Forty percent of nonaged benefits go to those with welfare ratios of less than 0.50; the comparable figure for the aged is 57 percent. Benefits for both the nonaged and the aged are progressive throughout the welfare scale.

Social security taxes represent 40 percent of the $30.4 billion total in unadjusted taxes and contributions and the remainder is accounted for by the public assistance (11 percent), veterans' and military taxes (15 percent), government civilian and railroad taxes (16 percent), and private pension contributions (18 percent). Seventy-four percent of the total is obtained through payroll taxes or contributions and 26 percent from general revenues. The unadjusted tax is regressive from 0 to 0.50–0.74 in the welfare scale, progressive from 0.50–0.74 to 1.50–1.99, proportional from 1.50–1.99, to 2.50–3.49, and regressive above 2.50. Of an adjusted tax total of $24.5 billion, payroll receipts, general tax revenues, the increase in Federal income tax due to the taxing of pensions, and the decrease in Federal income tax due to the backward shifting of employer taxes account for 92, 15, 1, and minus 7 percent, respectively. The adjusted tax is regressive from 0 to 0.50–0.74 in the scale, progressive from 0.50–0.74 to 1.50–1.99 and regressive above 1.50. Non-aged families pay 91 percent of unadjusted taxes and 92 percent of adjusted taxes. The average unadjusted and adjusted tax rates for the non-aged are 7.7 percent and 6.3 percent, respectively; the comparable rates for the aged are 5.7 percent and 4.4 percent.

For all families, the unadjusted and adjusted net benefits are minus $5.9 billion and $0 billion, respectively. For each welfare class under 1, the unadjusted or adjusted net benefit is positive; for each class above 1 the net benefit is negative. The unadjusted or adjusted net benefit is progressive from 0 to 2.50–3.49, and regressive above 2.50. For nonaged families, the unadjusted and adjusted net benefits are minus $18.1 billion and minus $12.8 billion, respectively; the comparable figures for the aged are plus $12.2 billion and plus $12.8 billion. The average unadjusted and adjusted net benefit rates for the nonaged are minus 5 percent and minus 3.6 percent, respectively: for the aged the comparable rates are plus 26.4 percent and plus 27.7 percent. For each dollar of benefits paid, the nonaged have unadjusted and adjusted net benefits of minus 74 cents and minus 52 cents, respectively; the comparable figures for the aged are plus 50 cents and plus 52 cents. The unadjusted or adjusted net benefit is positive for each nonaged welfare class below 0.75; for higher classes the net benefit is negative. The unadjusted net benefit of the aged is positive in eight classes and negative in the 3.50-and-over class; the adjusted net benefit is positive in all nine classes. Among the nonaged the unadjusted or adjusted net benefit is progressive from 0 to 2.50–3.49 in the welfare scale, and regressive above 2.50; the unadjusted or adjusted net benefit for the aged is progressive throughout the scale.

Distributional effects of income tax concessions for the aged

The tax concessions analyzed here are the exemption for social security and railroad benefits, the age exemption, the retirement income credit, and the special medical deduction for the aged. For the latter three I had to rely on data from the Internal Revenue Service.

Social security and railroad employee benefits are exempt from taxation under the Federal personal income tax. Many economists on