

JUST FACTS: INCOME INEQUALITY AND ITS NEGATIVE IMPACT

Connecticut has an exceptionally high level of income inequality compared to the United States as a whole, and that negatively impacts families across the state.

The following is a summary of the key findings from our January 2022 report:

A Historical and 50-State Overview of Income Inequality

Income inequality has been rising for several decades in the United States, and Connecticut has the second highest level out of all 50 states during this period of historic income inequality.

Key Terms to Know

- **Income** is the flow of money that a family receives over a given period of time, and it is derived from an array of sources, including salaries and wages, business income, rental income, investment income, and government transfers.

Income Inequality in Connecticut

The average wealthy family in Connecticut has a pre-tax income of nearly \$3.1 million. Moreover, the focus on the top one percent (i.e., average wealthy family) rather than the top 0.1 percent or top 0.01 percent significantly understates the level of income inequality due to the exponential increase in income at the top of the distribution.

Key Terms to Know

- **Wealthy family** is a family in the top one percent of the income distribution.

In comparison to the average wealthy family, the average working-class family in Connecticut has a pre-tax income of about \$22,500 and the average middle-class family has a pre-tax income of about \$97,400.

Key Terms to Know

- **Working-class family** is a family in the bottom 50 percent of the income distribution.
- **Middle-class family** is a family in the 50th to 90th percentile of the income distribution.

A substantial racial income gap further exacerbates income inequality for families of color, which disproportionately fall into the working class. Specifically, the median Black and Latino households have pre-tax incomes of about \$49,000, compared to a pre-tax income of about \$86,000 for the median white household.

Key Terms to Know

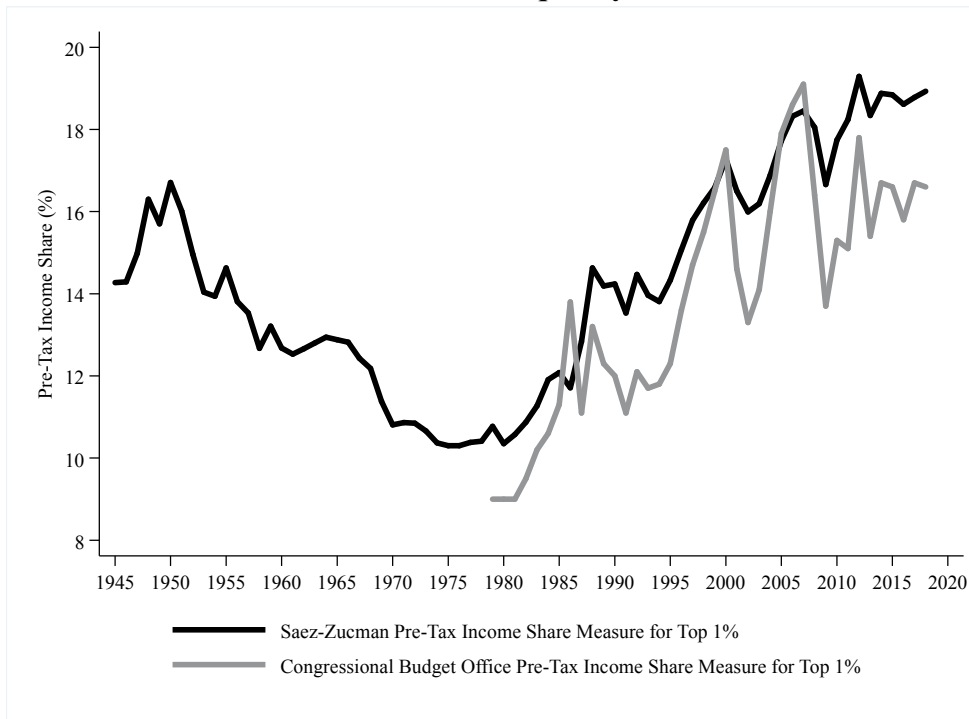
- **Racial income gap** is the difference in income among populations grouped by race or ethnicity.

The Negative Impact of Income Inequality

Income inequality negatively impacts children in working- and middle-class families, especially those in the poorest families, in “virtually every dimension, from physical and mental health, to educational attainment and labor market success, to risky behaviors and delinquency.” This occurs through both the “investment” and “stress” pathways.

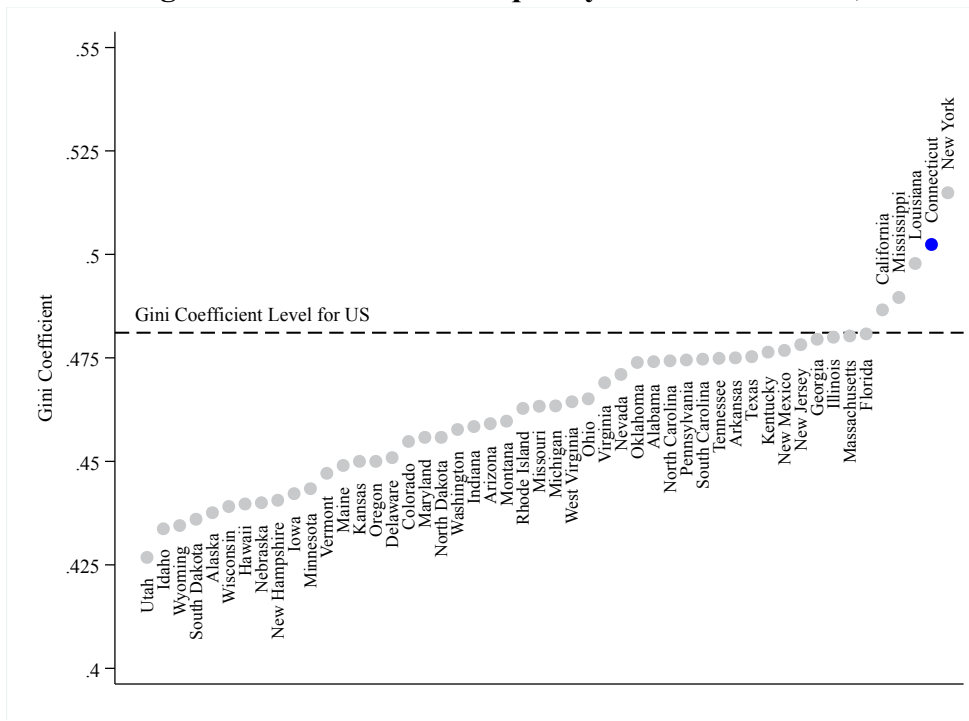
Income inequality also negatively impacts the economy, which decreases a state’s ability to pay down long-term obligations and make critical investments. This is especially important in Connecticut due to its below-average level of economic growth and above-average level of long-term obligations.

The Rise of Pre-Tax Income Inequality in the United States



*Data from Congressional Budget Office and Saez and Zucman.

Ranking of Pre-Tax Income Inequality at the State Level, 2019



*Data from US Census Bureau.

Connecticut's Pre-Tax Income Distribution, 2019

Income	All Tax Filers		Income Group	Tax Filers by Group		Average Income by Group		
	#	Cumulative %		#	%	Federal AGI	CT AGI	
Less than \$5,000	94,935	5.7%						
\$5,000 to \$10,000	95,617	11.4%						
\$10,000 to \$12,000	40,890	13.9%						
\$12,000 to \$15,000	60,107	17.5%						
\$15,000 to \$19,000	76,796	22.1%						
\$19,000 to \$20,000	18,766	23.2%						
\$20,000 to \$24,000	74,988	27.7%						
\$24,000 to \$25,000	18,607	28.8%	Working Class	843,128	50.6%	\$24,500	\$22,500	
\$25,000 to \$30,000	90,079	34.2%						
\$30,000 to \$34,000	69,315	38.4%						
\$34,000 to \$35,000	16,625	39.4%						
\$35,000 to \$40,000	77,920	44.1%						
\$40,000 to \$44,000	56,212	47.4%						
\$44,001 to \$45,000	13,288	48.2%						
\$45,001 to \$48,000	38,983	50.6%						
\$48,001 to \$50,000	24,602	52.0%						
\$50,000 to \$60,000	105,861	58.4%						
\$60,000 to \$74,000	118,198	65.5%						
\$74,000 to \$75,000	7,411	65.9%	Middle Class	680,860	40.8%	\$101,500	\$97,400	
\$75,000 to \$96,000	133,329	73.9%						
\$96,000 to \$100,000	20,570	75.2%						
\$100,001 to \$150,000	180,740	86.0%						
\$150,001 to \$200,000	90,149	91.4%						
\$200,001 to \$250,000	45,316	94.1%						
\$250,001 to \$350,000	40,627	96.6%	Upper Class	131,078	7.9%	\$353,700	\$352,800	
\$350,001 to \$500,000	23,921	98.0%						
\$500,000 to \$1,000,000	21,214	99.3%						
\$1,000,001 to \$2,000,000	7,401	99.7%	Wealthy	12,197	0.7%	\$3,381,600	\$3,455,500	
\$2,000,001 and over	4,796	100.0%						
						Top 1%	\$3,018,700	\$3,083,600

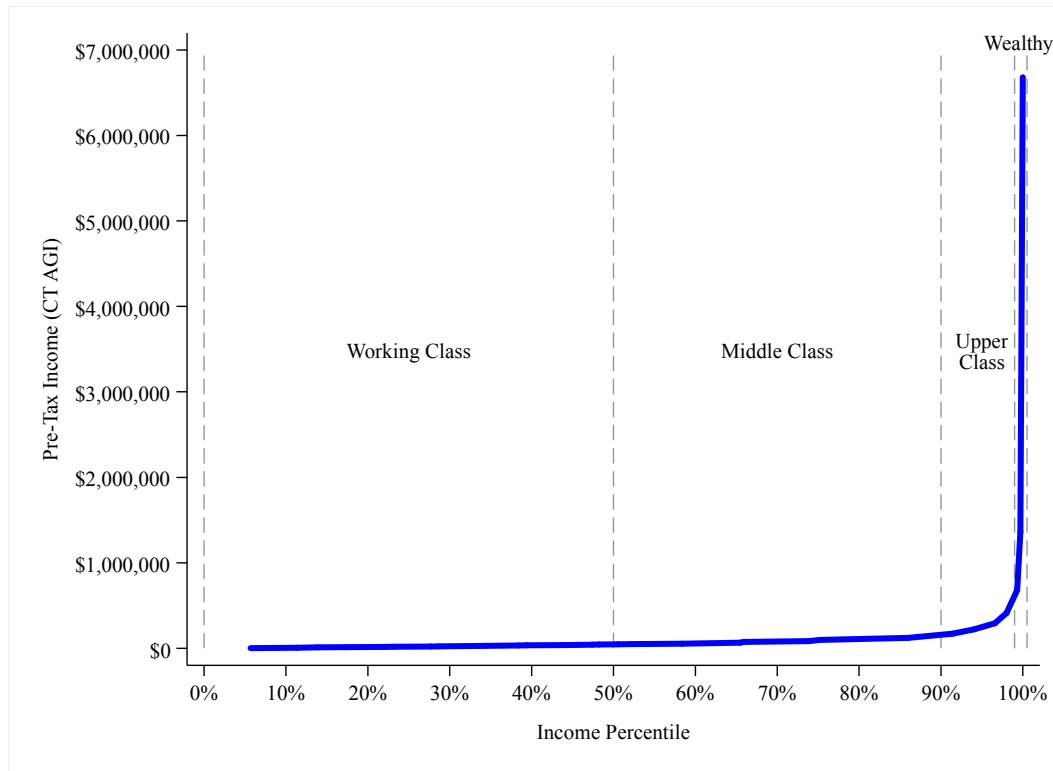
*Data from CT DRS and author's calculations. Average income rounded to nearest hundred.

Income Inequality in Connecticut by Income Group, 2019

Income Group	Pre-Tax	
	Average Income	Inequality Ratio
Wealthy Family	\$3,083,600	-
Upper-Class Family	\$352,800	8.7x
Middle-Class Family	\$97,400	31.7x
Working-Class Family	\$22,500	137.0x

*Data from CT DRS and author's calculations. Average income rounded to nearest hundred.

Overview of Connecticut's Pre-Tax Income Distribution, 2019



*Data from CT DRS and author's calculations.

Income Inequality in Connecticut By Race and Ethnicity, 2019

Income Group / Household	Pre-Tax	
	Average Income	Inequality Ratio
Wealthy Family	\$3,083,600	-
Median White Household	\$85,800	35.9x
Median Latino Household	\$49,200	62.7x
Median Black Household	\$48,900	63.0x

*Data from CT DRS, US Census Bureau, and author's calculations. Income rounded to nearest hundred.