

# Understanding Top Income Share Data

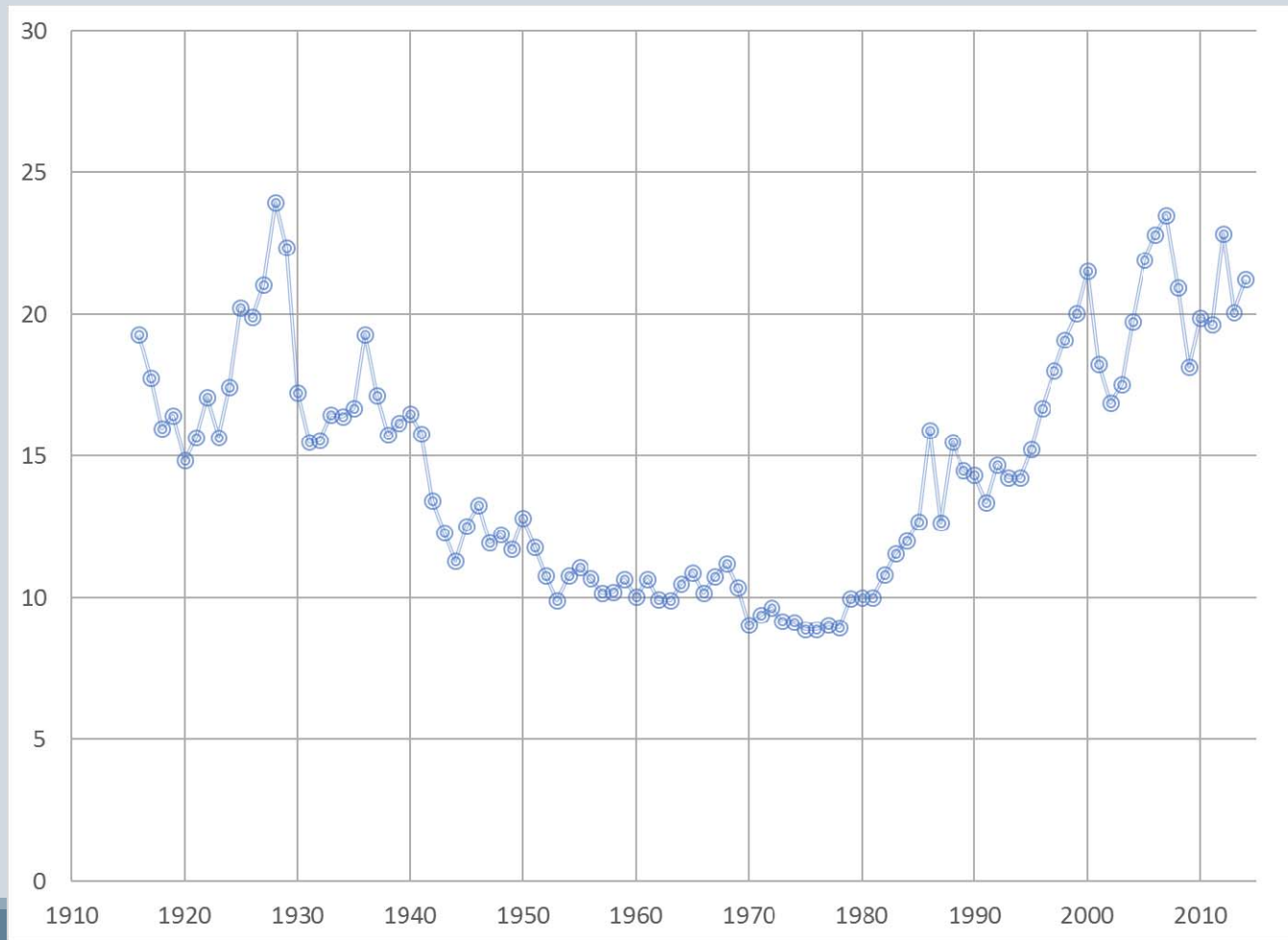
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SCOTT WINSHIP

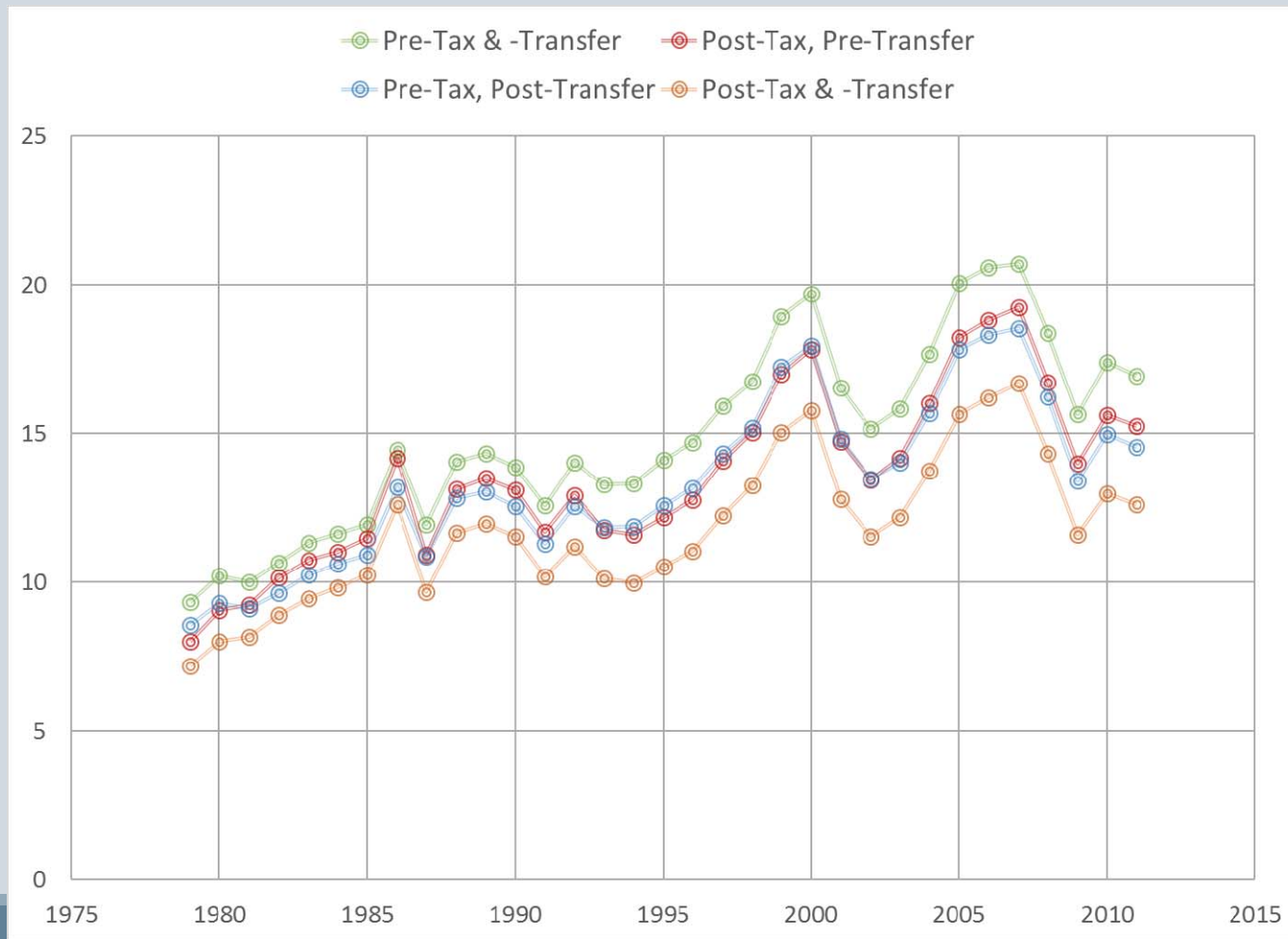
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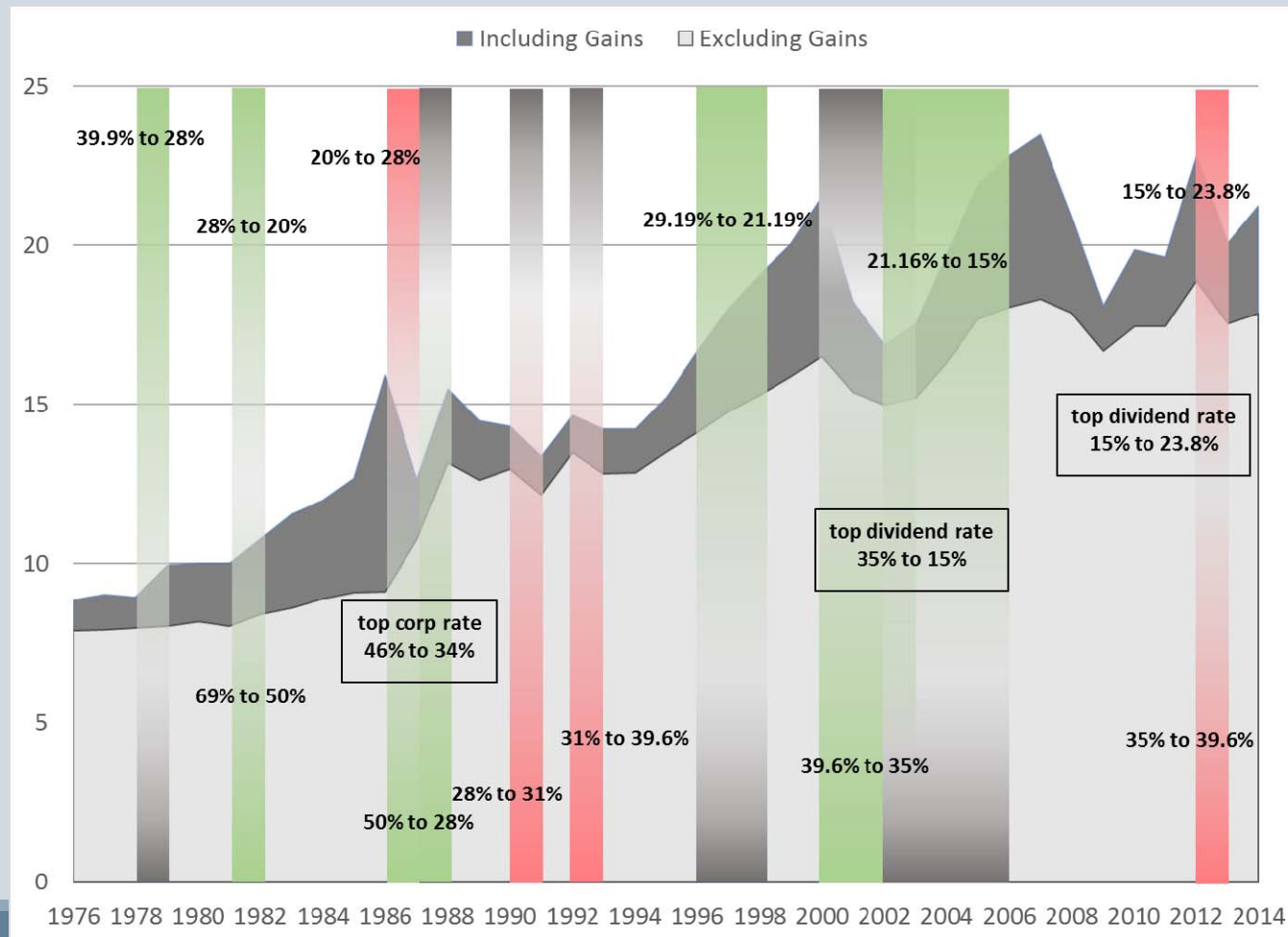
# Top One Percent Share of Income, Piketty & Saez



# Impact of Taxes & Transfers, CBO



# Impact of Tax Policy Changes



## How to Count Capital Gains?

- Example: Million-dollar investment made today, held for 10 years, then sold
- At 8% return, investor realizes \$1,159,000 at end of 2025, shown in tax data as receiving \$1,159,000 in capital gains
- But if the gains accrue at a rate of 8% in each of the 10 years, just \$160,000 of that amount will have accrued in 2025. Gains overstated by nearly \$1 million.
- Meanwhile, no gains will be recorded from 2016 to 2024, understating the accrued gains between \$80,000 and \$148,000 in each year
- Also note that inflation has eaten into the gains. If prices rose at rate of 2.5%, real capital gains realized in 2025 is just \$879,000

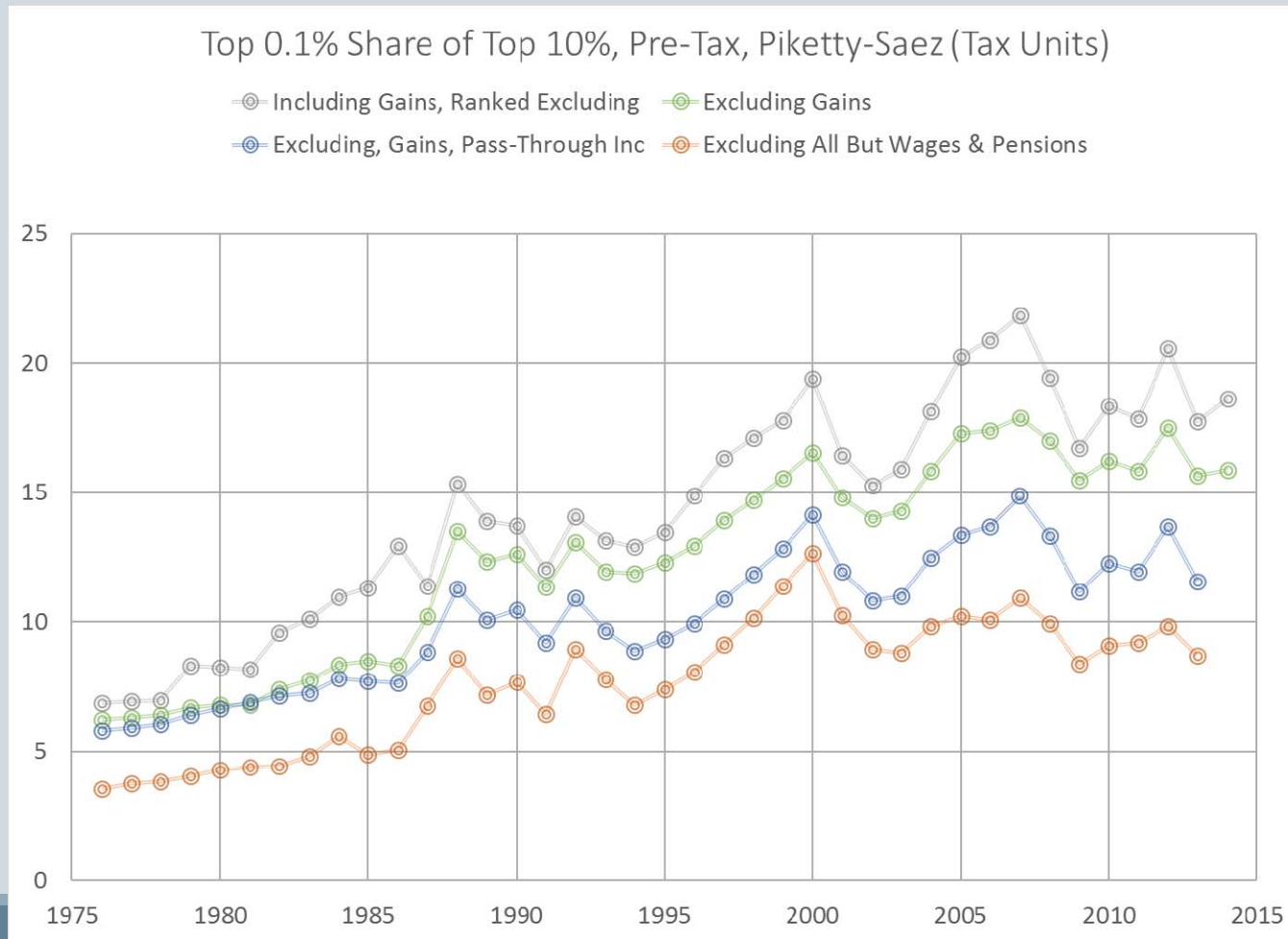
## How to Count Capital Gains?

- Oh, one other thing...
- Nontaxable gains are never counted as income in the tax data
- ermmm.....home sales, anyone?

## How to Count Capital Gains?

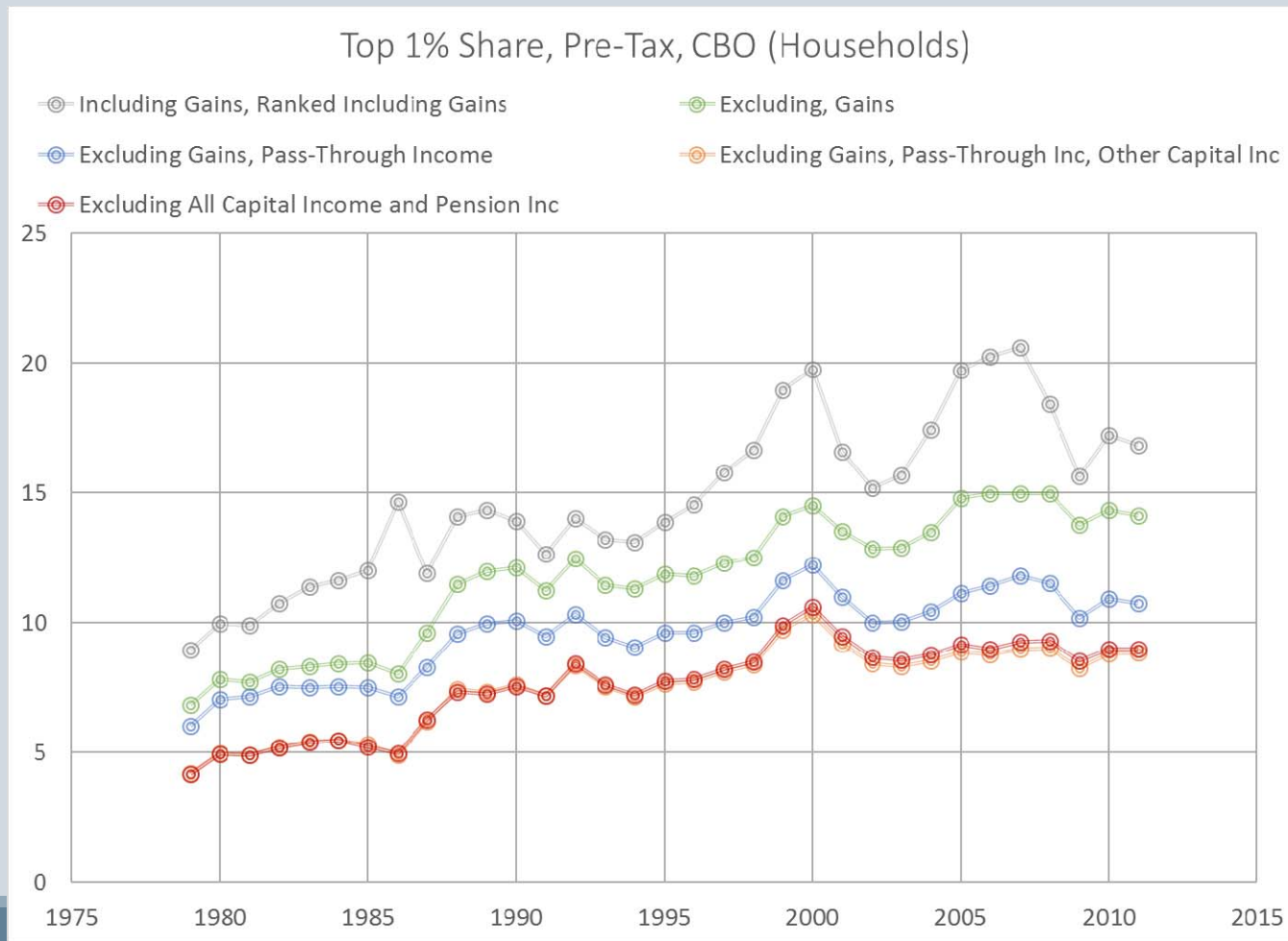
- Two attempts to estimate top share using all accrued gains: Smeeding and Thompson (2011); Larrimore, Burkhauser, Auten, and Armour (in progress)
  - Larrimore et al.: top one percent share was 12% in 1989, 14-16.5% in 2007 (i.e., increase of 2-4.5 points)
  - Smeeding & Thompson: top one percent share rose from 18% to 22% (i.e., increase of 4 points)
- Piketty & Saez estimates are also moving in this direction
  - Original Piketty & Saez: 1989-2007 increase was from 14.5% to 23.5% (9 points)
  - Piketty, Saez, & Zucman: from 15% to 19% (4 points)
- But...there are still capital gains in labor and retirement income

# Top 0.1% Share of Top 1% (Piketty & Saez)

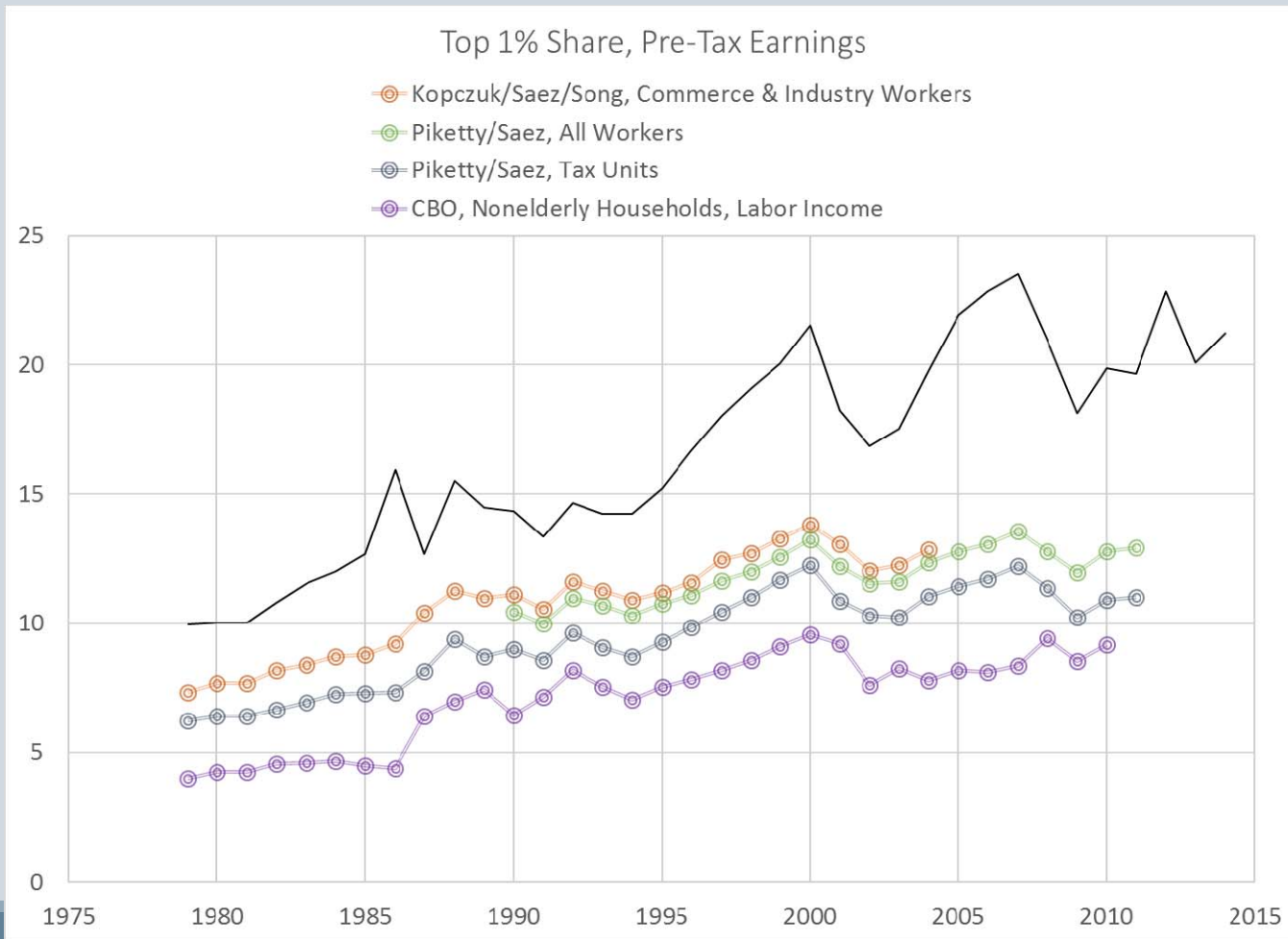




# Top 1% Share (CBO)



# Top 1% Share of Earnings



# Thank you!

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