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Title of paper: Recent Trends in Top Income Shares in the USA:
Reconciling Estimates from March CPS and IRS Tax Return Data

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Abstract: We have completed a working paper version of this paper which will be in both the CES and NBER working paper series in the next couple of weeks. Below is the abstract for that paper.

Abstract

Although the vast majority of US research on trends in the inequality of family income is based on public-use March Current Population Survey (CPS) data, a new wave of research based on Internal Revenue Service (IRS) tax return data reports substantially higher levels of inequality and faster growing trends. We show that these apparently inconsistent estimates can largely be reconciled once one uses internal CPS data (which better captures the top of the income distribution than public-use CPS data) and defines the income distribution in the same way. Using internal CPS data for 1967-2006, we closely match the IRS data-based estimates of top income shares reported by Piketty and Saez (2003), with the exception of the share of the top 1 percent of the distribution during 1993-2000. Our results imply that, if inequality has increased substantially since 1993, the increase is confined to income changes for those in the top 1 percent of the distribution during 1993-2000.