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The Taxation of Capital and Labor Through the Self-Employment Tax: Supplementary Data

Abstract

This file presents tables that supplement information presented in CBO's September 2012 report *The Taxation of Capital and Labor Through the Self-Employment Tax*.

Keywords

Self-Employment Contributions Act; SECA; Old-Age, Survivors and Disability Insurance; OASDI, hospital insurance; Federal Insurance Contributions Act; FICA; tax; labor; capital; Congressional Budget Office; CBO

Comments

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This file presents tables that supplement information presented in CBO's September 2012 report *The Taxation of Capital and Labor Through the Self-Employment Tax*.

Tables Reflecting 2001 Data: Replication of Tables 2 through 10 in the report

[Table 1 was not specific to 2004, so the series starts with the 2001 counterpart to Table 2.]

Supplemental Table 2. Distribution of the SECA Tax Base, by Type of Entity, 2001

Supplemental Table 3. Distribution of Partnership Income in the SECA Tax Base, by Degree of Participation and Pass-Through Item, 2001

Supplemental Table 4. Share of Net Income or Loss Included in the SECA Tax Base, by Type of Entity, 2001

Supplemental Table 5. Share of Partnership Income or Loss Included in the SECA Tax Base, by Degree of Participation and Pass-Through Item, 2001

Supplemental Table 6. Taxable Labor Income as a Share of the SECA Tax Base, by Type of Entity, 2001

Supplemental Table 7. Shares of Capital and Labor Income Included or Not Included in the SECA-HI Tax Base, by Type of Entity, 2001

Supplemental Table 8. Shares of Labor and Capital Income Included in the SECA Tax Base Relative to the FICA Tax Base, 2001

Supplemental Table 9. Changes in Shares of Capital and Labor Income in Self-Employment Income Under a Material Participation Standard, by Type of Entity, 2001

Supplemental Table 10. Changes in Shares of Capital and Labor Income Included in the SECA-HI Tax Base Under Three Options, by Type of Entity, 2001

Detailed Tables: Partnerships by Both Entity Type and Pass-Through Item, 2001 and 2004

Supplemental Table 11. Distribution of Partnership Income in the SECA Tax Base, by Type of Entity and Pass-Through Item, 2001 and 2004

Supplemental Table 12. Share of Partnership Income or Loss Included in the SECA Tax Base, by Type of Entity and Pass-Through Item, 2001 and 2004

Tables Reflecting 2001 Data

Supplemental Table 2.
Distribution of the SECA Tax Base, by Type of Entity, 2001

	Percentage of Tax Base
Sole Proprietors	
Nonfarm	69
Farm	1
Partners in or Members of:	
General partnerships	7
Limited partnerships ^a	2
Limited liability companies	6
Limited liability partnerships	5
Other partnerships	*
Unknown type of partnership	3
Other or Unknown (Including clergy's wages)	<u>7</u>
All Types of Entities	100

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; * = between zero and 0.5 percent.

a. Includes income from both general partners and limited partners in the limited partnership.

Supplemental Table 3.
Distribution of Partnership Income in the SECA Tax Base, by Degree of Participation and Pass-Through Item, 2001

	Percentage of Partnership Income
Degree of Participation	
Material (Or nonpassive)	90
Nonmaterial (Or passive)	<u>10</u>
All Degrees of Participation	100
Pass-Through Item	
Guaranteed payments	20
Proportional share of business income	76
Proportional share of rental income	<u>3</u>
All Identifiable Pass-Through Items	100

Source: Congressional Budget Office.

Note: As specified in section 469 of the Internal Revenue Code, material participation is defined, for income tax purposes, primarily in terms of hours worked. It does not apply for Self-Employment Contributions Act (SECA) purposes.

Supplemental Table 4.
Share of Net Income or Loss Included in the SECA Tax Base, by Type of Entity, 2001

(Percent)

	Proportional Share of Business Income Only		All Pass-Through Items	
	Entities with Positive Net Income	Entities with Net Loss	Entities with Positive Net Income	Entities with Net Loss
Sole Proprietors				
Nonfarm	98	10	98	10
Farm	91	15	91	15
Partners in or Members of:				
General partnerships	69	14	54	15
Limited partnerships ^a	45	7	36	7
Limited liability companies	64	13	47	14
Limited liability partnerships	84	13	83	15
Other partnerships	69	9	57	8
Unknown type of partnership	n.a.	n.a.	31	*

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; n.a. = not available (because partnership type and specific pass-through items are identified together); * = between zero and 0.5 percent.

a. Includes income from both general partners and limited partners in the limited partnership.

Supplemental Table 5.
**Share of Partnership Income or Loss Included in the SECA Tax Base,
 by Degree of Participation and Pass-Through Item, 2001**

(Percent)

	Entities with Net Income	Entities with Net Loss
Degree of Participation		
Material (Or nonpassive)	64	6
Nonmaterial (Or passive)	17	5
Pass-Through Item		
Guaranteed payments	80	12
Proportional share of business income	66	12
Proportional share of rental income	10	13
All Pass-Through Items (Including unknown)	49	6

Source: Congressional Budget Office.

Note: As specified in section 469 of the Internal Revenue Code, material participation is defined, for income tax purposes, primarily in terms of hours worked. It does not apply for Self-Employment Contributions Act (SECA) purposes.

Supplemental Table 6.
Taxable Labor Income as a Share of the SECA Tax Base, by
Type of Entity, 2001

	Percentage of Entity's Tax Base
Sole Proprietors	
Nonfarm	66
Farm	65
Partners in or Members of:	
General partnerships	37
Limited partnerships ^a	28
Limited liability companies	50
Limited liability partnerships	22
Other partnerships	12
All Types of Entities (Excluding unknown)	58

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act.

- a. Includes income from both general partners and limited partners in the limited partnership.
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Supplemental Table 7.
Shares of Capital and Labor Income Included or Not Included in the SECA-HI Tax Base, by Type of Entity, 2001

(Percent)

	Included in the SECA-HI Tax Base	Not Included in the SECA-HI Tax Base		
		Total	Reported as Self- Employment Income on Schedule SE, but Offset by Negative Nonlabor Income	Not Reported as Self- Employment Income on Schedule SE
Capital Income				
Sole Proprietors				
Nonfarm	94	6	4	2
Farm	82	18	9	9
Partners in or Members of:				
General partnerships	48	52	3	49
Limited partnerships ^a	32	68	2	66
Limited liability companies	39	61	2	59
Limited liability partnerships	81	19	1	18
Other partnerships	25	75	3	71
All Types of Entities (Excluding unknown)	63	37	3	33
Labor Income				
Sole Proprietors				
Nonfarm	56	44	29	15
Farm	30	70	18	52
Partners in or Members of:				
General partnerships	29	71	22	49
Limited partnerships ^a	20	80	13	67
Limited liability companies	22	78	22	56
Limited liability partnerships	48	52	27	25
Other partnerships	25	75	56	19
All Types of Entities (Excluding unknown)	48	52	27	26

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; HI = Hospital Insurance (Medicare Part A).

a. Includes income from both general partners and limited partners in the limited partnership.

Supplemental Table 8.
Shares of Labor and Capital Income Included in the SECA Tax Base Relative to the FICA Tax Base, 2001

(Percent)

	Share of Labor Income Included in the HI Tax Base	Share of Capital Income	
		HI Tax Base	OASDI Tax Base
FICA Tax Base ^a	100	0	0
SECA Tax Base			
Under current law	48	63	26
Under a material participation standard	48	68	27
Under a reasonable compensation standard	34	0	0
Under a safe harbor for capital	46	61	25

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; FICA = Federal Insurance Contributions Act; HI = Hospital Insurance (Medicare Part A); OASDI = Old-Age, Survivors, and Disability Insurance.

a. Specifically, the tax base of employees with no employer-provided health insurance.

Supplemental Table 9.
Changes in Shares of Capital and Labor Income in Self-Employment Income Under a Material Participation Standard, by Type of Entity, 2001

	<u>Included in the SECA-HI Tax Base</u>		<u>Accounted for on Schedule SE (Including amounts offset by losses)</u>	
	<u>Current Law (Percent)</u>	<u>Difference Between Current Law and a Material Participation Standard (Percentage points)</u>	<u>Current Law (Percent)</u>	<u>Difference Between Current Law and a Material Participation Standard (Percentage points)</u>
Capital				
Sole Proprietorships				
Nonfarm	94	-1	98	0
Farm	82	-1	91	0
Partnerships				
General	48	-4	51	-5
Limited	32	9	34	9
LLCs	39	5	41	5
LLPs	81	1	82	1
Other	25	25	29	24
All Types of Entities	63	5	67	5
Labor				
Sole Proprietorships				
Nonfarm	56	*	85	0
Farm	30	*	48	0
Partnerships				
General	29	3	51	4
Limited	20	1	33	6
LLCs	22	3	44	5
LLPs	48	*	75	*
Other	25	17	81	*
All Types of Entities	48	1	74	1

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; HI = Hospital Insurance (Medicare Part A); LLC = limited liability company; LLP = limited liability partnership; * = between zero and 0.5 percentage points.

Supplemental Table 10.
Changes in Shares of Capital and Labor Income Included in the SECA-HI Tax Base Under
Three Options, by Type of Entity, 2001

	All Types of Entities	Sole Proprietorships	Partnerships
		Capital	
Current Law (Percent)	63	94	42
Percentage-Point Difference Between Current Law and a:			
Material participation standard	5	-1	8
Reasonable compensation standard	-63	-94	-42
Safe harbor for capital	-2	-2	-2
		Labor	
Current Law (Percent)	48	55	26
Percentage-Point Difference Between Current Law and a:			
Material participation standard	1	*	3
Reasonable compensation standard	-14	-26	25
Safe harbor for capital	-2	-1	-2

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; HI = Hospital Insurance (Medicare Part A);

* = between zero and 0.5 percentage points.

Detailed Tables: Partnerships by Both Entity Type and Pass-Through Item, 2001 and 2004

Supplemental Table 11.

Distribution of Partnership Income in the SECA Tax Base, by Type of Entity and Pass-Through Item, 2001 and 2004

(Percent)	2001	2004
Domestic General Partnerships		
Guaranteed payments	6	4
Proportional share of business income	27	16
Proportional share of rental income	<u>2</u>	<u>1</u>
All Pass-Through Items	35	21
Domestic Limited Partnerships		
Guaranteed payments	4	3
Proportional share of business income	8	6
Proportional share of rental income	<u>*</u>	<u>*</u>
All Pass-Through Items	12	9
Domestic Limited Liability Companies		
Guaranteed payments	7	10
Proportional share of business income	21	28
Proportional share of rental income	<u>1</u>	<u>1</u>
All Pass-Through Items	29	38
Domestic Limited Liability Partnerships		
Guaranteed payments	3	4
Proportional share of business income	19	26
Proportional share of rental income	<u>*</u>	<u>*</u>
All Pass-Through Items	22	31
Foreign Partnerships and Other Entity Types		
Guaranteed payments	1	*
Proportional share of business income	1	1
Proportional share of rental income	<u>*</u>	<u>*</u>
All Pass-Through Items	2	1
All Known Entity Types		
Guaranteed payments	20	21
Proportional share of business income	76	77
Proportional share of rental income	<u>4</u>	<u>2</u>
All Pass-Through Items	100	100
Partnership Income with Known Entity Type	88	95

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; * = between zero and 0.5 percent.

Supplemental Table 12.
Share of Partnership Income or Loss Included in the SECA Tax Base, by Type of Entity and Pass-Through Item, 2001 and 2004

(Percent)	2001		2004	
	Entities with Net Income	Entities with Net Loss	Entities with Net Income	Entities with Net Loss
Domestic General Partnerships				
Guaranteed payments	80	16	74	12
Proportional share of business income	69	14	66	16
Proportional share of rental income	14	17	10	19
All Pass-Through Items	54	15	45	17
Domestic Limited Partnerships				
Guaranteed payments	82	3	82	16
Proportional share of business income	45	7	36	6
Proportional share of rental income	6	5	6	5
All Pass-Through Items	36	7	32	6
Domestic Limited Liability Companies				
Guaranteed payments	79	11	83	14
Proportional share of business income	64	13	58	16
Proportional share of rental income	8	18	13	15
All Pass-Through Items	47	14	52	15
Domestic Limited Liability Partnerships				
Guaranteed payments	87	29	81	17
Proportional share of business income	84	13	89	18
Proportional share of rental income	16	19	16	21
All Pass-Through Items	83	15	86	19
Foreign Partnerships and Other Entity Types				
Guaranteed payments	59	25	92	40
Proportional share of business income	69	9	59	6
Proportional share of rental income	3	4	4	3
All Pass-Through Items	57	8	56	5
Unknown Entity Types/Pass-Through Items				
	31	*	20	1
All Entity Types				
Guaranteed payments	80	12	81	15
Proportional share of business income	66	12	64	14
Proportional share of rental income	10	13	10	13
All Pass-Through Items (Including unknown)	49	6	49	7

Source: Congressional Budget Office.

Note: SECA = Self-Employment Contributions Act; * = between zero and 0.5 percent.