



Tax bills in 2009 at lowest level since 1950

Updated 5/12/2010 5:16 PM | Comment | Recommend



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A drop in income can trigger big tax breaks and sharply lower rates, sometimes falling to zero.

TO THE TAXMAN

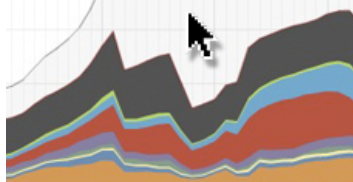
Share of Americans' income paid as taxes:



Source: Bureau of Economic Analysis

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earning up to \$150,000.

• **Progressive tax rates.** Presidents Clinton and Bush pushed through a series of tax changes — credits, lower rates, higher exemptions — that slashed income taxes for poor and middle-class families. A drop in income now can trigger big tax breaks and sharply lower rates, sometimes falling to zero.

• **Sales tax.** Consumers cut spending sharply in this downturn, thereby paying less in sales taxes.

A Gallup Poll last month found that 48% thought taxes were "too high" and 45% thought they were "about right." Those saying taxes are "too high" remain near a 50-year low.

The lower tax burden should last at least through 2010, says Roberton Williams of the Tax Policy Center, a think tank in Washington, D.C. "Virtually all the stimulus tax cuts expire at the end of the year," he says. "So the key decision is whether to extend them into 2011."

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By Dennis Cauchon, USA TODAY

Amid complaints about high taxes and calls for a smaller government, Americans paid their lowest level of taxes last year since Harry Truman's presidency, a USA TODAY analysis of federal data found.

Some conservative political movements such as the "Tea Party" have criticized federal spending as being out of control. While spending is up, taxes have fallen to exceptionally low levels.

Federal, state and local income taxes consumed 9.2% of all personal income in 2009, the lowest rate since 1950, the Bureau of Economic Analysis reports. That rate is far below the historic average of 12% for the last half-century. The overall tax burden hit bottom in December at 8.8% of income before rising slightly in the first three months of 2010.

"The idea that taxes are high right now is pretty much nuts," says Michael Ettlinger, head of economic policy at the liberal Center for American Progress. The real problem is spending, counters Adam Brandon of FreedomWorks, which organizes Tea Party groups. "The money we borrow is going to be paid back through taxation in the future," he says.

Individual tax rates vary widely based on how much a taxpayer earns, where the person lives and other factors. On average, though, the tax rate paid by all Americans — rich and poor, combined — has fallen 26% since the recession began in 2007. That means a \$3,400 annual tax savings for a household paying the average national rate and earning the average national household income of \$102,000.

This tax drop has boosted consumer spending and the economy, which grew at a 3.2% annual rate in the first quarter. It also has contributed to the federal debt growing to \$8.4 trillion.

Taxes paid have fallen much faster than income in this recession. Personal income fell 2% last year. Taxes paid dropped 23%. The BEA classifies Social Security taxes as insurance payments and excludes them from the tax calculation.

Why the tax bite has eased:

• **Stimulus law.** One-third of last year's \$862 billion economic stimulus went for tax cuts. Biggest reduction: The Making Work Pay tax credit reduced income taxes \$800 for married couples

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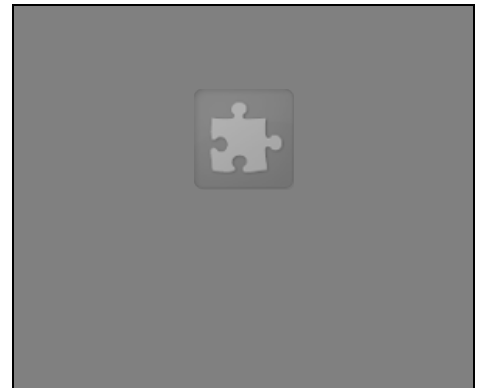


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Posted 5/10/2010 11:21 PM

Updated 5/12/2010 5:16 PM

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