Summary of Methodological Updates

Distribution of Personal Income by State

July 2026 Release

On July 16, 2026, 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 2024. This document summarizes the data products and highlights key methodological updates introduced since the 2025 release.

Overview of Data Products

Three types of files are available as part of the July 2026 release. Each includes the revised data for 2012—2023 and new data for 2024. File structures are identical to the 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.

Key Methodological Updates: 2026 Release

1. Implementation of PolicyEngine for tax information

Support for TAXSIM–35 was discontinued by its authors as of 2025. PolicyEngine, a nonprofit, has developed a high-fidelity emulator to continue calculating estimates of tax liabilities. It has been incorporated for 2021–2024 data.

2. Refined tax unit assignment code

The national distributional methodology now incorporates improved tax-unit classification, which is required for using Internal Revenue Service (IRS) Statistics of Income (SOI) data. Since this update was adopted nationally, the same approach has been implemented for the states.

3. Sample pooling strategy

To improve reliability in smaller states, BEA pools Current Population Survey (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. For 2024, BEA fully returns to the 3-year pooling method used for 2012–2019.

4. IRS SOI data extrapolation

In previous releases, state-level IRS SOI data have been unavailable for the most recent year. The previous year's data have been extrapolated using the change at the national level. For this release, 2023 state data are not yet available, so the national extrapolation is now extended for 2 years.

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.

Key Methodological Updates: 2025 Release

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 personal income distribution statistics. Tax liabilities are calculated using household information from the 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 IRS SOI

BEA revised how IRS 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.

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