

Obama Budget Would Increase Income Redistribution from Top 1 Percent of Taxpayers by \$112 Billion

Bottom-Earning 10 Percent Would Receive an Additional \$8.7 Billion in Federal Spending Benefits, According to Tax Foundation Analysis
Washington, DC – True to his campaign promise to "spread the wealth around," President Obama's recently released budget targets high-income earners for income redistribution to low- and middle-income families, according to a new Tax Foundation report. The president's policies would redistribute an additional \$112 billion from the top 1 percent of taxpayers down the income scale in fiscal year 2012.

On average, the president's budget would redistribute another \$101,314 from families in the top-earning 1 percent to the rest of the income spectrum, for a total redistribution of \$509,257 per family.

These are among the latest findings of the Tax Foundation's Fiscal Incidence Microsimulation Model, a long-term research effort to include federal spending along with taxes in calculations of income redistribution. The report, "Distributional Analysis of President Obama's Fiscal Year 2011 Budget Policies," is No. 209 in the Tax Foundation Fiscal Fact series and is available online at <http://www.taxfoundation.org/publications/show/25821.html>.

"Our Fiscal Incidence project asks two simple questions: 'How much in federal taxes does a given income group pay under a given set of tax policies?' And 'How much in federal taxes would that income group pay under a benefit principle system of taxation, in which a family's tax share is equal to its share of government spending benefits?'" said Tax Foundation Senior Economist Gerald Prante, who co-authored the report with Chief Economist Patrick Fleenor. "The difference between the answers to these two questions is our measure of income redistribution."

Higher-income families would lose the most because of the expiration of the Bush tax cuts for high-income families as well as the president's proposed 28 percent value limitation on itemized deductions.

President Obama would increase redistribution from the top-earning 5 percent by \$111 billion. The average family in that income group would redistribute an additional \$20,304 to lower-income families, for a total redistribution of \$141,648.

Families in the bottom-earning 10 percent stand to benefit the most from the president's policies. As a group, they'll receive an additional \$8.7 billion in federal spending benefits. On average, a family in the bottom 10 percent will receive an additional \$494 in income redistribution for a total of \$17,962.

Families earning as much as \$107,000 would benefit as well. As a group, families in the 60th to 70th market income percentile would receive an additional \$8 billion when

accounting for the president's tax and spending policies. This amounts to an average income redistribution of \$475 per family in that income group.

For more on the Tax Foundation's Fiscal Incidence project, see Special Report No. 172, "How Much Does President Obama's Budget Redistribute Income?" available online at <http://www.taxfoundation.org/publications/show/25200.html>.

The Tax Foundation is a nonpartisan, nonprofit organization that has monitored fiscal policy at the federal, state and local levels since 1937.