way to make credits available to people who pay little or no tax. Critics decried the proposals, asking how you can cut taxes for people who pay no tax. The Tax Policy Center (TPC) estimated that, under then current law, 38 percent of all nondependent tax units would pay no income tax in 2009.

Earlier this year, Obama signed into law the American Recovery and Reinvestment Tax Act of 2009 (P.L. 111-5), which, among other things, temporarily put into place some of the refundable credits proposed during the campaign. TPC estimates that under the new law, 47 percent of tax units will owe no income tax in 2009 (see table).

The fraction of tax units paying no income tax varies widely by filing status and type of unit. About 47 percent of single filers will owe no tax, compared with 38 percent of joint filers and 72 percent of heads of household. More

than half of elderly tax units and tax units with children will pay no income tax this year.

Differences in income explain much of that variation. Single people and heads of household have average income under \$30,000 while married couples filing jointly have income averaging nearly \$75,000. More than 60 percent of units with income between \$20,000 and \$30,000 pay no income tax, compared with only about 20 percent of those between \$50,000 and \$75,000.

Filing status matters too, largely because of differences by filing status in exclusions, deductions, and credits, and in the presence of children. More than three-fourths of joint filers and heads of household with income between \$30,000 and \$40,000 pay no tax compared with just one-sixth of single tax units in that income range. And almost 90 percent of units with children in that income category pay no tax, reflecting, in part, the value of the earned income and child tax credits.

A final note: One Obama campaign proposal that hasn’t reappeared would have zeroed out income taxes for elderly households with income under \$50,000. Perhaps the proposal’s disappearance simply reflects the fact that nearly 80 percent of those units already pay no tax.

**Percentage of Tax Units with Zero or Negative Individual Income Tax Liability**  
By Filing Status and Cash Income Level, Current Law, 2009<sup>a</sup>

Cash Income (2009 dollars) <sup>b</sup>	Tax Filing Status				Elderly Tax Units	Tax Units with Children	All Tax Units
	Single	Married Filing Jointly	Head of Household	Married Filing Separately			
Under \$10,000	99.9	100.0	99.7	97.3	100.0	99.9	99.8
\$10,000-\$20,000	74.3	99.9	99.3	57.9	89.5	99.8	83.6
\$20,000-\$30,000	36.7	90.2	92.3	26.2	76.5	98.9	61.8
\$30,000-\$40,000	16.0	79.8	77.9	13.7	61.4	89.3	47.5
\$40,000-\$50,000	7.4	71.7	45.1	17.1	48.2	68.3	35.7
\$50,000-\$75,000	5.0	34.2	21.2	4.9	22.5	40.9	21.5
\$75,000-\$100,000	3.6	11.3	8.2	8.8	8.1	15.1	9.2
\$100,000-\$200,000	4.0	3.4	2.1	9.3	4.9	4.0	3.5
\$200,000-\$500,000	3.0	1.8	2.5	4.8	3.9	1.6	2.0
\$500,000-\$1,000,000	2.6	1.8	5.3	0.0	1.6	2.1	2.0
Over \$1,000,000	2.0	1.5	0.0	0.0	1.1	1.3	1.5
All	46.7	38.1	71.9	25.8	55.3	54.1	46.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-2).

<sup>a</sup>Calendar year. Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

<sup>b</sup>Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>



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