

Who Pays Income Taxes: Tax Year 2021

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Key Takeaways

- New IRS data for tax year 2021 helps to illustrate the progressivity of the income tax: the top 1 percent of earners paid 46 percent of all income taxes. 89 percent of all income taxes were paid by the top 25 percent of all filers.
- This represents the highest share of income taxes paid by the wealthiest earners in the data NTUF has gathered dating back to 1980.
- The tax code has grown increasingly progressive even as tax reforms have lowered the top marginal income tax rates. The bottom 50 percent are largely shielded from the income tax burden, contributing 2 percent of all income taxes.
- In 1980, the top marginal tax rate stood at 70 percent, and the top 25 percent of earners paid 73 percent of the share of income taxes. As tax reductions enacted since then reduced the top rate to 37 percent, the tax share of the top earners has increased.

Introduction

It is a common refrain from some politicians that the rich are not paying their fair share of income taxes. This sentiment is echoed by findings from a Pew Research [poll](#) conducted last April, which indicated that a significant portion of respondents feel that wealthy individuals do not pay their fair share of income taxes, with 60 percent expressing that this issue bothers them a lot. This sense of unfairness has fueled calls for increased enforcement funding for the Internal Revenue Service (IRS) to crack down on evasion by “tax cheats.”

This sense among many Americans conflicts with just how progressive the tax code actually is. In fact, even as tax reforms over the years, including the Tax Reform Act of 1986 and the Tax Cuts and Jobs Act of 2017, have lowered the top marginal income tax rates, the tax code has grown increasingly progressive. The latest data from the IRS shows that the top one percent of earners paid a record high percentage of income taxes in the data NTUF has collected since 1980.

Tax Shares in Tax Year 2021

The IRS’s Statistics of Income division publishes annual data showing the share of taxes paid by taxpayers across ranges of Adjusted Gross Income (AGI). The newly released report covers Tax Year 2021 (for tax forms filed in 2022). The newest data reveals that the top 1 percent of earners, defined as those with incomes over \$682,577, paid nearly 46 percent of all income taxes – marking the highest level in the available data. Notably, the amount of taxes paid by this percentile is nearly twice as much as their share of Adjusted Gross Income (AGI), underscoring the progressive nature of the tax system.

Figure 1. Share of Adjusted Gross Income and Income Taxes Paid: Tax Year 2021

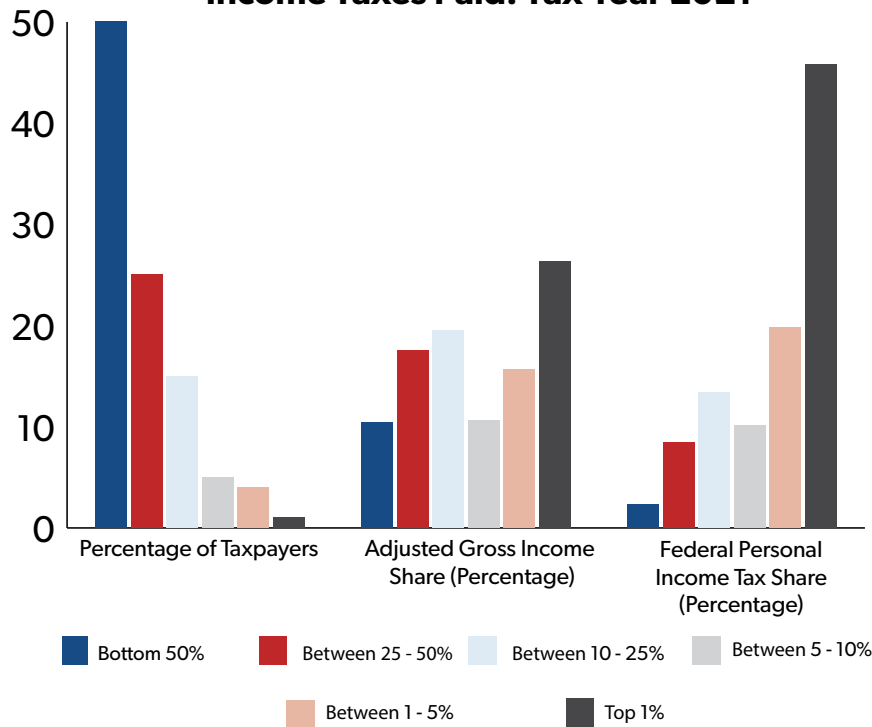


Table 1. Who Pays Income Taxes: Tax Year 2021

Percentages Ranked by AGI	AGI Threshold on Percentiles	Adjusted Gross Income Share	Share of Federal Personal Income Tax Paid	Ratio of Percentage of Personal Income Tax Paid to AGI Share
Top 1%	\$682,577	26.3	45.78	1.74
Top 5%	\$252,840	41.99	65.64	1.56
Top 10%	\$169,800	52.61	75.81	1.44
Top 25%	\$94,440	72.09	89.23	1.24
Top 50%	\$46,637	89.6	97.66	1.09
Bottom 50%	<\$46,637	10.4	2.34	0.22

The top 10 percent of earners bore responsibility for 76 percent of all income taxes paid, and the top 25 percent paid 89 percent of all income taxes. Altogether, the top 50 percent of filers earned 90 percent of all income and were responsible for 98 percent of all income taxes paid in 2021.

The other half of earners, those with incomes below \$46,637, collectively paid 2.3 percent of all income taxes in 2021. This group includes many filers with no income tax liability either because their earnings fell below the taxable threshold or due to eligibility for tax credits that effectively reduce or eliminate income tax liability. Separate IRS data highlights that over 56 million tax returns in 2021 reported no income tax liability, with 93 percent of these returns filed by individuals with incomes less than \$50,000. This underscores the complexity of the tax system and the various factors influencing tax liability across income levels.

Figure 2. Income Tax Share by AGI Bracket Range (2021)

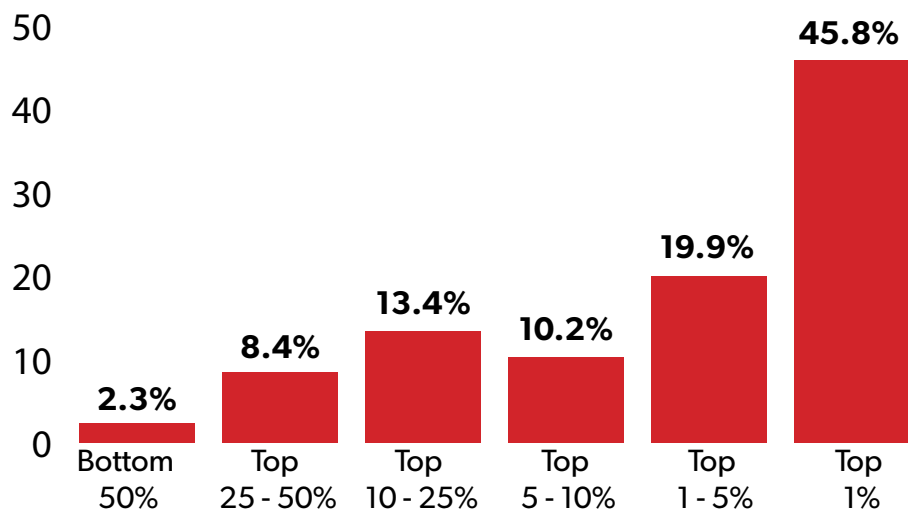
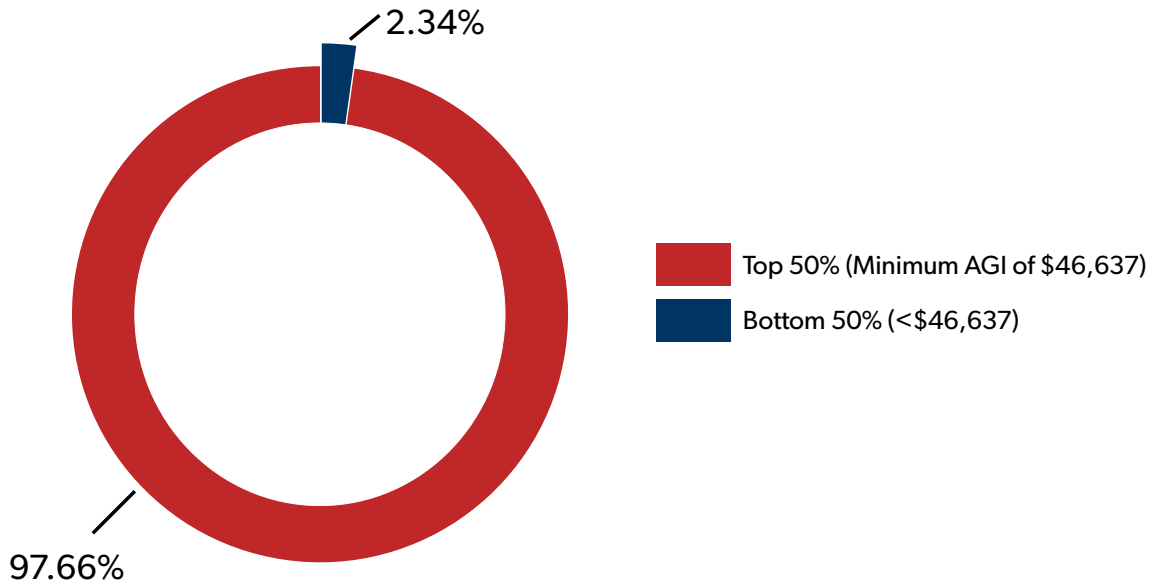


Figure 3. AGI Bracket vs. Percentage of Federal Personal Income Tax Paid (2021)



Historical Tax Share Data

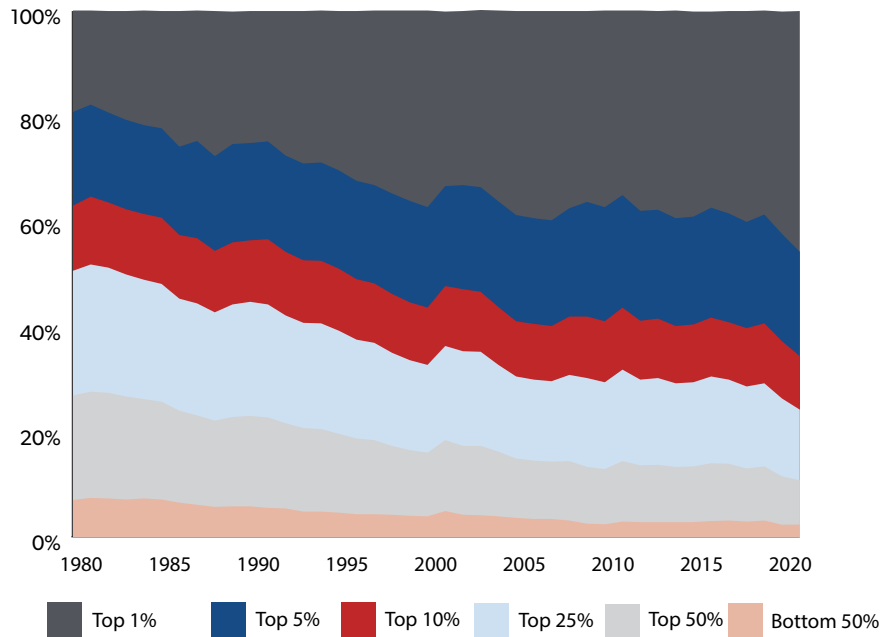
In 2021, the economy was starting to recover from the effects of the coronavirus pandemic and the shutdown of large parts of the economy, and GDP and employment levels increased as people returned to work. This economic recovery coincided with a continued trend observed in historical IRS data compiled by NTUF, tracking the distribution of the federal income tax burden since 1980.

Back in 1980, the [top marginal income tax rate](#) stood at 70 percent and the wealthiest one percent of earners' share of income taxes was 19 percent. Over the following decades, their share of income taxes increased even as the top marginal tax rates were reduced. Since 1980, the income tax share of the bottom half of earners has fallen from 7 percent to 2.34 percent in 2021 (compared to 2.32 percent last year).

Table 2. Tax Share of the Top 1 & 5 Percent of Income Earners: 1980 - 2021

Tax Year	Percentage of Federal Personal Income Tax Paid by the Wealthiest 1 Percent	Percentage of Federal Personal Income Tax Paid by the Wealthiest 5 Percent	Highest Marginal Tax Rate
1980	19.3	37.1	70
1990	25.1	43.6	28
2000	37.4	56.5	39.6
2010	37.4	59.1	35
2017	38.5	59.1	39.6
2018	40.1	60.3	37
2019	38.8	59.4	37
2020	42.3	62.7	37
2021	45.8	65.6	37

Figure 4. Percentage of Federal Personal Income Tax Paid by Earners (1980-2021)



Conclusion

Over the past several decades, lower income earners’ share of income taxes has steadily grown smaller as the burden was shifted more and more to the wealthier. These trends stand in stark contrast with the rhetoric about whether people are paying their “fair share.”

The data should inform policymakers that when people are allowed to keep more of their own money, they prosper, move up the economic ladder, and contribute a larger share of the nation’s income tax bill. On the other end of the spectrum, our highly progressive tax code ensures that low-income earners are afforded protection from income taxes through exemptions, deductions, and credits.

Policymakers should strive for a tax system that imposes minimal burdens on wealth creation through the private sector, fostering an environment that opens up opportunities for all individuals to succeed and contribute to the nation’s prosperity.