

## THE 47% CONTROVERSY

### *Half of Americans aren't paying federal income taxes.*

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

**A provocative statistic.** Last July, the nonpartisan Tax Policy Center (a joint venture of the Urban Institute and the Brookings Institution) estimated that 47% of Americans would not owe a penny to the IRS for tax year 2009.<sup>1</sup>

The White House has projected the federal deficit at \$1.6 trillion for 2010 - that's about 10.6% of our GDP, a percentage unseen since the 1940s. So is it fair to the nation that so many Americans are legally avoiding federal income taxes?<sup>2</sup>

**A major reason? Refundable tax credits.** The Making Work Pay credit and other tax cuts accompanying the federal stimulus gave millions more of us a refund this time around. If these credits hadn't appeared, the TPC says 38% of us still wouldn't have owed federal income tax for 2009, thanks to assorted variables - astute tax planning, low taxable income, and other factors.<sup>1</sup>

People who assume the rich are dodging taxes are misinformed. The TPC found that only about 1.5% of those with taxable incomes of \$1 million or more owed no federal income tax for 2009. For those with taxable incomes from \$500,000-\$1,000,000, the estimate rises to just 2%.<sup>3</sup>

If you made between \$75,000-100,000 in taxable income in 2009, you may have been in the lucky 9.2% who the TPC says didn't owe anything to the IRS. In contrast, it figured that 61.8% of taxpayers who earned \$20,000-30,000 last year and 47.5% of those with taxable incomes from \$30,000-40,000 had no federal tax liability.<sup>3</sup>

**Can you bring the deficit down without new or excessive taxes?** Good question. At first glance, it may seem impossible. The Treasury, however, has a plan to do it, and it looks like this: cut war spending by \$250 billion, save another \$252 billion by letting tax cuts sunset for couples making more than \$250,000 yearly, collect \$331 billion in bank fees, and save \$105 billion from a selective federal spending freeze. This could shrink the deficit to around 3% of GDP, which the Treasury feels is bearable.<sup>4</sup>

Of course, bipartisan politics might get in the way. Higher federal income taxes (and new kinds of taxes) seem to be looming in the future; as for legislators figuring out a way to spare us from them, that would seem a longshot.

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#### **Citations.**

<sup>1</sup> [taxpolicycenter.org/publications/url.cfm?ID=1001289](http://taxpolicycenter.org/publications/url.cfm?ID=1001289) [7/2/09]

<sup>2</sup> [reuters.com/article/idUSTRE63C09I20100413](http://reuters.com/article/idUSTRE63C09I20100413) [4/12/10]

<sup>2</sup> [usatoday.com/news/opinion/editorials/2010-04-16-editorial16\\_ST\\_N.htm](http://usatoday.com/news/opinion/editorials/2010-04-16-editorial16_ST_N.htm) [4/16/10]

<sup>4</sup> [cnbc.com/id/36432254](http://cnbc.com/id/36432254) [4/13/10]