New CE income tax estimates

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Division of Consumer Expenditure Survey
CE Microdata User’s Workshop
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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

Reported vs Estimated

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
<table>
<thead>
<tr>
<th>Concept</th>
<th>CE (BLS)</th>
<th>IRS</th>
<th>CPS (Census)</th>
<th>CBO</th>
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<tbody>
<tr>
<td>Name of series</td>
<td>Average income tax</td>
<td>Average income tax revenue</td>
<td>Household income tax</td>
<td>Average personal tax</td>
</tr>
<tr>
<td>Concepts included</td>
<td>Individual income taxes minus tax credits</td>
<td>Individual income revenue minus tax credits plus trust accumulation distribution</td>
<td>Individual income taxes minus tax credits</td>
<td>Individual income taxes plus payroll taxes, corporate income taxes, and excise taxes</td>
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<td>Basic unit</td>
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<td>Tax return</td>
<td>Household</td>
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<tr>
<td>Federal</td>
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<tr>
<td>Method</td>
<td>Model</td>
<td>Sample of actual tax returns.</td>
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</tr>
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Source: U.S. Bureau of Labor Statistics
## Table 1: Concept comparison

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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
## Table 2: Data format

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<tr>
<td>Basic unit</td>
<td>People living financially independent</td>
<td>People filing one tax return</td>
<td>People living in one housing unit</td>
<td>People living in one housing unit</td>
</tr>
<tr>
<td>Rank by</td>
<td>Population weighted income</td>
<td>Adjusted gross income</td>
<td>No ranking</td>
<td>Size-adjusted income</td>
</tr>
<tr>
<td>Presentation</td>
<td>Income quintile</td>
<td>Income segment</td>
<td>No rank (mircodata)</td>
<td>Income quintile</td>
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<tr>
<td>Currency</td>
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<td>Year</td>
<td>2013</td>
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Comparison

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Source: U.S. Bureau of Labor Statistics
Do the conceptual differences make data differences?
Comparison

National average of income related taxes

- **CBO**: $16,600
- **IRS**: $13,000
- **BLS**: $7,432
Comparison

Income related taxes by income quintile

- $10,000
- $0
- $10,000
- $20,000
- $30,000
- $40,000
- $50,000
- $60,000

1 2 3 4 5

BLS  CBO
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
- TAYXYR_PY and TAXYR_CY for the tax year
What can you do with the data?
Annual income and personal taxes per household by income quintile, U.S. dollars, 2013

- **Income before taxes**
- **Personal taxes**

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

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

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

Federal income taxes
State and local income taxes and other taxes

Shares of personal taxes by income quintile, percent, 2013

National average 11.7

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

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

Average spending and saving per household, percent, 2013

Uses

Shares of savings by income quintile, percent, 2013

Your input!

Questions?

Ideas!