

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 2021

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		42 179	62 954	105 134	42 179
2. Standard tax allowances					
Basic allowance		12 550	12 550	12 550	18 800
Married or head of family					
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	12 550	12 550	12 550	18 800
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		29 629	50 404	92 584	23 379
5. Central government income tax liability (exclusive of tax credits)		3 357	6 837	16 241	2 522
6. Tax credits					
Basic credit		0	0	0	1 208
Married or head of family					
Children		0	0	0	6 000
Other					
	Total	0	0	0	7 208
7. Central government income tax finally paid (5-6)		3 357	6 837	16 241	- 4 686
8. State and local taxes		2 582	3 964	6 769	2 065
9. Employees' compulsory social security contributions					
Gross earnings		3 227	4 816	8 043	3 227
Taxable income					
	Total	3 227	4 816	8 043	3 227
10. Total payments to general government (7 + 8 + 9)		9 166	15 617	31 053	605
11. Cash transfers from general government					
For head of family		1 400	1 400	0	4 200
For two children					
	Total	1 400	1 400	0	4 200
12. Take-home pay (1-10+11)		34 414	48 737	74 081	45 775
13. Employer's compulsory social security contributions		3 533	5 123	8 349	3 533
14. Average rates					
Income tax		14.1%	17.2%	21.9%	-6.2%
Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
Total payments less cash transfers		18.4%	22.6%	29.5%	-8.5%
Total tax wedge including employer's social security contributions		24.7%	28.4%	34.7%	-0.1%
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 2021

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		62 954	105 134	125 909	105 134
2. Standard tax allowances					
Basic allowance		25 100	25 100	25 100	25 100
Married or head of family					
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	25 100	25 100	25 100	25 100
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		37 854	80 034	100 809	80 034
5. Central government income tax liability (exclusive of tax credits)		4 145	9 206	13 675	9 206
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family					
Children		6 000	6 000	6 000	0
Other					
	Total	6 000	6 000	6 000	0
7. Central government income tax finally paid (5-6)		- 1 855	3 206	7 675	9 206
8. State and local taxes		3 296	6 101	7 482	6 546
9. Employees' compulsory social security contributions					
Gross earnings		4 816	8 043	9 632	8 043
Taxable income					
	Total	4 816	8 043	9 632	8 043
10. Total payments to general government (7 + 8 + 9)		6 256	17 350	24 789	23 795
11. Cash transfers from general government					
For head of family		5 600	5 600	5 600	2 800
For two children					
	Total	5 600	5 600	5 600	2 800
12. Take-home pay (1-10+11)		62 298	93 384	106 719	84 139
13. Employer's compulsory social security contributions		5 123	8 656	10 245	8 656
14. Average rates					
Income tax		2.3%	8.9%	12.0%	15.0%
Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
Total payments less cash transfers		1.0%	11.2%	15.2%	20.0%
Total tax wedge including employer's social security contributions		8.5%	17.9%	21.6%	26.1%
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 2021, the average worker earned USD 62 954 (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

1.1.2.1. Standard reliefs

- **Basic reliefs:** In 2021 a married couple filing a joint tax return is entitled to a standard deduction of USD 25 100. The standard deduction is USD 18 800 for heads of households and USD 12 550 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 10 640 of earned income in 2021. The credit phases down when income exceeds USD 19 520 (25 470 for married taxpayers) and phases out when it reaches USD 42 158 (48 108 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 14 950 of earned income in 2021. The credit phases down when income exceeds USD 19 520 (25 470 for married taxpayers) and phases out when it reaches USD 47 915 (53 865 for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 14 950 of earned income. The credit phases down when income exceeds USD 19 520 (25 470 for married taxpayers) and phases out when it reaches USD 51 464 (57 414 for married taxpayers).
- **Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17.** For 2021 the age was extended to include otherwise qualifying 17-year-old children. In 2021 the maximum credit is USD 3600 for children under 6 and 3000 for children between 6 and 17 (inclusive). The refundable (non-wastable) child credit for 2021 is 100 percent of the amount of credit in excess of tax liability and is (for the first time) not limited to taxpayers with earnings. Certain additional adjustments related to timing of payments and income related to COVID relief in 2021 were introduced; they are described in Section 4.
- **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 credit is reduced for taxpayers with income in excess of certain thresholds. The portion of the child credit in excess of USD 2 000 is reduced by USD 50 for each USD 1 000 by which modified aggregate gross income exceeds USD 150 000 for married taxpayers filing jointly (USD 112 500 for head of household filers and 75 000 for all other filers), with modified rules for large families. The remainder 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: In 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 2021 low income workers without children are permitted a non-wastable earned income credit of 15.3% of up to USD 9 820 of earned income. The credit phases down in 2021 when income exceeds USD 11 610 (17 550 for married taxpayers) and phases out completely when income reaches USD 21 430 (27 370 for married taxpayers). In 2021, this credit is available for taxpayers at least 19 years old who are not full-time students.
- Relief for social security and other taxes. In 2021, 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. Furthermore, only a portion of Social Security benefits are subject to tax.

1.1.2.2. 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 (10% in 2020);
- State and local income taxes, real property taxes, and personal property taxes are capped at USD 10 000 per return;
- Home mortgage interest on 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);
- Casualty and theft losses to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10% of income;
- Miscellaneous expenses such as gambling losses, casualty and theft losses of income-producing property, and impairment related work expenses of disabled persons to the extent that, in aggregate; they exceed 2% of income.
- In 2019 based on preliminary statistics,¹ the most recent year for which such statistics are available, the 13% 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 6 909; charitable contributions, USD 5 241; home mortgage interest expense, USD 9 785;
- 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.

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 9 950	0 to 19 900	0 to 14 200	10
9 950 to 40 525	19 900 to 81 050	14 200 to 54 200	12
40 525 to 86 375	81 050 to 172 750	54 200 to 86 350	22
86 375 to 164 925	172 750 to 329 850	86 350 to 164 900	24
164 925 to 209 425	329 850 to 418 850	164 900 to 209 400	32
209 425 to 523 600	418 850 to 628 300	209 400 to 523 600	35
523 600 and over	628 300 and over	523 600 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 200000 (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 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 are usually related to the federal tax structure by the use of similar definitions of taxable income, 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 4 900 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 2021, 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 142 800. 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 142 800 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 2020 the estimated average unemployment insurance tax rate in Michigan was 2.94% of the first USD 9 000 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.

In December 2020, Congress passed, and the President signed, the American Rescue Plan which increased the generosity of many personal credits for 2021 only.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

Families First Coronavirus Response Act enacted 18 March 2020 provides employers with less than 500 employees with a refundable tax credit to offset the cost of providing a worker with paid sick and family leave through 2020. The Act caps the amount of qualified sick leave wages taken into account for each employee at USD 511 per day for 10 work days. Similarly, the family leave credit offsets USD 200 per day of wages for employees who must care for a loved one or whose child is home because of a school or day care closing. Self-employed workers would also qualify for the same level of refundable sick and family leave tax credits to offset wages. Businesses can retain and access funds that they would have otherwise paid in the employer's Social Security taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form. Employers with U.S. Small Business Administration Loans are not eligible for employee retention credit.

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted on 27 March 2020 in response to the pandemic. Among other provisions, there is a tax credit paid in general to citizens, the so-called 2020 Recovery Rebate Credit (RRC). While the RRC can be claimed on the 2020 tax return filed in 2021, an advance payment (Economic Impact Payment, EIP) of the credit was made in 2020 of USD 1 200 per taxpayer (USD 2 400 for married couples) plus USD 500 per child under age 17. While there is no cap on the RRC, it phases out at 5 percent of Adjusted Gross Income (AGI) in excess of USD 150 000 for married couples, USD 112 500 for head of household, and USD 75 000 for all other filers.

The CARES Act also delays the timing of required federal tax deposits for certain employer payroll taxes and self-employment taxes incurred between March 27, 2020 (the date of enactment) and December 31, 2020. Fifty percent of the deferred amount has to be paid by 31 December 2021 and the remainder by 31 December 2022. These taxes include the 6.2 percent Social Security tax for wage earners and comparable 6.2 percent Self-Employment Contributions Act tax due on net earnings from self-employment.

The CARES Act also provides businesses with a refundable Social Security tax credit for 50 percent of qualified wages up to USD 10 000 for each employee for qualifying calendar 2020 quarters during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject

to a shut-down order. The credit is provided for the first USD 10 000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from 13 March 2020 through 31 December 2020. Employers with Small Business Administration Loans under the CARES Act are not eligible for the employee retention credit.

Finally, for 2020, taxpayers taking the standard deduction can deduct USD 300 of cash contributions to charities. The act also increased the limitations on deductions for charitable contributions by individuals who itemize. For individuals, the 50% of adjusted gross income limitation was raised to 100% for cash gifts in 2020.

The Consolidated Appropriations Act of 2021, (CAA) enacted 27 December 2020, provides an additional 2020 Recovery Rebate Credit (additional 2020 RRC) of USD 600 per eligible individual (USD 1 200 for married couples) plus USD 600 per child under age 17. While the credit can be claimed on 2020 tax returns filed in 2021, an advance payment of the additional 2020 RRC (second round Economic Impact Payment) was made beginning in 2020. While there is no cap on the additional 2020 RRC, it phases out at 5 percent of Adjusted Gross Income (AGI) in excess of USD 150 000 for married couples, USD 112 500 for head of household, and USD 75 000 for all other filers.

The CAA extended the paid sick leave and family leave tax credits enacted by the Families First Coronavirus Relief Act through 31 March 2021.

The CAA also allowed taxpayers taking the standard deduction to deduct USD 600 of cash contributions to charities in 2021. The CAA extended the 100% of AGI limit on cash charitable contributions enacted in the Families First Coronavirus Relief Act through 2021.

The American Rescue Plan Act (ARP) enacted 21 March 2021 provides a 2021 Recovery Rebate Credit (2021 RRC) of USD 1 400 per eligible individual (USD 2 800 for married couples) plus USD 1 400 per dependent. While the credit can be claimed on 2021 tax returns filed in 2022, an advance payment of the 2021 RRC (third round Economic Impact Payment) was made in 2021. The credit phases out proportionately beginning at USD 150 000 of AGI and is fully phased out at USD 160 000 of AGI for married couples, USD 112 500 to USD 120 000 for head of household, and USD 75 000 to USD 80 000 for all other filers.

The ARP extended the paid sick leave and family leave tax credits enacted by the Families First Coronavirus Relief Act through 30 September 2021. The ARP excluded from gross income subject to tax the first USD 10 200 per recipient of unemployment compensation received in 2020 for taxpayers with AGI below USD 150 000.

The ARP made the Child Tax Credit (CTC) fully refundable increased to age 17 the maximum qualifying age and increased the maximum value of the credit for most taxpayers for taxable year 2021. Half of the amount of the 2021 CTC is distributed in monthly advance payments over the second half of 2021 ahead of filing 2021 returns in 2022. A taxpayer's Federal income tax will be increased, dollar-for-dollar, if their total CTC advance payments during 2021 exceed the amount of the CTC to which they are eligible for that year. However, safe harbour rules may reduce the additional income tax owed depending on the taxpayer's modified AGI.

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 59 517 for 2020.

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 2020 for employees in private industry:

	Pension	Health	Life
% of workers covered	55	58	59
USD employer portion per covered employee	n.a.	9190 (family) 4 610 (single)	n.a.

2021 Parameter values

Average earnings/yr	Ave_earn	62 954	Secretariat estimate					
Standard deductions	Married_al	25100						
	hh_al	18800						
	single_al	25550						
Federal tax schedules								
Single individuals	Fed_sch_s	0.1	9950					
		0.12	40 525					
		0.22	86 375					
		0.24	164 925					
		0.32	209 425					
		0.35	523 600					
		0.37						
Married filing jointly	Fed_sch_m	0.1	19 900					
		0.12	81 050					
		0.22	172 750					
		0.24	329 850					
		0.32	418 850					
		0.35	628 300					
		0.37						
Head of household	Fed_sch_h	0.1	14 200					
		0.12	54 200					
		0.22	86 350					
		0.24	164 900					
		0.32	209 400					
		0.35	523 600					
		0.37						
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out		
		no children	0.153	9820	11610	17550	0.153	
		1 child	0.34	10 640	19 520	25 470	0.1598	
		2 children	0.4	14 950	19 520	25 470	0.2106	
		3 or more children	0.45	14 950	19 520	25 470	0.2106	
		Child credit	chcrd_max	3 000				
		chcrd_rdn	50					
chcrd_thrsh_m	400 000							
chcrd_thrsh_oth	200 000							
chcrd_rdn_lim	2000							
chcrd_thrsh1_m	150000							
chcrd_thrsh1_oth	112500							
Detroit	Detroit_ex	600						
	Detroit_rate	0.024						
Michigan	Mich_ex	4 900						
	Mich_ex_child	0						
	Mich_rate	0.0425						
Michigan's earned income tax credit	Mich_EIC_rate	0.06						
credit schedule on city tax	Mich_cr_sch	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	142 800			
	add_hosp_thresh_m	250 000			
	add_hosp_thresh_oth	200 000			
Unemployment insurance tax	Unemp_rate	0.006			
	Unemp_dedn_rate	0.054			
Michigan unemploy insur	Unemp_max	7 000			
	Mich_unemp_rate	0.0294			
	Mich_unemp_max	9 000			
	covid_RRC_adult	1400			
	covid_RRC_dep	1400			
	Covid_RRC_limit_m	150000			
	Covid_RRC_limit_h	112500			
	Covid_RRC_limit_o	75000			
	Covid_RRC_limit2_m	160000			
Covid_RRC_limit2_h	120000				
Covid_RRC_limit2_o	80000				

2021 Tax equations

The equations for the US system in 2021 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.

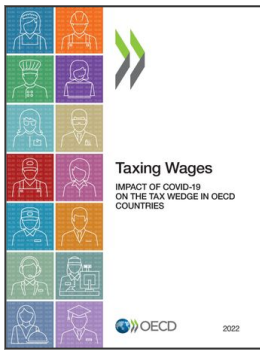
	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	IF(Married, Married_al, IF(Children=0, single_al, hh_al))
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	positive(earn-tax_al+taxbl_cr)
5.	CG tax before credits	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	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	Cash_tran RRC_max	J	IF(Married=0,Covid_RRC_adult,2*Covid_RRC_adult)+(Children*Covid_RRC_child)
		RRC_adj	J	Positive(RRC_max-IF(Married>0,Positive(earn-Covid_RRC_limit_m)*(RRC_max/(Covid_RRC_limit2_m-Covid_RRC_limit_m)),IF(Children>0,Positive(earn-Covid_RRC_limit_h)*(RRC_max/(Covid_RRC_limit2_h-Covid_RRC_limit_h)),Positive(earn-Covid_RRC_limit_o)*(RRC_max/(Covid_RRC_limit2_o-Covid_RRC_limit_o))))
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 and Tennessee tax only interest and dividend income received by individuals.



From:

Taxing Wages 2022

Impact of COVID-19 on the Tax Wedge in OECD Countries

Access the complete publication at:

<https://doi.org/10.1787/f7f1e68a-en>

Please cite this chapter as:

OECD (2022), "United States", in *Taxing Wages 2022: Impact of COVID-19 on the Tax Wedge in OECD Countries*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/d7cc9c90-en>

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