

Summary of Methodological Updates

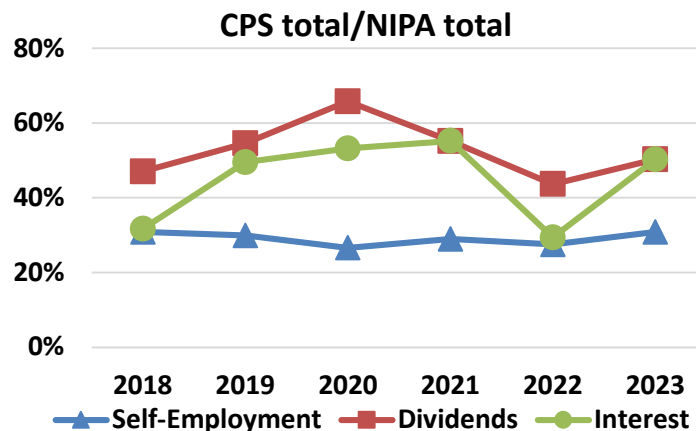
Distribution of Personal Income Statistics

December 2024

The statistics released on December 10, 2024, incorporate one significant methodological change compared to prior updates. Tables and charts featured on this webpage also have been updated to reflect this improvement. Estimates have been updated for 2000–2022 and provisional estimates have been added for 2023. The technical document laying out the BEA’s methodology has also been updated to explain the details of the changes.

This year’s methodological change concerns the adjustment for top incomes. In prior releases, total income by category (wages, self-employment, interest, dividends, and rental income) was first summed in the CPS and then compared to the NIPA totals for each item. The “missing” portion (i.e., where the CPS underrepresents the NIPA totals) differs by component. For example, while 5% is missing for wages, 73% is missing for proprietor’s income. Previously, this missing portion was allocated by income source according to the aggregated distribution in the SOI data in three income categories (AGI <\$200,000, \$200,000–\$500,000, and \$500,000+) as described in section 2A of the technical document.

However, there is significant annual variation in CPS coverage (and totals), and item nonresponse has been increasing over time. The chart below shows the ratio of the CPS (weighted) total compared to the published NIPA totals (definitionally comparable) for self-employment, dividends, and interest.



Although the most recent CPS redesign (which took full effect for 2018 data) improved some coverage issues, variation remains substantial for interest and dividends. These patterns were reexamined given the impacts of the BEA 2023 Comprehensive Update. The impacts of the variation in interest income became especially apparent in November 2024, with the release of SOI data for 2022.

Accordingly, the method was adjusted to scale all CPS households to represent the SOI distribution, rather than just the missing portion. This change makes the scaled CPS distribution more similar to the SOI distribution. Though this change was made for all survey years, the SOI adjustment differs prior to 2011. From 2011 forward, tax units in the CPS are grouped by AGI <\$200,000, \$200,000–\$500,000, and \$500,000+ as in prior releases. However, as households in the 2000s had lower incomes, and thus thinner “tails” (fewer observations with AGI above \$500,000), households with AGI \$200,000–\$500,000 were pooled together with households with AGI above \$500,000 pre-2011. This adjustment was made to limit the impact of noise on income shares, due to small sample sizes. In the absence of this grouping, top shares would be further increased for these years by approximately 2pp.

Overall, for 2000–2022, this change resulted in a level-like shift without significant changes in trend. More specifically it raised inequality by increasing the top 1% share by 2.3pp on average throughout the series and the Gini coefficient by 1.4pp (see graphs below for comparison). Individual component series were also impacted with a higher share of income for sources such as interest and dividends allocated to the top deciles.

