

# Redistributional Inequalities across U.S. Tax and Transfer Programs

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III/LIS Comparative Economic Inequality Conference

London School of Economics – Feb. 24-25, 2023

# Background

- Recent scholarship has examined factors shaping disparities in U.S. poverty rates, advancing structural explanations for the racial poverty gap (Iceland, 2019; Baker et al, 2022)
- Related research, not focused on poverty rates, demonstrates changes in U.S. social welfare policy fostered redistributive disparities amongst the working and non-working poor (Wimer et al., 2020, Desmond et al., 2022)
- Synthesizing these literatures, we ask how the U.S. tax and transfer system's institutional features – tiered support, categorical eligibility structures and decentralized policy design – shape redistributive inequalities

# Typology of Redistributive Mechanisms

	<b>Taxes</b>	<b>Transfers</b>
<b>Federal (Centralized)</b>	Federal Income Tax and Contributions	Federal Transfers
<b>State-Managed (Decentralized)</b>	State Income Tax	State Transfers

# Contributions

- We explore how these institutional features – operationalized through federal and state redistributive mechanisms – influence income inequalities
- Building on prior research documenting the impacts of safety net decentralization on social provision (Bruch, Meyers, and Gornick 2018) and poverty reduction (Bruch, van der Naald, and Gornick forthcoming)
- Specifically, we explore how these features shape redistributive inequalities between Black and White households

# Research Questions

- How do the average contributions of each of the four redistributive mechanisms vary across household types?
- Who benefits most and who benefits least from each mechanism, and with what consequences for their disposable household income?
- What are the distributional consequences of the U.S. safety net's institutional features?
- How do these institutional features shape racial inequalities?

# Key Findings

- Depending on composition, households are differently categorized into income support
  - Households with children receive larger portions of disposable income from state transfer programs
  - Households with retirement-eligible persons receive larger portions from federal transfers
- Black and White households receive unequal levels of support from federal and state programs
  - White households receive larger sums of federal transfers
  - Black households receive larger sums of state transfers
- Black and White households in the same deciles and household types receive differential levels of support

# Data

- Current Population Survey's Annual Social and Economic Supplement (CPS ASEC), Pooled 2013-2017
- Household Types – Working-age (18-61)
  - With and without Children
  - With and without Retirement Eligible Persons (62+)
- Income Definitions:
  - Market Income (Pre-Tax and Transfer)
  - Disposable Income (Post-Tax and Transfer)
- Redistributive Mechanisms
  - Federal and State Taxes and Transfers
  - FICA Taxes

## Market Income

wage and salary	rent, royalties, estate, and trust income
self-employment earnings	interest
farm income	dividends
private retirement	friend/family financial assistance
private survivor pensions	alimony
private disability pensions	other income not otherwise classified
annuities	

## Federal Transfers

Old Age, Survivors, and Disability Insurance Program (OASDI) pension, survivors & disability benefits  
veteran's benefits

## State Transfers

Temporary Assistance for Needy Families (TANF)  
state-specific cash assistance (General Assistance)  
Unemployment Insurance  
Worker's Compensation  
Supplemental Security Income  
child support  
Supplemental Nutrition Assistance Program (SNAP)  
school lunch subsidy  
housing subsidy and energy subsidy

## Federal Taxes† (and FICA)\*

Income tax liability  
Earned income tax credit  
Child credit  
Child care tax credit

## State Taxes†

Income tax payments  
State earned income tax credit  
Property credit  
Other state tax credits



# Analysis

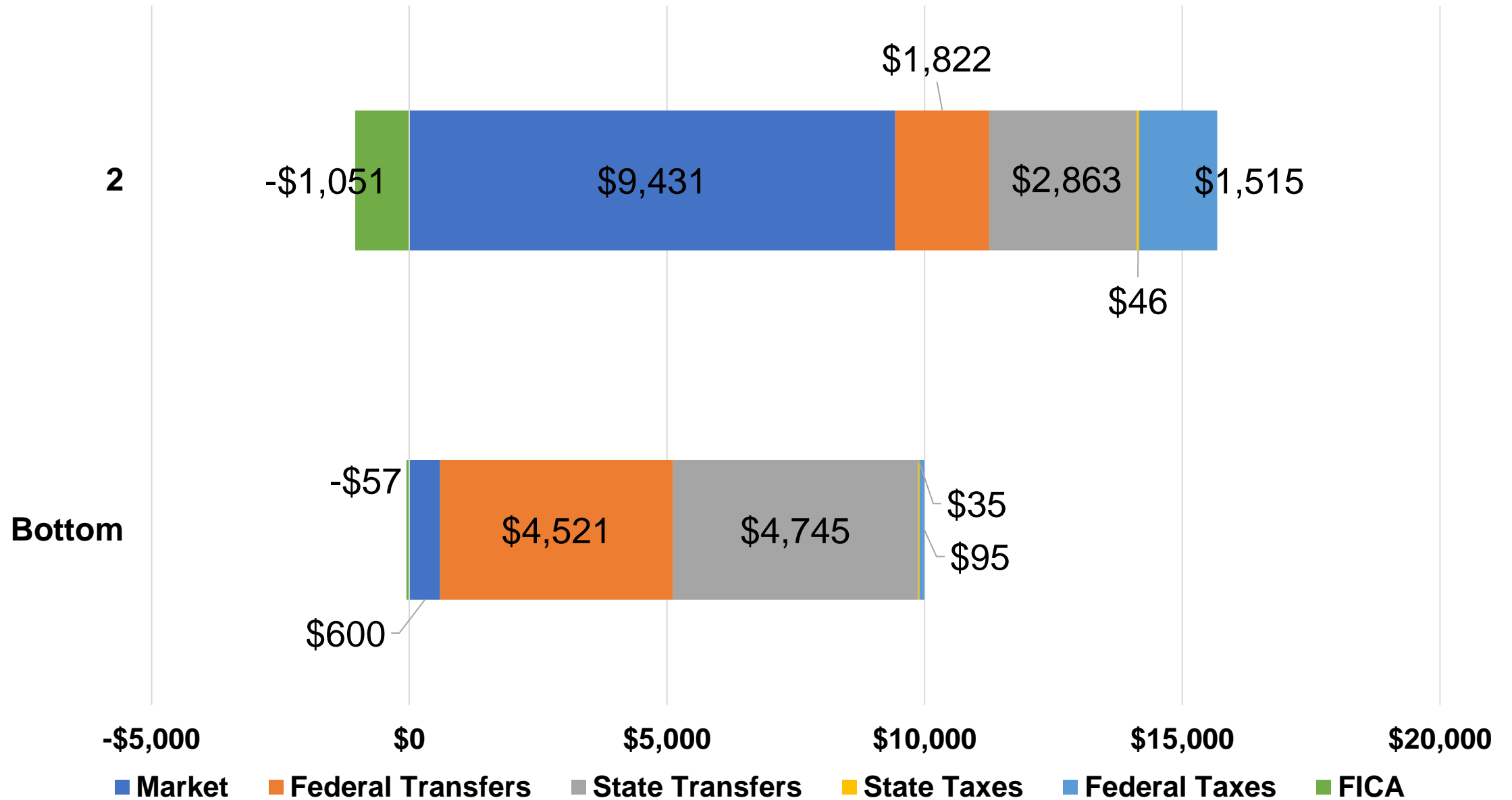
- Descriptive
  - Income Averages - Bottom Two Income Deciles
  - Comparing Black and White Households within Market Income Deciles (“Apples-to-Apples”)
  - TANF, SNAP, and SSI TRIM-adjusted for Underreporting (Parolin 2019)
- Decomposition
  - Kitagawa-Blinder-Oaxaca Analysis (Jann 2008)
  - Decomposing Racial Gaps in Mechanism Values by Decile Group and Household Type

## Frequency of All Working-Age Households by Type, 2013-2017

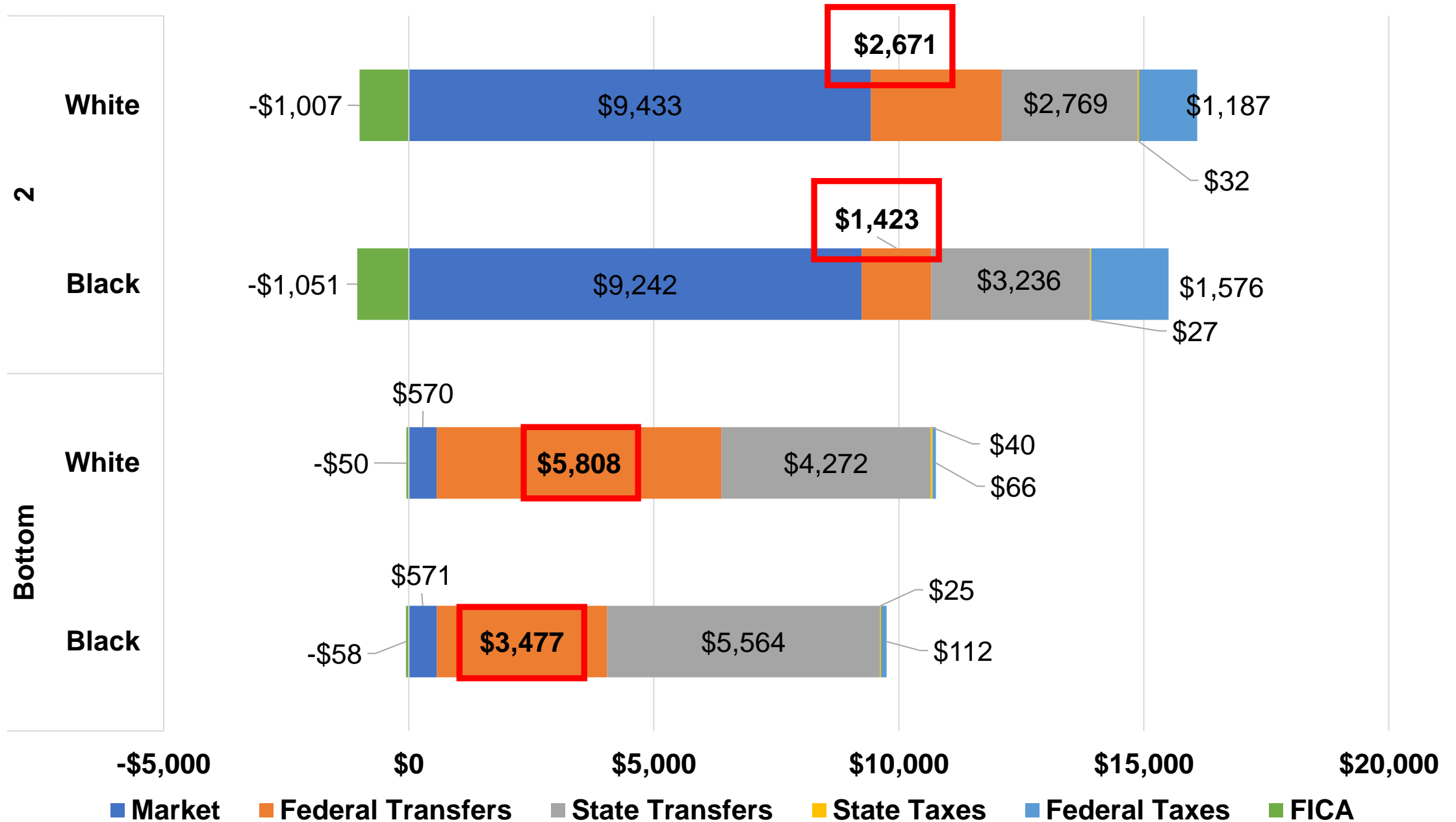
	<b>No Children</b>	<b>Children</b>	<b>Total</b>
<b>No Retirement-Eligible Members</b>	131,944 (51.9%)	99,849 (39.3%)	231,793 (91.2%)
<b>Retirement-Eligible Members</b>	17,652 (6.9%)	4,872 (1.9%)	22,542 (8.8%)
<b>Total</b>	149,596 (58.8%)	104,721 (41.2%)	254,317

*Note:* Households contain retirement-eligible persons if one or more persons in the household are 62 years and older, and thus eligible for federal Social Security retirement benefits, so long as at least the householder, their spouse, or their partner are younger than age 62. Households where the householder, their spouse, or their partner are age 62 or older are excluded from our population of working-age households.

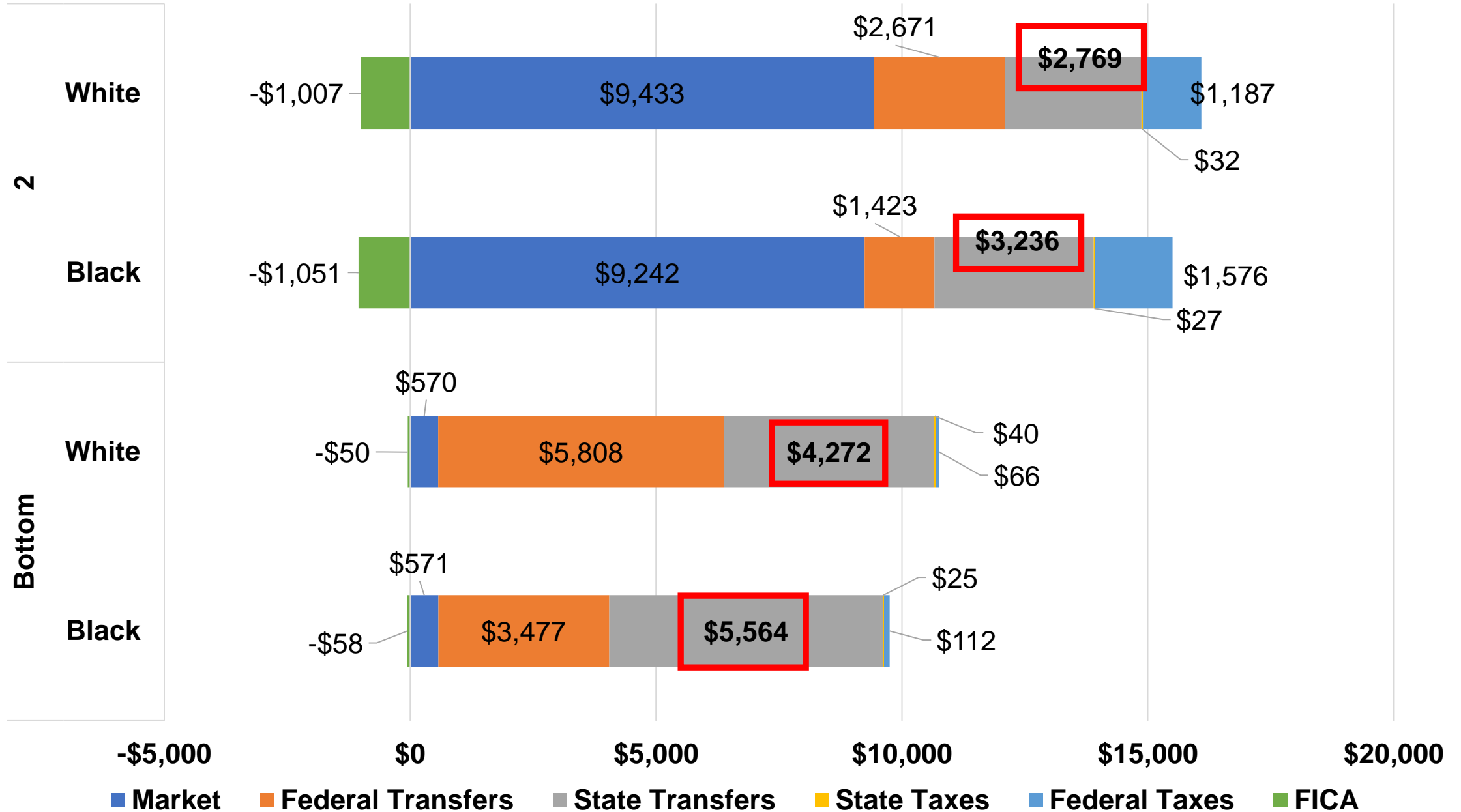
# Mechanisms by Decile, All Working-Age Households, 2013-2017



# Mechanisms by Decile, Black-White, All Working-Age Households, 2013-2017



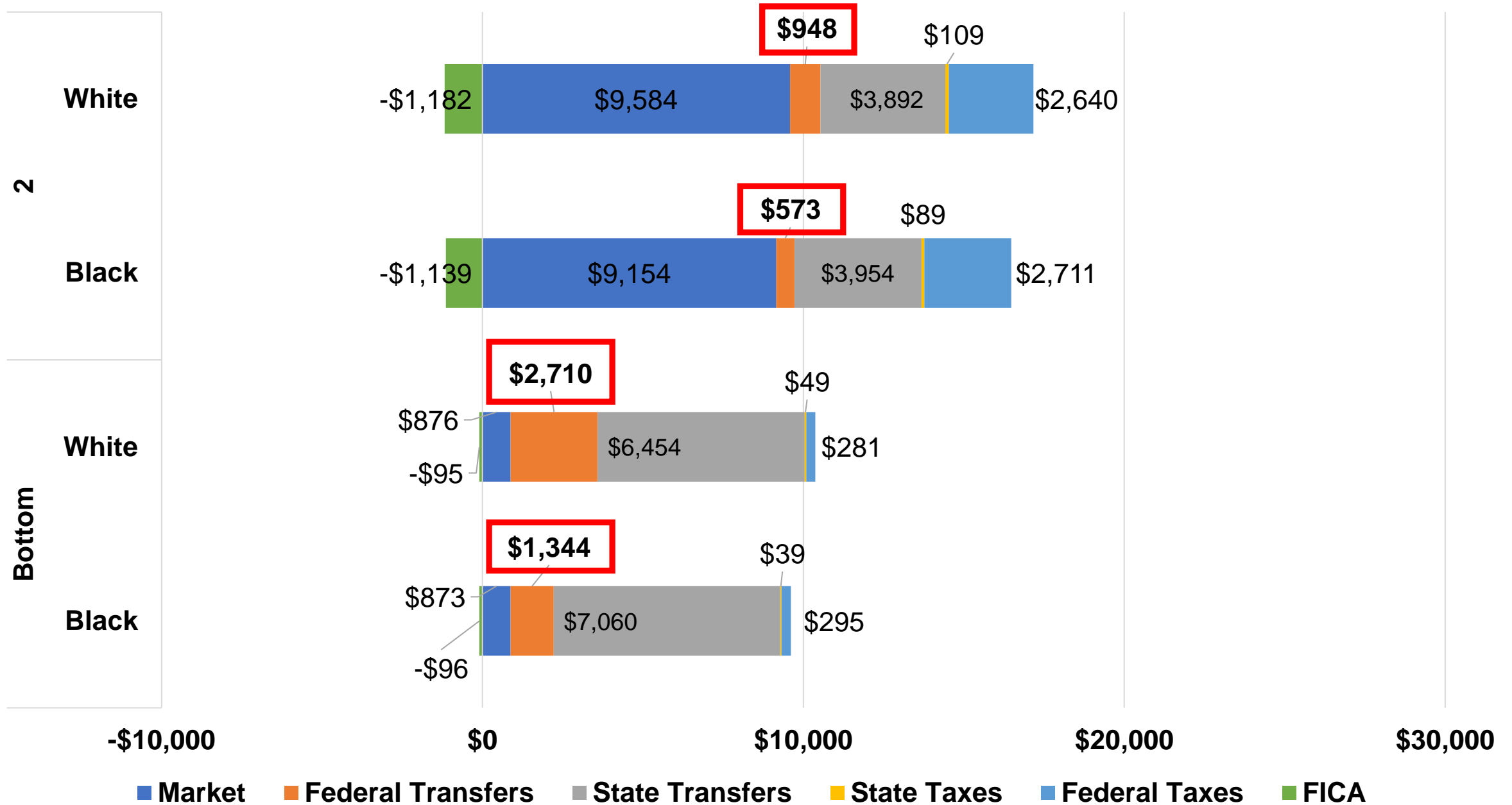
# Mechanisms by Decile, Black-White, All Working-Age Households, 2013-2017



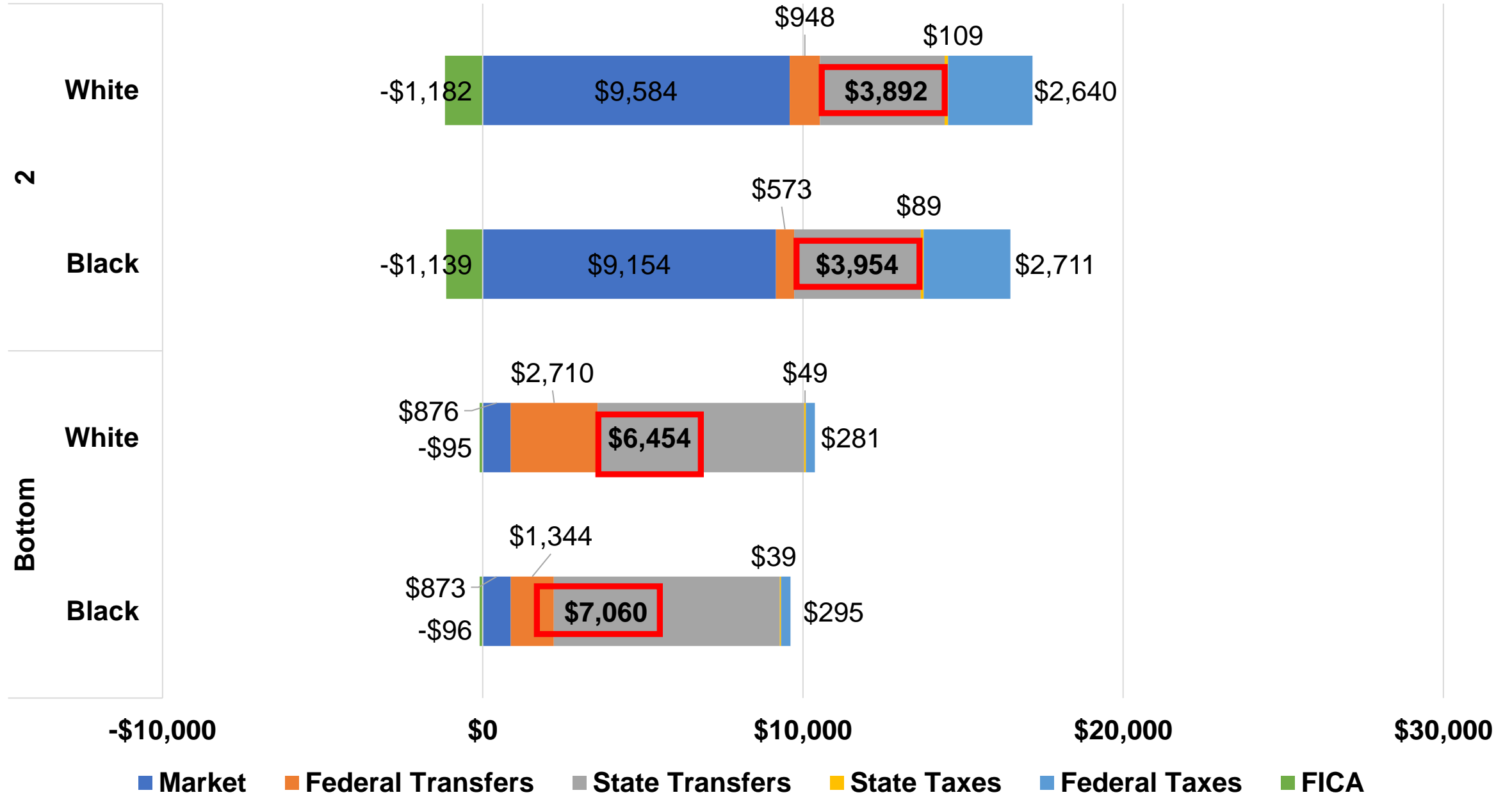
# Mechanisms by Decile, All WA HH, Black-White Disparities

Decile		Market	Federal Transfers	State Transfers	State Taxes	Federal Taxes	FICA	Disposable
2	Black	\$9,242	\$1,423	\$3,236	\$27	\$1,576	-\$1,051	\$14,453
	White	\$9,433	\$2,671	\$2,769	\$32	\$1,187	-\$1,007	\$15,085
		-2.1%	-87.7%	14.4%	-18.5%	24.7%	4.2%	-4.4%
Bottom	Black	\$571	\$3,477	\$5,564	\$25	\$112	-\$58	\$9,693
	White	\$570	\$5,808	\$4,272	\$40	\$66	-\$50	\$10,705
		0.2%	-67.0%	23.2%	-60.0%	41.1%	13.8%	-10.4%

# Mechanisms by Decile, Black-White WA HH w/ Kids, no Retirement-Eligible

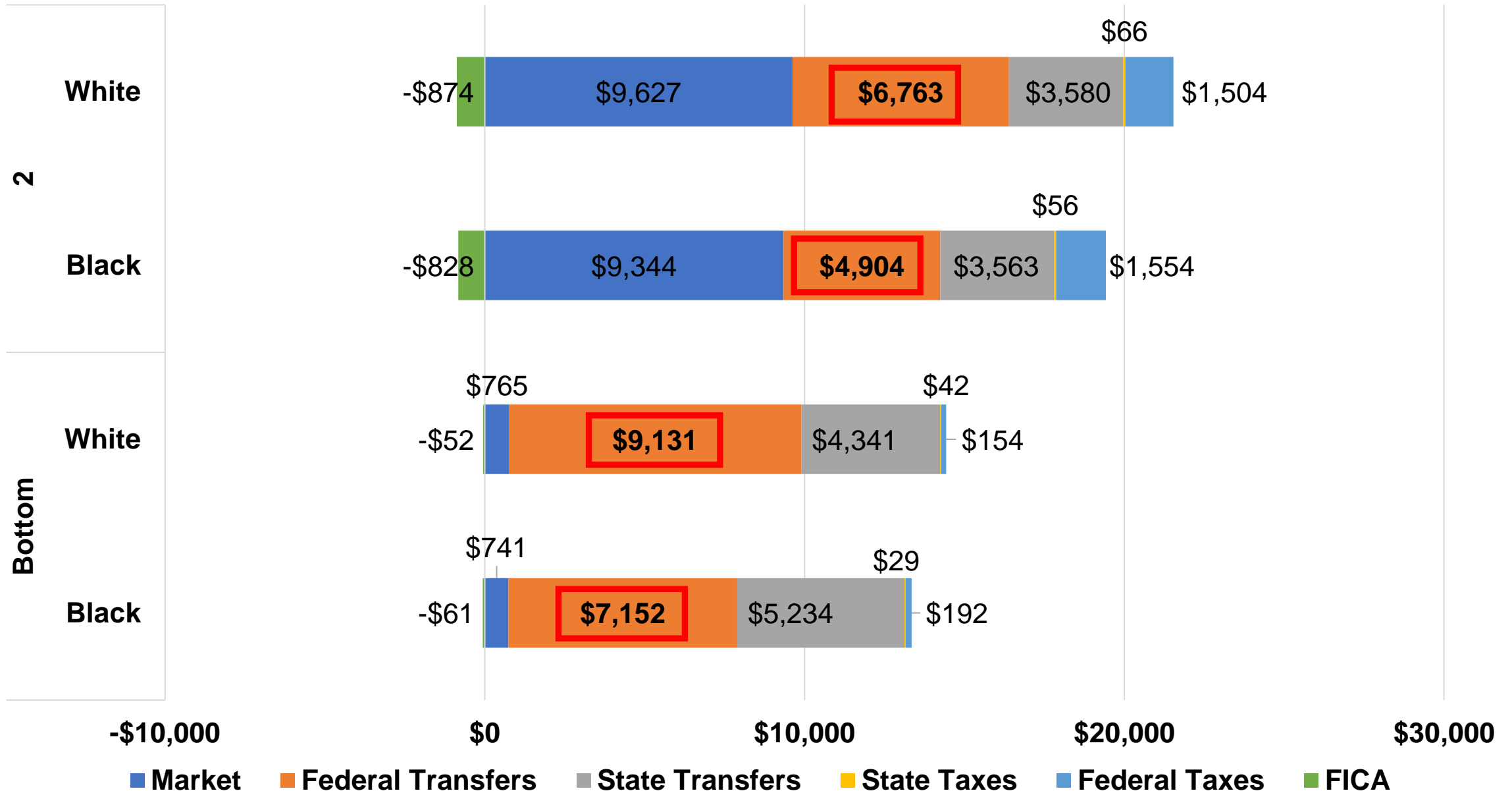


# Mechanisms by Decile, Black-White WA HH w/ Kids, no Retirement-Eligible

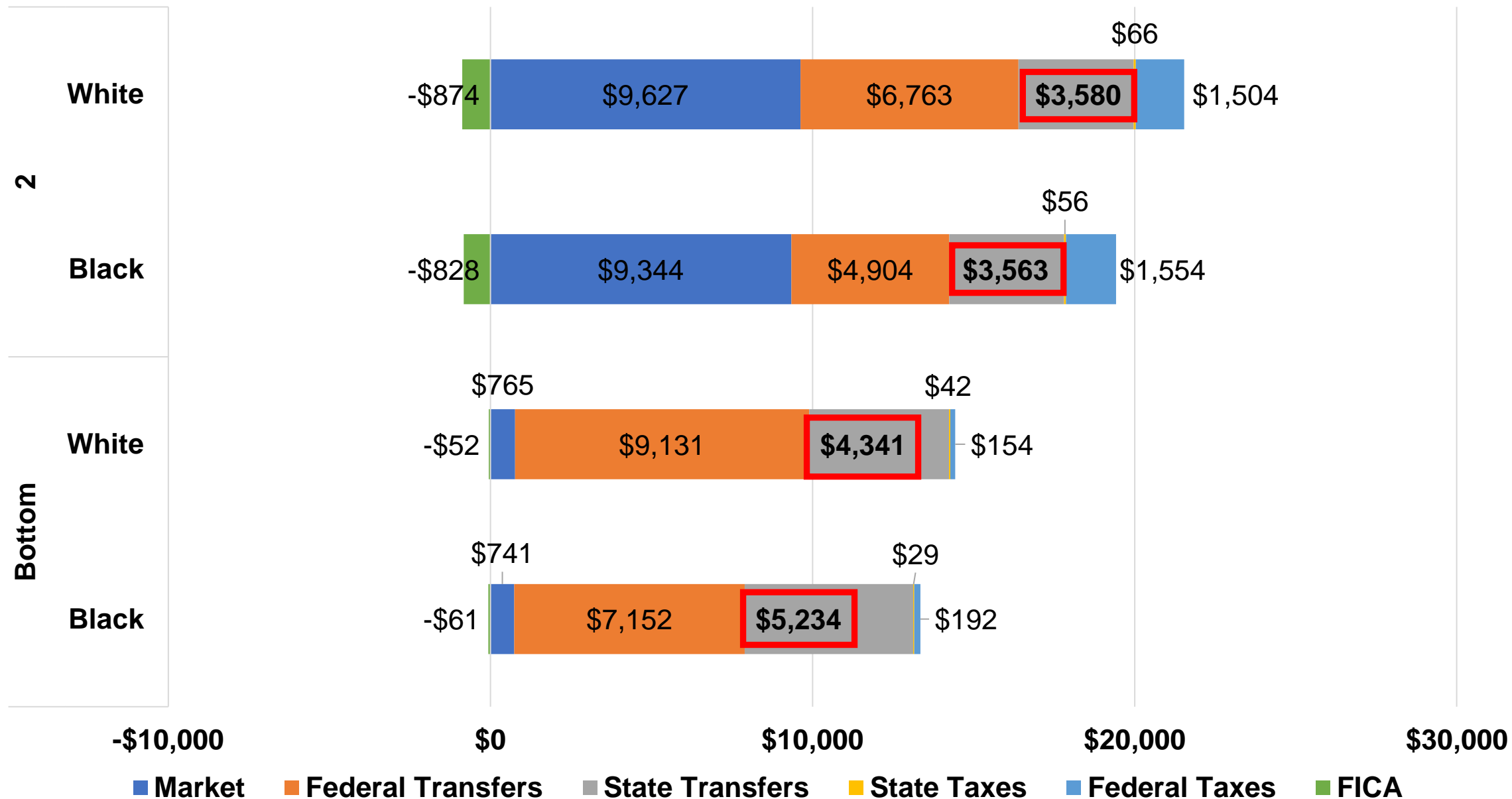




# Mechanisms by Decile, Black-White WA HH w/ Kids, w/ Retirement-Eligible



# Mechanisms by Decile, Black-White WA HH w/ Kids, w/ Retirement-Eligible



## Mechanisms by Decile, Black-White WA HH w/ Kids, no Retirement-Eligible

Decile		Market	Federal Transfers	State Transfers	State Taxes	Federal Taxes	FICA	Disposable
<b>Bottom</b>	Black	\$873	\$1,344	\$7,060	\$39	\$295	-\$96	\$9,516
	White	\$876	\$2,710	\$6,454	\$49	\$281	-\$95	\$10,276
		-0.3%	-101.6%	8.6%	-25.6%	4.7%	1.0%	-8.0%
<b>2</b>	Black	\$9,154	\$573	\$3,954	\$89	\$2,711	-\$1,139	\$15,342
	White	\$9,584	\$948	\$3,892	\$109	\$2,640	-\$1,182	\$15,991
		-4.7%	-65.4%	1.6%	-22.5%	2.6%	-3.8%	-4.2%

## Mechanisms by Decile, Black-White WA HH w/ Kids, w/ Retirement-Eligible

Decile		Market	Federal Transfers	State Transfers	State Taxes	Federal Taxes	FICA	Disposable
<b>Bottom</b>	Black	\$741	\$7,152	\$5,234	\$29	\$192	-\$61	\$13,286
	White	\$765	\$9,131	\$4,341	\$42	\$154	-\$52	\$14,381
		-3.2%	-27.7%	17.1%	-44.8%	19.8%	14.8%	-8.2%
<b>2</b>	Black	\$9,344	\$4,904	\$3,563	\$56	\$1,554	-\$828	\$18,592
	White	\$9,627	\$6,763	\$3,580	\$66	\$1,504	-\$874	\$20,665
		-3.0%	-37.9%	-0.5%	-17.9%	3.2%	-5.6%	-11.1%

# Kitagawa-Blinder-Oaxaca Decomposition of Black-White Differences in Federal and State Transfers, Bottom Two Income Deciles, 2013-2017

Federal Transfers ( $n = 33,690$ )

	Model I	Model II	Model III
<b>White Income</b>	\$3,920	\$3,920	\$3,920
<b>Black Income</b>	\$2,794	\$2,794	\$2,794
<b>Difference</b>	\$1,126***	\$1,126***	\$1,126***
<b>% Explained</b>	28.8***	23.9***	20.6***

State Transfers ( $n = 33,690$ )

	Model I	Model II	Model III
<b>White Income</b>	\$3,816	\$3,816	\$3,816
<b>Black Income</b>	\$4,519	\$4,519	\$4,519
<b>Difference</b>	-\$703***	-\$703***	-\$703***
<b>% Explained</b>	31.7***	53.3***	29.7***

<b>Age</b>	9.4***	8.5***	8.5***
<b># Under 19</b>	3.4***	2.5***	2.5***
<b># Under 62</b>	10.4***	10.4***	10.3***

<b>Age</b>	-4.2***	-2.9***	-2.7***
<b># Under 19</b>	5.0***	5.9***	5.9***
<b># Under 62</b>	4.6***	4.3***	4.2***

<b>Family Characteristics</b>	5.9***	9.5***	9.3***
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<b>Family Characteristics</b>	27.7***	22.0***	21.2***
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<b>Education</b>		3.0***	3.4***
<b>Employment</b>		-9.6***	-9.6***

<b>Education</b>		13.8***	15.0***
<b>Employment</b>		11.4***	11.2***

<b>Geography</b>			-3.5***
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<b>Geography</b>			-23.9***
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# Kitagawa-Blinder-Oaxaca Decomposition of Black-White Differences in Federal Transfers, Kids w/ and w/o Retirement-Eligible, Bottom Two Deciles

Kids, No Retirement-Eligible ( $n = 14,830$ )		Kids with Retirement-Eligible ( $n = 780$ )	
	<b>Full Model</b>		<b>Full Model</b>
<b>White Income</b>	\$1,643	<b>White Income</b>	\$7,816
<b>Black Income</b>	\$997	<b>Black Income</b>	\$5,738
<b>Difference</b>	\$646***	<b>Difference</b>	\$2,078***
<b>% Explained</b>	14.3*	<b>% Explained</b>	47.8**
<b>Age</b>	17.7***	<b>Age</b>	14.5***
<b># Under 19</b>	4.1***	<b># Under 19</b>	5.1
<b># Under 62</b>		<b># Under 62</b>	5.0
<b>Family Characteristics</b>	7.1**	<b>Family Characteristics</b>	-3.8
<b>Education</b>	0.5	<b>Education</b>	7.1
<b>Employment</b>	-15.0***	<b>Employment</b>	1.8
<b>Geography</b>	-0.5	<b>Geography</b>	17.5

# Kitagawa-Blinder-Oaxaca Decomposition of Black-White Differences in State Transfers, Kids w/ and w/o Retirement-Eligible, Bottom Two Deciles

Kids, No Retirement-Eligible ( $n = 14,830$ )		Kids with Retirement-Eligible ( $n = 780$ )	
	Full Model		Full Model
<b>White Income</b>	\$4,861	<b>White Income</b>	\$3,818
<b>Black Income</b>	\$5,354	<b>Black Income</b>	\$4,308
<b>Difference</b>	-\$493***	<b>Difference</b>	-\$490
<b>% Explained</b>	60.9***	<b>% Explained</b>	98.7*
<b>Age</b>	-4.9***	<b>Age</b>	23.8*
<b># Under 19</b>	12.6***	<b># Under 19</b>	12.9
<b># Under 62</b>		<b># Under 62</b>	1.8
<b>Family Characteristics</b>	41.2***	<b>Family Characteristics</b>	57.6**
<b>Education</b>	9.2***	<b>Education</b>	18.6*
<b>Employment</b>	32.1***	<b>Employment</b>	-2.6
<b>Geography</b>	-31.6***	<b>Geography</b>	-15.0

# Summary & Future Research

- U.S. tax and transfer system's institutional features – categorical eligibility, tiered levels of support, and decentralized design – shape inequalities by household type, and by race of the householder
  - Black households assisted by less stable forms of support with higher levels of state discretion and variation in provision
- Comparing households in the same income decile illustrates disparities in mechanism values
- Future research will explore different decomposition techniques; explore variation across state clusters