

## **An Analysis of the 2004 House Tax Cuts**

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## Summary

The House of Representatives has passed variants on four provisions in President Bush's FY2005 Budget: marriage penalty relief (H.R. 4181), a temporary increase in the AMT exemption (H.R. 4227), an increase in the 10-percent tax bracket thresholds (H.R. 4275), and an increase in the child credit and making it available to taxpayers with higher incomes (H.R. 4359). This paper discusses the potential implications of those bills on revenues, the distribution of tax liabilities, and the economy.<sup>2</sup>

With the exception of AMT relief, the other three bills would expand on provisions enacted in 2001. The 2001 legislation, the Economic Growth and Taxpayer Relief Reconciliation Act of 2001 (EGTRRA), phased in all three provisions, but would "sunset" all the relief after 2010—meaning that they would return to the levels specified by pre-EGTRRA law. Legislation enacted in 2003, the Jobs and Growth Taxpayer Relief Reconciliation ACT of 2003 (JGTRRA), increased all three provisions to their fully phased in levels, but only for 2003 and 2004, after which the EGTRRA phase-in schedule resumes. The House-passed legislation would make permanent the temporary increases enacted in JGTRRA and would eliminate the sunset after 2010. (See Table 1.) It would also expand eligibility for the child tax credit to many high-income taxpayers and index the AMT exemption level for inflation, but only for one year.

*Revenue.* Overall, the four bills would reduce federal tax revenues by \$531 billion over the next 10 years, assuming that AMT relief is allowed to expire on schedule. (See Table 2.) That scenario however, seems very unlikely, given that, without relief, nearly 30 million people would become subject to the AMT by 2010.<sup>3</sup> In fact, the four bills together would actually increase the number of people subject to the AMT compared with current law, unless the temporary AMT provision is extended. But indexing the AMT permanently would increase the 10-year cost of the tax measures to almost \$1 trillion.

Because all of the provisions made permanent were set to expire in 2010, the cost of the package grows dramatically after 2010. About 70 percent of the cost is incurred in the last four years. The costs for the whole package decline modestly after 2011, as more and more taxpayers become subject to the AMT. AMT taxpayers receive no benefit from the 10-percent bracket expansion or marriage penalty relief (although the child credit provision is explicitly exempted from the AMT and thus continues to increase in cost over time). But if AMT relief is made permanent, its cost is made significantly larger by the other provisions. The cost of AMT relief grows over time much faster than the overall economy because AMT parameters are not indexed for inflation under current law, which means that more and more people are set to fall prey to the

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<sup>2</sup> For a discussion of the House tax cuts and their budgetary implications, see Joel Friedman and Isaac Shapiro, "Who Would Pay for the House's 'Free Lunch' Tax Cuts?", Center on Budget and Policy Priorities, May 18, 2004. (<http://www.cbpp.org/5-18-04tax2.pdf>)

<sup>3</sup> See Leonard E. Burman, William G. Gale, and Jeffrey Rohaly, "The AMT: Projections and Problems," *Tax Notes*, July 7, 2003, 105-117, for a discussion (<http://www.urban.org/UploadedPDF/1000505.pdf>). Estimates presented in Table 1 have been updated to reflect current assumptions about inflation rates and income growth.

AMT and the average tax rate under the AMT increases as inflation pushes more people into the higher AMT tax brackets.<sup>4</sup>

*Distributional Effects.* The four bills have been called middle-class tax relief, but that is a misnomer. With the exception of the expansion of the 10-percent tax bracket, all of these provisions would yield more than half of their benefits to the 20 percent of households with the highest incomes. (See Figure 1.) Overall, in 2005, the top quintile would get 73 percent of the benefits while only 27 percent would go to the middle three quintiles. Less than 0.1 percent goes to the bottom quintile.

AMT relief is the most skewed component. Over 95 percent of the benefits would accrue to the top 20 percent. More than 71 percent of marriage penalty relief would go to that group—largely because the expansion of the 15-percent bracket for married couples only aids those who are in higher brackets. Although increasing the child credit from \$700 to \$1,000 provides a substantial benefit to middle-class households, the largest gainers on a per capita basis are those with high incomes who become newly eligible for the entire \$1,000 credit. As a result, more than half of the benefits of the child credit increase go to the top 20 percent. Only the 10-percent bracket expansion benefits primarily middle-income families. Almost two-thirds of benefits of that provision would accrue to the middle three-fifths of the income distribution.

These distributional estimates implicitly assume that as much as \$1 trillion of revenues may be forgone over the next decade with no effect on the level of future taxes or the supply of government services that citizens value. In fact, the tax cuts will have to be paid for, which mean that, over the long term, there will be both winners and losers. The actual incidence of the *net* change in benefits depends on exactly how the lost revenues are made up, but many apparent beneficiaries of this package, which would be the fourth major tax cut in as many years, could end up worse off over the long term.

*Economic Effects.* Tax cuts have often been rationalized on the grounds that they would stimulate long-run economic growth, but that argument is implausible for this package. Relatively few taxpayers would see a reduction in their *marginal* tax rate beyond 2005 when the temporary AMT relief is set to expire. As a result, there would be negligible effect on incentives to work, save, or invest in unproductive tax shelters. Moreover, by adding to the burgeoning budget deficits, the tax cuts would raise interest rates and discourage investment by businesses and purchases of homes and cars by consumers. These responses would tend to stifle economic growth.

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<sup>4</sup> Although the AMT nominally has only two rates, 26 and 28 percent, the AMT exemption phases out over a range of income. This phase-out creates an implicit surtax of 25 percent of the AMT rate, effectively producing two additional tax brackets of 32.5 and 35 percent. Since the phase-out range is not indexed for inflation, increases in price levels can substantially increase average tax liabilities by pushing people into these phantom tax brackets. See Burman, Gale, and Rohaly, “The AMT,” for further discussion.

## Details

*Marriage Penalty Relief.* EGTRRA included three provisions aimed at reducing marriage penalties—the additional tax a couple may pay as a married couple compared with its tax liability if each partner could file a single return.<sup>5</sup> EGTRRA increased the standard deduction for married couples. By 2009, the standard deduction for joint returns was scheduled to be double that for single filers. The 15 percent tax bracket for joint returns was also set to become twice as large as the bracket for single returns. In addition, it increased the point where the earned income tax credit (EITC) begins to phase out for married couples. By 2008, the EITC phase-out for married couples will be \$3,000 higher than for single filers. JGTRRA sped up the rate cuts and increase in the standard deduction, but only through 2004. It did not accelerate the EITC marriage penalty relief, which benefits low-income families. H.R. 4181 would make the JGTRRA speed-up permanent, and would make the EITC marriage penalty relief permanent after it phases in. All told, the bill would reduce tax revenues by about \$82 billion over ten years.<sup>6</sup>

Although marriage penalty relief is touted as a middle-class tax benefit, most of the benefits, in fact, go to those with higher incomes. (See Table 3.<sup>7</sup>) The increase in the standard deduction does help middle-income families, but the increase in the size of the 15-percent bracket helps only the 19 percent of filing units in the 25-percent or higher tax brackets who are not subject to the AMT.<sup>8</sup>

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<sup>5</sup> It also increased marriage bonuses for those couples who pay less tax by virtue of being married. Most one-earner couples and those where one spouse has much higher earnings than the other are in this situation. For a discussion of the EGTRRA tax cuts, see Len Burman, Elaine Maag, and Jeff Rohaly, “EGTRRA: Which Provisions Spell the Most Relief,” *Tax Policy Issues and Options*, No. 3, June 2002 ([www.urban.org/UploadedPDF/310510.pdf](http://www.urban.org/UploadedPDF/310510.pdf)).

<sup>6</sup> See Table 2. Note that the estimated cost depends on the “stacking order,” that is, the provisions assumed to be enacted before the one being considered. For purposes of our estimates, we assume that the 10-percent bracket expansion is stacked first, child credit expansion second, marriage penalty relief third, and AMT relief last. If marriage penalty relief were stacked before the 10-percent bracket, the higher standard deduction would reduce its apparent cost. If AMT relief were stacked first, the cost would increase slightly, because more taxpayers would benefit from the larger bracket in 2005. The Joint Committee on Taxation stacks all provisions against current law and also assumes behavior responds to taxation—e.g., people report more taxable income when tax rates are lower. For those reasons and others, their estimates are slightly different from ours.

<sup>7</sup> Most of the distributional tables included in this report, and many more, are available on the Tax Policy Center website at [www.taxpolicycenter.org/estimates](http://www.taxpolicycenter.org/estimates). See Tables T04-0063 thru T04-0091, in the “House Tax Cuts 2004” section of estimates, or use this link: <http://www.taxpolicycenter.org/TaxModel/tmdb/TMTemplate.cfm?topic3id=80&topic2id=40>.

<sup>8</sup> See Table T04-0104 at [www.taxpolicycenter.org/estimates](http://www.taxpolicycenter.org/estimates). Neither of these provisions helps couples who are subject to the alternative minimum tax. Although a small number now, the percentage of couples subject to the AMT grows rapidly over the decade. By 2010, barring a change in law, almost half of married couples will be subject to the AMT. Ironically, that fact will tend to make the distribution of marriage penalty relief more progressive over time, since most AMT taxpayers have higher incomes.

In 2005, the marriage penalty provisions reduce tax liability by about \$64 per tax filing unit.<sup>9</sup> In 2011, after EGTRRA and JGTRRA expire, the average tax cut increases to \$183.<sup>10</sup>

Ironically, the so-called marriage penalty relief would, by itself, subject three million more couples to the AMT in 2005.<sup>11</sup> If the AMT provision is enacted, this unfortunate side effect would be delayed for a year. This happens because anything that reduces regular tax liability without commensurate adjustments to the AMT inevitably causes more people to become subject to the complicated alternative tax. Since marriage penalty relief is restricted to married couples, only married filers can fall prey to this particular trap.

*Increase 10-Percent Tax Bracket.* EGTRRA created a new 10-percent tax bracket, applying to taxable income of up to \$6,000 for single filers, \$10,000 for heads of household, and \$12,000 for married filing joint returns. Those thresholds were scheduled to increase to \$7,000, \$10,000, and \$14,000, respectively in 2008, and then be indexed for inflation for two years until EGTRRA expired after 2010. JGTRRA accelerated the higher thresholds to 2003 and began indexing in 2004, but only for that one year, after which the parameters would return to their EGTRRA schedule. H.R. 4275 would make permanent the JGTRRA changes, meaning that the tax bracket would continue to be indexed from the 2004 levels. It would reduce tax revenues by \$205 billion over ten years.

Overall, this would amount to a \$41 average tax reduction for households in 2005. (See Table 4.) The largest benefits go to married taxpayers in tax brackets above 10 percent and not subject to the AMT. They would save an estimated \$127.50 in taxes in 2005.<sup>12</sup> Singles would save about half that amount. Lower income filers receive little or no benefit because they often have less income than the EGTRRA thresholds. Higher income taxpayers may receive little or no benefit if they are subject to the AMT. As a result, the largest beneficiaries on average are tax filing units in the fourth quintile (see Table 4), who gain an average of \$81 per household, and the very high-income who gain about as much. Very high income people are much less likely to be subject to the AMT than those with moderately high incomes.<sup>13</sup>

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<sup>9</sup> This works out to be about \$151 per married couple. Of the 145,321 tax filing units in 2005, 61,658 are married couples filing joint returns.  $64 = 151 * 61,658 / 145,321$ .

<sup>10</sup> Source: Table T04-0069 on [www.taxpolicycenter.org/estimates](http://www.taxpolicycenter.org/estimates). The size of the tax cut increases primarily because, in 2005, the baseline includes partial marriage penalty relief whereas there is none after 2010.

<sup>11</sup> Source: Table T04-0063 on [www.taxpolicycenter.org/estimates](http://www.taxpolicycenter.org/estimates). Also see Leonard E. Burman, "Marriage Penalty Relief Throws Millions onto the AMT," *Marketplace* commentary, April 27, 2004. (Transcript is at <http://taxpolicycenter.org/publications/template.cfm?PubID=8871>. Audio archive is available at [www.marketplace.org](http://www.marketplace.org).)

<sup>12</sup> The 10-percent bracket for couples would be \$2,550 larger in 2005 under the bill than under current law. (See Table 1.) The savings from taxing that income at a 10-percent rate rather than at the 15-percent rate would be 5 percent of \$2,550, or \$127.50.

<sup>13</sup> See Burman, Gale, and Rohaly (2003) for a discussion.

On balance, it is accurate to call this a middle-class tax cut because the second through fourth quintiles get two-thirds of the tax benefits, which is more than a proportional share. The highest-income quintile gets the remaining third, whereas virtually none of the benefits accrue to the bottom fifth.

*Expand and Extend Child Tax Credit.* Prior to enactment of EGTRRA, taxpayers could claim a nonrefundable \$500 per child tax credit. Taxpayers with three or more children were also eligible for a small refundable tax credit under certain limited circumstances. Eligibility for the credit phases out at a five-percent rate starting at adjusted gross income of \$110,000 for married filing joint returns and \$75,000 for singles and heads of household.<sup>14</sup> The phaseout threshold is not indexed for inflation.

EGTRRA phased in an increase in the credit to \$1,000 through 2010, and also created a much more widely available refundable child tax credit. In 2001, taxpayers could claim a refund for tax credits in excess of income tax liability (before EITC) up to 10 percent of earnings over \$10,000. Thus, a household earning \$15,000 could claim up to \$500 (10 percent of \$5,000) in refundable child tax credits. EGTRRA also stipulated that the child tax credit could be claimed against the AMT, meaning that AMT taxpayers would get the full benefit of the credit.<sup>15</sup> The threshold for computing the refundable portion was indexed for inflation after 2001, and the refundability rate was scheduled to increase from 10 to 15 percent in 2005. Like everything else in EGTRRA, both the higher credit and the expanded refundability are set to expire after 2010.

JGTRRA increased the maximum credit to \$1,000 for 2003 and 2004, but did not change the refundability rules. H.R. 4359 would make the \$1,000 credit permanent and also increase the refundability rate to 15 percent in 2004, a year ahead of schedule. The special rule that allows use of the child tax credit against the AMT would be extended permanently. The bill would also significantly increase the income phaseout threshold—to \$250,000 for married filing joint returns and \$125,000 for single returns and heads of household. Largely because of that expansion, this is the most expensive provision in the set of four tax bills (although the AMT provision would be the most costly is not temporary, as explained below). It would reduce tax revenues by \$220 billion over ten years, of which more than \$75 billion is attributable to the increase in income limits.<sup>16</sup>

The largest beneficiaries of this policy are those with high incomes who become newly eligible for the tax credit. Couples with incomes between \$110,000 and \$250,000 go from having a partial credit or none at all under current law to a full \$1,000 per child credit under the proposal. As a result, more than half of the tax benefits accrue to households in the top quintile in 2005.

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<sup>14</sup> Thus, taxpayers lose \$500 in credits for every \$10,000 of income. Assuming a \$1,000 per child credit, this means that the phaseout range is \$110,000 to \$130,000 for married filers with one child, \$110,000 to \$150,000 for married filers with two kids, etc.

<sup>15</sup> Other personal credits, such as the credits for child care and education were also allowed against the AMT, but only through 2003. The provision that allowed the use of those credits expired and has not yet been extended.

<sup>16</sup> See Table 2 for revenue estimate for H.R. 4359. For the revenue estimate without the increase in income eligibility thresholds, see Table T04-0086 at [www.taxpolicycenter.org/estimates](http://www.taxpolicycenter.org/estimates).

(See Table 5.) In contrast, only about 5 percent goes to the bottom forty percent of taxpayers, because many of them are constrained by the limit on refundability under current law.<sup>17</sup>

*AMT Relief.* Taxpayers subject to the individual alternative minimum tax (AMT) are allowed to deduct a special exemption, which varies by filing status, to figure the amount of income subject to tax under the AMT. EGTRRA increased the AMT exemption levels through 2004 to prevent the number of taxpayers subject to AMT from increasing due to the other income tax cuts. JGTRRA increased the exemption levels further, but again only through 2004. Currently, the exemptions are \$58,000 for a married couple filing a joint return and \$40,250 for single filers and heads of household. Under current law, those thresholds will decline to \$45,000 for couples and \$33,750 for singles and heads of household. The thresholds are not indexed for inflation.

H.R. 4227 would extend the 2004 thresholds and index them for inflation but only for one year. After that, they would return to their pre-EGTRRA levels and would remain constant in nominal terms. In consequence, the bill would only delay for one year the impending AMT tidal wave. Under the legislation, the number of people on the AMT would increase from 3.3 million in 2005 to 18.4 million in 2006. (See Table 6.) That number could be cut by about 20 percent (to 14.8 million) if the House tax cuts are not enacted.

H.R. 4227 would reduce revenues by about \$24 billion over ten years. However, if the AMT exemptions are indexed permanently, the ten-year cost would explode to \$475 billion.<sup>18</sup> This is a more realistic cost estimate, because it is implausible that the AMT will not be reined in some way or another. Indeed, indexing might be viewed as the minimal reform. Arguably, taxpayers should also be allowed to claim personal exemptions for dependents and deductions for state and local taxes against the AMT. Neither of these so-called “AMT preference items” has anything to do with limiting the use of tax shelters, and both are implicated in the explosive growth of middle- and upper-middle income taxpayers who will become subject to the AMT in the years ahead under current projections. As Table 6 shows, without reform, by the end of the decade, almost 30 million taxpayers will owe more tax and face unnecessary complexity because of the AMT.

In the short term, however, AMT relief almost exclusively benefits high-income taxpayers. Almost 96 percent of the benefits of H.R. 4227 go to taxpayers in the top quintile in 2005. (See Table 7.) The tax cut would be the largest share of income for the top 10 percent of taxpayers, for whom AMT relief would raise after-tax income by 0.5 percent. AMT relief becomes relatively inconsequential for very high income households (those in the top 0.5 percent), because relatively few very high income taxpayers are subject to the AMT.

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<sup>17</sup> The distribution is somewhat more progressive in 2004, when most of the benefits go to the second and highest quintiles. The second quintile (and some in the third quintile) benefit from accelerating the higher refundability rate for one year. The top quintile benefits from the higher income eligibility thresholds. The fourth quintile gets almost no benefit at all since most of them already received the full \$1,000 child tax credit. See Table T04-0081 at [www.taxpolicycenter.org/estimates](http://www.taxpolicycenter.org/estimates).

<sup>18</sup> Again, it should be noted that the other House tax cuts substantially increase the cost of fixing the AMT problem. In a separate analysis, we estimated that the 10-year cost of indexing would be \$372 billion under current law, almost 22 percent less than the cost assuming the other House tax cuts are enacted.

*Overall Effects.* Even without these tax cuts, the federal government is running deficits of over \$400 billion per year—or about 20 percent of federal spending. The proposed tax cuts would reduce revenues by over \$530 billion over the next decade. If not paid for by spending cuts or offsetting tax increases, they would increase the deficit by \$637 billion, including the additional interest on the national debt.

This cost, however, is a significant underestimate of the true cost. Assuming that temporary AMT relief is extended including indexing for inflation, the total revenue cost would be almost \$1 trillion, and almost \$1.2 trillion including interest.

The package has sometimes been called middle-class tax relief, but that is misleading. Although some of the tax cuts would go to middle-class households, almost 73 percent of the benefits in 2005 would go to the top 20 percent of households. (See Table 8.) The tax relief amounts to one percent of income for that group, compared with only about one-half as much for the third and fourth quintiles, and virtually nothing for the bottom 20 percent. The tax cuts are skewed toward the top primarily because of the substantial expansion in income limits for eligibility for the child credit and the temporary AMT relief, but even marriage penalty relief primarily benefits taxpayers in the higher tax brackets. Only the expansion of the 10-percent bracket provides more benefits for the middle three quintiles of the income distribution than for people at the top.

Of course, tax cuts are not free—they must eventually be offset by increases in taxes or cuts in spending or both.<sup>19</sup> Table 9 illustrates three possible ways those offsets might be distributed. The first column shows the distribution of changes in after-tax income if the current tax cuts were offset with a flat lump-sum tax of \$380 per tax filing unit. This simulation roughly represents the incidence if the tax cuts were offset by spending programs that benefited all households by about the same amount. In this case, the bottom four quintiles of the income distribution are worse off on balance, with the bottom quintile suffering the most because they receive virtually no benefit from the tax cut, but share equally in the sacrifice to pay for it. But the top quintile, and especially the top 10 percent receives the largest benefit, both in dollar terms and as a share of income.

A second possibility is that the offset would be roughly proportional to income. Again, the bottom four quintiles are worse off than they would be without the tax cut, but their net tax increase is relatively modest since it is tied to income. The largest tax increase falls on the highest income people—those in the top 1 percent would pay over \$28,000 more in taxes under this scheme—whereas the average tax unit in the top 20 percent would get a tax cut of about \$244 or 0.2 percent of income. This is significantly smaller than the net benefit they would receive with lump-sum financing.

The third option assumes that the deficit is offset with taxes proportional to current income taxes (before credits). Since income taxes are progressive with income, and more skewed to those at the top than the current tax cuts, this option would put most of the burden of paying for the tax

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<sup>19</sup> See William G. Gale, Peter Orszag, and Isaac Shapiro, “The Ultimate Burden of the Tax Cuts,” Center on Budget and Policy Priorities, June 2, 2004 (<http://www.cbpp.org/6-2-04tax.htm>), for a discussion.

cuts on those with high incomes. The bottom four quintiles would pay less tax on balance, but the top quintile would pay over \$100 more in taxes on average. The top 1 percent would pay almost \$55,000 more in taxes on net under this policy than if the tax cuts had not been enacted.

These options are simply illustrative. The main point is that the tax cuts being enacted now have to be offset, so it is misleading to pretend that everyone can be made better off (or at least no worse off). That happy scenario is simply not feasible.

Conservatives sometimes rationalize tax cuts by arguing that they would contribute to economic growth and thus tax receipts by increasing incentives to work and save. They further argue that tax cuts boost tax receipts by reducing incentives for taxpayers to shelter income from tax, but neither argument holds much force for this package of tax cuts. The vast majority of income is earned by the top 20 percent of taxpayers, but few of them would face lower marginal tax rates under these proposals. Instead, most of the benefits are inframarginal—meaning that they reduce average tax rates without reducing the marginal rates that affect incentives.<sup>20</sup> Indeed, the only component of the package that could reduce marginal tax rates for this group—AMT relief—only applies for one year.

Table 10 summarizes the effect of the package on marginal effective tax rates, and thus on economic incentives, in 2005.<sup>21</sup> About 85 percent of tax units would face no change in marginal effective tax rate if the package of tax cuts were enacted. One third of those in the top quintile would face lower effective rates in 2005, but most are in that situation because of the AMT relief, which is only temporary. Absent AMT relief, almost as many would face higher marginal tax rates as lower rates. In the top 5 percent, more would face higher rates than lower ones if the AMT is unchecked. Many more people in the second and third quintiles would see reductions in marginal tax rates, even without AMT relief. But most tax units would see no change. On balance, the vast majority of the tax changes are inframarginal.

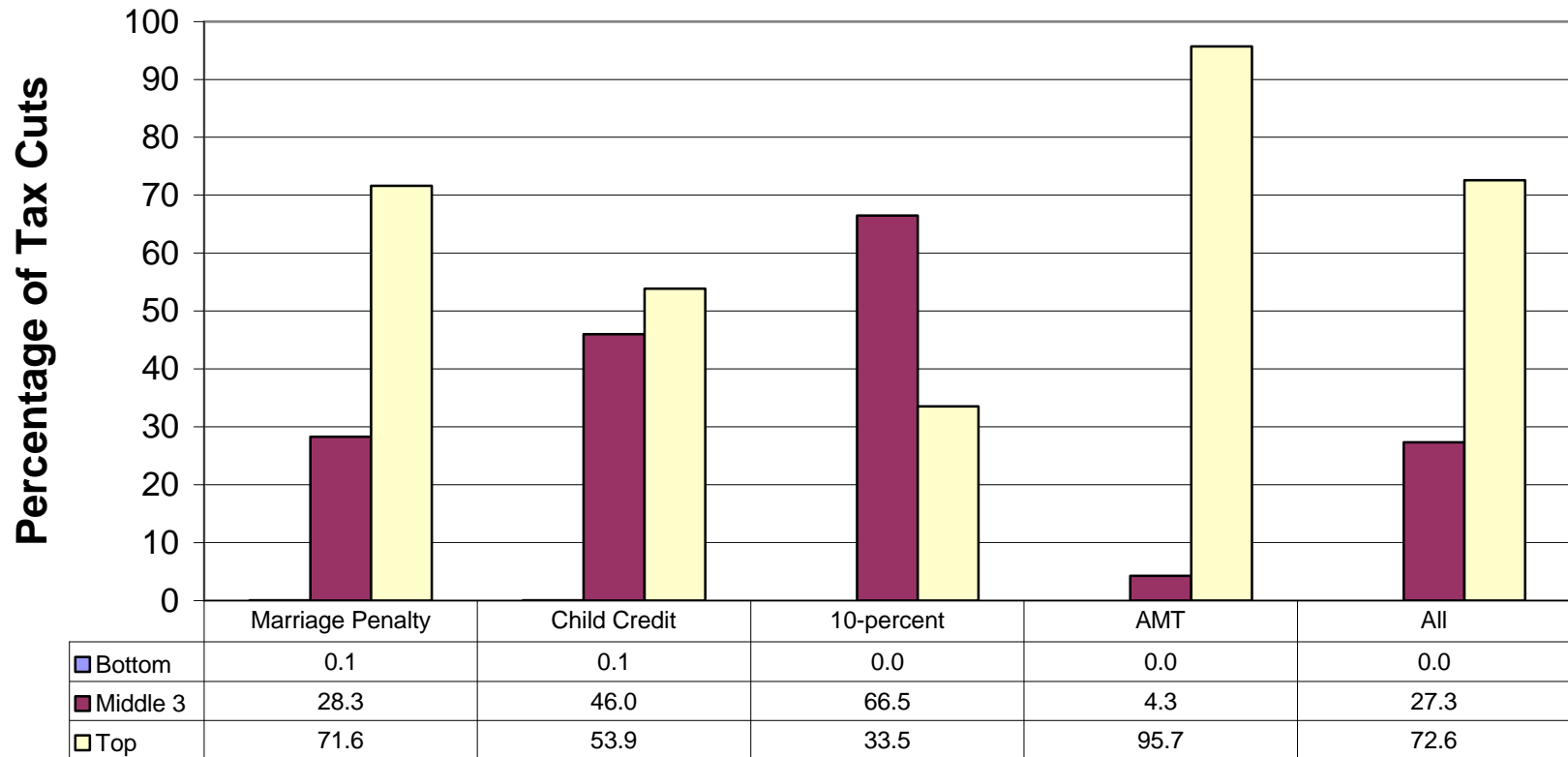
The result is that the primary economic impact of this policy will be to increase deficits and crowd out private investment, reducing economic growth. And, absent any kind of supply side response, the deficits will inevitably require substantial spending cuts and/or tax increases in the future. If the future deficits are offset by higher marginal tax rates or reductions in government investment in education or infrastructure, the long-run result could be even less economic growth.

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<sup>20</sup> Note that, even if marginal tax rates were cut, it is not at all clear that deficit-financed tax cuts spur economic growth over the long run. See William G. Gale and Peter Orszag, “The Economic Effects of Long-Term Fiscal Discipline,” Tax Policy Center Discussion Paper No. 8, April 2003.

<sup>21</sup> The marginal effective tax rate is defined as the change in tax liability per \$1,000 change in wage and salary income.

**Figure 1 (T04-0087)**  
**Share of House Tax Cuts for Lower, Middle 3, and Upper Quintiles, 2005**



Source: Tax Policy Center Microsimulation Model (May 18, 2004).

Quintiles are in terms of cash income. The second quintile starts at \$13,017; the top quintile, at \$76,368. For a description, see "Explanation of Income Measures," at <http://taxpolicycenter.org/TaxModel/income.cfm>. Detailed distribution tables are available at the "estimates" section of [taxpolicycenter.org](http://taxpolicycenter.org). See <http://taxpolicycenter.org/TaxModel/tmdb/TMTemplate.cfm?topic3id=80&topic2id=40>.

**Table 1. Provisions of the Bills Passed by the House of Representatives Compared with Current Law, 2004-20014**

Year <sup>1</sup>	15 Percent Bracket for Joint as a percent of Single		Standard Deduction for Joint as a percent of Single		Top of 10 Percent Bracket <sup>2</sup> for Joint Returns (\$)		Child Credit Amount (\$)		Child Credit Refund Rate <sup>3</sup> (Percent)		Child Credit Phase-out Threshold <sup>4</sup> for Joint Returns (\$)		AMT Exemptions <sup>5</sup> for Joint Returns (\$)	
	Current Law	Proposal	Current Law	Proposal	Current Law <sup>6,7</sup>	Proposal <sup>6</sup>	Current Law	Proposal	Current Law	Proposal	Current Law	Proposal	Current Law	Proposal <sup>6</sup>
<b>2004</b>	200	200	200	200	14,300	14,300	1,000	1,000	10	15	110,000	250,000	58,000	58,000
<b>2005</b>	180	200	174	200	12,000	14,550	700	1,000	15	15	110,000	250,000	45,000	58,950
<b>2006</b>	187	200	184	200	12,000	14,800	700	1,000	15	15	110,000	250,000	45,000	45,000
<b>2007</b>	193	200	187	200	12,000	15,050	700	1,000	15	15	110,000	250,000	45,000	45,000
<b>2008</b>	200	200	190	200	14,000	15,400	700	1,000	15	15	110,000	250,000	45,000	45,000
<b>2009</b>	200	200	200	200	14,300	15,750	800	1,000	15	15	110,000	250,000	45,000	45,000
<b>2010</b>	200	200	200	200	14,600	16,100	1,000	1,000	15	15	110,000	250,000	45,000	45,000
<b>2011</b>	167	200	167	200	0	16,450	500	1,000	0	15	110,000	250,000	45,000	45,000
<b>2012</b>	167	200	167	200	0	16,800	500	1,000	0	15	110,000	250,000	45,000	45,000
<b>2013</b>	167	200	167	200	0	17,150	500	1,000	0	15	110,000	250,000	45,000	45,000
<b>2014</b>	167	200	167	200	0	17,550	500	1,000	0	15	110,000	250,000	45,000	45,000

Source: Urban-Brookings Tax Policy Center.

(1) Calendar Year

(2) The width of the 10 percent bracket is \$7,150 for singles and \$10,200 for heads of household in 2004 under current law.

(3) The child tax credit is refundable up to a percentage ("refund rate") of earnings above \$10,750 in 2004. The threshold is indexed for inflation.

(4) The child credit phase-out threshold is \$75,000 for singles and heads of household under current law.

(5) The AMT exemption level is \$40,250 for singles and heads of household in 2004 under current law. The proposal would index the exemption for one year.

(6) Projections for indexed parameters based on CBO's CPI-U baseline.

(7) Under current law, the 10-percent bracket is only indexed in 2004, 2009 and 2010.

**Table 2 (T04-0085). House Tax Bills: Static Revenue Impact (\$ billions), 2004-141**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2004-14	Budget Total Impact <sup>2</sup> 2004-14
<b>Calendar Years</b>													
<b>H.R. 4275: Extension of 10-Percent Bracket</b>	0.0	-5.9	-6.3	-6.5	-3.0	-2.9	-2.9	-47.7	-47.9	-47.2	-46.7	-217.0	
<b>H.R. 4359: Extension and Expansion of Child Credit</b>	-6.2	-16.8	-17.2	-17.5	-17.9	-14.4	-7.4	-37.6	-38.2	-38.8	-39.4	-251.4	
<b>H.R. 4181: Extension of Marriage-Penalty Reform</b>	0.0	-8.5	-4.8	-2.6	-1.0	0.0	0.0	-20.6	-18.7	-16.2	-14.3	-86.6	
<b>H.R. 4227: Increase AMT Exemption Amounts</b>	0.0	-23.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-23.8	
<b>TOTAL, ALL PROVISIONS</b>	-6.2	-54.9	-28.2	-26.6	-21.9	-17.3	-10.3	-105.9	-104.8	-102.2	-100.4	-578.7	
<b>Addendum</b>													
<b>Make H.R. 4227 Permanent<sup>3</sup></b>	0.0	0.0	-29.5	-35.8	-44.3	-53.9	-64.9	-51.5	-61.9	-74.5	-87.7	-504.2	
<b>TOTAL, ALL PROVISIONS</b>	-6.2	-54.9	-57.7	-62.4	-66.2	-71.2	-75.3	-157.4	-166.7	-176.7	-188.1	-1,082.9	
<b>Fiscal Years</b>													
<b>H.R. 4275: Extension of 10-Percent Bracket<sup>4</sup></b>	0.0	-4.4	-6.2	-6.5	-3.8	-2.9	-2.9	-36.5	-47.8	-47.4	-46.8	-205.3	-235.2
<b>H.R. 4359: Extension and Expansion of Child Credit<sup>5</sup></b>	-1.2	-8.3	-16.8	-17.2	-17.6	-17.2	-13.0	-13.5	-37.7	-38.3	-38.9	-219.9	-268.6
<b>H.R. 4181: Extension of Marriage-Penalty Reform<sup>6</sup></b>	0.0	-5.5	-6.1	-3.3	-1.5	-0.3	0.0	-13.4	-19.4	-17.1	-15.0	-81.5	-96.7
<b>H.R. 4227: Increase AMT Exemption Amounts<sup>7</sup></b>	0.0	-9.5	-14.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-23.8	-36.4
<b>TOTAL, ALL PROVISIONS</b>	-1.2	-27.8	-43.4	-27.0	-23.0	-20.5	-15.9	-63.3	-104.9	-102.7	-100.7	-530.5	-637.0
<b>Addendum</b>													
<b>Make H.R. 4227 Permanent<sup>3,7</sup></b>	0.0	0.0	-11.8	-32.0	-39.2	-48.2	-58.3	-59.6	-55.7	-66.9	-79.8	-451.5	-542.9
<b>TOTAL, ALL PROVISIONS</b>	-1.2	-27.8	-55.2	-59.1	-62.2	-68.6	-74.3	-122.9	-160.6	-169.7	-180.5	-982.1	-1,179.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

(1) Baseline for H.R. 4275 is current law; other provisions are stacked in the order shown.

(2) Includes interest assuming that the revenue costs lead to higher deficits.

(3) The AMT exemption would be \$58,000 for a married couple filing a joint return (\$29,000 for married individuals filing a separate return), and \$40,250 for others; indexed for inflation after 2004.

**Table 3 (T04-0067). H.R. 4181, Extension of Marriage Penalty Relief**

**Distribution of Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>4</sup>	
					Current Law	Proposal
<b>Lowest Quintile</b>	0.3	*	0.1	**	3.5	3.5
<b>Second Quintile</b>	5.1	*	1.5	-5	7.8	7.8
<b>Middle Quintile</b>	17.1	0.1	7.6	-24	14.7	14.6
<b>Fourth Quintile</b>	32.4	0.1	19.2	-61	19.2	19.1
<b>Top Quintile</b>	43.2	0.2	71.6	-229	25.3	25.2
<b>All</b>	19.6	0.1	100.0	-64	21.3	21.2
<b>Addendum</b>						
<b>Top 10 Percent</b>	38.0	0.1	31.1	-199	26.6	26.5
<b>Top 5 Percent</b>	27.4	0.1	11.2	-143	27.7	27.7
<b>Top 1 Percent</b>	43.0	*	4.0	-258	29.5	29.5
<b>Top 0.5 Percent</b>	58.1	*	2.8	-356	30.2	30.2
<b>Top 0.1 Percent</b>	67.0	*	0.6	-410	31.8	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent. \*\* Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Provisions include: increase standard deduction and width of the 15-percent bracket for married couples to twice that of singles.

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Table 4 (T04-0075). H.R. 4275: Extension of 10 Percent Income Tax Bracket  
Distribution of Individual Income Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>4</sup>	
					Baseline	Proposal
<b>Lowest Quintile</b>	*	*	*	**	3.5	3.5
<b>Second Quintile</b>	27.2	*	7.5	-15	7.8	7.8
<b>Middle Quintile</b>	64.0	0.1	18.9	-38	14.7	14.6
<b>Fourth Quintile</b>	89.0	0.1	40.1	-81	19.2	19.0
<b>Top Quintile</b>	61.7	0.2	33.5	-68	25.3	25.3
<b>All</b>	48.4	0.1	100.0	-41	21.3	21.2
<b>Addendum</b>						
<b>Top 10 Percent</b>	46.0	0.1	12.6	-51	26.6	26.6
<b>Top 5 Percent</b>	32.2	0.1	4.4	-36	27.7	27.7
<b>Top 1 Percent</b>	48.1	*	1.4	-55	29.5	29.5
<b>Top 0.5 Percent</b>	63.6	*	0.9	-74	30.2	30.2
<b>Top 0.1 Percent</b>	71.2	*	0.2	-83	31.8	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent. \*\* Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Provisions include: increasing the width of the 10 percent bracket to \$14,000 for married couples filing a joint return (\$7,000 for singles), indexed for inflation after 2003.

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Table 5 (T04-0083). H.R. 4359, Extension and Expansion of Child Tax Credit:  
Distribution of Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>4</sup>	
					Current Law	Proposal
<b>Lowest Quintile</b>	0.1	*	0.1	**	3.5	3.5
<b>Second Quintile</b>	10.6	0.2	5.4	-31	7.8	7.7
<b>Middle Quintile</b>	21.5	0.3	15.8	-91	14.7	14.4
<b>Fourth Quintile</b>	30.2	0.3	24.8	-143	19.2	18.9
<b>Top Quintile</b>	36.8	0.2	53.9	-311	25.3	25.1
<b>All</b>	19.8	0.2	100.0	-115	21.3	21.1
<b>Addendum</b>						
<b>Top 10 Percent</b>	35.1	0.2	36.7	-423	26.6	26.5
<b>Top 5 Percent</b>	28.9	0.2	19.5	-450	27.7	27.6
<b>Top 1 Percent</b>	2.6	*	0.3	-36	29.5	29.5
<b>Top 0.5 Percent</b>	1.4	*	0.1	-15	30.2	30.2
<b>Top 0.1 Percent</b>	0.6	*	*	-6	31.8	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent. \*\* Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Provisions include: increase child tax credit amount to \$1,000; increase phaseout threshold for child credit to \$125,000 (\$250,000 for married couples filing a joint return).

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Table 6 (T04-0105). Aggregate AMT Projections Under Current Law and After House Tax Cuts, 2005-2014**

	Calendar Years										Total 2005-14
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>Current Law</b>											
AMT Taxpayers (millions)	11.6	14.8	18.2	23.5	26.3	29.2	14.3	16.1	18.4	20.7	
% of Taxpayers <sup>1</sup>	12.9	16.2	19.3	24.6	27.2	29.9	13.9	15.5	17.5	19.4	
% of Tax Filers <sup>1</sup>	9.3	11.8	14.3	18.2	20.2	22.2	10.7	12.0	13.6	15.2	
AMT Revenue (\$ billions)	35.4	46.2	55.2	74.5	85.5	104.5	39.6	45.2	52.4	59.9	598.3
<b>House Tax Cuts (H.R. 4181 + H.R. 4275 + H.R. 4359)<sup>2</sup></b>											
AMT Taxpayers (millions)	15.6	18.4	21.2	24.0	26.8	29.7	27.9	30.7	33.6	36.1	
Increase over current law (millions)	4.0	3.6	2.9	0.6	0.5	0.5	13.6	14.6	15.2	15.4	
% of Taxpayers <sup>1</sup>	17.7	20.4	22.7	25.5	27.9	30.4	28.1	30.5	32.9	35.0	
% of Tax Filers <sup>1</sup>	12.5	14.6	16.6	18.6	20.6	22.6	21.0	22.9	24.8	26.5	
AMT Revenue (\$ billions)	43.2	53.4	61.5	76.7	87.3	106.6	69.6	81.2	95.3	110.0	784.7
<b>Indexed For Inflation<sup>3</sup></b>											
AMT Taxpayers (millions)	3.3	3.9	4.2	4.7	4.9	5.6	2.2	2.3	2.5	2.7	
% of Taxpayers <sup>1</sup>	3.7	4.3	4.5	5.0	5.2	5.8	2.2	2.3	2.5	2.6	
% of Tax Filers <sup>1</sup>	2.6	3.1	3.3	3.7	3.8	4.3	1.6	1.7	1.9	2.0	
AMT Revenue (\$ billions)	19.5	24.0	25.8	32.5	33.5	41.8	18.2	19.5	20.9	22.4	258.2
Cost of indexing (\$ billions)	23.7	29.4	35.7	44.2	53.8	64.8	51.4	61.7	74.4	87.5	526.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-3).

(1) Tax units that are dependents of other taxpayers are excluded from the analysis.

(2) The three bills would make permanent temporary provisions enacted in 2003. H.R. 4181 provides marriage penalty relief; H.R. 4275 makes permanent the 10-percent tax bracket; and H.R. 4359 would expand and make permanent the \$1,000 per child tax credit

(3) The higher AMT exemption in effect for 2004 would be made permanent and indexed for inflation after 2004. The provision is stacked after the other three House tax cuts. H.R. 4227 would index the AMT exemption, but only for one year (2005).

**Table 7 (T04-0071). H.R. 4227, Extension of Alternative Minimum Tax Relief  
Distribution of Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>4</sup>	
					Current Law	Proposal
<b>Lowest Quintile</b>	*	*	*	**	3.5	3.5
<b>Second Quintile</b>	*	*	*	**	7.8	7.8
<b>Middle Quintile</b>	0.3	*	0.3	-2	14.7	14.7
<b>Fourth Quintile</b>	3.2	*	4.0	-24	19.2	19.1
<b>Top Quintile</b>	35.1	0.4	95.7	-576	25.3	25.0
<b>All</b>	7.7	0.3	100.0	-120	21.3	21.1
<b>Addendum</b>						
<b>Top 10 Percent</b>	49.7	0.5	79.4	-957	26.6	26.2
<b>Top 5 Percent</b>	61.0	0.5	58.8	-1,417	27.7	27.4
<b>Top 1 Percent</b>	27.0	0.1	5.5	-666	29.5	29.5
<b>Top 0.5 Percent</b>	9.3	*	0.9	-225	30.2	30.2
<b>Top 0.1 Percent</b>	3.1	*	0.1	-70	31.8	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent. \*\* Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Provisions include: increase AMT exemption to \$58,000 for married couples filing a joint return (\$29,000 for married individuals filing a separate return) and \$40,250 for others, indexed for inflation after 2004.

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Table 8 (T04-0078). Combined Effect of House Bills on Marriage Penalty Relief, AMT Relief, Extension of the 10-Percent Income Tax Bracket and Increased and Expanded Child Credit Distribution of Individual Income Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>4</sup>	
					Current Law	Proposal
Lowest Quintile	0.4	*	*	-1	3.5	3.5
Second Quintile	40.7	0.3	2.7	-51	7.8	7.6
Middle Quintile	77.7	0.5	8.1	-155	14.7	14.3
Fourth Quintile	95.3	0.6	16.5	-314	19.2	18.7
Top Quintile	97.3	1.0	72.6	-1,380	25.3	24.5
All	62.3	0.8	100.0	-380	21.3	20.7
<b>Addendum</b>						
Top 10 Percent	96.4	1.0	50.0	-1,901	26.6	25.9
Top 5 Percent	94.2	0.8	30.2	-2,300	27.7	27.2
Top 1 Percent	77.1	0.1	2.8	-1,061	29.5	29.4
Top 0.5 Percent	75.9	0.1	0.9	-693	30.2	30.2
Top 0.1 Percent	79.7	*	0.2	-576	31.8	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent. \*\* Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Provisions include: increasing the standard deduction and the width of the 15 percent bracket for married couples filing a joint return to twice that of singles; increasing AMT exemption to \$58,000 for married couples filing a joint return (\$29,000 for married individuals filing a separate return) and \$40,250 for others, indexed for inflation after 2004; increasing the width of the 10 percent bracket to \$14,000 for married couples filing a joint return (\$7,000 for singles), indexed for inflation after 2003; increasing the child credit to \$1,000; increasing phaseout threshold for child credit to \$125,000 (\$250,000 for married couples filing a joint return).

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Table 9**

**Combined Effect of House Bills on Marriage Penalty Relief, AMT Relief, Extension of the 10-Percent Income Tax Bracket and Increased and Expanded Child Credit**

**Distribution of Individual Income Tax Change with Financing by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class	Percent Change in After-Tax Income After Financing <sup>2</sup>				Average Tax Change After Financing (\$)			
	Lump-Sum	Proportional to Income	Proportional to Tax	No Financing	Lump-Sum	Proportional to Income	Proportional to Tax	No Financing
<b>Lowest Quintile</b>	-5.2	-0.6	*	*	380	48	1	-1
<b>Second Quintile</b>	-1.9	-0.4	0.1	0.3	329	71	-23	-51
<b>Middle Quintile</b>	-0.8	-0.2	0.2	0.5	226	63	-49	-155
<b>Fourth Quintile</b>	-0.1	-0.1	0.1	0.6	66	66	-31	-314
<b>Top Quintile</b>	0.7	0.2	-0.1	1.0	-1,000	-246	102	-1,380
<b>All</b>	*	*	*	0.8	0	0	0	-380
<b>Addendum</b>								
<b>Top 10 Percent</b>	0.8	0.1	-0.3	1.0	-1,521	-238	506	-1,901
<b>Top 5 Percent</b>	0.7	-0.1	-0.6	0.8	-1,920	164	1,593	-2,300
<b>Top 1 Percent</b>	0.1	-0.8	-1.5	0.1	-681	5,498	10,720	-1,061
<b>Top 0.5 Percent</b>	*	-0.8	-1.6	0.1	-313	9,493	18,145	-693
<b>Top 0.1 Percent</b>	*	-0.9	-1.8	*	-195	28,349	54,908	-576

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent.

(1) See footnotes to Table 8.

(2) Three financing options are shown: (1) lump-sum: all tax units pay an equal lump-sum tax; (2) proportional to income: tax is allocated in proportion to positive cash income; and (3) proportional to tax: tax is allocated in proportion to federal income tax before credits.

**Table 10****Combined Effect of House Bills on Effective Marginal Tax Rates With and Without AMT Relief, 2005<sup>1</sup>**

Cash Income Class	Tax Units Facing Higher Marginal Rate (%) <sup>2</sup>		Tax Units Facing Lower Marginal Rate (%)		Tax Units with No Change in Marginal Rate (%)	
	With AMT Relief	Without AMT Relief	With AMT Relief	Without AMT Relief	With AMT Relief	Without AMT Relief
Lowest Quintile	0.0	0.0	0.1	0.1	99.9	99.9
Second Quintile	0.2	0.2	15.9	15.9	83.9	83.9
Middle Quintile	1.0	1.0	10.5	10.1	88.6	88.8
Fourth Quintile	0.4	1.6	7.9	4.9	91.7	93.4
Top Quintile	4.9	12.1	33.3	14.7	61.9	73.2
All	1.3	3.0	13.5	9.2	85.2	87.8
<b>Addendum</b>						
Top 10 Percent	7.2	12.7	34.0	14.1	58.8	73.2
Top 5 Percent	12.2	8.8	27.4	5.2	60.5	86.0
Top 1 Percent	12.6	2.6	6.6	2.8	80.8	94.5
Top 0.5 Percent	2.3	2.2	4.5	2.1	93.1	95.6
Top 0.1 Percent	1.1	0.3	1.1	0.4	97.8	99.2

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

(1) See footnotes to Table 8.

(2) Effective marginal rate on income from wages and salaries.