

CY2018 Tax Estimates for the Average U.S. Family

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The Menges Group

Strategic Health Policy & Care Coordination Consulting

Introduction

- This edition of the 5 Slide Series estimates the taxes owed by the “average” US family across CY2018 -- and estimates how the family’s tax payments support various government functions.
- We define an “average” US family in this report as the median income family within married couples filing their taxes jointly. We assume this family has one child.
- We have also estimated this family’s contributions to finance Medicaid and Medicare, including specific figures for Medicaid expansion.
- A myriad of factors impact any given family’s taxes, as well as the distribution of federal, state, and local spending. Our estimates do not attempt to precisely account for all these factors, but rather are intended to provide a reasonable (and hopefully interesting) sense of what an average family’s taxes are and how the money is used.

Estimated 2018 Tax Derivation for an Average Family

An “average income” family has been estimated by reviewing published income information for couples filing jointly. The average CY2018 tax of \$16,431 (derived in table at right) reflects estimated federal taxes under the Tax Cuts and Jobs Act of 2017.

Under prior federal tax law, we estimate this average married filing jointly family’s overall taxes would have been \$1,967 (12%) higher if childless, \$1,360 (8%) higher with one child, \$752 (5%) higher with 2 children, \$145 (1%) higher with 3 children, and would be lower with 4 or more children.

State and local taxes were estimated using various Urban Institute reports and the ratio of state and local personal taxes to federal personal taxes in FFY2015 for a family with one child, then trending these taxes to CY2018.

Estimated 2018 Taxes for a Married Couple Filing Jointly		Comments
Estimated Median Pre-Tax Income	\$91,951	U.S. Census Bureau, Current Population Survey, 2018 Annual Social and Economic Supplement); a 2% increase assumed for 2018
Standard Federal Deduction	\$24,000	personal exemptions are being merged in with standard deduction for 2018; the combined deduction for a couple with one child decreased from \$24,850 in 2017 to \$24,000 in 2018
Taxable Income	\$67,951	assumes family used the standard deduction
Federal Taxes	\$7,773	derived from 2018 tax table
State & Local Taxes (income, property, & sales)	\$8,658	Menges Group estimate based primarily on Urban Institute published data
Total 2018 Taxes	\$16,431	

How An Average Family's Taxes Are Used

- Federal, state, and local spending were pooled by program category to convey the “average family’s” contribution to each government function.
- Through its CY2018 tax payments, this family would contribute approximately \$5,100 to income support and housing programs, \$3,000 to education, \$2,300 to Medicare and Medicaid, and \$1,700 to the military, veterans’ benefits, and foreign aid/affairs.

Government Spending Category	Tax Contribution of "Average Family"	Percent Distribution
Income Support	\$5,079	31%
Social Security	\$1,833	11%
Unemployment/Welfare/Public Health/Housing	\$3,245	20%
Education	\$2,996	18%
Health Insurance	\$2,321	14%
Medicare	\$1,154	7%
Medicaid (non-expansion)	\$1,030	6%
Medicaid (expansion)	\$137	1%
Military, Veteran's Benefits, Foreign Aid/Affairs	\$1,683	10%
Interest on Debt	\$860	5%
Highways/Roads/Transportation	\$754	5%
Police, Fire, Corrections	\$693	4%
Food/Agriculture	\$303	2%
Sanitation	\$260	2%
All Other	\$1,483	9%
TOTAL	\$16,431	100%

Contributions to Medicaid Expansion

- By our calculations, the median income family contributed approximately \$11 per month (\$137 for the year) in CY2018 taxes towards the Affordable Care Act's Medicaid expansion.
- Approximately 0.8% of combined Federal, state and local government spending are directed to Medicaid expansion.

5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements.

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