The Receipt and Distributional Effects of Transfers and Tax Credits Using the Comprehensive Income Dataset

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ABSTRACT

This paper provides the first accurate picture of transfer and tax credit receipt in the U.S. along with the distributional consequences of receipt using a groundbreaking set of linked survey and administrative data. The administrative data cover earnings and asset income from IRS tax records and transfer income for a myriad of safety net programs including Social Security, SSI, SNAP, Unemployment Insurance, Veterans' Benefits, Public Assistance, housing assistance, Medicare, Medicaid, WIC, and energy assistance. We link these data to the Current Population Survey, the source of official poverty and inequality statistics and the Survey of Income and Program Participation, the most comprehensive survey of income sources in the U.S. Linking the administrative data to the surveys is vital given that a large and rising share of benefits and other income sources is not recorded in the surveys. Using these linked data, we examine the extent to which misreporting of various survey income sources biases estimates of the receipt and distributional consequences of a wide range of transfers and tax credits. A crucial aspect of this work is reconciling differing administrative and survey reports of income sources. This issue is particularly important for earnings where survey reporters may not file tax returns or may misreport their earnings, or firms may not report wages paid.