

United States

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

United States 2022

The tax/benefit position of single persons

	Wage level (per cent of average wage)				
	67	100	167	67	
	Number of children				
	none	none	none	2	
1. Gross wage earnings	43 476	64 889	108 365	43 476	
2. Standard tax allowances					
Basic allowance	12 950	12 950	12 950	19 400	
Married or head of family					
Dependent children	0	0	0	0	
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	12 950	12 950	12 950	19 400
3. Tax credits or cash transfers included in taxable income	0	0	0	0	
4. Central government taxable income (1 - 2 + 3)	30 526	51 939	95 415	24 076	
5. Central government income tax liability (exclusive of tax credits)	3 458	7 044	16 735	2 596	
6. Tax credits					
Basic credit	0	0	0	1 247	
Married or head of family					
Children	0	0	0	4 000	
Other					
	Total	0	0	0	5 247
7. Central government income tax finally paid (5-6)	3 458	7 044	16 735	-2 651	
8. State and local taxes	2 664	4 088	6 979	2 136	
9. Employees' compulsory social security contributions					
Gross earnings	3 326	4 964	8 290	3 326	
Taxable income					
	Total	3 326	4 964	8 290	3 326
10. Total payments to general government (7 + 8 + 9)	9 448	16 096	32 004	2 810	
11. Cash transfers from general government					
For head of family	0	0	0	0	
For two children					
	Total	0	0	0	0
12. Take-home pay (1-10+11)	34 028	48 793	76 360	40 666	
13. Employer's compulsory social security contributions	3 647	5 285	8 611	3 647	
14. Average rates					
Income tax	14.1%	17.2%	21.9%	-1.2%	
Employees' social security contributions	7.7%	7.7%	7.7%	7.7%	
Total payments less cash transfers	21.7%	24.8%	29.5%	6.5%	
Total tax wedge including employer's social security contributions	27.8%	30.5%	34.7%	13.7%	
15. Marginal rates					
Total payments less cash transfers: Principal earner	26.3%	36.3%	38.3%	48.6%	
Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.	
Total tax wedge: Principal earner	31.5%	40.8%	42.7%	52.3%	
Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.	

United States 2022

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1. Gross wage earnings		64 889	108 365	129 778	108 365
2. Standard tax allowances					
Basic allowance		25 900	25 900	25 900	25 900
Married or head of family					
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	25 900	25 900	25 900	25 900
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		38 989	82 465	103 878	82 465
5. Central government income tax liability (exclusive of tax credits)		4 268	9 485	14 087	9 485
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family					
Children		4 000	4 000	4 000	0
Other					
	Total	4 000	4 000	4 000	0
7. Central government income tax finally paid (5-6)		268	5 485	10 087	9 485
8. State and local taxes		3 408	6 299	7 723	6 752
9. Employees' compulsory social security contributions					
Gross earnings		4 964	8 290	9 928	8 290
Taxable income					
	Total	4 964	8 290	9 928	8 290
10. Total payments to general government (7 + 8 + 9)		8 639	20 073	27 738	24 527
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children					
	Total	0	0	0	0
12. Take-home pay (1-10+11)		56 250	88 291	102 040	83 838
13. Employer's compulsory social security contributions		5 285	8 933	10 571	8 933
14. Average rates					
Income tax		5.7%	10.9%	13.7%	15.0%
Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
Total payments less cash transfers		13.3%	18.5%	21.4%	22.6%
Total tax wedge including employer's social security contributions		19.8%	24.7%	27.3%	28.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		26.3%	26.3%	36.3%	26.3%
Total payments less cash transfers: Spouse		26.3%	26.3%	36.3%	26.3%
Total tax wedge: Principal earner		31.5%	31.5%	40.8%	31.5%
Total tax wedge: Spouse		32.0%	31.5%	40.8%	31.5%

The national currency is the dollar (USD). In 2022, the average worker earned USD 64 889 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central/federal government income taxes

1.1.1. Tax unit

Families are generally taxed in one of three ways:

- As married couples filing jointly on the combined income of both spouses;
- As married individuals filing separately and reporting actual income of each spouse; or
- As heads of households (only unmarried or separated individuals with dependents).

All others, including dependent children with sufficient income, file as single individuals.

1.1.2. Tax allowances and tax credits

Standard reliefs

- **Basic reliefs:** In 2022 a married couple filing a joint tax return is entitled to a standard deduction of USD 25 900. The standard deduction is USD 19 400 for heads of households and USD 12 950 for single individuals. This relief is indexed for inflation. More liberal standard deductions are available for taxpayers who are age 65 or older and taxpayers who are blind. Special rules apply to children who have sufficient income to pay tax and are also claimed as dependents by their parents.
- **Standard marital status reliefs:** Married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see Section 1.1.3). There are no other general tax reliefs for marriage.
- **Relief for children:** Low income workers with dependents are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34% of up to USD 10 980 of earned income in 2022. The credit phases down when income exceeds USD 20 130 (26 260 for married taxpayers) and phases out when it reaches USD 43 492 (49 622 for married taxpayers). The earned income threshold and the phase-out threshold are indexed for inflation. For taxpayers with two children, the credit is 40% of up to USD 15,410 of earned income in 2022. The credit phases down when income exceeds USD 20 130 (26 260 for married taxpayers) and phases out when it reaches USD 49 399 (55 529 for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 15 410 of earned income. The credit phases down when income exceeds USD 20 130 (26 260 for married taxpayers) and phases out when it reaches USD 53 057 (59 187 for married taxpayers).
- Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. The special rules for taxable year 2021 have expired, returning the credit to its pre-2021 rules and values (but for inflation). For 2022 the maximum credit per child is USD 2 000 for otherwise qualifying children under 17. The refundable (non-wastable) child credit for 2022 is 15 percent of earnings greater than 2 500 up to the lesser of the amount of any child credit unclaimed due to limited tax liability or 1 500 per child.
- **Other dependent tax credit:** For qualifying dependents other than qualifying children for whom a child tax credit was claimed, there is a USD 500 non-refundable credit. The Taxing Wages calculations do not include the other dependent tax credit.

- Phase out of child tax credit and other dependent tax credit: The maximum total credit is reduced for taxpayers with income in excess of certain thresholds. The total of the child tax credit plus the other dependent tax credit is reduced by USD 50 for each USD 1 000 by which modified aggregate gross income exceeds USD 400 000 for married taxpayers filing jointly (USD 200 000 for single and head of household taxpayers).
- Relief for low income workers without children: since 1994, low income workers without children have been eligible for the earned income tax credit. In 2022, low income workers without children are permitted a non-wastable earned income credit of 7.76% of up to USD 7 320 of earned income. The credit phases down in 2022 when income exceeds USD 9 160 (15 290 for married taxpayers) and phases out completely when income reaches USD 16 480 (22 610 for married taxpayers). In 2022, this credit is available for taxpayers at least 25 years old and less than 65.
- Relief for social security and other taxes. In 2022, the withholding rate for Social Security taxes and Medicare for employees is 7.65%. The earned income credits described above are sometimes considered an offset to Social Security and Medicare contributions made by eligible employees. Only a portion of Social Security benefits are subject to tax.

Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- Medical and dental expenses that exceed 7.5% of income;
- State and local income taxes, real property taxes, and personal property taxes are capped at USD 10 000 per return;
- Home mortgage interest on up to USD 750 000 of qualified residence loans;
- Investment interest expense up to investment income with an indefinite carry forward of disallowed investment interest expense;
- Contributions to qualified charitable organisations (including religious and educational institutions);
- Personal casualty and theft losses due to a disaster to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10% of income;
- Gambling losses up to the amount of gambling winnings, casualty and theft losses of income-producing property, and impairment related work expenses of disabled persons;
- Contributions to pension and life insurance plans. No relief is provided for employee contributions to employer-sponsored pension plans or for life insurance premiums. However, tax relief is provided for certain retirement savings.

In 2020 based on preliminary statistics¹, the most recent year for which such statistics are available, the 11% of taxpayers with income between USD 50 000 and USD 100 000 (the AW range) who itemised their deductions claimed average deductions as follows: taxes paid, USD 6 911; charitable contributions, USD 5 743; home mortgage interest expense, USD 9 644.

1.1.3. Tax schedule

Federal Income Tax rates

Single Individual	Taxable Income Bracket (USD) ¹		Marginal Tax Rate (%)
	Joint Return of Married Couple	Head of Household	
0 to 10 275	0 to 20550	0 to 14 650	10
10 276 to 41 775	20 551 to 83 550	14 651 to 55900	12
41 776 to 89 075	83 551 to 178 150	55901 to 89 050	22
89 076 to 170 050	178 151 to 340 100	89 051 to 170 050	24
170 050 to 215 950	340 101 to 431 900	170 051 to 215 950	32
215 950 to 539 900	431 901 to 647 850	215 951 to 539 900	35
539 900 and over	647 851 and over	539 901 and over	37

1. The taxable income brackets are indexed for inflation.

There is a 3.8% tax on the lesser of certain net investment income or income in excess of USD 200 000 (USD 250 000 for joint returns). Net investment income includes interest, dividends, capital gains, rental and royalty income, and income from businesses trading financial instruments.

Beginning in 2018, owners of sole proprietorships, partnerships, S corporations, and some trusts and estates are eligible to deduct up to 20 percent of qualified business income (QBI). QBI is subject to limitations, depending on the taxpayer's taxable income, based on factors that may include the type of trade or business, the amount of wages paid by the business and the unadjusted basis of qualified property held by the trade or business.

1.2. State and local income taxes

1.2.1. General description of the system

The District of Columbia and 41 of the 50 States impose some form of a general individual income tax.² In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures use definitions of taxable income that are broadly similar to their analogues in the federal tax system with some appropriate adjustments. This linkage is not a legal requirement but a practical convention that functions for the convenience of the taxpayer who must fill out both federal and State income tax returns.

The Taxing Wages calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 5 000 for the taxpayer, the taxpayer's spouse and each child, and taxes income at the rate of 4.25%. Michigan allows taxpayers who are eligible to claim the federal earned income tax credit to claim a Michigan earned income tax credit. The Michigan earned income tax credit is a refundable (non-wastable) credit equal to 6% of the federal earned income tax credit.

The city of Detroit permits a personal exemption of USD 600 and taxes income at the rate of 2.4%.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees' contributions

2.1.1. Pensions

In 2022, the rate for employee contributions is 7.65% (6.2% for old age, survivors, and disability insurance, and 1.45% for old age hospital insurance). The 6.2% rate applies to earnings up to USD 147 000. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45% rate. There is an additional 0.9% tax on employee wages and salaries that exceed USD 200 000 (USD 250 000 for joint returns) as the additional hospital insurance tax on high-income taxpayers. The additional tax on wages and salaries is subject to withholding (but without regard to the earnings of the spouse) when wages from a particular job exceed USD 200 000 per year. These thresholds are not indexed for inflation.

There is no distinction by marital status or sex.

2.1.2. Other

No compulsory employee contributions exist.

2.2. Employers' contributions

2.2.1. Pensions

The rate for employers' contributions is 6.2% on earnings up to USD 147 000 and 1.45% of all earnings (without limit).

2.2.2. Unemployment

Employers are required by the federal government to pay unemployment tax of 6% on earnings up to USD 7 000. Taxes are also paid to various state-sponsored unemployment plans which may generally be credited against the required federal percentage. In 2022 the estimated average unemployment insurance tax rate in Michigan was 2.94% of the first USD 9 500 of wages. The Taxing Wages model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4%, resulting in a net Federal tax of 0.6% on earnings up to USD 7 000.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

No general cash transfers exist, although low-income mothers qualifying for categorical welfare grants may receive cash transfers.

4. Principal Changes since 2017

In December 2017, Congress passed and the President signed the Tax Cuts and Jobs Act – the most significant change in U.S. tax law in a generation, incorporating change to the taxation of individuals and businesses. For individuals, the Act temporarily lowers income tax rates, increases the standard deduction, increases the child tax credit, and adds a credit for other dependents. The Act also temporarily eliminates some deductions, credits and exemptions for individuals. In addition, the individual alternative minimum tax (AMT) exemption and phase-out thresholds are temporarily increased so that fewer taxpayers are subject to the AMT. Pass-through entities that are generally taxed at the individual level only and may be eligible for a new temporary deduction. These temporary provisions expire at the end of 2025. In addition, inflation adjustments of amounts and thresholds are changed to be determined by the chained consumer price index. Finally, there are substantial changes in business taxation, many that are permanent, such as lowering the top corporate tax rate from 35 to 21 percent and moving the U.S. international tax system towards a territorial system.

See Section 1.1.2.1 for a complete description of parameters and income thresholds.

5. Memorandum Items

5.1. Identification of an AW at the wage calculation

The AW is identified from monthly data compiled from establishment questionnaires covering more than 40 million non-agricultural full- and part-time workers. Beginning in March 2006, data on average weekly hours and average hourly earnings cover all employees rather than solely production or non-supervisory workers. To obtain average annual wages, the product of average weekly hours (including overtime) and average hourly earnings (including overtime) is multiplied by 52 and is adjusted to reflect a full-time equivalent worker. The AW is estimated to be USD 62 172 for 2021.

5.2. Employer contributions to private social security arrangements

Employers commonly contribute to private pension plans (both defined benefit and defined contribution), health insurance and life insurance. Data for these contributions are available only on a total workforce basis. It is not possible to state with accuracy the levels applicable to the AW. The following are estimates for 2021 for employees in private industry:

	Pension	Health	Life
% of workers covered	56	58	59
USD employer portion per covered employee	n.a.	9 595 (family) 4 776 (single)	n.a.

2022 Parameter values

Average earnings/yr	Ave_earn	64 889	Secretariat estimate				
Standard deductions	Married_al	25900					
	hh_al	19400					
	single_al	12950					
Federal tax schedules							
Single individuals	Fed_sch_s	0.1	10 275				
		0.12	41 775				
		0.22	89 075				
		0.24	170 050				
		0.32	215 950				
		0.35	539 900				
		0.37					
Married filing jointly	Fed_sch_m	0.1	205 50				
		0.12	83 550				
		0.22	178 150				
		0.24	340 100				
		0.32	431 900				
		0.35	64 7850				
		0.37					
Head of household	Fed_sch_h	0.1	14 650				
		0.12	55 900				
		0.22	89 050				
		0.24	170 050				
		0.32	215 950				
		0.35	539900				
		0.37					
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out	
		no children	0.0765	7320	9160	15290	0.0765
		1 child	0.34	10 980	20 130	26 260	0.1598
		2 children	0.4	15 410	20 130	26 260	0.2106
		3 or more children	0.45	15 410	20 130	26 260	0.2106
Child credit	chcrd_max	2 000					
		Chrd_lim	1500				
		chcrd_rdn	50				
		chcrd_thrsh_m	400 000				
		chcrd_thrsh_oth	200 000				
		Chcrd_ref_perct	.15				
		Chcrd_ref_thresh	2,500				
Detroit	Detroit_ex	600					
		Detroit_rate	0.024				
Michigan	Mich_ex	45 000					
		Mich_ex_child	0				
		Mich_rate	0.0425				
Michigan's earned income tax credit credit schedule on city tax	Mich_EIC_rate	0.06					
		Mich_cr_sch	0				
			0				
			0				
			0				
maximum	Mich_cr_max	0					

Pension contributions	pens_rate_er	0.062			
	pens_rate_ee	0.062			
	hosp_rate	0.0145			
	add_hosp_rate	0.009			
Ceiling for employers and employees	pens_ceil	147 000			
	add_hosp_thresh_m	250 000			
	add_hosp_thresh_oth	200 000			
Unemployment insurance tax	Unemp_rate	0.006			
	Unemp_dedn_rate	0.054			
	Unemp_max	7 000			
Michigan unemployment insurance	Mich_unemp_rate	0.0294			
	Mich_unemp_max	9500			

2022 Tax equations

The equations for the US system in 2022 are mostly calculated on a family basis. There is a special function EIC which is used to calculate the earned income credit. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

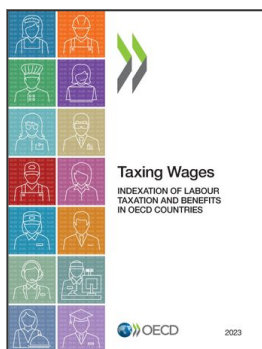
	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	IF(Married, Married_al, IF(Children=0, single_al, hh_al))
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	positive(earn-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc, IF(Married, Fed_sch_m, IF(Children, Fed_sch_h, Fed_sch_s)))
6.	6. Tax credits :	EIC	J	EIC(Children, earn_total, EIC_sch)
		ch_crd_max	J	(Positive((chcrd_rdn_lim*Children)-(chcrd_rdn*Positive(TRUNC(earn,-3)-IF(Married>0,chcrd_thrsh_m,chcrd_thrsh_oth))/1000))+Positive(((Children*chcrd_max)-(chcrd_rdn_lim*Children))-(chcrd_rdn*Positive(TRUNC(earn,-3)-IF(Married>0,chcrd_thrsh1_m,chcrd_thrsh1_oth))/1000)))*(Children>0)
		tax_cr	J	EIC+ch_crd
7.	CG tax	CG_tax	J	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	J	Detroit_rate*Positive(earn_total-Detroit_ex*(1+Married+Children))+Mich_rate*Positive(earn_total-Mich_ex*(1+Married+Children)-Mich_ex_child*Children)-MIN(Mich_cr_max, Tax(AJ7, Mich_cr_sch))-Mich_EIC_rate*EIC
9.	Employees' soc security	SSC	B	pens_rate_ee*MIN(earn, pens_ceil)+hosp_rate*earn+add_hosp_rate*Positive(earn-IF(Married,add_hosp_thresh_m,add_hosp_thresh_oth))
11.	Cash transfers			
13.	Employer's soc security	SSC_empr	B	pens_rate_er*MIN(earn, pens_ceil)+hosp_rate*earn+MIN(earn,Unemp_max)*Unemp_rate+MIN(earn,Mich_unemp_max)*Mich_unemp_rate
	Memorandum item: non-wastable tax credits			
	tax expenditure component	taxexp		(rate_rd_crd+EIC)-transfer
	cash transfer component	transfer		IF(CG_tax<0, -CG_tax, 0)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ Due to the Tax Cuts and Jobs Act, beginning in 2017 fewer individual taxpayers itemize deductions but instead use the standard deduction.

² New Hampshire taxes only interest and dividend income received by individuals. Tennessee eliminated their interest and dividend income tax beginning in tax year 2021.



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