

Site Search

Go

Support the Tax Foundation | Contact | Subscribe

- Home
- Research Areas
- Publications
 - Tax Policy Blog**
- Data, Charts, and Maps
- About Us
- Support the Tax Foundation
- Contact Us
- Press Room
- Tax Freedom Day
- Tax Policy Podcast
- Commentary
- Events
- Staff

[Center for Legal Reform](#)

[Center for State Fiscal Policy](#)

Tax Foundation
 National Press Building
 529 14th Street, NW
 Suite 420
 Washington, DC 20045-1000
 202.464.6200

[Printer Friendly](#) | [Send to a Friend](#)



MAY 12, 2011

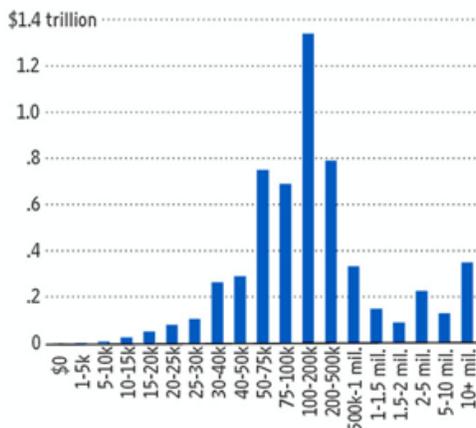
The Wall Street Journal's Misleading Income Chart

by [Nick Kasprak](#)

The *Wall Street Journal* wrote an [editorial](#) last month making the point that there's no way to close our budget deficit by taxing only the rich. It's a point the Tax Foundation agrees strongly with, and the editorial's reasoning—that even if we confiscated 100% of the income of everyone in the top 1%, it still wouldn't be enough to close the deficit—makes sense. However, the editorial also includes a chart, which has been [making the rounds](#) on [various blogs recently](#):

The Middle Class Tax Target

The amount of total taxable income (left scale) for all filers by adjusted gross income level for 2008



Source: IRS

Regardless of the broader merits of the editorial, this chart is a textbook example of how to lie with statistics. It's unfortunate that the *Wall Street Journal* chose to undermine the rest of its editorial by including such a breathtakingly misleading image.

It purports to show visually that the majority of taxable income in this country is made by those in the middle class—after all, the highest bar is for people making \$100-\$200K, which is in the middle of the graph!

However, the heights of the bars depend as much on the width of your "bins" as on the actual statistic the bars measure. Look more closely: the bar immediately previous to this one is for the income range of \$75K to \$100K—an income range only one-quarter the size. Of course you're going to get a higher bar when you quadruple the income range it measures. The point here is that you can finagle the ranges for the bars any way you want, and get vastly different charts.

To demonstrate this, I've created two very similar charts using the 2006 IRS Public Use File (the most recent data available.) It's easy to reproduce a very similar chart using the same binning as the *Wall Street Journal's*:

The Tax Policy Blog is the official weblog of the Tax Foundation, a non-partisan, non-profit research organization that has monitored tax policy at the federal, state and local levels since 1937. Our economists welcome your feedback. If you would like to send an e-mail to the author of a blog post, please click on that person's name to locate his or her e-mail address or visit our staff page [here](#).

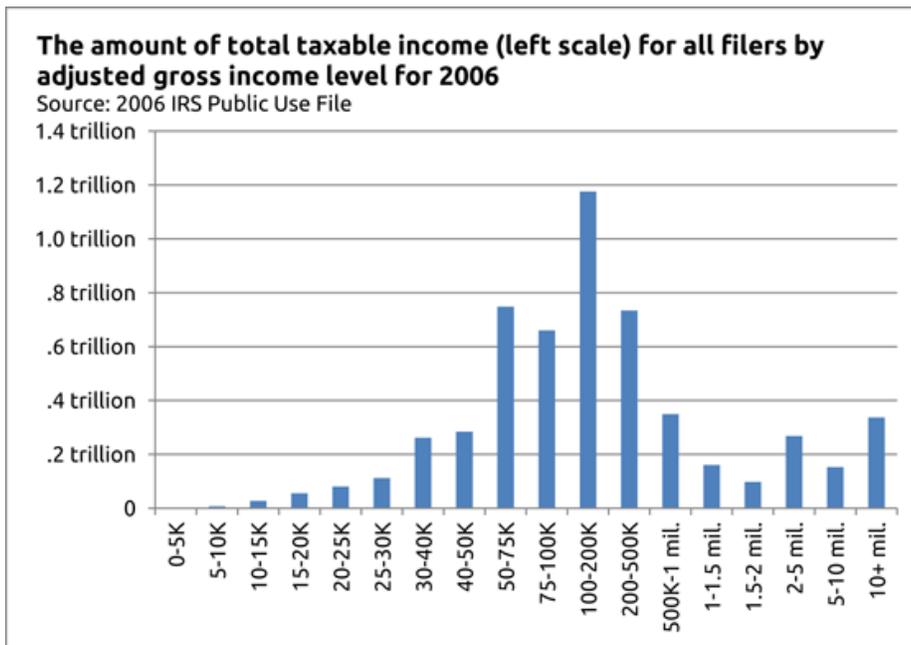


Monthly Archives

May 2011

Topics

- [Alternative Minimum Tax \(AMT\)](#)
- [Bush-Era Tax Cuts: Near-Expiration and Extension](#)
- [Capital Gains & Dividends Taxes](#)
- [Cigarette Taxes](#)
- [Compliance Costs & Tax Complexity](#)
- [Corporate Income Taxes](#)
- [Election Analysis](#)
- [Environment and Energy Taxes](#), ([click to show subtopics ↓](#))
- [Estate and Gift Taxes](#)
- [Excise Taxes](#), ([click to show subtopics ↓](#))
- [Federal Taxes Paid vs. Spending Received by State](#)
- [Gross Receipts Taxes](#)
- [Income Taxes](#), ([click to show subtopics ↓](#))
- [International Taxes](#)



But what if we used a constant bin size: in other words, each bin contains an equal number of tax returns? This is the same thing as using income percentiles rather than specific income levels. Using individual tax returns as the unit of measure, here's what those percentiles look like:

AGI Percentile (Tax Returns with 0 or positive AGI)	AGI Level
0-5th	\$0-\$2731
5-10th	\$2731-\$5407
10-15th	\$5407-\$8207
15-20th	\$8207-\$11280
20-25th	\$11280-\$14140
25-30th	\$14140-\$17110
30-35th	\$17110-\$20290
35-40th	\$20290-\$23730
40-45th	\$23730-\$27560
45-50th	\$27560-\$31660
50-55th	\$31660-\$36390
55-60th	\$36390-\$41980
60-65th	\$41980-\$48530
65-70th	\$48530-\$55680
70-75th	\$55680-\$64590
75-80th	\$64590-\$74940
80-85th	\$74940-\$88170
85-90th	\$88170-\$108400
90-95th	\$108400-\$152700
95th+	\$152700+

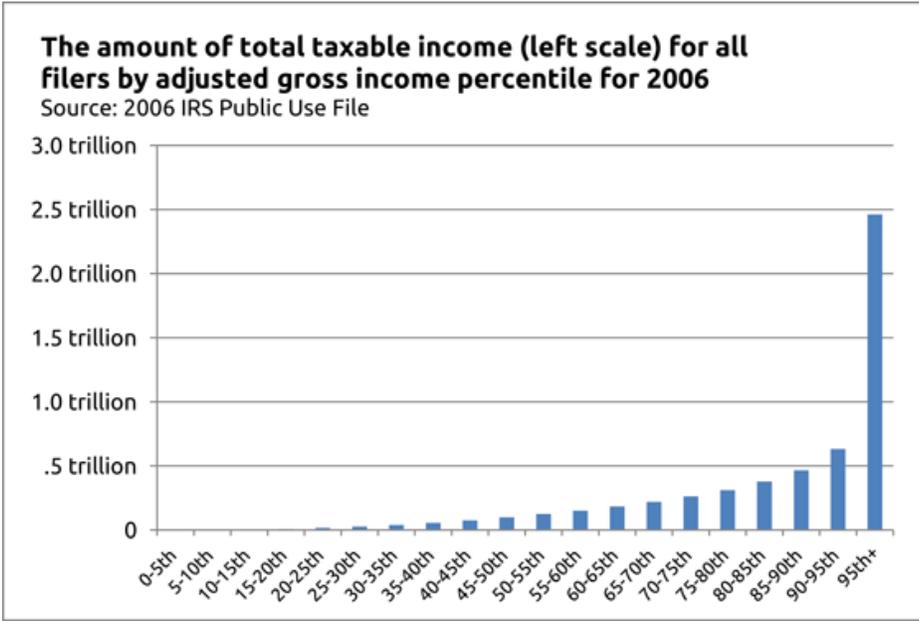
Source: 2006 IRS Public Use File

(Note that these percentiles are for tax returns, not people—a married couple filing jointly is still only one return.)

Now, I can produce a chart similar to the *Wall Street Journal's*, but one that uses the income levels corresponding to the percentiles above:

- [Jock Taxes](#)
- [Lottery and Gambling Taxes](#)
- [Property Taxes](#)
- [Public Opinion Surveys on Taxes](#)
- [Putting a Face on America's Tax Returns](#)
- [Sales & Use Taxes. \(click to show subtopics ↓ \)](#)
- [Social Security and Payroll Taxes](#)
- [State Business Tax Climate Index](#)
- [State Tax and Spending Policy. \(click to show subtopics ↓ \)](#)
- [Tax Burdens](#)
- [Tax Credits, Deductions, & Benefits. \(click to show subtopics ↓ \)](#)
- [Tax Fact Check](#)
- [Tax Freedom Day®](#)
- [Tax Law. \(click to show subtopics ↓ \)](#)
- [Tax Reform](#)
- [Value-Added Tax \(VAT\)](#)

Disclaimer: All views expressed on the Tax Foundation's Tax Policy Blog are those of the individual authors, and do not necessarily represent the views of the Tax Foundation, its Board of Directors, or its financial contributors. The Tax Foundation makes no representation concerning the views expressed, and does not guarantee the source, originality, accuracy, completeness or reliability of any statement, information, data, finding, interpretation, advice, opinion, or view presented.



Looks a little bit different, doesn't it?

My point here is not to criticize the editorial itself, because it's true that taxing only the rich isn't a viable path towards deficit reduction. At the same time, we shouldn't resort to misleading charts that pretend to show that those with high incomes don't make the majority of the money in this country—they do.

Tall \$5.00

[ShareThis](#)

©2011 Tax Foundation. All Rights Reserved.