

Economic Gains Flow to the Top as Oregon Income Inequality Soars

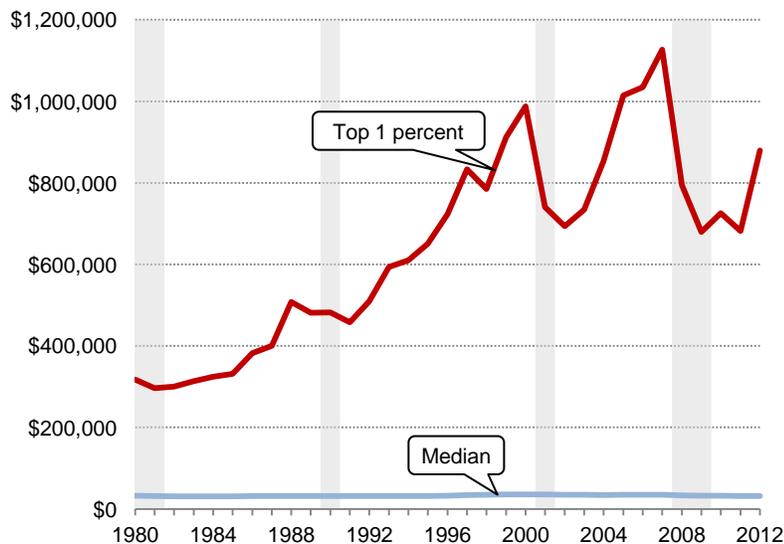
A View of the State of Working Oregon

The past three decades in Oregon have witnessed a surge in income inequality. As the income of the fortunate few at the top has soared, the income of most Oregonians has stagnated or declined.

The surge in income inequality has occurred even as Oregon's economy has expanded.¹ Indeed, although inequality declined during the recession, the income gap has widened during the recovery. This shows that economic growth alone does not and will not create economic opportunity and security for many Oregonians. Policymakers need to use every tool available to increase opportunity for those who have been left behind and should avoid upside-down tax policies that exacerbate inequality.

Top 1 percent's income soars; middle's erodes

(Average income of Oregon's top 1 percent compared to the Oregon median income)



Gray areas indicate approximate National Bureau of Economic Research official periods of recession. Adjusted for inflation using CPI-U-RS. Source: OCPP analysis of Oregon Department of Revenue data.

Those at the top of Oregon's income scale have seen their income soar over the past three decades.

To belong to Oregon's top 1 percent in 2012, the most recent year with data available, a taxpayer had to make at least \$340,470. The top 1 percent's average income was about \$880,000 that year. Though this is down from the pre-recession peak in 2007, it is more than two-and-a-half times the inflation-adjusted average of about \$317,000 in 1980.²

By contrast, the typical Oregon taxpayer's income has eroded. The income of the median taxpayer was about \$31,940 in 2012, about \$260 less than it was in 1980 after adjusting for inflation.³

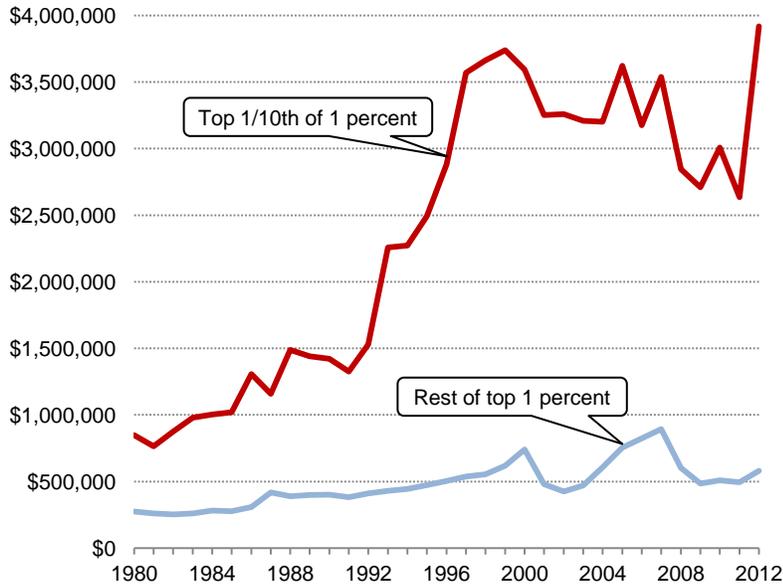
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A View of the State of Working Oregon is a series of occasional OCPP fact sheets published to help explain Oregon's economy from the perspective of working families.

Economic Gains Flow to the Top as Oregon Income Inequality Soars

Top one-tenth of 1 percent's gains dwarf rest of top 1 percent's gains

(Average income of Oregon's top 1/10th of 1 percent compared to the average income of the rest of Oregon's top 1 percent)



Full-year resident income tax filers. Adjusted for inflation using CPI-U.
Source: OCPP analysis of Oregon Department of Revenue data.

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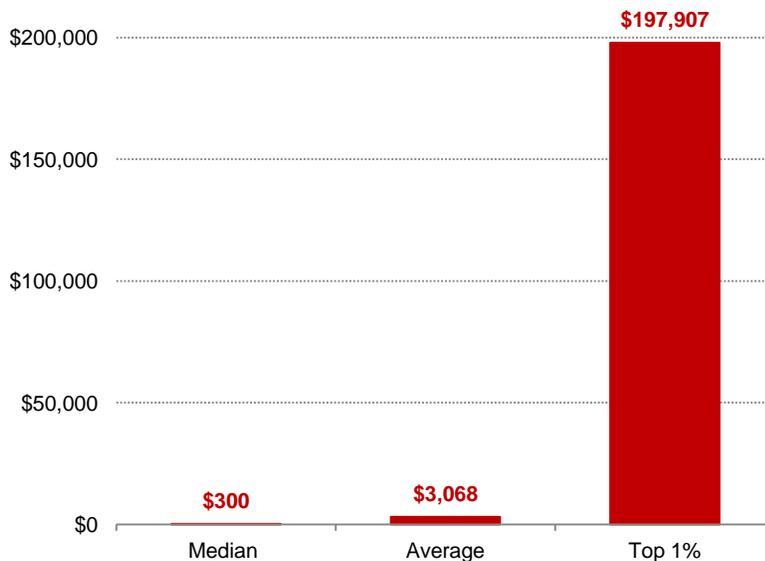
Although as a group the entire 1 percent has done fabulously well over the past three decades, the income gains by a tiny sliver at the top of the top of the heap dwarf even the rest of the top 1 percent.

To be among the 1,600 households that comprise Oregon's top one-tenth of 1 percent, a taxpayer had to make at least \$1.4 million in 2012. The average income of the top one-tenth of 1 percent, the wealthiest 1 out of every 1,000 Oregon taxpayers, stood at over \$3.9 million in 2012. That was over four-and-a-half times the inflation-adjusted amount of about \$848,000 in 1980.

Over the same period, the rest of the top 1 percent saw their average income more than double, from about \$275,000 to about \$581,000.⁴

Oregon income inequality spikes again in 2012

(Inflation-adjusted gain in income between 2011 and 2012)



Adjusted for inflation using CPI-U-RS.
Source: OCPP analysis of Oregon Department of Revenue data.

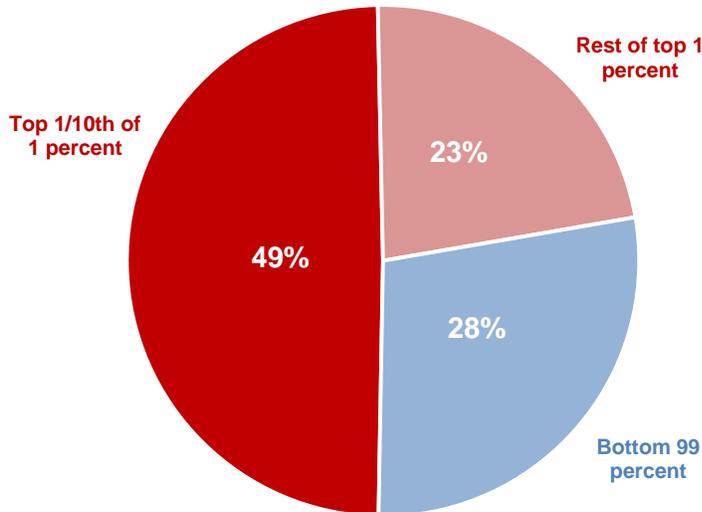
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Income inequality spiked again in 2012 after narrowing during the recession. That year, after taking inflation into account, Oregon's median income (the income for the "typical" Oregonian) inched up \$300 — an increase of less than 1 percent. Over that same year, the income of the average taxpayer grew by \$3,068, or 6 percent. Meanwhile, the average income of the top 1 percent jumped nearly \$200,000, about a 29 percent increase.⁵

The sizeable increase at the top of the income scale may be due to the wealthy cashing out capital gains in 2012 ahead of anticipated federal tax changes.⁶ Net capital gains income increased about 72 percent from 2011 to 2012.

Top one-tenth of 1 percent take about half of all capital gains income

(Share of 2012 Oregon capital gains income by income group)



Full-year resident income tax filers.
Source: OCPP analysis of Oregon Department of Revenue data.

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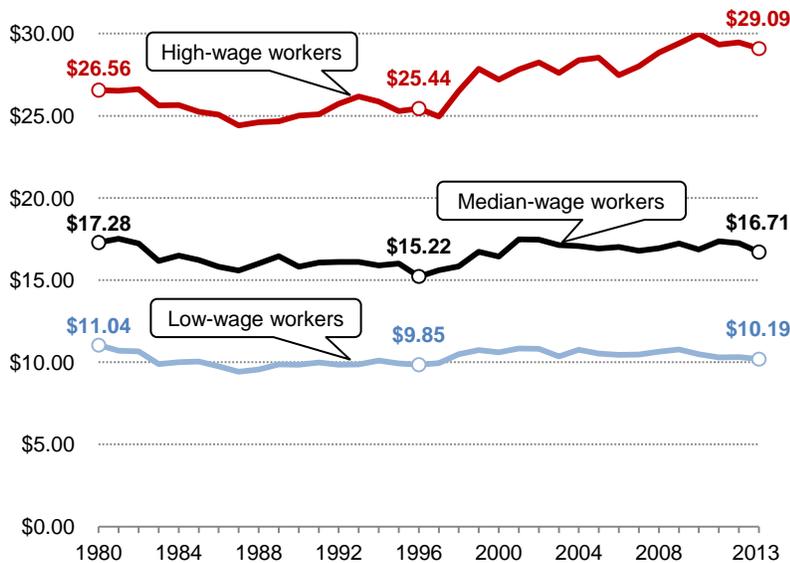
The concentration of capital gains income among the wealthy contributes to income inequality. Capital gains income comes from the profitable sale of assets such as stocks, bonds and real estate.

In 2012, the top one-tenth of 1 percent — the wealthiest 1 out of every 1,000 Oregon taxpayers — collected about half (49 percent) of all capital gains income. The rest of the top 1 percent took in another 23 percent. Together, the entire top 1 percent collected 72 percent of all capital gains income in Oregon. The rest of Oregon taxpayers shared the remaining 28 percent.⁷

Put another way, the 1,600 hundred tax filers who comprise the top one-tenth of 1 percent together took in over \$1 billion *more* in capital gains than the 1.6 million taxpayers who constitute the bottom 99 percent.

High wages rise; median and low wages do not

(Hourly earnings in Oregon at the 20th, 50th and 80th percentiles)



Adjusted for inflation using CPI-U-RS.
Source: Economic Policy Institute analysis of Current Population Survey data.

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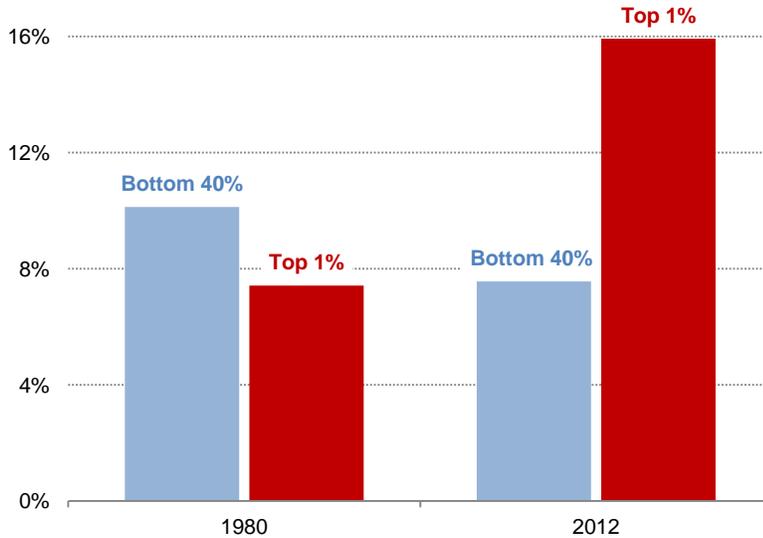
Wages — income earned from work — also help explain growth in income inequality.

High-wage workers have seen their paychecks grow, while median and low-wage workers have not.⁸ The hourly wage of high-wage workers rose from \$25.56 in 1980 to \$29.09 in 2013, when adjusted for inflation.

Over the same time period wages have stagnated, or fallen, for other groups of Oregon workers. For example, in 2013 the median, or typical, hourly wage was \$16.71 — below the \$17.28 inflation-adjusted median wage more than 30 years earlier. Similarly, low-wage workers earned just \$10.19 per hour in 2013, less than the \$11.04 they made in 1980 in inflation-adjusted terms.

Top 1 percent 's income share now doubles lowest 40 percent's share

(Share of total Oregon income in 1980 and 2012)



Source: OCPP analysis of Oregon Department of Revenue data.

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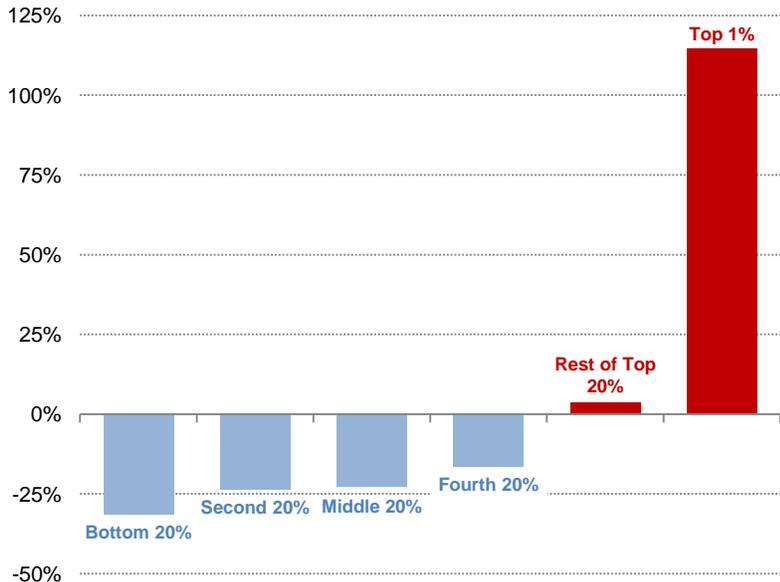
Over the past three decades, the income share of the wealthiest 1 percent of Oregon grew to more than double the share of the bottom 40 percent.⁹

In 1980, the bottom 40 percent of Oregon taxpayers together collected 10.1 percent of all income, while the top 1 percent together collected 7.4 percent. But by 2012, the share of all income of the bottom 40 percent had dropped to 7.6 percent, while the share of the top 1 percent had risen to 15.9 percent.

Thus, in 2012 the top 1 percent took home more than two times the income that the 700,000 taxpayers at the bottom of the income ladder did. In dollars, that was \$8.5 billion more.

As top gains income share, others lose share

(Percent change in Oregon income share from 1980 through 2012)



Source: OCPP analysis of Oregon Department of Revenue data.

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Oregon's wealthiest 1 percent of taxpayers have seen their slice of total state income more than double over the last 30 years, while the slices of nearly all other income groups have shrunk. Specifically, the share of total state income collected by the top 1 percent increased by 115 percent from 1980 to 2012. The only other group to have gained total income share was the rest of the top 20 percent (the top fifth excluding the top 1 percent), which ticked up 3.7 percent.

As the share of total income rises for some, it necessarily declines for others. From 1980 to 2012, the bottom 80 percent of Oregon taxpayers saw their income share decline. That was especially the case for the lowest-earning 20 percent, who lost almost a third of their income share over the course of the last three decades.¹⁰

Conclusion

After narrowing during the Great Recession years, income inequality in Oregon snapped back in 2012. The wealthiest 1 percent — especially the 1,600 households that comprise the top one-tenth of 1 percent — made huge gains in income that year, while the income of the typical Oregonian only inched up.

President Barack Obama has declared income inequality the “defining challenge of our time.”¹¹ In Oregon, as in the rest of the nation, that challenge is real.

Endnotes

¹ Uniform Gross State Product (GSP) data from the United States Bureau of Economic Analysis (BEA) dates back only to 1997. But while state-level BEA data does not allow for confident comparison of the pre-1997 period, BEA’s Gross Domestic Product (GDP) data shows that the national economy has expanded fairly steadily over the course of the past three decades, even if interrupted by intervening recessions. Specifically, U.S. GDP more than doubled over the last 30 years (see data available at <http://bea.gov/national/index.htm#gdp>); and since 1997, Oregon’s GSP has tended to outperform growth in national GDP during economic expansions (see Oregon Center for Public Policy, *If Economic Growth Assured Well-Being, Oregonians Would be Thriving*, Fact Sheet, April 30, 2014, available at <http://www.ocpp.org/2014/04/30/20140430if-economic-growth-assured-well-being/>).

² Unless otherwise noted, income figures in this publication are OCPP calculations based on Oregon Department of Revenue data and income is adjusted gross income data for all income tax filers.

³ Oregon’s 1980 median income was \$32,200 in 2012 dollars.

⁴ Calculations for top one-tenth of 1 percent and the rest of the top 1 percent are based on total income for full-year returns.

⁵ The tremendous income gains at the top help explain why the average Oregonian’s income increased more than the typical Oregonian.

⁶ Oregon Office of Economic Analysis, *Oregon Economic and Revenue Forecast*, March 2014, p. 5.

⁷ Calculations for capital gains income are based on total income for full-year income tax filers. Some portion of the increase in capital gains income in 2012 can be attributed to people pulling capital gains income into the 2012 tax year due to anticipated changes in the federal tax code, Oregon Office of Economic Analysis, *Oregon Economic and Revenue Forecast*, March 2014, p. 5.

⁸ Here, wage levels correspond to percentiles. “High-wage” refers to the 80th percentile, meaning the worker whose wages were higher than 80 percent of all workers (and lower than 20 percent of all workers). “Median” refers to the worker in the 50th percentile, with half of Oregon workers earning more and half earning less. And “low-wage” refers to the 20th percentile, meaning the worker whose wages are higher than 20 percent of all workers (and lower than 80 percent of all workers).

⁹ Tax returns with negative adjusted gross income have been excluded.

¹⁰ Tax returns with negative adjusted gross income have been excluded.

¹¹ Barack Obama, “Remarks by the President on Economic Mobility,” December 4, 2013, available at <http://www.whitehouse.gov/the-press-office/2013/12/04/remarks-president-economic-mobility>.

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