

Improving the Measure of the Distribution of Personal Income

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Developing a national account based measure of the distribution of income from the commonly used Census based concept of money income has been the subject of earlier research—see Fixler and Johnson (2014) and Fixler, et. al (2015) for example. A limitation of the earlier work is that the extrapolation from the survey data to the national account aggregate was based on “blow-up” factors that were constant across households. In this paper, we will explore using micro tax data to create income quintile specific blow up factors. More specifically, CPS data is linked to IRS data by household in order to address misreporting and survey bias for several income categories. Next, blow-up factors are constructed by income decile in order to create a distribution of national accounts. Preliminary results indicate significantly different factors by decile and by income category. It is hoped that this additional feature will help bridge the gap between micro data vs. macro statistics and also inform about results from other studies on aggregate income inequality, such as Piketty, Saez, Zucman (2017)) “Distributional National Accounts: Methods and Estimates for the United States.