Summary of Methodological Updates
Distribution of Personal Income by State
July 2025 Release

On July 10, 2025, the U.S. Bureau of Economic Analysis (BEA) released updated prototype statistics on the distribution of personal income by state, covering the years 2012 through 2023. For the first time, this release includes experimental statistics on the distribution of disposable personal income by state. This document summarizes the data products and highlights key methodological updates introduced since the 2024 release.

Overview of data products

Three types of files are available as part of the July 2025 release:

1. **Summary file**—Provides personal and disposable personal income distributional statistics for each state.
2. **State rankings file**—Includes values and rankings for mean and median personal and disposable income, both in nominal dollars and adjusted for regional price differences.
3. **State-by-state detail files**—Present income distributions by component, illustrating how the sources of income are distributed across the population in each state.

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Key methodological updates

1. New statistic: distribution of disposable personal income

The 2025 release introduces state-level statistics on the distribution of disposable personal income—personal income less personal current taxes. These estimates follow a methodology similar to BEA's national-level disposable income distribution statistics. Tax liabilities are calculated using household information from the Current Population Survey (CPS), which is sponsored by the U.S. Bureau of Labor Statistics and conducted by the U.S. Census Bureau, and from the National Bureau of Economic Research Taxsim35 model.

- **Federal and state income taxes** are allocated based on simulated liabilities before tax credits to avoid double-counting credits already included in personal income.
- **Other state and local taxes**, such as motor vehicle taxes, are assumed to be distributed evenly across the population due to limitations in Taxsim35's scope.

2. Refined use of Internal Revenue Service Statistics of Income

BEA revised how IRS Statistics of Income (SOI) data are used to reconcile CPS income reports with BEA personal income totals. Previously, SOI data were used to allocate the residual "gap" between CPS totals and BEA aggregates. The updated method jointly benchmarks each CPS income component—wages, proprietors' income, dividends, interest, and rent—to both SOI distributional shares and BEA component totals for each state.

At the state level, adjustments are made to avoid overweighting rare income reports. For example:

- If only a few high-income tax units in a state report interest income, their reported values are capped at five times the original amount.
- Additional adjustments are made by identifying tax units likely to receive interest income, based on SOI proportions, and allocating remaining interest income evenly among those reporting none.

For rental income, newly available 2022 SOI data at the state level allow BEA to align its methodology for state income distribution statistics more closely with its national approach. For earlier years, state rental income shares are inferred using national year-over-year changes.

3. Sample pooling strategy

To improve reliability in smaller states, BEA pools CPS microdata across 3 years for estimates from 2012 to 2019. For example, the 2015 Maryland estimates use CPS responses from 2014, 2015, and 2016. However, due to rapid economic changes during the COVID–19 pandemic, BEA uses single-year CPS samples for 2020 through 2022.

For the 2023 estimates, CPS data from both 2023 and 2024 have been pooled to enhance precision.

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These methodological improvements aim to provide more accurate and consistent statistics on how income is distributed across states and across different sources of income. Full technical documentation and links to the data files are available on the BEA website.