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ABSTRACT

This report compares income trends among Hispanic Americans and non-Hispanic Americans over the 1980s and assesses the effect on Hispanics of recent tax proposals that would primarily benefit wealthy Americans. Since the early 1970s, the income gaps between rich and poor families, and between rich and middle-income families, have widened significantly. These large and growing income gaps between the wealthy and other Americans have a major impact on Hispanic Americans because Hispanics account for a disproportionately large share of low-income households and a disproportionately small share of those with high incomes. The typical Hispanic family income has stagnated during the past decade due to a decline in wage levels, shrinking federal assistance to low-income groups, an increase in the number of female-headed Hispanic households, and continuing immigration from Latin America. The effect of proposed policies such as the capital gains tax cut, the restoration of the tax deductibility of contributions to Individual Retirement Accounts, and the creation of "Family Savings Accounts" would have a negative impact on Hispanics because they would benefit affluent taxpayers and require further reduction in government programs or increases in other taxes to offset their costs. Statistical data on seven tables and three graphs are included. (FMW)

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Falling Through The Gap

Hispanics and the Growing
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Falling Through The Gap

Hispanics and the Growing
Income Disparity Between
Rich and Poor

Scott Barancik

Center on Budget and Policy Priorities
Washington, D.C.

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Contents

Acknowledgments	v
Preface	vii
Executive Summary	ix
I. Overview	1
II. Widening Gaps Between Wealthy and Other Americans	3
III. Growing Income Gap Between Hispanics and Non-Hispanics	9
IV. Policies that Redistribute Income Upward: The Impact on Hispanics . . .	15
Appendix	25

Figures & Tables

Figure 1	
Average After-Tax Income Gains and Losses Between 1980 and 1990, By Various Income Groups	6
Figure 2	
Proportion of Hispanic and Non-Hispanic Workers Whose Wages Would Not Lift a Family of Four Out of Poverty, Even if Employed Full Time, Year Round, 1979 and 1987	13
Figure 3	
Distribution of Capital Gains Tax Cut Benefits and Distribution of U.S. Taxpayers, By Income Level	17
=====	
Table I	
Income Distribution of Families, 1988	4
Table II	
Distribution of Hispanic and Non-Hispanic Households Within National Income Quintiles, 1987	10
Table A-1	
Median Family Income and Population Share of Hispanic-American Subgroups, 1988	25

Table A-2		
	States with the Largest Hispanic Populations, 1988	26
Table A-3		
	Changes in Average Household Income from Capital Gains, 1980-1990, By Various Income Groups	26
Table A-4		
	Changes in Average Federal Tax Burdens on Households, 1980-1990, By Various Income Groups	27
Table A-5		
	Changes in Average After-Tax Household Incomes, 1980-1990, By Various Income Groups	27

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Preface

This report examines the changing economic status of Hispanic Americans. In particular, the report compares income trends among Hispanics and non-Hispanics over the 1980s. It also assesses the effect on Hispanics of recent tax proposals that would primarily benefit wealthy Americans.

Researchers interested in the economic status of particular Hispanic subgroups -- such as Mexican-Americans, Puerto Ricans, or Cubans -- should note that this report contains data mostly on the Hispanic population as a whole. Regrettably, published data on Hispanics by country of origin are not available for most of the income trends examined in this report.

Data showing the states with the largest Hispanic populations are provided in Table A-2.

Executive Summary

Income disparities have widened in recent years both between the rich and the poor and between wealthy and middle income Americans. With most Hispanics having low or moderate incomes, these widening income disparities have been accompanied by a growing income gap between Hispanics and non-Hispanics. Several tax policy changes now under consideration that would primarily benefit upper income Americans would widen these gaps further.

Gaps Between Wealthy and Other Americans Widen

Since the early 1970s, the income gaps between rich and poor families -- and between rich and middle income families as well -- have widened significantly. In 1988, the gaps were wider than at any time since the end of World War II.

- The richest fifth (or 20 percent) of all families in the United States received 44 percent of the national family income in 1988, the largest share recorded since the Census Bureau began collecting such data in 1947.
- The middle fifth of families received 16.7 percent of the national family income, a record low.
- The poorest fifth of families received 4.6 percent of the national family income, tying for the lowest share since 1954.

Other data tell a similar story. Recently, the Congressional Budget Office completed a study examining income changes among various income groups over the 1980s. The study found that while the wealthiest Americans reaped large income gains during the 1980s, middle income Americans gained little and low income Americans fell further behind.

- Between 1980 and 1990, the study found, the average after-tax income of the poorest fifth of U.S. households will fall five percent, after adjusting for inflation.
- Over the same period, the average income of households in the middle fifth will rise just three percent -- or \$660 per household.
- By contrast, the top fifth of households will realize an after-tax income gain of 33 percent.
- Most striking are the income gains garnered by the richest one percent of Americans. Their average after-tax income *will rise 87 percent* from 1980 to 1990, after adjusting for inflation. CBO projects that the average after-tax income of these households will reach \$400,000 in 1990, up from \$214,000 in 1980.

Changing federal tax burdens are one factor behind these widening disparities. The Congressional Budget Office study found that although disparities in before-tax income were growing substantially in the 1980s, federal tax burdens on low and middle income households were raised during this period -- while tax burdens on upper income households were reduced.

- From 1980 to 1990, CBO found, the percentage of income that the poorest fifth of households pay in major federal taxes -- including income, payroll, and excise taxes -- will rise 16 percent. Over the same period, the percentage of income paid in taxes by the middle fifth of households is projected to edge up one percent.
- Among the top fifth of households, however, the percentage of income paid in federal taxes will *drop* six percent. Among the wealthiest one percent of households, the percentage paid will drop 14 percent.

x

The Implications of Widening Income Gaps for Hispanics

The large and growing gaps between the wealthy and other Americans have somewhat different implications for Hispanics and non-Hispanics. Census data show that the vast majority of Hispanics have low or moderate incomes. Relatively few Hispanics are among those at the top of the income scale.

- Only 11 percent of Hispanic households had incomes placing them in the most affluent fifth of American households in 1987. By contrast, 21 percent of non-Hispanic households were in the top income fifth. (See table.)
- At the bottom end of the income scale, these figures were reversed. Some 28 percent of all Hispanic households had incomes placing them among the *poorest* fifth of U.S. households, while 19 percent of non-Hispanic households had incomes this low.

Distribution of Hispanic and Non-Hispanic Households
Within National Income Quintiles, 1987

<u>National income category</u>	<u>Hispanic households</u>	<u>Non-Hispanic households</u>
Richest fifth	11%	21%
Middle three-fifths	61	60
Poorest fifth	28	19
Total	100%	100%

Source: Bureau of the Census, unpublished data from the March 1988 Current Population Survey.

In short, Hispanics account for a disproportionately large share of the American households with low incomes and a disproportionately small share of those with high incomes. Census Bureau data show that of all the households in the top income fifth in 1987, just over three percent were Hispanic. By contrast, nine percent of those in the bottom fifth were Hispanic, meaning that Hispanics were about three times as likely to be among the poorest fifth of U.S. households as among the wealthiest fifth.

Therefore, when low income households grow poorer and high income households grow wealthier, overall income disparities between Hispanics and non-Hispanics tend to widen.

Factors Contributing to Hispanic Income Stagnation

From 1979 to 1988, the income of the typical Hispanic family stagnated. (Among Mexican-Americans -- the largest subgroup of Hispanics -- the typical family's income fell 10 percent.) Over the same period, the income of the typical non-Hispanic family rose five percent. As a result, by 1988, the income of the typical Hispanic family was only 66 percent of the income of the typical non-Hispanic family, compared with 71 percent in 1979.

Although a thorough discussion of the causes of Hispanic income stagnation during the 1980s is beyond the scope of this paper, a few of the likely causes are noted here. One is a decline in wage levels. Labor Department data show that the typical weekly earnings of Hispanics working full time dropped nine percent between 1979 and 1989, after adjusting for inflation, compared with a two percent decline among U.S. workers overall.

Shrinking federal assistance to low income Americans appears to be another factor. Due to their relatively low incomes, Hispanics are somewhat more likely than non-Hispanics to participate in programs serving low and moderate income people. When funding for many such programs was cut in the early 1980s, Hispanics suffered more than most other groups. Census data show that government cash programs lifted a considerably smaller proportion of Hispanic families out of poverty in 1987 than they did in 1979.

A third factor has been the increase in the proportion of families headed by a single mother. Such families typically have much lower incomes than families headed by married couples. In 1988, some 23 percent of Hispanic families were headed by a single mother, compared with 20 percent in 1979. Over the same period, the proportion of non-Hispanic families headed by a single mother rose from 14 percent to 16 percent.

Immigration from Latin America also appears to be a factor contributing to the stagnation of Hispanic incomes. Because new Hispanic immigrants tend to have lower incomes during their first years in the U.S. than either U.S.-born Hispanics or immigrants who arrived earlier, Latin American immigration during the 1980s is likely to have pushed average Hispanic incomes below what they would have been if no immigration had occurred. Even so, however, a very substantial gap exists between the incomes of Hispanics born in the U.S. and the incomes of non-Hispanics.

Policies that Redistribute Income Upward: The Impact on Hispanics

Because relatively few higher income people are Hispanic, policies primarily benefitting wealthy Americans tend to benefit Hispanics very little. Several current tax cut proposals, such as the proposed reductions in the capital gains tax, would primarily benefit affluent taxpayers. Moreover, because the cost of such proposals would ultimately have to be offset through cuts in government programs or increases in other taxes, the net impact on Hispanic incomes would likely be negative.

The Capital Gains Tax Cut

The Congressional Budget Office study discussed earlier shows that the incomes of wealthy Americans have grown rapidly in recent years. Between 1980 and 1990, CBO found, the average before-tax income received by the richest one percent of the population will rise some \$236,000 per household, after adjusting for inflation. Capital gains income will account for nearly 40 percent of this increase, or about \$92,000 per household.

By contrast, the capital gains income of the average household in the remaining 90 percent of the population will grow just \$12 over this period.

Given these figures, it should not be surprising that current proposals to reduce the federal tax rate on capital gains income would overwhelmingly benefit those at the top of the income scale. Earlier this year, the Joint Committee on Taxation analyzed the distribution of the tax benefits that would result from President Bush's proposal to reduce the capital gains tax. The Committee's findings indicate that:

- More than 94 percent of the benefits from the capital gains tax cut would go to the wealthiest fifth of taxpayers.
- The top one percent of taxpayers -- those with incomes of more than \$200,000 -- would receive approximately 66 percent of the benefits.
- Those taxpayers with incomes above \$200,000 who would benefit from the cut would receive an average annual tax reduction of more than \$15,000 apiece.

- By contrast, the middle three-fifths of taxpayers would receive less than six percent of the benefits from the capital gains proposal, while virtually none of the benefits would go to the poorest fifth.¹

Because *non*-Hispanics account for 97 percent of those in the top fifth of U.S. households, they would obtain nearly all of the capital gains tax cut benefits. Hispanic Americans would obtain very little.

Census data on the receipt of capital gains income by Hispanics provide further evidence to substantiate this point. These data show that in 1987, Hispanics made up eight percent of the total U.S. population, but received just three percent of all capital gains income.

A capital gains tax cut would also reduce federal revenues. The Joint Committee on Taxation has found that the Administration's proposal would cause a revenue loss of \$11.4 billion between fiscal years 1990 and 1995, and large but unspecified revenue losses in the years beyond 1995. These revenue losses create the potential for additional income reductions for poor and middle income households.

As a result of congressionally mandated deficit limits under the Gramm-Rudman-Hollings law, most legislative proposals that would reduce revenues significantly must eventually be offset by spending cuts or increases in taxes. If a capital gains tax cut is financed by tax increases not targeted on high income taxpayers, or by reductions in programs primarily serving low or middle income people, the net effect almost certainly will be to transfer income and resources from low and middle income households to upper income households. This, in turn, will likely result in a transfer of income and resources from Hispanics to non-Hispanics, thereby further widening income disparities between these groups.

Other Tax Cut Proposals

Two other tax cut proposals before Congress -- proposals to restore tax deductibility for contributions to Individual Retirement Accounts for certain taxpayers, and the Bush Administration's proposal to create "Family Savings Accounts" -- would also primarily benefit those in the top income fifth. (These

¹A separate analysis of President Bush's capital gains proposal by the Congressional Budget Office projected that if the proposal becomes law, some 68 percent of the wealthiest one percent of taxpayers would have capital gains income in 1991 and would benefit from the new tax break. By contrast, only two percent of the taxpayers in the poorest fifth and seven percent of those in the middle fifth would have capital gains income and would benefit.

proposals would not be as skewed to the very richest households as the capital gains cut would be, however.)

These proposals, like the capital gains tax cut, would result in significant revenue losses and would eventually have to be offset by cuts in programs or increases in other taxes. As a result, the likely outcome would be a transfer of income from low and moderate income households to those in the top fifth -- and, accordingly, a transfer of income from Hispanics to non-Hispanics.

I. Overview

The income gaps between rich and poor families -- and between rich and middle income families -- have been widening for nearly two decades. In 1988, the most recent year for which data on family incomes are available from the Census Bureau, the income gap between rich and poor was wider than at any time since the end of World War II. The gap between the rich and the middle class also reached a post-war high in 1988.

The widening gaps between the wealthy and other Americans have a distinct impact on Hispanics. Census data show that a large and growing majority of Hispanics have low or moderate incomes. Only a small fraction have high incomes. As a result, Hispanics tend to be adversely affected by increasing disparities in income.

By contrast, non-Hispanics are somewhat less likely than Hispanics to have low or moderate incomes -- and are considerably more likely to have high incomes.

It should not be surprising therefore that the growing income gap between the wealthy and those with lower incomes has been accompanied by growth in the income gap between Hispanics and non-Hispanics. Incomes traditionally have been higher for non-Hispanics than for Hispanics, but in recent years this already substantial gap has widened further.

The link between these two trends -- the growing gap between the wealthy and other Americans, and the large and growing income disparity between Hispanics and non-Hispanics -- has implications for public policy. Policies that

primarily benefit wealthier groups also benefit non-Hispanics disproportionately and widen further the gap between Hispanic and non-Hispanic Americans.

Public policies benefiting the affluent may also pose an indirect threat to Hispanic incomes. If such policies are financed by reductions in government programs primarily serving low and middle income households, or by tax increases imposed primarily on groups other than the affluent, a likely effect will be to reduce average Hispanic incomes and transfer income from Hispanics to non-Hispanics.

Chapter II of this report presents a general discussion of the widening disparities between the rich, the poor, and the middle class.² Chapter III examines the growing income gap between Hispanics and non-Hispanics and places it in the broader context of the income gaps described in Chapter II. Chapter III also explores some likely factors behind the stagnation of Hispanic incomes during the 1980s. Chapter IV discusses several current tax proposals that would primarily benefit the wealthy, including the proposal to reduce capital gains taxes, and evaluates the potential impact of those proposals on Hispanic incomes.

²Parts of the discussion in Chapter II are adapted from the recent Center report *Drifting Apart: New Findings on Growing Income Disparities Between the Rich, the Poor, and the Middle Class*, July 1990.

II. Widening Gaps Between Wealthy and Other Americans

One of the most distinctive economic trends of the 1970s and 1980s has been the growth of income inequality. Inequality began to increase in the early 1970s, with the increase accelerating since the late 1970s. By 1988, the share of national income held by the richest families reached a historic high, while the shares of income held by low and middle income families had fallen to historic lows.

- The richest fifth (or 20 percent) of all families in the United States received 44 percent of the national family income in 1988, the largest share recorded since the Census Bureau began collecting such data in 1947. (See Table I.)
- By contrast, the middle fifth of families received 16.7 percent of the national family income, a record low.
- The poorest fifth of families received 4.6 percent of the national family income, tying for the lowest share since 1954.³

³In fact, data from the Census Bureau understate the degree of income inequality. Census data recognize only the first \$299,999 of a household's income. If a household has income above that level, the Census data record the household as having income of \$299,999. As a result, income above that level is not counted as part of the share of income going to the top fifth. If the Census data did reflect income above \$299,999, the distribution of national income in any year would be shown to be even more unequal.

For this reason, the late Joseph Pechman observed in his 1989 presidential address to the American Economics Association that Census data "greatly understate the *increase* in inequality that has occurred during the 1980s." Over the course of the 1980s, Pechman reported, the incomes of the wealthy -- particularly the top one percent of the population -- increased at a much more accelerated pace than the incomes of other Americans. Because the Census data on income distribution do not count household income above \$299,999, the data miss most of this sharp increase in income at the very top of the income scale.

Table I
Income Distribution of Families, 1988

Population ⁴ Category	Percentage of Total National Family Income Received	Historical Comparison
Poorest fifth	4.6%	Tie for lowest since 1954
Second poorest fifth	10.7	Lowest ever recorded
Middle fifth	16.7	Lowest ever recorded
Next richest fifth	24.0	
Richest fifth	44.0	Highest ever recorded
Richest five percent	17.2	Highest since 1952
Middle three-fifths	51.4	Lowest ever recorded

Source: Bureau of the Census

Other data tell a similar story. Recently, the Congressional Budget Office completed a study, based primarily on Census data, that examined income changes among various income groups over the 1980s.⁵ The study found that while the wealthiest Americans reaped large after-tax income gains during the 1980s, middle income Americans gained little and low income Americans fell further behind.⁶

⁴Following are the Census Bureau's income boundaries for each fifth and for the richest five percent of families in 1988:

	<u>Lower Boundary</u>	<u>Upper Boundary</u>
Poorest fifth	0	\$15,102
Second poorest fifth	\$15,103	26,182
Middle fifth	26,183	38,500
Next richest fifth	38,501	55,906
Richest fifth	55,907	none
Richest five percent	92,001	none

⁵The data compiled by CBO are found in Committee on Ways and Means, U.S. House of Representatives, *Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means*, (The Green Book), June 1990, pp. 1159-1206.

⁶We use the years 1980 and 1990 as our comparison points in examining changes in income distribution during the 1980s. Most of the CBO data reflected in this report are available for four years: 1977, 1980, 1985, and 1990. When income shifts from 1977 to 1990 are studied, the results are similar to those for the period

(continued...)

- CBO projects that from 1980 to 1990, the average after-tax income of the poorest fifth of households will fall five percent, after adjusting for inflation, to \$6,973.⁷ (See Figure 1 and Table A-5.)
- The income of the middle fifth of households has changed little. These households will experience an average gain in after-tax income of less than three percent -- or just \$660 -- over this 10-year period. Their average after-tax income will rise from \$24,031 in 1980 to \$24,691 in 1990.
- By contrast, the top fifth of households will realize an after-tax income gain of 33 percent, or more than \$19,000 per household.
- Most striking are the income gains received by the richest one percent of Americans. Their average after-tax income will rise 87 percent from 1980 to 1990, after adjusting for inflation. CBO projects that the average after-tax income of these households will be \$400,000 in 1990, up from an inflation-adjusted \$214,000 in 1980.⁸

⁶(...continued)

between 1980 and 1990.

For example, from 1980 to 1990, the average after-tax income of the top fifth of the population is projected to grow 32.5 percent in inflation-adjusted terms. From 1977 to 1990, it will grow 34.8 percent. Similarly, the average after-tax income of the bottom fifth is projected to fall 5.2 percent from 1980 to 1990, and 10.1 percent from 1977 to 1990. Most of the change in the distribution of after-tax income that occurred between 1977 and 1990 occurred during the 1980-1990 period.

⁷Committee on Ways and Means, pp. 1189, 1194. To make data from 1980 comparable to data from 1990, CBO adjusted the 1980 data to reflect the effects of the inflation that occurred during that period. Thus, the average after-tax income of the richest one percent of Americans was approximately \$138,000 in 1980, but due to the effects of inflation, \$138,000 in 1980 dollars is worth approximately 55 percent more in 1990 -- or \$214,000 in 1990 dollars. CBO used the CPI-X, the experimental Consumer Price Index, to adjust its income figures for inflation.

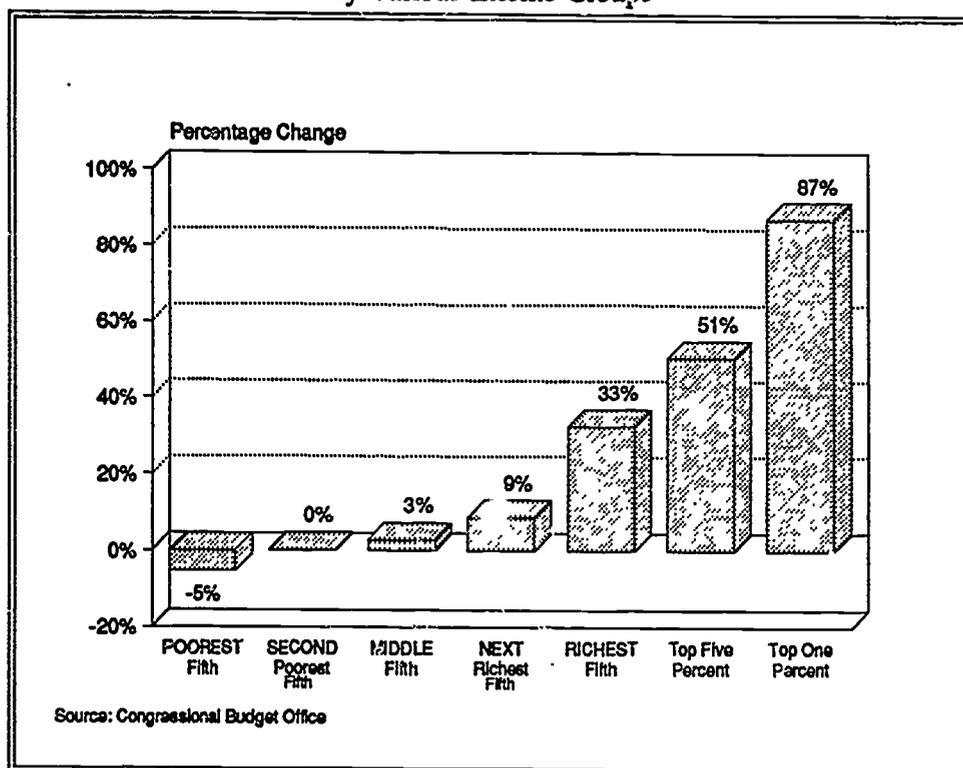
CBO uses the term "families" to describe the income units in its data tables. Since the CBO data also include people living alone, however, we chose the term "households." That is the term the Census Bureau uses to describe income units of one or more people.

⁸The CBO figures are based on actual data for 1980 through 1988 and projections for 1989 and 1990 based on estimated growth rates in population, income, and expenditures. The CBO figures are based primarily on Census data but also reflect the Treasury Department's Statistics of Income data and data from other sources.

In addition, CBO assigns households to income quintiles in a somewhat different manner than the Census Bureau does. The Census Bureau divides all households into five groups with equal numbers of households. The 20 percent of households with the lowest incomes become the bottom quintile, and the 20 percent with the highest incomes become the top quintile. CBO, on the other hand, recognizing that larger households have greater income needs than smaller households, adjusts each household's income according to

(continued...)

Figure 1
Average After-Tax Income Gains and Losses Between 1980 and 1990,
By Various Income Groups



Disparities in after-tax income have widened so much in recent years that in 1990, the top one percent of the population will have nearly as much after-tax income as the bottom 40 percent. Stated another way, the combined incomes of the richest 2.5 million Americans now nearly equal the combined incomes of the 100 million Americans with the lowest incomes.⁹ This marks a sharp change from

⁸(...continued)

the household's size before assigning the household to a quintile. CBO's quintiles contain equal numbers of people.

For further information on CBO data and methodology, see Committee on Ways and Means, pp. 1070-1, and 1163-7.

⁹More precisely, in 1990, the combined income of the 2.5 million Americans with the highest incomes will equal the total income of the 93 million to 94 million Americans with the lowest incomes.

1980, when the top one percent received *half* as much after-tax income as the bottom 40 percent.¹⁰

In fact, CBO figures show that in 1990, the top fifth will receive as much after-tax income as the other 80 percent of the population combined. During the 1980s, the shares of after-tax income declined for every income quintile except one -- the top fifth.¹¹

Changing federal tax burdens are one factor behind these widening disparities. Although before-tax income disparities were growing substantially in the 1980s, federal tax burdens on low and middle income households were raised during this period -- while tax burdens on upper income households were reduced.¹²

- From 1980 to 1990, CBO found, the percentage of income that the poorest fifth of households pays in major federal taxes -- including income, payroll, and excise taxes -- will rise 16 percent. The percentage of income paid in federal taxes by the very poorest group -- the bottom tenth -- will rise 28 percent. (See Table A-4.)
- Over the same period, the percentage of income paid in taxes by the middle fifth of households will edge up one percent.
- But the percentage of income paid in federal taxes by households in the top fifth will *drop* six percent. For the wealthiest one percent of households, the percentage of income paid in federal taxes will decline 14 percent.¹³

¹⁰*Ibid.*, p. 1181. CBO estimates that the bottom two-fifths of households will receive 14.2 percent of the total after-tax income received by all income groups in 1990, while the top one percent of households will receive 12.6 percent. In 1980, the bottom two-fifths received 16.8 percent of the national income while the top one percent of households received 8.3 percent.

¹¹*Ibid.*, pp. 1180-1.

¹²According to CBO data, the average before-tax income of the richest fifth of U.S. households is projected to rise 30 percent between 1980 and 1990, after adjusting for inflation, while the average income of the richest five percent of households will rise 45 percent. The average before-tax income of the top one percent of households will rise 75 percent. Over the same 10-year period, the average income of households in the middle fifth will rise just three percent, while the average income of the poorest fifth of households will decline four percent. Committee on Ways and Means, pp. 1188, 1194.

¹³*Ibid.*, pp. 1173, 1188. In another recent report, CBO found that if effective tax rates in 1990 were the same as in 1980, the bottom four-fifths of taxpayers would pay less in federal taxes, while the top fifth would pay somewhat more, and the top one percent would pay considerably more. Congressional Budget Office,

(continued...)

Pechman Found Tax Policy Contributing to Growing Income Inequality

A study by the late Joseph Pechman underscores the contribution of tax policy changes to the growing gap between wealthy and other Americans.¹³

In his 1989 presidential address to the American Economic Association, Pechman showed that the tax burden on the wealthiest Americans has fallen substantially over the past several decades. Using data from the Internal Revenue Service, Pechman found that in 1966, the top five percent of taxpayers paid an average of 33 percent of their incomes in federal, state and local taxes. By 1988, these taxpayers were being taxed at a rate of 27 percent.

Tax rates fell even further for the richest one percent of taxpayers. They paid 40 percent of income in taxes in 1966, but 27 percent in 1988. Over this period, their effective tax rate was reduced by one-third. By contrast, Pechman found that over this 22-year period, the percentage of income paid by other income groups changed relatively little.

The steeply reduced tax burden on the wealthiest Americans aggravated the already wide and growing gap between wealthy and other Americans, Pechman found. "The inescapable conclusion is that the well-to-do in our society have had very large reductions in tax rates in recent years, while the tax rates at the low and middle-income levels have not changed much. Since the before-tax distribution has become much more unequal in the 1980s, it follows that inequality has increased even more on an after-tax basis."

¹³(...continued)

data provided to the Committee on Ways and Means at the request of chairman Dan Rostenkowski, March 7, 1990, Table 1.

¹⁴Joseph A. Pechman, "Why We Should Stick with the Income Tax," *The Brookings Review*, Spring 1990, pp. 10-11.

III. Growing Income Gap Between Hispanics and Non-Hispanics

The Congressional Budget Office study cited in Chapter II does not contain specific data on Hispanics. However, Census Bureau data on Hispanic incomes are available. An examination of these data show that the large and growing gaps between rich and poor -- and between the rich and the middle class -- have somewhat different implications for Hispanics and non-Hispanics.

Hispanics Underrepresented Among the Wealthy

Data from the Census Bureau show that the vast majority of Hispanics have low or moderate incomes, while only a small fraction have high incomes. Relatively few Hispanics are among those high income people who have benefited most from the growth in income inequality.

- Only 11 percent of Hispanic households had incomes placing them among the most affluent fifth of American households in 1987. By contrast, 21 percent of non-Hispanic households were in the top income fifth.¹⁵ (See Table II.)

¹⁵The most recent Census data showing the distribution of Hispanics and non-Hispanics within national income quintiles are for 1987.

Data showing the distribution within national income quintiles of Hispanic subgroups, as identified by country of origin, are not available. Thus, it was necessary to use income data pertaining to the overall Hispanic population. Data are available on median Hispanic family incomes by country of origin. These data are provided in Table A-1.

Table II
Distribution of Hispanic and Non-Hispanic Households
Within National Income Quintiles, 1987

<u>National income category</u>	<u>Hispanic households</u>	<u>Non-Hispanic households</u>
Richest fifth	11%	21%
Middle three-fifths	61	60
Poorest fifth	28	19
Total	100%	100%

Source: Bureau of the Census, unpublished data from the March 1988 Current Population Survey.

- At the bottom end of the income scale, these figures were reversed. Some 28 percent of Hispanic households had incomes placing them among the *poorest* fifth of U.S. households, while 19 percent of the non-Hispanic households had incomes this low.
- In addition, more than half of all Hispanic households -- 53 percent -- had incomes placing them among the bottom two-fifths of U.S. households in 1987.

These data indicate that Hispanics account for a disproportionately large share of Americans with low and moderate incomes and a disproportionately small share of high income Americans.

Other Census data underscore this point. In 1987, just over three percent of all households in the top fifth were Hispanic. By contrast, nine percent of those in the poorest fifth were Hispanic. This means that Hispanics were about three times as likely to be among the poorest fifth of U.S. households as they were to be among the wealthiest fifth.

Widening Income Gaps Between Hispanics and Other Americans

Income disparities between Hispanics and non-Hispanics have grown in recent years. Data from the Census Bureau show that Hispanic incomes have declined in comparison with the incomes of non-Hispanics.

- In 1979, the typical Hispanic family had an income that equaled 71 percent of the typical non-Hispanic family's income.
- Between 1979 and 1988, Hispanic family incomes fell three percent, after adjusting for inflation, although this change was not statistically significant.¹⁶ By contrast, the typical non-Hispanic family's income rose five percent during this period, a change that was statistically significant.
- By 1988, the typical Hispanic family's income was less than 66 percent of the income of the typical non-Hispanic family.¹⁷

A statistically significant decline in income did occur among the largest subgroup of Hispanic-Americans, those of Mexican descent.¹⁸ Between 1979 and 1988, the income of the typical Mexican-American family fell 10 percent, after adjusting for inflation. There were no statistically significant changes between 1979 and 1988 in the income levels of Hispanics of Cuban, Puerto Rican, or Central and South American descent.

Factors Contributing to Hispanic Income Stagnation

Although a thorough discussion of the causes of Hispanic income stagnation during the 1980s is beyond the scope of this paper, a few of the likely causes are noted here. Three of the likely causes are widely thought to play a role not only in the economic stagnation of Hispanics, but in the declining economic status of the low income population as a whole. The fourth cause, immigration, has had more influence on Hispanic income trends than on national income trends.

Declines in wage levels appear to be one of the major factors contributing to the economic stagnation of Hispanic families in recent years. Data from the U.S.

¹⁶The Census Bureau data cited here are estimates based on a sample of nouseholds, rather than on a survey of every household in the United States. As a result, every Census estimate is assumed to be accurate only within a certain margin of error. Small changes in median family incomes from one year to another may fall within this margin of error -- and thus may not represent a true change in income levels. Such changes are termed not "statistically significant." There is no statistically significant difference between the typical Hispanic family's inflation-adjusted income in 1979 (\$22,420) and its income in 1988 (\$21,769).

¹⁷Data for 1979 are from the Census Bureau's March 1980 Current Population Survey. Data for 1988 are from the March 1989 CPS.

¹⁸Census Bureau data show that some 63 percent of all Hispanic-Americans were of Mexican origin in 1988.

Department of Labor show that the typical weekly earnings of Hispanics working full time dropped nine percent between 1979 and 1989, after adjusting for inflation. Earnings data specifically for non-Hispanics are not available for comparison. But among all full-time U.S. workers, typical weekly earnings fell by a much smaller amount during this period -- two percent.

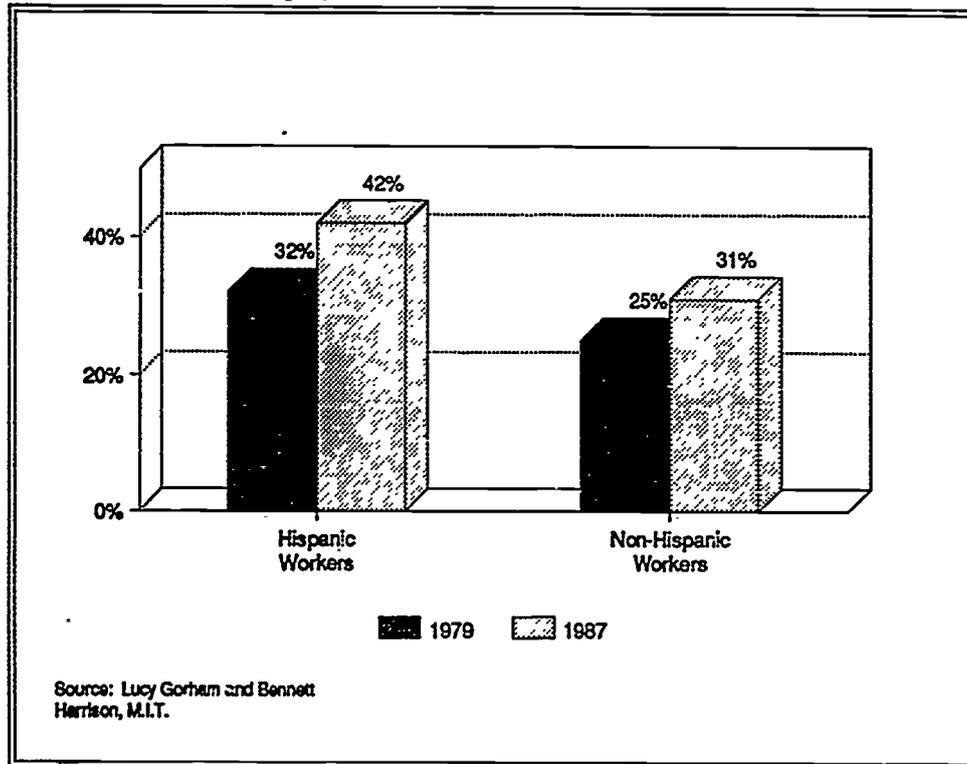
- The typical earnings of Hispanics working full time fell from \$327 per week in 1979 to \$298 per week in 1989, after adjusting for inflation. (Earnings figures for both years are expressed in 1989 dollars.) This is a drop of nine percent, or about \$1,500 on an annual basis.
- Hispanic workers' earnings also fell relative to those of U.S. workers overall. In 1979, the weekly earnings of the typical full-time Hispanic worker were 19 percent lower than the earnings of the typical full-time U.S. worker overall. By 1989, this gap had widened to 25 percent.

A recent study by researchers at the Massachusetts Institute of Technology provides further evidence on this point. The researchers used Census data to determine how many workers were paid wages so low that the wages would fail to lift a family of four out of poverty if the worker were employed full time, year round. The M.I.T. researchers found that between 1979 and 1987, the proportion of workers receiving wages at such low levels increased markedly among both Hispanic and non-Hispanic workers, but that the increase was sharper among Hispanics. This is significant because in 1979, the proportion of workers receiving such low wages was already considerably higher among Hispanics than among non-Hispanics.¹⁹

- In 1979, some 32 percent of Hispanic workers earned a wage too low to lift a family of four out of poverty with full-time year-round work. Some 25 percent of non-Hispanic workers earned wages this low. (See Figure 2.)
- By 1987, some 42 percent of Hispanic workers earned wages too low to lift a four-person family out of poverty, compared with 31 percent of non-Hispanic workers.

¹⁹Lucy Gorham and Bennett Harrison, Massachusetts Institute of Technology, "Working Below the Poverty Line: The Growing Problem of Low Earnings Across the United States," prepared for the Ford Foundation and the Aspen Institute Rural Economic Policy Program, 1990. For a discussion of income and employment trends among Hispanics, see *Shortchanged: Recent Developments in Hispanic Poverty, Income and Employment*, Center on Budget and Policy Priorities, November 1988.

Figure 2
Proportion of Hispanic and Non-Hispanic Workers
Whose Wages Would Not Lift a Family of Four Out of Poverty,
Even if Employed Full Time, Year Round, 1979 and 1987



Shrinking federal assistance to low income Americans appears to be another factor related to the failure of Hispanic incomes to grow. Due to their relatively low incomes, Hispanics are somewhat more likely than non-Hispanics to participate in programs serving low and moderate income people. When funding for many such programs was cut in the early 1980s, Hispanics suffered more than most other groups.

The effect of these budget reductions on Hispanics is partially reflected in Census data which show that government cash programs lifted a much smaller proportion of Hispanic families out of poverty in 1987 than they did in the late 1970s.

- In 1979, more than one of every eight Hispanic families with children that otherwise would have been poor – some 13 percent – were lifted out of poverty by cash benefits such as public assistance, unemployment insurance, and Social Security.

- By 1987, however, fewer than one in 14 Hispanic families with children -- seven percent -- were lifted from poverty by such programs.

The anti-poverty effectiveness of government cash programs fell sharply during this period for non-Hispanic families as well. However, the proportion of families with children that were pulled out of poverty by such programs remained considerably higher among non-Hispanics than among Hispanics.²⁰

A third factor contributing to the income standstill among Hispanics has been the increase in the proportion of families headed by a single mother. Such families typically have lower incomes than families headed by married couples. Census Bureau data show that in 1988, some 23 percent of Hispanic families were headed by a single mother, compared with 20 percent in 1979. Over the same period, the proportion of non-Hispanic families headed by a single mother rose from 14 percent to 16 percent.

Immigration from Latin America also appears to be a factor in the stagnation of Hispanic incomes. New Hispanic immigrants tend to have lower incomes during their first years in the U.S. than either U.S.-born Hispanics or immigrants who arrived earlier. Latin American immigration during the 1980s thus is likely to have pushed average Hispanic income levels below what they would have been if no immigration had occurred. However, while the role of immigration in the stagnation of Hispanic incomes needs to be considered, it should be noted that a substantial income gap exists between the incomes of Hispanics born in the U.S. and the incomes of non-Hispanics.²¹

²⁰According to Census Bureau data, more than one in 10 U.S. families with children were lifted from poverty by government cash programs in 1987, compared with fewer than one in 14 such families headed by a Hispanic person. For information about the effects of 1981 budget and tax changes on minorities, see Margaret C. Simms, "The Effect of 1981 Changes in Tax and Transfer Policy on the Economic Well-Being of Minorities," *The Urban Institute*, December 1982.

²¹For example, data from a forthcoming book by Linda Chavez show a substantial gap in the earnings of U.S.-born Hispanic men and non-Hispanic white men. Using data from the June, July, August, and September 1988 Current Population Surveys conducted by the Census Bureau, Chavez found that the average weekly earnings of U.S.-born Hispanic men age 25 and over who had earnings were approximately \$400 in 1988. By comparison, the average weekly earnings of non-Hispanic white men age 25 and over who had earnings were about \$500, or 25 percent higher than the earnings of the U.S.-born Hispanic men. The average weekly earnings of all Hispanic men over age 25 who had earnings were \$340 in 1988. Linda Chavez, *At the Crossroads: Hispanics in the U.S.*, Basic Books, forthcoming in 1991.

IV. Policies that Redistribute Income Upward: The Impact on Hispanics

The fact that relatively few higher income people are Hispanic means that policies primarily benefiting wealthy Americans tend primarily to benefit non-Hispanics.

Several current tax proposals would confer most of their benefits on individuals in higher income brackets. These include: the proposed reductions in the capital gains tax, proposals to expand tax deductions on deposits made in Individual Retirement Accounts, and the Family Savings Accounts proposed by the Bush Administration. Under these proposals, affluent taxpayers stand to garner substantially larger tax benefits than poor or middle income taxpayers.

Such proposals could have adverse impacts on the Hispanic population, since the cost of these tax breaks would have to be offset by cuts in government programs or increases in other taxes.

The Capital Gains Tax Cut

One of the principal reasons the incomes of the very wealthy rose so much in the 1980s was that these individuals received extremely large increases in capital gains income. According to the Congressional Budget Office study discussed in Chapter II, nearly 40 percent of the large increase between 1980 and

1990 in the before-tax incomes of the wealthiest one percent of the population is due to a sharp rise in capital gains income.²²

- In 1980, the average household in the top one percent had \$83,000 in capital gains income. CBO projects that in 1990, households in the top one percent will have capital gains income averaging more than \$175,000 -- more than double the level in 1980, after adjusting for inflation. For households in the top one percent of the population, average annual capital gains income thus will rise *more than \$92,000* from 1980 to 1990. (See Table A-3.)
- For other Americans, the picture is quite different. Among households in the bottom 90 percent of the population (i.e., all households except those in the richest 10 percent), average annual capital gains income will rise *just \$12* from 1980 to 1990, according to the CBO projection. The average household in the bottom 90 percent of the population had \$287 in capital gains income in 1980 and will have \$299 in 1990.²³

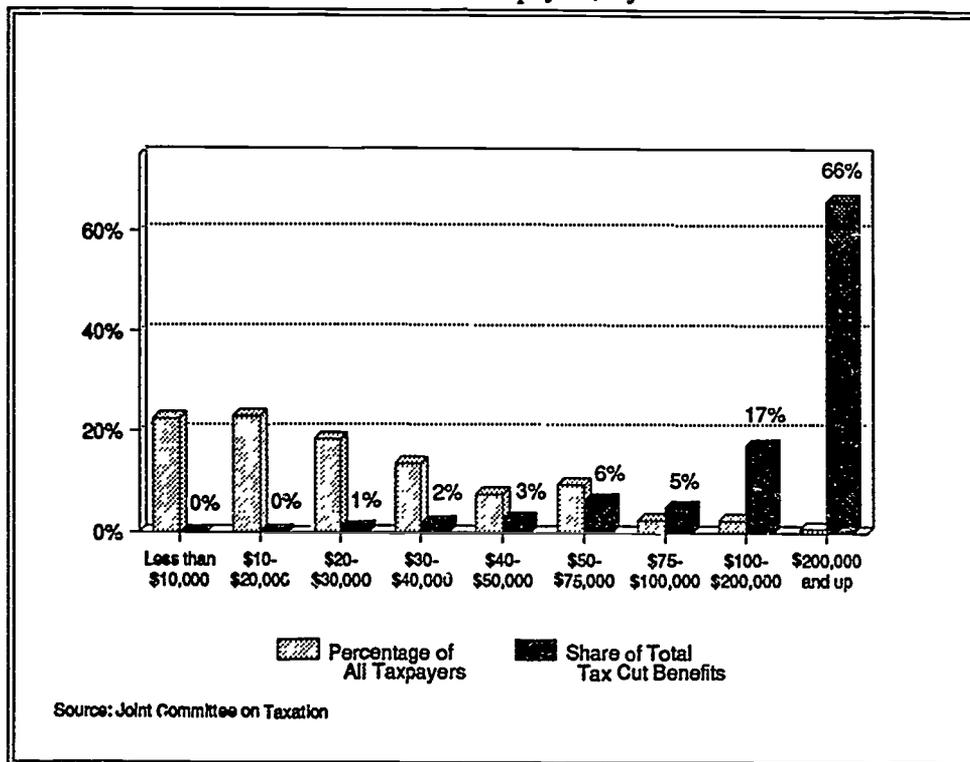
Given these figures, it should not be surprising that current proposals to reduce the federal tax rate on capital gains income would overwhelmingly benefit those at the top of the income scale. Earlier this year, the highly respected Joint Committee on Taxation undertook an analysis of the distribution of the tax benefits that would result from President Bush's proposal to reduce the capital gains tax. The Committee's findings indicate that:

- More than 94 percent of the benefits from the capital gains tax cut would go to the top fifth of taxpayers. The richest three percent of taxpayers -- those with incomes of \$100,000 or more -- would capture more than 83 percent of the tax benefits. (See Figure 3.)

²²Committee on Ways and Means, June 1990, pp. 1167, 1189. The CBO data show that for the top one percent of the population, the large increases in capital gains income between 1980 and 1990 account for 39 percent of the total increase in before-tax income received during this period. Another 38 percent of the increase in before-tax income received by this group is projected to come from increased wages and salaries, while 10 percent will come from increases in self-employment income. Some 10 percent will come from increases in other forms of investment income. For all of these forms of income, the increase accruing to the average household in the top one percent is larger -- in both dollar and percentage terms -- than the increase received by the average household in the bottom 90 percent. However, the disparity is greater for capital gains income than for any other form of income.

²³*Ibid.*, p. 1167

Figure 3
Distribution of Capital Gains Tax Cut Benefits
and Distribution of U.S. Taxpayers, By Income Level



- The top one percent of taxpayers -- those with incomes of at least \$200,000 -- would receive approximately 66 percent of the benefits. Taxpayers with incomes of more than \$200,000 who would benefit from the cut would receive an average tax reduction of more than \$15,000 apiece each year.
- By contrast, the middle three-fifths of taxpayers would receive less than six percent of the benefits from the capital gains proposal.
- Virtually none of the benefits would go to the poorest fifth of taxpayers.²⁴

²⁴Joint Committee on Taxation, "Estimate of Administration Proposal for A Reduction in Taxes in Capital Gains on Individuals (JCX-5-90)," February 14, 1990. This document provides data on the distribution of the tax benefits from this proposal among taxpayers in different income brackets. Data on the proportion

(continued...)

A separate analysis of President Bush's capital gains proposal, by the Congressional Budget Office, projects that if the capital gains proposal becomes law, some 68 percent of the wealthiest one percent of taxpayers will have capital gains income in 1991 and will benefit from the new tax break. By contrast, only two percent of the poorest fifth of taxpayers -- and seven percent of taxpayers in the middle fifth -- would be expected to have capital gains income in 1991.²⁵

Because *non*-Hispanics account for 97 percent of the top fifth of U.S. households, they would obtain nearly all of the capital gains tax cut benefits. Most Hispanics -- as well as the great majority of non-Hispanics who have low or moderate incomes -- would gain little or nothing.

Census data on the receipt of capital gains income by Hispanics provide further evidence to substantiate this point. The Census data demonstrate that the distribution of capital gains income is heavily skewed towards non-Hispanics.

- In 1987, non-Hispanics received 97 percent of total capital gains income nationwide.
- Hispanics made up eight percent of the U.S. population in 1987, but received just three percent of all capital gains income.²⁶

In addition, in a number of states, a cut in federal taxes on capital gains income could be followed by a similar cut in state capital gains taxes. In many states, state income tax policy is modeled largely on federal policy. If the Bush

²⁴(...continued)

of taxpayers in each income bracket are from Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1990-1994*, February 28, 1989. Both sets of data reflect 1990 income levels.

A modest fraction of the tax units described here and in the section on Individual Retirement Accounts do not pay federal income taxes. Most of those tax units not paying federal income taxes are exempt from such taxes because of their low incomes.

A study by the Congressional Budget Office, *Distributional Effects of the Administration's Capital Gains Proposal* (March 5, 1990), reached similar conclusions to those of the Joint Tax Committee. CBO estimated that the top fifth of taxpayers would receive over 95 percent of the benefits from the capital gains tax cut proposal, and the top one percent would receive 59 percent of the benefits. The middle three-fifths of taxpayers would receive less than five percent of the benefits, and the bottom fifth would receive none.

²⁵Congressional Budget Office, "Distributional Effects of the Administration's Capital Gains Proposal," March 5, 1990, pp. 2-3.

²⁶Center calculations based on unpublished data from the Bureau of the Census, *Measuring the Effects of Benefits and Taxes on Income and Poverty: 1987*, pp. 20-27. Because Hispanic families tend to be slightly larger than non-Hispanic families, Hispanics account for a larger proportion of U.S. individuals than of U.S. households. Six percent of U.S. households were Hispanic in 1987.

capital gains tax cut were to be enacted, some of these states would be expected to reduce their own capital gains taxes.

Wealthy taxpayers in these states who had capital gains income thus would benefit from both lower federal taxes *and* lower state taxes. Since Hispanics are less likely than non-Hispanics to have capital gains income, cuts in state capital gains taxes – like cuts in federal capital gains taxes – would further widen the after-tax income gaps between these groups.

A capital gains tax cut would have another significant effect: it would reduce federal revenues. The Joint Committee on Taxation has found that a capital gains tax cut would lose large amounts of revenue over time and, as a result, would significantly increase the federal deficit. The Joint Committee's analysis of the President's capital gains proposal finds that while the proposal would temporarily boost federal revenue in fiscal years 1990 and 1991, as taxpayers cashed in assets to benefit from the new tax break, its long-term revenue effects would be adverse. The Joint Committee estimates that in the four years after FY 1991, the Administration's proposal would cause a loss in revenue for the federal government of \$15.3 billion.²⁷

The Joint Committee predicts that the President's capital gains proposal would generate further substantial revenue losses in the years beyond 1995 but does not predict the exact level of these losses.

The revenue losses associated with the capital gains tax cut create the potential for *additional* income reductions for poor and middle income taxpayers. As a result of Congressionally mandated deficit limits under the Gramm-Rudr.an-Hollings law, most legislative proposals that reduce revenues must eventually be offset by spending cuts or tax increases. If the capital gains tax cut is financed by tax increases not targeted at high income taxpayers, or by reductions in programs that primarily serve low or middle income people, the *net* effect almost certainly will be to transfer income and resources from lower and middle income households to upper income households. This, in turn, will likely result in a transfer of income and resources from Hispanics to non-Hispanics, further widening income disparities between these groups.

²⁷Over the five-year period from fiscal year 1990 through fiscal year 1995, there would be a net revenue loss of \$11.4 billion. Joint Committee on Taxation, "Estimate of Administration Proposal for A Reduction in Taxes in Capital Gains on Individuals (JCX-5-90)," February 14, 1990, page L-2.

Expanded IRA Tax Breaks

With some exceptions, current law restricts eligibility for tax-deductible contributions to Individual Retirement Accounts to single taxpayers with incomes below \$35,000 and couples with incomes below \$50,000.²⁸ Under various proposals before Congress to expand IRA eligibility, contributions made by taxpayers with incomes above these levels also would be tax-deductible, as they were prior to the Tax Reform Act of 1986.

The Joint Committee on Taxation has studied the distribution of the tax benefits that would result from one of the principal proposals to expand IRA tax deductions.²⁹ The Committee's findings show that:

- At least 95 percent of the tax benefits from the IRA proposal would accrue to the top fifth of taxpayers.
- The richest three percent of taxpayers -- those with incomes of at least \$100,000 -- would collect nearly one-third of the tax benefits.
- The bottom four-fifths of all taxpayers would receive the remaining five percent of the tax benefits.³⁰

It should be noted that as uneven as this distributional pattern is, it is still significantly less skewed toward the very wealthy than a capital gains tax cut would be. Some 83 percent of the benefits from the capital gains tax cut would go to taxpayers with incomes of at least \$100,000, compared with 31 percent of the IRA benefits. Similarly, while some 66 percent of the capital gains benefits would go to taxpayers with incomes of \$200,000 or more, a comparatively low proportion

²⁸For those taxpayers participating in an employer-sponsored retirement plan, only single filers with incomes below \$25,000 and married couples filing jointly with incomes below \$40,000 can make the maximum deductible contribution to an IRA. The deductible amount is phased out for singles with incomes between \$25,000 and \$35,000 and for couples with incomes between \$40,000 and \$50,000. Taxpayers who do not participate in an employer-sponsored retirement plan are eligible to make fully deductible contributions to an IRA regardless of their income level.

²⁹The IRA proposal cited here, introduced by Senator Lloyd Bentsen (D-TX), also would allow penalty-free withdrawals from IRAs for the purpose of paying costs associated with higher education or the purchase of a first home.

³⁰Figures on the distribution of expanded IRA tax benefits by income bracket were calculated from two sources. To arrive at the figures for each income bracket, data on the distribution of expanded IRA tax benefits by income level, compiled by the Joint Committee on Taxation and issued by the Senate Finance Committee, were matched with Joint Committee data on the number of taxpayers within each income bracket. The latter data are from the Joint Committee on Taxation publication, *Estimates of Federal Tax Expenditures for Fiscal Years 1990-1994*, February 28, 1989.

of the IRA benefits -- six percent -- would go to these taxpayers. The bulk of the IRA benefits would go to those in the \$50,000 to \$100,000 income range.

These data on the distribution of benefits from an IRA tax break have consequences for Hispanics. Because so few Hispanics are in the top income fifth, Hispanics as a group would gain much less from the new IRA tax breaks than non-Hispanics would.

In addition, an expansion of IRA tax breaks, like a capital gains tax cut, would cause significant revenue losses. The Joint Committee on Taxation estimates that the IRA proposal discussed above would lose \$15.4 billion over the first five years. These revenue losses would have to be financed in some manner.

As with capital gains, the nature of such a financing strategy would be of particular significance for Hispanics. Unless an IRA proposal were financed by revenue increases targeted at upper income households, the net effect of enacting such a proposal would be to transfer income from low to high income taxpayers -- and, accordingly, from Hispanics to non-Hispanics.

Family Savings Accounts

President Bush's fiscal year 1991 budget includes a proposal to establish Family Savings Accounts. Married tax filers could deposit up to \$5,000 per year in such accounts and retain all the interest tax-free, so long as they did not make withdrawals for seven years. Single filers could deposit up to \$2,500 per year and receive the same tax break.

The Congressional Budget Office projects that taxpayers with annual incomes above \$50,000 -- many of whom currently are ineligible to make deductible contributions to an IRA -- would be the principal beneficiaries of this plan.³¹

The CBO projection is consistent with Treasury Department data on contributions to IRAs in 1985, prior to the elimination of IRA tax deductions for most upper income households. The Treasury data show that in 1985, some 48

³¹Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1991*, p. 44, March 1990.

percent of the wealthiest fifth of eligible taxpayers made contributions to an IRA.³² By contrast, only two percent of those in the poorest fifth of eligible taxpayers – and only 13 percent of the middle fifth of taxpayers – made IRA contributions in 1985.³³

These Treasury data are significant. If low and moderate income taxpayers do not make contributions to IRA accounts, under which they can receive an *immediate* tax deduction, it is unlikely they would take advantage of a Family Savings Account that does *not* provide any immediate tax benefit. The taxpayers most likely to take advantage of the Family Savings Accounts are those who lost eligibility for IRA tax deductions under the 1986 Tax Reform Act and who have enough income and assets to deposit up to \$5,000 per year and tie this money up for seven years. In other words, the taxpayers most likely to benefit are those in higher income brackets.³⁴

According to the Joint Committee on Taxation, Family Savings Accounts would cause a revenue loss of \$5 billion between fiscal years 1991 and 1995, including a loss of \$1.8 billion in fiscal year 1995 alone. As with the capital gains and IRA proposals, the revenue losses associated with the Family Savings Accounts ultimately would have to be paid for through other tax increases or reductions in funding for government programs. This creates the potential for

³²These IRA participation rates may be somewhat overstated. Some taxpayers who were eligible for IRA tax breaks in 1985 could not be included in the count of eligibles reflected in these participation rates, due to limitations in the published data available from the Treasury Department. Under the tax laws that prevailed in 1985 (and under current law), eligibility for IRA tax breaks was restricted to taxpayers who had earned income – income from wages, salaries, self-employment or a jointly owned business. To estimate the number of taxpayers who had earned income in 1985 – and thus who were eligible for IRA tax breaks – we used Treasury Department data on the number of taxpayers with wage or salary income. Using these data, it was not possible to include in the count of eligibles the small number of taxpayers who had earned income from self-employment or a jointly owned business but did not also have any wage or salary income.

³³The income data from the Treasury Department are based on a somewhat different concept of income than are the definitions employed by either the Census Bureau or the Congressional Budget Office. The Treasury data represent "adjusted gross income" and exclude or make adjustments for certain types of income. For example, income from alimony, child support, and public assistance benefits are excluded from adjusted gross income. These forms of income are included in the Census and CBO definitions of income. As a result of these differences, some taxpayers identified by the Treasury data as being among a certain fifth of taxpayers might be placed elsewhere in the income distribution by Census or CBO.

³⁴President Bush's proposal would limit eligibility for Family Savings Accounts to married filers with adjusted gross income below \$120,000 and to single filers with adjusted gross income below \$60,000. In practice, relatively few taxpayers would be ineligible for the tax breaks. Tax data from the Treasury Department show that in 1985, the most recent year for which published data are available, only two percent of all taxpayers filing joint returns had incomes exceeding \$100,000 (an income of \$120,000 in 1991 is equivalent to an income of about \$96,000 in 1985). Thus, most of those in the top fifth of taxpayers would be eligible for the Family Savings Accounts.

income losses for poor and middle income taxpayers and for Hispanics in particular.

Conclusions on Tax Policy Proposals

The three legislative proposals described here would provide little to the middle three-fifths of taxpayers and almost nothing to the poorest fifth. These proposals would primarily benefit the wealthiest fifth of taxpayers.

Since Hispanics make up such a small proportion of those in the wealthiest fifth of households, they would receive only a tiny share of the benefits from these tax breaks. At the same time, these proposals would result in substantial losses of revenue, with corresponding increases in the federal deficit. These revenue losses eventually would have to be paid for.

If the costs of these proposals were financed by increases in taxes that burden low and middle income taxpayers or by reductions in funding for programs that serve low or middle income people, the effect would be to make many Hispanics worse off -- and to aggravate the already wide income disparities both between the wealthy and other Americans and between Hispanics and non-Hispanics.

Appendix

Table A-1
Median Family Income and Population Share
of Hispanic-American Subgroups, 1983

Hispanic subgroup	Median family income	Percentage share of U.S. Hispanic population
Mexican	\$21,025	63%
Puerto Rican	18,932	12
Central and South American	24,322	13
Cuban	26,858	5
Other Hispanic origin	23,666	8
All Hispanics	\$21,769	100%

Source: Bureau of the Census, "The Hispanic Population in the United States," March 1989.

Table A-2
States with the Largest Hispanic Populations, 1988

<u>State</u>	<u>State's Hispanic population (in thousands)</u>	<u>Hispanics as percent of state's total population</u>	<u>State's Hispanic population as share of U.S. Hispanic population</u>
California	6,762	24.3%	33.7%
Texas	4,313	25.8	21.5
New York	1,982	11.2	9.9
Florida	1,586	12.7	7.9
Illinois	855	7.5	4.3
Arizona	725	20.8	3.6
New Jersey	638	8.4	3.2
New Mexico	549	36.7	2.7
Colorado	421	13.0	2.1
U.S., Total	20,076	8.2%	100.0%

Source: Bureau of the Census, "The Hispanic Population in the United States," March 1989.

Table A-3
Changes in Average Household Income from Capital Gains, 1980-1990,
By Various Income Groups
(in 1990 dollars)

<u>National income category</u>	<u>1980</u>	<u>1990 (projected)</u>	<u>change: 1980-90</u>	
			<u>(\$)</u>	<u>(%)</u>
Bottom 90 percent	\$ 287	\$ 299	\$ 12	4.2%
Richest one percent	82,946	175,536	92,590	111.6

Source: Congressional Budget Office

Table A-4
Changes in Average Federal Tax Burdens on Households, 1980-1990,
By Various Income Groups

<u>National income category</u>	<u>1980</u>	<u>1990</u> (projected)	<u>change:</u> <u>1980-90</u>
Poorest tenth	6.7%	8.5%	27.7%
Poorest fifth	8.4%	9.7%	16.1%
Next poorest fifth	15.7	16.7	6.0
Middle fifth	20.0	20.3	1.2
Next richest fifth	23.0	22.5	-2.2
Richest fifth	27.3	25.8	-5.5
Richest five percent	29.5%	26.7%	-9.5%
Richest one percent	31.8	27.2	-14.4

Source: Congressional Budget Office

Table A-5
Changes in Average After-Tax Household Incomes, 1980-1990,
By Various Income Groups
(in 1990 dollars)

<u>National income category</u>	<u>1980</u>	<u>1990</u> (projected)	<u>change:</u> <u>1980-90</u>	
			(\$)	(%)
Poorest fifth	\$ 7,357	\$ 6,973	\$ -384	-5.2%
Next poorest fifth	16,088	16,124	36	0.2
Middle fifth	24,031	24,691	660	2.7
Next richest fifth	32,075	34,824	2,749	8.6
Richest fifth	58,886	78,032	19,146	32.5
Richest five percent	\$ 100,331	\$ 151,132	\$ 50,801	50.6%
Richest one percent	213,675	399,697	186,022	87.1

Source: Congressional Budget Office

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