



Half of America in poverty? The facts say It's true

Paul Buchheit | Sept 5, 2012

Recent reports suggest that almost 50% of Americans are in poverty or at a "low income" level. The claim is based on a new supplemental measure by the Census Bureau that includes health care, transportation, and other essential living expenses in the poverty calculation.

The concept of "low income" is controversial. It has been defined as earnings between 100 and 199 percent of the poverty level, a claim which, if true, would place every American family making \$50,000 or less at a near-poverty level.

Conservative organizations believe the whole 'poverty' issue is overblown. The Cato Institute blames LBJ and Obama for reversing a declining poverty rate. Forbes blames the calculations. The Heritage Foundation argues, "The average poor person, as defined by the government, has a living standard far higher than the public imagines...In the kitchen, the household had a refrigerator, an oven and stove, and a microwave." The case for a growing "consumption equality" is alternately defended and denied.

With emotions running high on both sides, we need to take a balanced look at the available data to determine how well the highest-earning family of the poorest 50% -- a family with a \$50,000 income -- can survive. (The maximum individual income for the poorest 50% is about \$30,000.)

Start with taxes. It is frequently noted by conservatives that the richest 1% pay most of the federal income taxes, and indeed they paid about 37 percent in 2009, more than the poorest 90% of Americans. But only the richest 5% of Americans have experienced income growth since 1980. And during that time, their tax rate has dropped from 34% to 23%. As for the 3 percent rate paid by the poorest 50%, the Tax Policy Center sums it up nicely: "The basic structure of the income tax simply exempts subsistence levels of income from tax."

More relevant to the poverty issue is that federal income tax is only a small part of the tax expense for lower-income families. According to a study by The Institute on Taxation and Economic Policy, the poorest 50% paid about 10 percent of their incomes in state and local taxes (the richest 1% paid 5 percent). Congressional Budget Office (CBO) figures reveal that the bottom 50% pays about 9 percent of their incomes toward social security (the top 1% pays just under 2 percent). CBO also shows that the bottom 50% is paying about 2 percent of their incomes on excise taxes, a negligible expense for the people at the top.

Another year of Bush tax cuts will chop another 1-2 percent off the taxes of the very rich.

So total taxes for the poorest 50% are 24 percent of their incomes (3% + 10% + 9% + 2%), as compared to 29 percent for the richest 1% (23% + 5% + 2% - 1%).

Other significant expenses for low-income people, based on the most conservative estimates from the Bureau of Labor Statistics, the Census Bureau, the National Center for Children in Poverty, the Carsey Institute, and the Economic Policy Institute, include food (10%), housing (27%), transportation (6%), health care (5%), child care (8%), and household expenditures (5%). Expenses for insurance and savings and entertainment, although important to most households, are not being included here.

Energy costs hit low-income families especially hard, taking about 20% of their incomes. At the \$50,000 income level the burden is closer to 12%, as generally agreed upon by the Bureau of Labor Statistics, the Coalition for Clean Coal Electricity, the Department of Housing and Urban Development, and the American Gas Association.

Total expenses for the richest family in the bottom half of America?

- 24% taxes
- 27% housing
- 34% food, health care, child care, transportation, household needs
- 12% energy

That's 97% of their income. The richest family among 70,000,000 households is left with just \$1,500 for a car, appliances, a TV, a cell phone, a loan repayment, an occasional night out. It comes to \$30 a week, barely enough to take the family out for a pizza.

Critics bemoan the amounts of aid being lavished on lower-income Americans, making dubious claims about \$16,800 in government funds going to every poor family and families with \$90,000 incomes being classified as "near poor."

The fact is that only 4,375,000 families (out of 70,000,000 in the bottom half) received Temporary Assistance for Needy Families (TANF) in 2010, for a total expense of about \$36 billion. Current federal budgets include about \$350 billion for food, housing, and traditional 'welfare' programs for needy children, elderly care, and energy assistance. This averages out to about \$400 per month per family.

Another fact is that earnings have remained flat for most people while productivity has grown 80% since 1980. If a \$50,000 family had received a fair

share from their contribution to America's growth, they'd be making \$90,000, and they wouldn't need a dime from government.

Conservatives complain about the TVs and refrigerators owned by low-income people. But it's the height of insensitivity to admonish people who are trying to survive in a perversely unequal society.