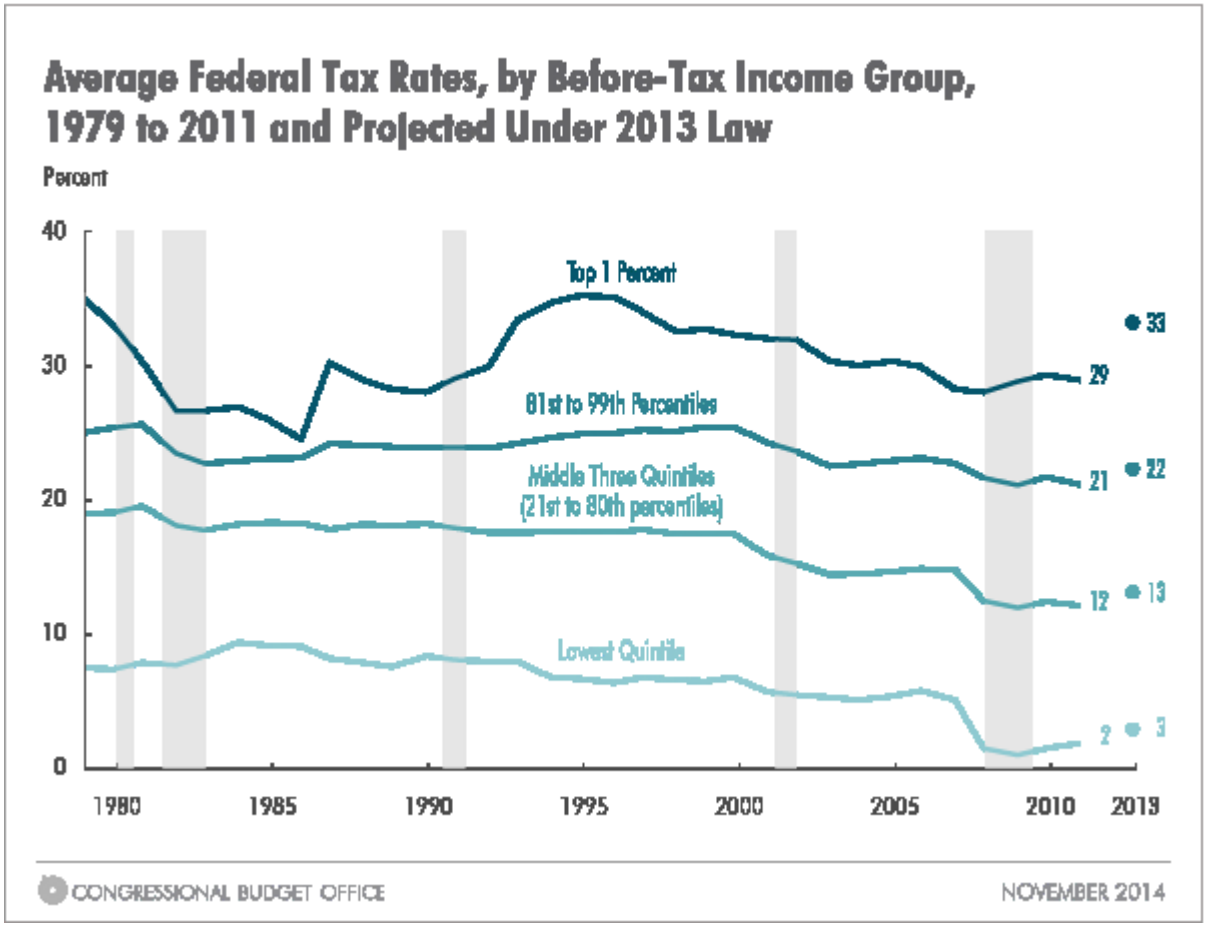

CBO adds to the denominator cash transfer payments from the government to those at the lower end of the income scale, such as Social Security payments, Temporary Assistance to Needy Families payments, and veterans' programs payments. More controversially, CBO also adds the value of some benefits received in kind, such as school lunches and breakfasts, food stamps, housing assistance, energy assistance, and (notably) the benefits provided by Medicare, Medicaid, and the Children's Health Insurance Program. If taxpaying ability is not considered augmented by some of these in-kind items—such as the value of Medicare and Medicaid health care received in kind—the chart can be criticized for understating the effective tax rate at the lower end of the income scale (because of the too-high denominator)

At the higher end of the income scale, the denominator is augmented by tax-exempt interest received on § 103 bonds (discussed in Chapter 2), which (unlike Medicare services received in kind) is cash that clearly represents ability to pay. Notably missing, however, is the built-in gain (*i.e.*, unrealized gain) in financial assets, which are heavily concentrated at the upper-end of the income scale, even though these unrealized gains would also be considered economic income under SHS principles. In addition, CBO assumes that 75% of the corporate tax is paid by the owners of capital and thus includes this amount in the numerator of upper-income households, but the undistributed income of corporations (on which that tax was paid) in excess of the tax paid