

# HOT AIR

## ProPublica argument on taxes is nonsense

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As clickbait, ProPublica's exposé based on stolen tax returns works beautifully. As a representation of tax policy, Cato's Chris Edwards argues, it's as effective as any 25-person polling sample might be. We already have much more extensive data from four reliable sources, and all four contradict ProPublica's conclusions:

ProPublica is running a series of articles based on federal tax returns for 25 wealthy individuals which were illegally obtained. The articles present selective information and dubious metrics to push a narrative that rich people little tax. Data from four authoritative sources show that tax payments by these 25 individuals are not representative of high earners generally. ...

The claim that people in the middle pay a higher tax rate than people at the top is at odds with data from four authoritative sources: the Congressional Budget Office (CBO), the Tax Policy Center (TPC), the Joint Committee on Taxation (JCT), and the Internal Revenue Service (IRS).

The table shows that the ProPublica tax rates are far different than the average effective tax rates for middle and top households published by the CBO, TPC, JCT, and IRS. The rates from these four sources are similar and consistent, while the ProPublica rates are outliers.

The IRS data does not include payroll tax, which means that only three of Cato's sources show the full income-related federal tax burden. Nevertheless, the IRS analysis — which would be based on all tax returns and not just 25 of them — show that the top 1% and the top 0.001% pay far higher effective income tax rates than the mean income earners. The mean income tax rate for the mean, or what ProPublica calls the "typical worker," is 5.7% according to the IRS, while the rates for the wealthiest are four times as much.

ProPublica's analysis concedes that point, but claims that the typical worker pays a 12.4% payroll tax rate and ends up losing out, with a total tax rate of 19.3% to the top 25's 16%. The latter figure may be true for those 25 filers, but it's not representative of the overall data. All

three other sources show that typical workers pay an effective overall tax rate of less than half of the top earners overall, as Edwards shows in his table. In all three other analyses based on total tax data, the lowest effective overall tax rate for the wealthiest is 25%, while the highest effective tax rate for filers at mean income is 12.3%.

Edwards scoffs at ProPublica's methodology in relying on such a small subset — and also points out that they've cooked their control set:

ProPublica says that its analysis “demolishes the cornerstone myth of the American tax system: that everyone pays their fair share and the richest Americans pay the most.” That broad claim is not supported by their narrow analysis. Indeed, it is a silly statement because it is based on only 25 apparently atypical high-end returns and a single hypothetical middle-income taxpayer.

This brings us back to the ethics of publishing this data in the first place. As Edwards says, ProPublica could easily have gotten much more comprehensive and representative data from any or all of these four sources without rewarding an abuse of power (and a crime). They could have at least checked this data against the more robust and representative data to see whether these returns matched up to it — or whether they were specifically chosen to misrepresent the results of the current tax code. Instead of reporting on the returns it received, ProPublica could have fulfilled its self-declared mission by focusing on the abuse of power committed by an IRS official attempting to manipulate public policy through a selective release of public data rather than embrace that abuse of power because the bureaucrat's political agenda matched its own.

Instead, they chose ... poorly. And their hard-earned credibility has vanished in the dishonesty that ProPublica both enabled and then amplified.