

Macro Roundup Article

Headline: [Income Inequality In The United States: A Comment](#)

Article Link: <https://gabriel-zucman.eu/files/PSZ2024.pdf>

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| Author(s) | Thomas Piketty, Emmanuel Saez and Gabriel Zucman |
| Publication | University of California |
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Tweet: [@gabriel_zucman](#) argues that Auten & Splinter's work contains "empirical errors, conceptual errors, and questionable assumptions," primarily the misallocation of partnership depreciation to sole proprietors rather than the owners of the partnerships.

Summary: About half of partnership income is legally exempt from taxation due to generous depreciation rules in the tax code. An analysis of AS's code reveals that AS allocates this excess partnership depreciation not to partnership owners, but to owners of sole proprietorships. This depresses the level of the top 1% income share, because sole proprietorships are much more equally distributed than partnerships: the top 1% earns 15% of taxable sole proprietorship income vs. 80% of taxable partnership income. This also leads to a downward trend in the top 1% income share, because the excess depreciation of partnerships was negligible in 1980. We trace the remaining difference with the top 1% income share of Piketty, Saez, and Zucman (2018) to assumptions made by Auten and Splinter (2024) about the distribution of untaxed business income, untaxed capital income, and non-cash notional income. After clarifying these assumptions and confronting them with existing evidence, the Auten and Splinter (2024) estimates become similar in level and trend to those of Piketty, Saez, and Zucman (2018).

Related Articles: [Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends and Comment on Auten and Splinter \(2023\)](#) and [Short Reply: Comment on Auten and Splinter \(2023\)](#)

Primary Topic: Inequality

Topics: Academic paper, Database, Important!, Inequality, Workforce

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