New CE income tax estimates

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Division of Consumer Expenditure Survey
CE Microdata User's Workshop
July 15-17, 2015

BLS
BUREAU OF LABOR STATISTICS
U.S DEPARTMENT OF LABOR

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Overview

- ▶ Introduction of CE income taxes
- ▶ Comparison to other tax estimates
- ▶ Getting started
- ▶ Data uses

What changed?

What changed?

▶ CE introduced estimates for federal and state income tax liabilities in 2013.

▶ Prior to 2013, CE collected this information.

Why did CE develop income tax estimates?

Reliability issues

▶ Privacy concerns
▶ Problems remembering taxes
▶ Problems computing taxes

Reliability issues

Are the estimates better than the collected data?

Reliability issues

Yes

▶ Model obtains input from readily available sources

▶ Model tested since the seventies
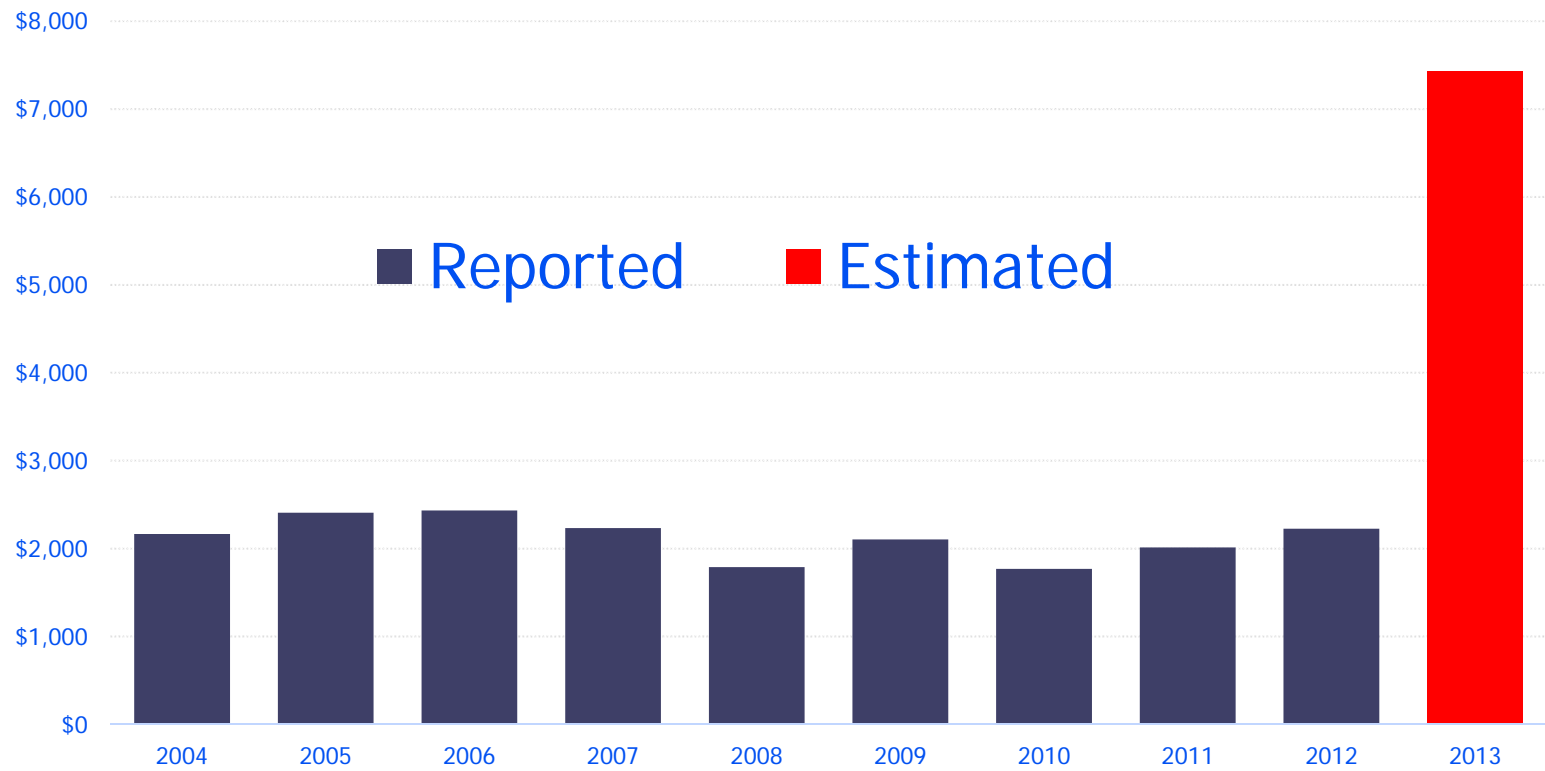
How does CE estimate the tax data?

Method

- ▶ Assemble inputs
- ▶ Run TAXSIM
- ▶ Create tax files (NTAXI)

Method

Does the new method make a difference?

Method

How do BLS income taxes compare to other tax data?

Comparison

▶ Focus on federal agencies

  – Internal Revenue Service (IRS)
  – U.S. Census Bureau (Census)
  – Congressional Budget Office (CBO)

Comparison

▶ Focus on two aspect:

- – Concepts
- – Format

Comparison

- Tax comparison

  ► Name of series
  ► Concepts included
  ► Federal
  ► Basic unit: Household or tax return
  ► Method: Model or sample

Comparison

Table 1: Comparison of taxes

Concept	CE (BLS)	IRS	CPS (Census)	CBO
Name of series	Average income tax	Average income tax revenue	Household income tax	Average personal tax
Concepts included	Individual income taxes minus tax credits	Individual income revenue minus tax credits plus trust accumulation distribution	Individual income taxes minus tax credits	Individual income taxes plus payroll taxes, corporate income taxes, and excise taxes
Basic unit	Household	Tax return	Household	Household
Federal	Federal	Federal	Federal	Federal
Method	Model	Sample of actual tax returns.	Model	Model

Source: U.S. Bureau of Labor Statistics

Comparison

Table 1: Concept comparison

Concept	CE (BLS)	IRS	CPS (Census)	CBO
Name of series	Average income tax	Average income tax return	Household income tax	Average personal tax
Concepts included	Individual income taxes minus tax credits	Individual income revenue minus tax credits plus trust accumulation distribution	Individual income taxes minus tax credits	Individual income taxes plus payroll taxes, corporate income taxes, and excise taxes
Basic unit	Household	Tax return	Household	Household
Federal	Federal	Federal	Federal	Federal
Method	Model	Sample of actual tax returns	Model	Model

Source: U.S. Bureau of Labor Statistics

Comparison

- Tax format

  - ▶ Basic unit: Household or tax return
  - ▶ Ranked by
  - ▶ Presentation by quintile or segment
  - ▶ Currency
  - ▶ Latest year available

Comparison

Table 2: Data format

Format	CE (BLS)	IRS	CPS (Census)	CBO
Basic unit	People living financially independent	People filing one tax return	People living in one housing unit	People living in one housing unit
Rank by	Population weighted income	Adjusted gross income	No ranking	Size-adjusted income
Present-ation	Income quintile	Income segment	No rank (mircodata)	Income quintile
Currency	U.S. dollars	U.S. dollars	U.S. dollars	U.S. dollars
Year	2013	2012	2013	2011

Source: U.S. Bureau of Labor Statistics

Comparison

Table 2: Format comparison

| Format	CE (BLS)	IRS	CPS (Census)	CBO
People counted	People living financially independent	People filing one tax return	People living in one housing unit	People living in one housing unit
Rank by	Population weighted income	Adjusted gross income	No ranking	Size-adjusted income
Present-ation	Income quintile	Income segment	No rank (mircodata)	Income quintile
Currency	U.S. dollars	U.S. dollars	U.S. dollars	U.S. dollars
Year	2013	2012	2013	2011

Source: U.S. Bureau of Labor Statistics

Do the conceptual differences make data differences?
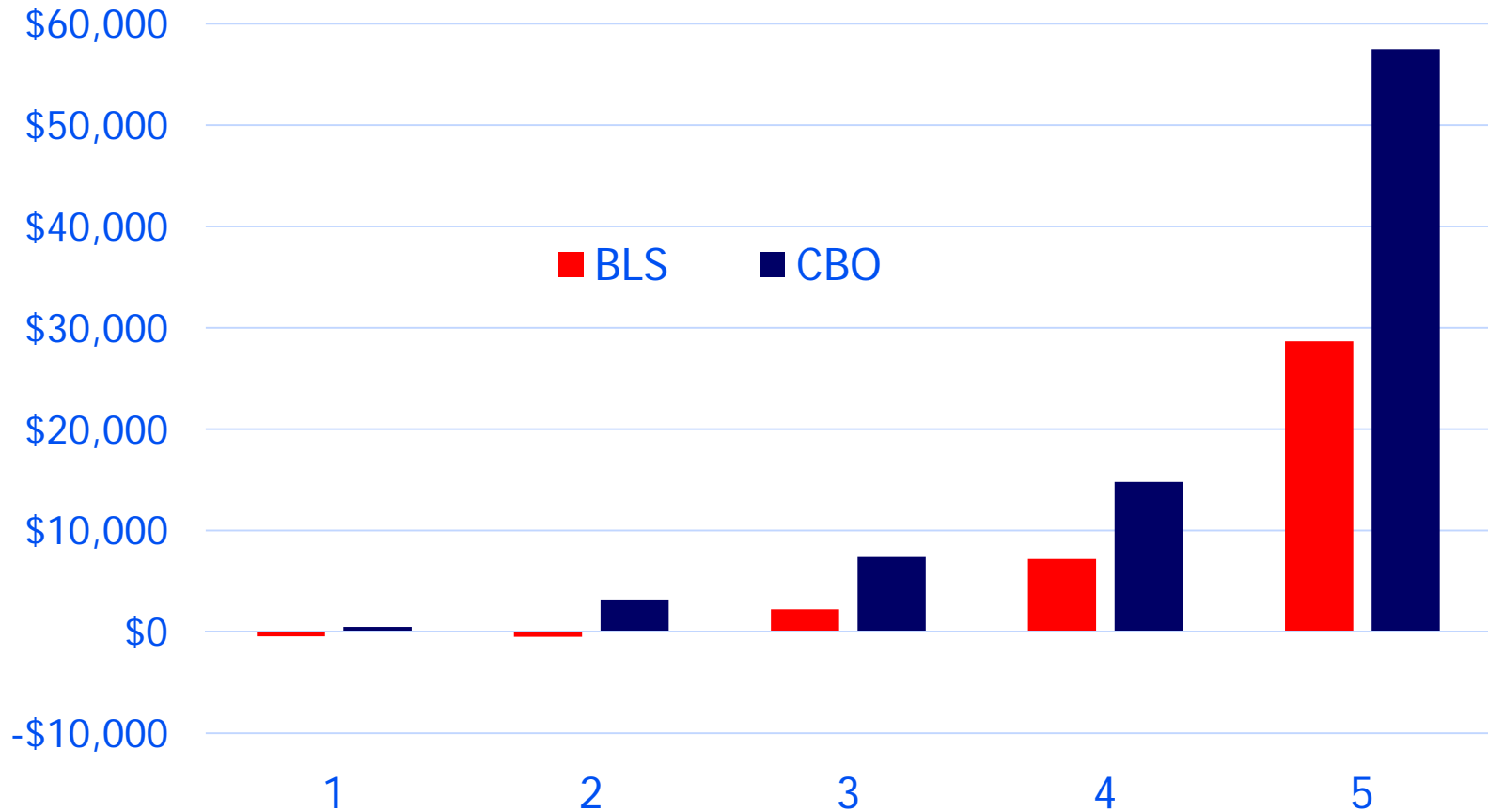
Comparison

National average of income related taxes
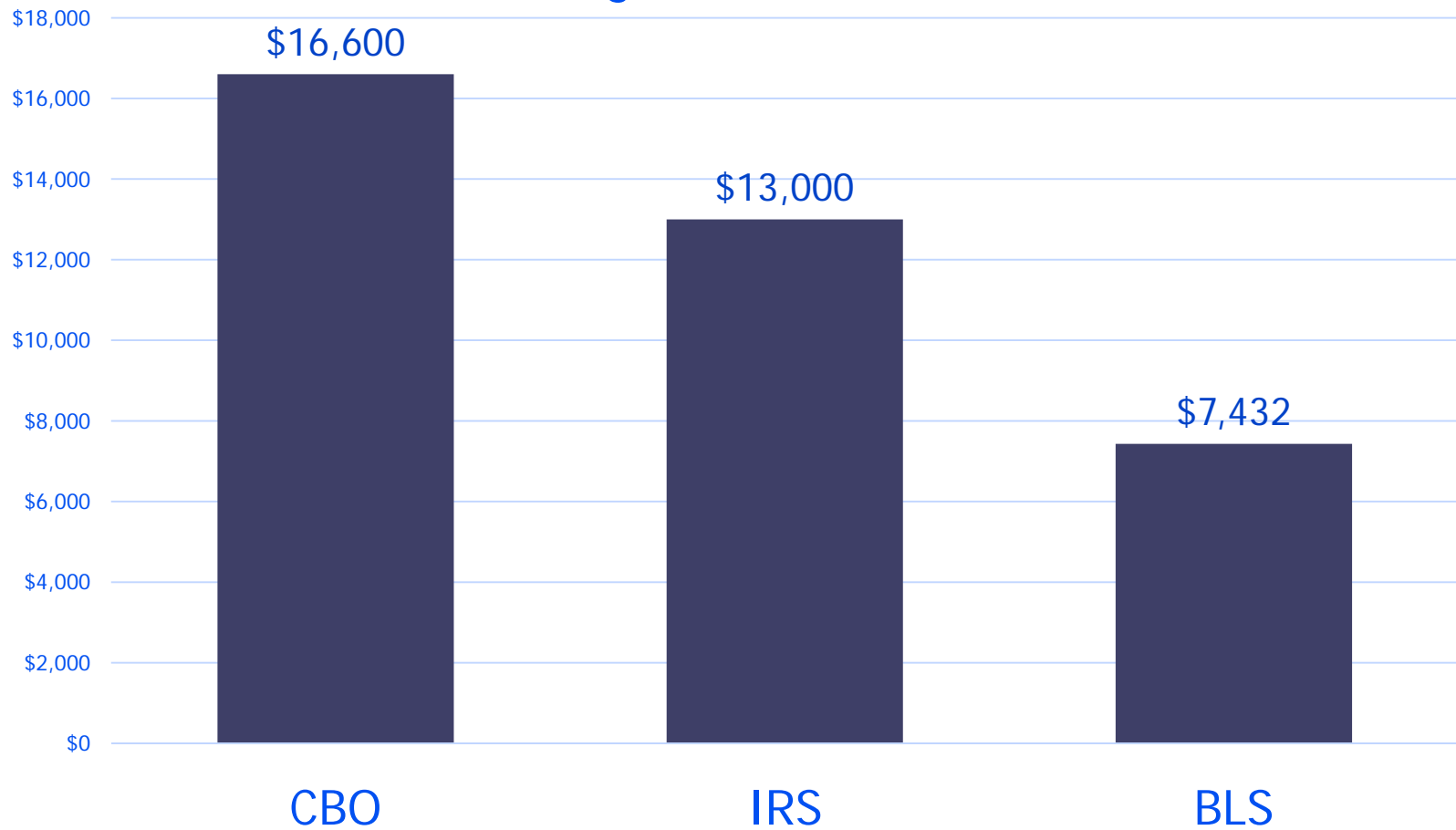
Comparison

Income related taxes by income quintile

How to get started?

Getting started!

▶ Where are the data?
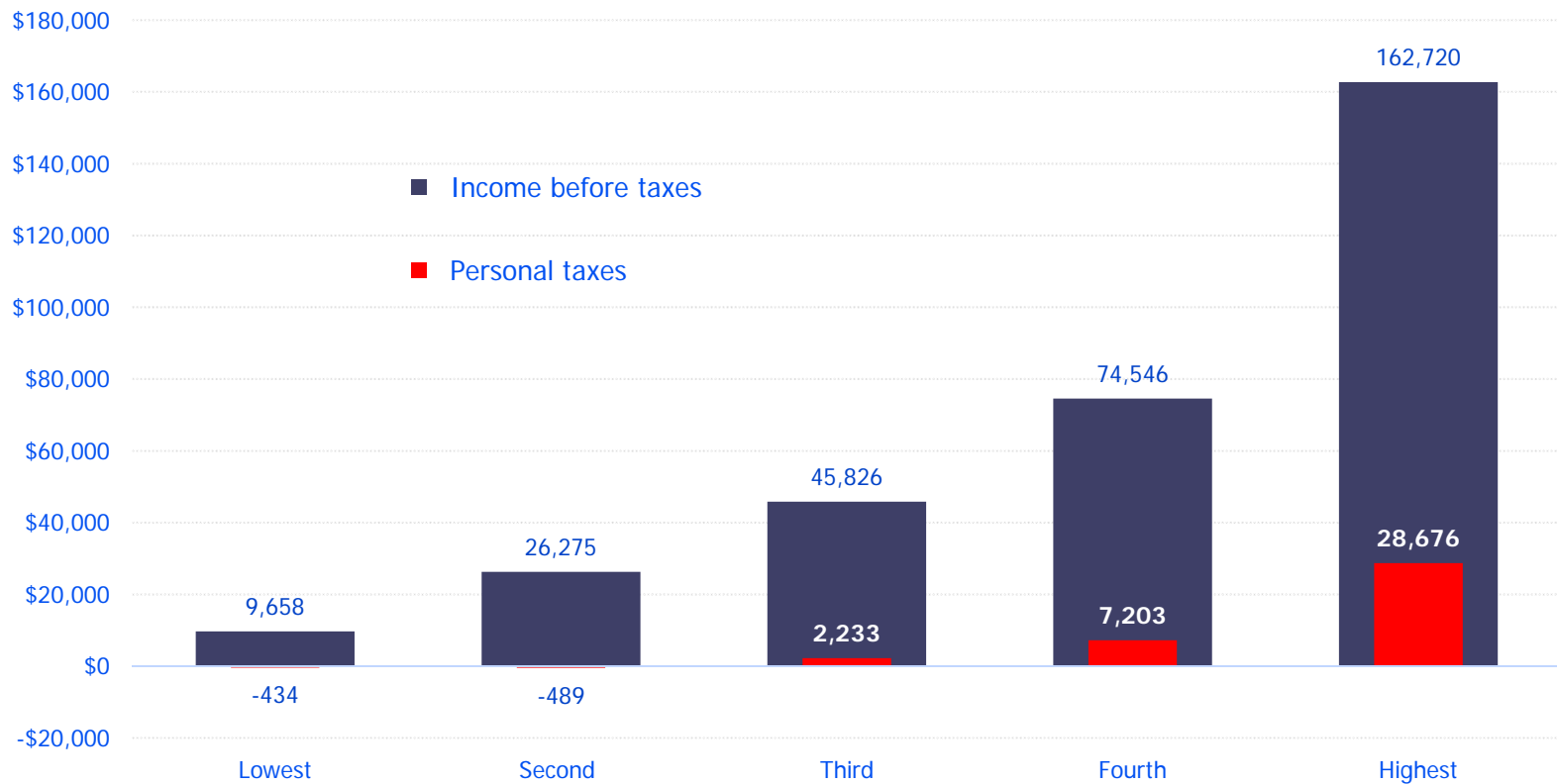
- With Interview files
- In "NTAXI" file

Getting started!

- ■ What are the key variables?

  - ▶ NEWID and TAX_UNIT to connect to other information
  - ▶ FTAXO_PY and FTAXO_CY for federal taxes after credits
  - ▶ STAXO_PY and STAXO_CY for state taxes after credits
  - ▶ TAXYR_PY and TAXYR_CY for the tax year

What can you do with the data?

Uses

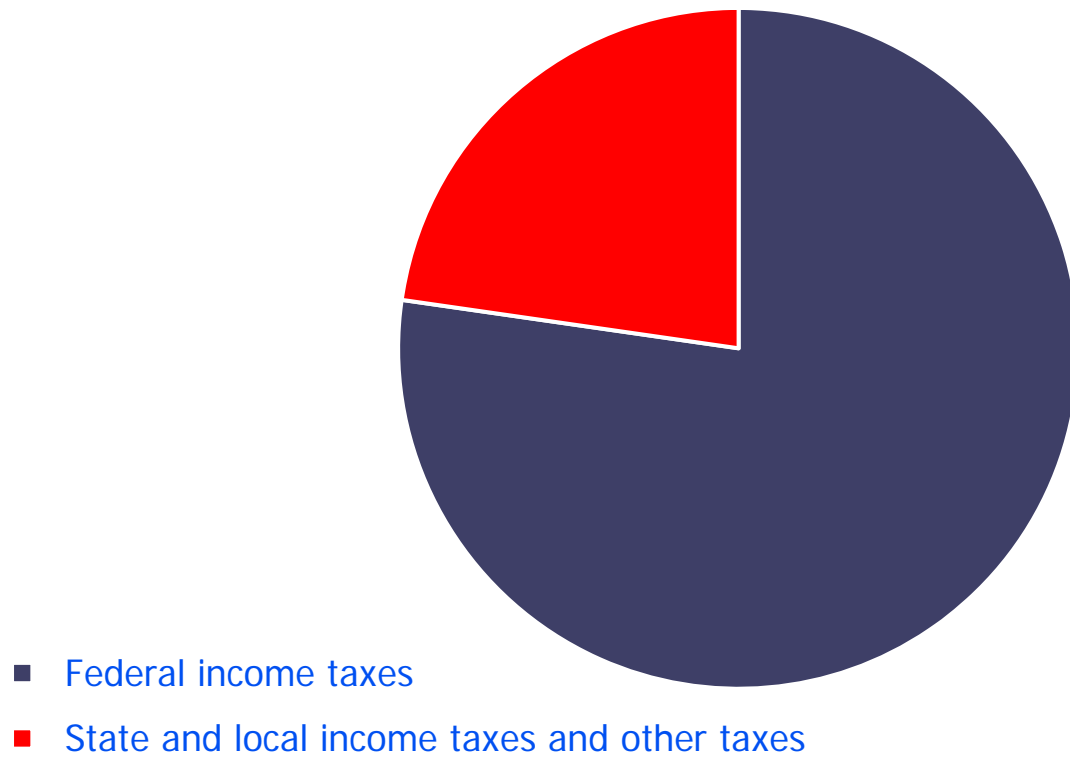**Annual income and personal taxes per household by income quintile, U.S. dollars, 2013**

- Income before taxes
- Personal taxes

	Lowest	Second	Third	Fourth	Highest
Income before taxes	9,658	26,275	45,826	74,546	162,720
Personal taxes	-434	-489	2,233	7,203	28,676

Source: U.S. Bureau of Labor Statistics.

Uses

Average shares of personal taxes by households by tax type, 2013

■ Federal income taxes

■ State and local income taxes and other taxes

Uses

Personal taxes by tax type and income quintile, U.S. dollars, 2013

Legend:
- Federal income taxes
- State and local income taxes and other taxes

Source: U.S. Bureau of Labor Statistics.

Y-axis: $27,500 / $22,500 / $17,500 / $12,500 / $7,500 / $2,500 / -$2,500

X-axis: Lowest, Second, Third, Fourth, Highest

Uses

Shares of personal taxes by income quintile, percent, 2013

National average 11.7
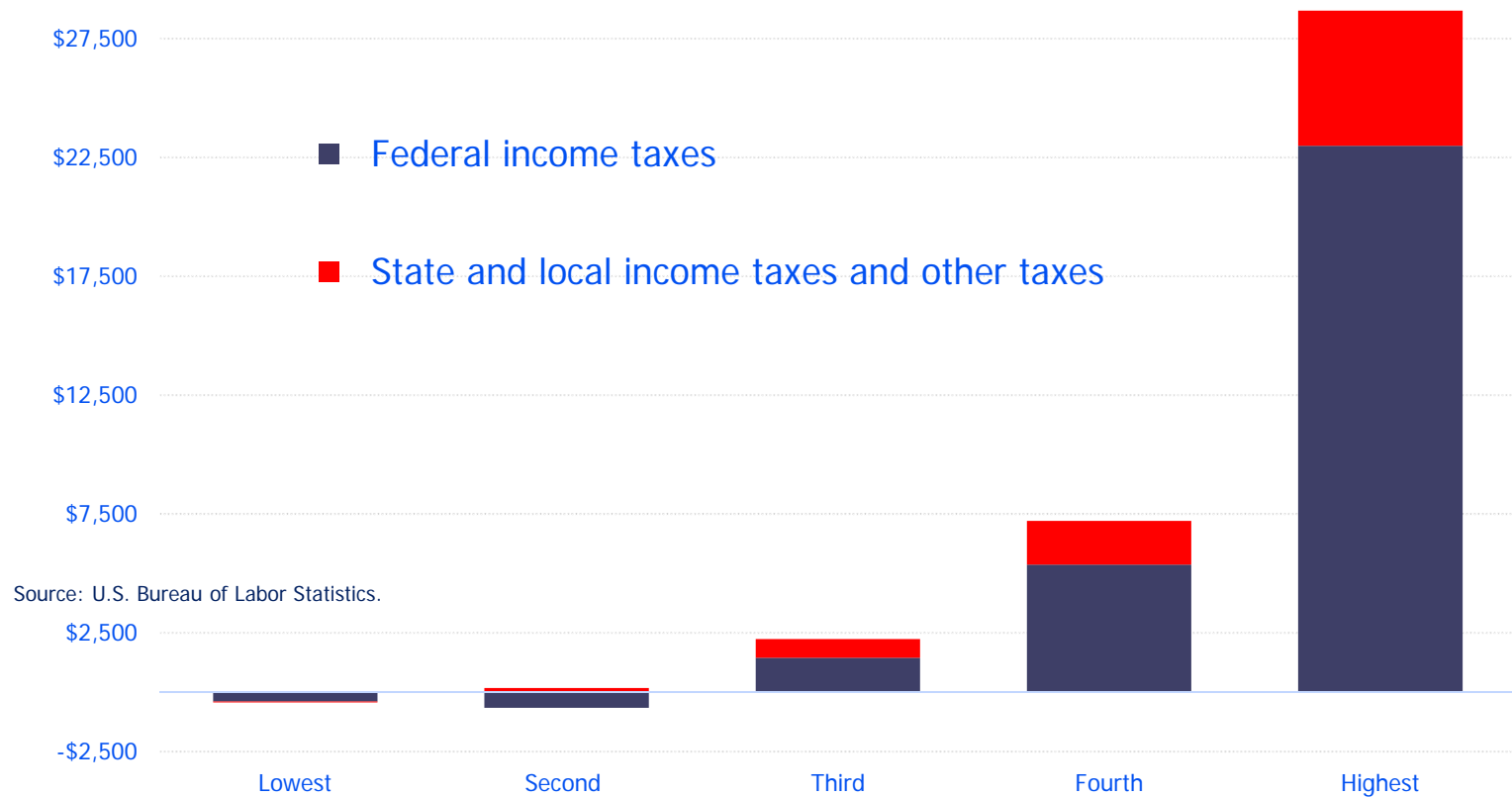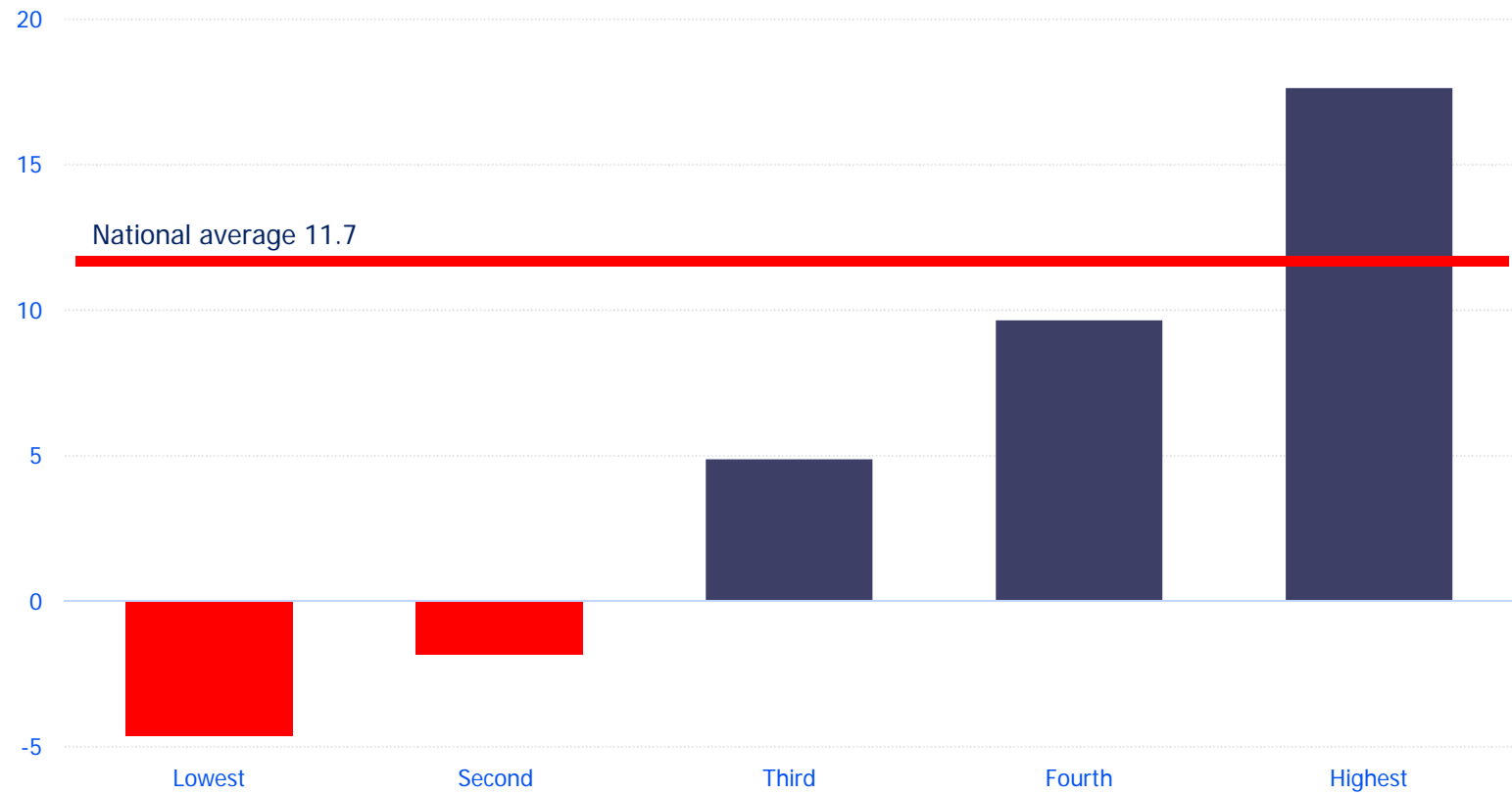
Source: U.S. Bureau of Labor Statistics.

Uses

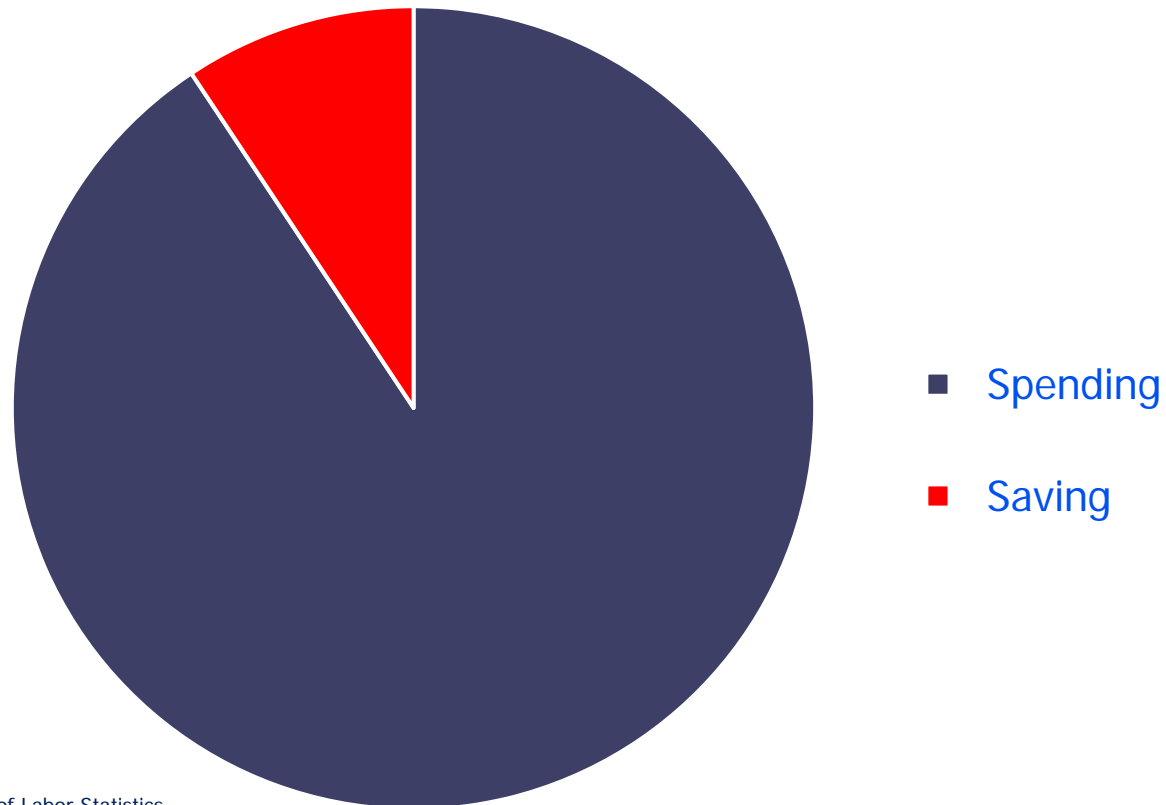**Shares of personal taxes for selected family types, percent, 2013**

	Couple without children	Couple with children	Single person without children	One parent with children

Uses

Average spending and saving per household, percent, 2013

- Spending
- Saving

Source: U.S. Bureau of Labor Statistics.

Uses

Shares of savings by income quintile, percent, 2013

National average

40	
20	
0	
-20	
-40	
-60	
-80	
-100	
-120	
-140	

Lowest   Second   Third   Fourth   Highest
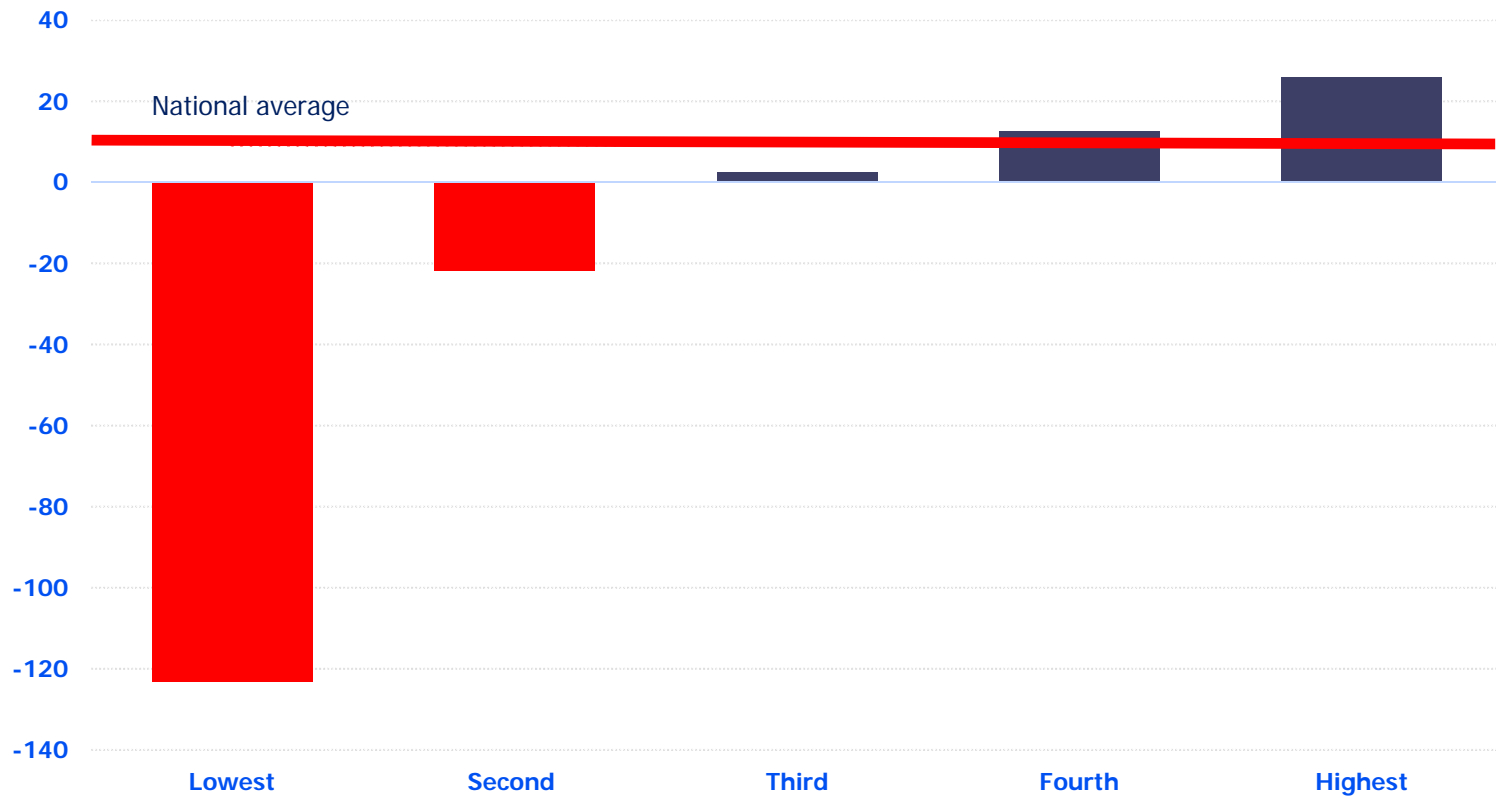
Source: U.S. Bureau of Labor Statistics.

Your input!

Questions?
Ideas!