

A Simple, Progressive Replacement for the AMT

By Len Burman and Greg Leiserson

Len Burman is a senior fellow at the Urban Institute and director of the Tax Policy Center, where Greg Leiserson is a research assistant. The authors thank Jeff Rohaly for helpful comments. Views expressed are those of the authors alone and do not necessarily reflect those of the Urban Institute, its board, or its funders.

Copyright 2007 Len Burman and Greg Leiserson.
All rights reserved.

The precursor to the individual alternative minimum tax was originally an add-on tax intended to ensure that high-income people paid at least some tax. It has morphed and mutated over time, and now is on track to hit 23 million households in 2007, many of them middle- and upper-middle-income families with children. This article describes an option that would return the AMT to its original purpose.

In short, the option would repeal the AMT and replace it with an add-on tax of 4 percent of adjusted gross income above \$100,000 for singles and \$200,000 for couples. The thresholds would be indexed for inflation after 2007. The option restores the AMT to its original purpose. The proposed add-on tax would be simple: Subtract the threshold (\$100,000 or \$200,000) from AGI and multiply the difference (if any) by 4 percent. Add that to income tax.

The option is approximately revenue neutral over the 10-year budget window. It would reduce revenue by about \$92 billion between fiscal 2007 and fiscal 2011, but would gain roughly the same amount from 2012 through 2017 (Table 5).

This option is highly progressive. Most taxpayers with incomes less than \$500,000 affected by the proposal would pay lower taxes through 2010 (tables 3 and 6). Most taxpayers with higher incomes would pay more. After 2010, when the Bush tax cuts expire and AMT liabilities decline under current law, the break-even point shifts down somewhat, but by 2017 the distribution is very similar to that in 2007 (Table 7).

The option would replace a tax that is increasingly encroaching on the middle class with one that would be targeted at those most able to pay. Under current law, more than 40 percent of the AMT will be paid by households with incomes less than \$200,000 in 2010. (See Figure and Table 9.) Taxpayers with similar incomes

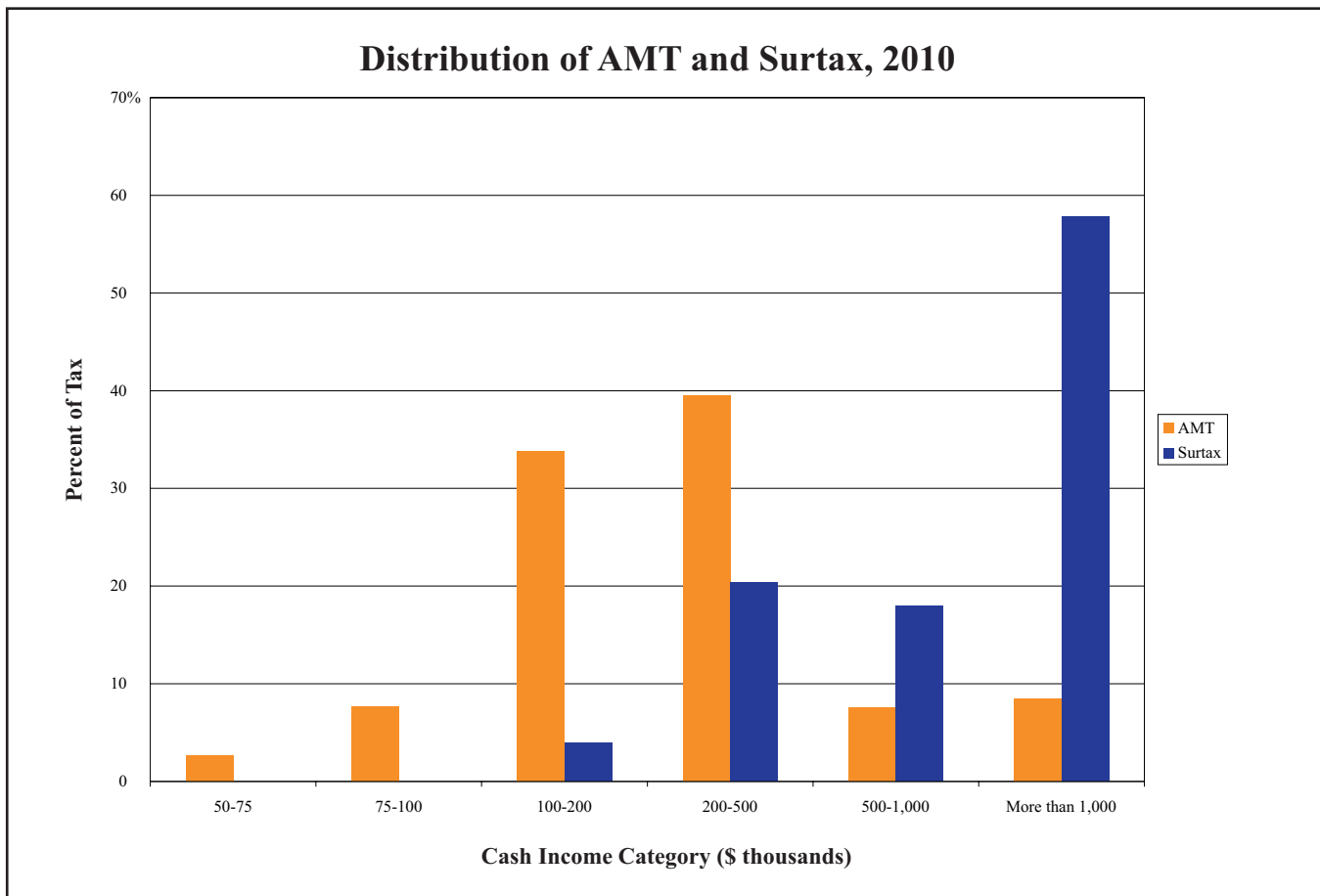
would bear less than 4 percent of the proposed AGI surtax, in contrast. Almost 58 percent of the surtax would be borne by taxpayers with incomes exceeding \$1 million. Under current law, that group will pay only about 8 percent of the AMT in 2010.

It should be noted that the proposal would not negate all of the benefits of the Bush tax cuts through 2010. Almost nobody (0.2 percent of taxpayers) would owe higher taxes in 2010 under the proposal than they would under pre-2001 law — the same share that would owe higher taxes without the AMT reform (tables 2 and 8). Even those with incomes exceeding \$1 million would receive a net tax cut equal to more than 4 percent of income, or almost \$86,000 in 2010. That is substantially smaller than the tax cut originally conferred by the tax cuts, but still larger than most middle-income taxpayers' tax cuts. And, by repealing the AMT, middle-income taxpayers would receive the full benefit of the Bush tax cuts. In a previous analysis, we have shown that the AMT takes back almost 30 percent of the tax cuts in 2010 (Table 1).¹

Taxpayers with incomes below \$500,000 would, on average, receive a tax cut from the proposal, averaging 0.5 percent of income in 2007 for those with income between \$75,000 and \$100,000 and more than 1 percent for those with income between \$100,000 and \$500,000. Higher-income people would pay more tax, on average, especially those with incomes exceeding \$1 million, who are relatively unlikely to be subject to AMT under current law.

Among taxpayers affected by the proposal, most would face lower *effective* tax rates on ordinary income than under current law, and many would also face lower effective rates on capital gains (Table 4). The marginal effective tax rate is the additional tax paid on an additional dollar of income. It is a measure of how the tax system affects incentives to work, save, and engage in tax sheltering. It can differ from statutory tax rates because of income phase-ins and phaseouts. The AMT creates an implicit income tax surcharge because the exemption phases out over a range of income at a 25 percent rate. The surtax is thus equivalent to 25 percent of the AMT rate — either 6.5 percent (25 percent of 26 percent) or 7 percent (25 percent of 28 percent) — for AMT taxpayers in the phaseout range. The surtax applies to both ordinary income and capital gains. Thus, the effective capital gains rate under the AMT can be as high as 22 percent (the 15 percent statutory rate plus the 7 percent AMT

¹See Greg Leiserson and Jeff Rohaly (2006) for details.



surtax).² Repealing the AMT will therefore reduce rates by more than 4 percentage points for many taxpayers affected by the exemption phaseout. As a result, they will pay at lower marginal rates even with the new add-on tax. In addition, middle-income taxpayers are removed from the AMT and are unaffected by the new tax. Most very-high-income taxpayers would pay tax at higher rates, however.

After 2010 the sum of the top statutory rates in the regular income tax and the add-on tax rate would be higher than the top statutory rates under pre-2001 law — 43.6 percent on ordinary income and 24 percent on capital gains. However, the tax system would be much simpler and more transparent, and nearly all AMT taxpayers would pay lower taxes.

A tax based on AGI may seem like a new departure for the tax system, but it is not. There are countless implicit taxes on AGI. For example, the child tax credit phases out at a 5 percent rate on AGI exceeding \$110,000 for couples, creating a 5 percent AGI surtax over a range of income. Itemized deductions and personal exemptions similarly phase out with AGI (although the 2001 tax cuts have partially repealed those provisions in 2007 and will fully repeal them by 2010). A more sweeping reform might

subsume all or almost all of the AGI phaseouts into the new AGI surtax, although that would require a higher rate or a lower threshold to be revenue neutral.

For more information on the AMT, see the Tax Policy Center’s collection of AMT resources at: <http://www.taxpolicycenter.org/newsevents/amt.cfm>.

References

- Burman, Leonard E., William G. Gale, Greg Leiserson, and Jeff Rohaly. 2007. “Options to Fix the AMT.” Washington: The Urban Institute.
- Leiserson, Greg. 2007. “The 15 Percent Rate on Capital Gains: A Casualty of the Alternative Minimum Tax.” Washington: The Urban Institute.
- Leiserson, Greg and Jeff Rohaly. 2006. “The Individual Alternative Minimum Tax: Historical Data and Projections.” Washington: The Urban Institute.

(Tables begin on next page.)

²See Leiserson (2007) for details and example calculations.

Table 1. Effect of the AMT on 2001-2006 Individual Income Tax Cuts, 2010¹				
Cash Income Class (thousands of 2006 dollars)²	Tax Units³		Percent of Tax Units With No Cut Due to AMT	Percent of Tax Cut Taken Back by the AMT
	Number (thousands)	Percent of Total		
All	154,718	100.0	3.1	27.7
Less than 30	63,641	41.1	*	*
30-50	28,908	18.7	0.1	0.8
50-75	22,180	14.3	1.5	4.0
75-100	14,059	9.1	4.2	19.3
100-200	18,782	12.1	12.5	47.4
200-500	5,289	3.4	26.4	70.3
500-1,000	831	0.5	3.7	24.9
More than 1,000	431	0.3	1.3	7.1

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).
*Less than 0.05 percent.
¹Calendar year. Tax cuts are calculated as a comparison of pre-EGTRRA law without the AMT and current law without the AMT. The share of the tax cuts taken back by the AMT is calculated using the increase in the AMT between pre-EGTRRA law and current law.
²Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.
³Includes both filing and nonfiling units. Tax units that are dependents of other taxpayers are excluded from the analysis.

Table 2. Combined Effect of the 2001-2006 Tax Cuts Distribution of Federal Tax Change by Cash Income Class, 2010 ¹									
Cash Income Class (thousands of 2006 dollars) ²	Percent of Tax Units ³		Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	3.8	0.1	0.0	\$-5	-2.0	0.0	0.2	-0.1	4.3
10-20	45.8	0.5	1.7	-177	-20.0	-0.1	0.7	-1.1	4.3
20-30	75.9	0.3	2.3	-557	-17.9	-0.2	2.2	-2.1	9.5
30-40	85.1	0.1	2.5	-785	-13.2	-0.1	3.3	-2.1	13.6
40-50	90.8	0.1	2.2	-871	-9.7	0.0	4.2	-1.8	16.5
50-75	96.0	0.2	2.3	-1,212	-8.7	0.1	11.3	-1.8	19.0
75-100	95.9	0.3	2.3	-1,684	-7.9	0.2	11.0	-1.8	20.8
100-200	92.9	0.1	2.3	-2,530	-6.7	0.8	26.3	-1.7	23.9
200-500	90.6	0.1	2.6	-5,686	-6.4	0.6	17.4	-1.8	26.6
500-1,000	98.9	0.0	5.6	-28,578	-12.8	-0.3	6.5	-3.9	26.5
More than 1,000	99.4	0.0	7.6	-157,418	-13.9	-0.9	16.8	-4.9	30.4
All	72.3	0.2	3.0	-1,686	-9.4	0.0	100.0	-2.3	21.8

Baseline Distribution of Income and Federal Taxes By Cash Income Class, 2010 ¹									
Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pretax Income Total	Share of Posttax Income Total	Share of Federal Taxes	
	Number (thousands)	Percent of Total						Percent of Total	Percent of Total
Less than 10	17,249	11.2	\$263	\$5,756	4.4	0.9	1.1	0.2	0.2
10-20	25,257	16.3	883	15,392	5.4	3.6	4.5	0.8	0.8
20-30	21,136	13.7	3,107	23,876	11.5	5.0	5.8	2.4	2.4
30-40	15,865	10.3	5,940	31,971	15.7	5.2	5.8	3.4	3.4
40-50	13,044	8.4	8,939	39,869	18.3	5.5	6.0	4.2	4.2
50-75	22,180	14.3	13,960	53,194	20.8	13.0	13.5	11.2	11.2
75-100	14,059	9.1	21,345	73,031	22.6	11.5	11.8	10.9	10.9
100-200	18,782	12.1	37,637	109,411	25.6	24.0	23.5	25.6	25.6
200-500	5,289	3.4	88,278	222,356	28.4	14.3	13.5	16.9	16.9
500-1,000	831	0.5	223,945	514,537	30.3	5.3	4.9	6.7	6.7
More than 1,000	431	0.3	1,131,653	2,072,970	35.3	12.0	10.2	17.7	17.7
All	154,718	100.0	17,878	56,444	24.1	100.0	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Calendar year. Baseline is pre-EGTRRA law. Tax cuts include individual income and estate tax provisions in EGTRRA, JCWA, JGTRRA, WFTRA, AICA, TIPRA, and PPA. Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

²Includes both filing and nonfiling units. Tax units that are dependents of other taxpayers are excluded from the analysis.

³After-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.

⁴Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.

Table 3. Repeal AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000 Distribution of Federal Tax Change by Cash Income Class, 2007¹

Cash Income Class (thousands of 2006 dollars) ²	Percent of Tax Units ³		Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	0.0	0.0	0.0	\$0	0.0	0.0	0.2	0.0	4.1
10-20	0.0	0.0	0.0	0	0.0	0.0	0.8	0.0	4.4
20-30	0.0	0.0	0.9	-2	-0.1	0.0	2.3	0.0	9.6
30-40	0.5	0.0	0.5	-2	0.0	0.0	3.5	0.0	13.9
40-50	2.8	0.0	3.7	-14	-0.2	0.0	4.3	0.0	16.5
50-75	9.1	0.0	30.2	-67	-0.6	0.0	11.5	-0.1	18.5
75-100	36.1	0.2	103.5	-374	-2.1	-0.2	10.8	-0.4	20.0
100-200	68.9	8.9	461.7	-1,314	-4.1	-1.0	23.9	-1.0	22.5
200-500	73.2	21.4	276.6	-2,936	-3.8	-0.6	15.7	-1.0	25.7
500-1,000	21.9	73.4	-131.0	8,236	4.3	0.3	7.0	1.2	28.7
More than 1,000	10.9	87.8	-647.0	77,528	7.8	1.5	19.9	2.5	34.6
All	14.8	2.3	100.0	-32	-0.2	0.0	100.0	-0.1	21.7

Baseline Distribution of Income and Federal Taxes By Cash Income Class, 2007¹

Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pretax Income		Share of Posttax Income		Share of Federal Taxes	
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total	Percent of Total		
Less than 10	18,608	12.5	\$5,699	\$231	\$5,467	4.1	1.1	1.3	0.2	0.2	0.2	
10-20	25,761	17.3	15,189	661	14,528	4.4	3.9	4.8	0.8	0.8		
20-30	20,224	13.5	25,240	2,429	22,811	9.6	5.1	5.9	2.3	2.3		
30-40	15,244	10.2	35,555	4,953	30,602	13.9	5.5	6.0	3.5	3.5		
40-50	12,157	8.1	45,638	7,532	38,107	16.5	5.6	6.0	4.3	4.3		
50-75	21,294	14.3	62,764	11,703	51,061	18.7	13.5	14.0	11.6	11.6		
75-100	13,139	8.8	88,142	17,964	70,178	20.4	11.7	11.9	11.0	11.0		
100-200	16,685	11.2	137,212	32,132	105,080	23.4	23.1	22.6	24.9	24.9		
200-500	4,475	3.0	293,234	78,193	215,041	26.7	13.2	12.4	16.3	16.3		
500-1,000	756	0.5	692,259	190,498	501,761	27.5	5.3	4.9	6.7	6.7		
More than 1,000	396	0.3	3,113,319	999,283	2,114,036	32.1	12.4	10.8	18.4	18.4		
All	149,332	100.0	66,439	14,416	52,023	21.7	100.0	100.0	100.0	100.0		

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Number of AMT taxpayers (millions). Baseline: 23.4 Proposal: 0.0.

²Calendar year. Baseline is current law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses.

³Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

⁴Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

⁵Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.

**Table 4. Repeal AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000
Distribution of Tax Units by Change in Marginal Tax Rate, 2007¹**

Cash Income Class (thousands of 2006 dollars) ²	Change in Marginal Tax Rate on Wages			Change in Marginal Tax Rate On Capital Gains		
	Percent With Increase	Percent With Decrease	Percent With No Change	Percent With Increase	Percent With Decrease	Percent With No Change
Less than 100	0.1	5.5	94.4	1.0	1.1	97.9
100-200	15.9	59.8	24.2	28.7	18.5	52.9
200-500	59.8	34.6	5.6	31.7	50.0	18.4
500-1,000	84.0	11.1	5.0	62.2	12.5	25.3
More than 1,000	90.8	7.9	1.3	68.3	6.7	24.9
All	4.3	12.5	83.2	5.5	4.6	89.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT taxpayers (millions). Baseline: 23.4 Proposal: 0.0.

¹Calendar year. Baseline is current law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses.

²Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

**Table 5. Repeal AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000
Static Impact on Individual Income Tax Liability and Revenue (\$ billions), 2007-17¹**

	Year													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2007-11	2012-17	2007-17
Fiscal Year Revenue ²	-3.0	-12.8	-24.1	-35.7	-16.3	26.0	22.4	18.2	13.1	6.4	-1.7	-91.9	84.4	-7.5
Calendar Year Liability	-7.6	-20.5	-29.4	-45.3	27.3	24.0	19.9	15.6	9.5	1.8	-6.9	-75.5	63.9	-11.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Baseline is current law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses. Values are presented in 2007 dollars and indexed for inflation. Estimates are static and do not account for any potential microeconomic behavioral response. Official estimates from the Joint Committee on Taxation would likely show a somewhat different effect on revenue.

²Fiscal year revenue numbers assume a 40-60 split. The actual effect on receipts could differ.

Table 6. Repeal AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000 Distribution of Federal Tax Change by Cash Income Class, 2010¹

Cash Income Class (thousands of 2006 dollars) ²	Percent of Tax Units ³		Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	0.0	0.0	0.0	\$0	0.0	0.0	0.2	0.0	4.3
10-20	0.0	0.0	0.0	0	0.0	0.0	0.7	0.0	4.3
20-30	0.1	0.0	0.1	-3	-0.1	0.0	2.2	0.0	9.4
30-40	1.5	0.0	0.2	-6	-0.1	0.1	3.3	0.0	13.6
40-50	5.1	0.0	1.0	-32	-0.4	0.1	4.3	-0.1	16.5
50-75	17.1	0.1	7.8	-148	-1.2	0.1	11.4	-0.2	18.8
75-100	49.6	0.2	22.8	-684	-3.5	-0.2	10.8	-0.7	20.1
100-200	77.9	9.1	87.9	-1,977	-5.6	-1.1	25.3	-1.3	22.5
200-500	83.9	12.6	67.9	-5,420	-6.6	-0.9	16.6	-1.7	24.8
500-1,000	31.1	66.1	-11.5	5,844	3.0	0.3	6.8	0.8	27.3
More than 1,000	13.8	84.9	-76.3	74,699	7.7	1.6	18.4	2.3	32.7
All	20.1	2.2	100.0	-273	-1.7	0.0	100.0	-0.4	21.4

Baseline Distribution of Income and Federal Taxes By Cash Income Class, 2010¹

Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pretax Income Total	Share of Posttax Income Total	Share of Federal Taxes Total
	Number (thousands)	Percent of Total							
Less than 10	17,249	11.2	\$6,020	\$258	\$5,762	4.3	0.9	1.1	0.2
10-20	25,257	16.3	16,275	706	15,569	4.3	3.6	4.4	0.7
20-30	21,136	13.7	26,983	2,550	24,433	9.5	5.0	5.7	2.2
30-40	15,865	10.3	37,911	5,155	32,756	13.6	5.2	5.8	3.3
40-50	13,044	8.4	48,808	8,068	40,739	16.5	5.5	5.9	4.2
50-75	22,180	14.3	67,154	12,748	54,406	19.0	13.0	13.4	11.3
75-100	14,059	9.1	94,376	19,660	74,715	20.8	11.5	11.7	11.0
100-200	18,782	12.1	147,048	35,107	111,940	23.9	24.0	23.4	26.3
200-500	5,289	3.4	310,634	82,593	228,041	26.6	14.3	13.4	17.4
500-1,000	831	0.5	738,482	195,367	543,115	26.5	5.3	5.0	6.5
More than 1,000	431	0.3	3,204,623	974,236	2,230,388	30.4	12.0	10.7	16.8
All	154,718	100.0	74,322	16,192	58,130	21.8	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Number of AMT taxpayers (millions). Baseline: 32.4 Proposal: 0.0.

²Calendar year. Baseline is current law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses. Values are presented in 2007 dollars and indexed for inflation.

³Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

⁴Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

⁵Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare), and estate tax.

⁶Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.

Table 7. Repeal AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000 Distribution of Federal Tax Change by Cash Income Class, 2017¹

Cash Income Class (thousands of 2006 dollars) ²	Percent of Tax Units ³		Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	0.0	0.0	0.0	\$0	0.0	0.0	0.1	0.0	4.7
10-20	0.0	0.0	-0.4	0	0.0	0.0	0.6	0.0	5.0
20-30	0.3	0.0	-4.1	-5	-0.2	0.0	1.9	0.0	10.4
30-40	6.2	0.0	-25.5	-39	-0.6	0.0	2.9	-0.1	14.6
40-50	16.4	0.0	-71.7	-140	-1.4	-0.1	3.6	-0.2	17.5
50-75	28.5	0.1	-365.0	-413	-2.5	-0.3	9.8	-0.5	20.5
75-100	53.1	0.3	-564.0	-985	-3.8	-0.4	9.8	-0.9	22.6
100-200	56.9	14.5	-1,061.7	-1,224	-2.7	-0.8	26.6	-0.7	25.6
200-500	57.5	38.4	-221.4	-861	-0.8	-0.2	18.6	-0.2	28.9
500-1,000	14.1	82.7	538.4	13,616	5.3	0.4	7.4	1.6	31.2
More than 1,000	8.8	88.8	1,878.1	92,996	7.5	1.3	18.6	2.6	36.7
All	21.7	4.5	100.0	16	0.1	0.0	100.0	0.0	24.6

Baseline Distribution of Income and Federal Taxes By Cash Income Class, 2017¹

Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pretax Income		Share of Posttax Income		Share of Federal Taxes	
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total	Percent of Total		
Less than 10	14,896	8.9	\$6,577	\$311	\$6,266	4.7	0.6	0.8	0.8	0.1	0.1	
10-20	24,924	14.9	19,117	946	18,172	5.0	3.0	3.8	3.8	0.6	0.6	
20-30	23,081	13.8	31,561	3,297	28,264	10.5	4.6	5.4	5.4	1.9	1.9	
30-40	17,925	10.7	44,159	6,499	37,659	14.7	5.0	5.6	5.6	3.0	3.0	
40-50	14,020	8.4	56,966	10,113	46,853	17.8	5.0	5.5	5.5	3.6	3.6	
50-75	24,122	14.4	78,006	16,371	61,635	21.0	11.8	12.3	12.3	10.0	10.0	
75-100	15,618	9.3	110,090	25,809	84,281	23.4	10.8	10.9	10.9	10.2	10.2	
100-200	23,661	14.1	172,975	45,531	127,445	26.3	25.6	25.0	25.0	27.4	27.4	
200-500	7,011	4.2	361,163	105,300	255,863	29.2	15.8	14.9	14.9	18.8	18.8	
500-1,000	1,078	0.6	860,075	254,898	605,178	29.6	5.8	5.4	5.4	7.0	7.0	
More than 1,000	551	0.3	3,622,846	1,234,897	2,387,949	34.1	12.5	10.9	10.9	17.3	17.3	
All	167,480	100.0	95,452	23,507	71,945	24.6	100.0	100.0	100.0	100.0	100.0	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Number of AMT taxpayers (millions). Baseline: 39.1 Proposal: 0.0.

²Calendar year. Baseline is current law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses. Values are presented in 2007 dollars and indexed for inflation.

³Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

⁴Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

⁵Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare), and estate tax.

⁶Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.

Table 8. 2001-2006 Tax Cuts Plus Repeat AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000 Distribution of Federal Tax Change by Cash Income Class Against Pre-EGTRRA Baseline, 2010¹

Cash Income Class (thousands of 2006 dollars) ²	Percent of Tax Units ³		Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	3.8	0.1	0.0	\$-5	-2.1	0.0	0.2	-0.1	4.3
10-20	45.8	0.5	1.5	-177	-20.1	-0.1	0.7	-1.1	4.3
20-30	75.9	0.3	3.9	-561	-18.0	-0.2	2.2	-2.1	9.4
30-40	85.1	0.1	4.1	-792	-13.3	-0.1	3.3	-2.1	13.6
40-50	91.0	0.1	3.9	-905	-10.1	0.0	4.3	-1.9	16.5
50-75	97.6	0.0	9.9	-1,358	-9.7	0.2	11.4	-2.0	18.8
75-100	99.1	0.0	10.9	-2,352	-11.0	0.0	10.8	-2.5	20.1
100-200	99.5	0.1	27.7	-4,479	-11.9	-0.3	25.3	-3.1	22.5
200-500	99.3	0.4	19.3	-11,122	-12.6	-0.3	16.6	-3.6	24.8
500-1,000	98.7	0.8	4.5	-23,228	-10.4	0.1	6.8	-3.2	27.3
More than 1,000	98.6	1.2	12.2	-85,991	-7.6	0.7	18.4	-2.7	32.7
All	74.0	0.2	100.0	-1,967	-11.0	0.0	100.0	-2.7	21.4

Baseline Distribution of Income and Federal Taxes By Cash Income Class, 2010¹

Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pretax Income Total	Share of Posttax Income Total	Share of Federal Taxes	
	Number (thousands)	Percent of Total						Percent of Total	Percent of Total
Less than 10	17,249	11.2	\$263	\$5,756	4.4	0.9	1.1	0.2	0.2
10-20	25,257	16.3	883	15,392	5.4	3.6	4.5	0.8	0.8
20-30	21,136	13.7	3,108	23,875	11.5	5.0	5.8	2.4	2.4
30-40	15,865	10.3	5,942	31,969	15.7	5.2	5.8	3.4	3.4
40-50	13,044	8.4	8,942	39,866	18.3	5.5	6.0	4.2	4.2
50-75	22,180	14.3	13,958	53,196	20.8	13.0	13.5	11.2	11.2
75-100	14,059	9.1	21,328	73,048	22.6	11.5	11.8	10.8	10.8
100-200	18,782	12.1	37,610	109,438	25.6	24.0	23.5	25.5	25.5
200-500	5,289	3.4	88,295	222,339	28.4	14.3	13.5	16.9	16.9
500-1,000	831	0.5	224,439	514,043	30.4	5.3	4.9	6.7	6.7
More than 1,000	431	0.3	1,134,926	2,069,697	35.4	12.0	10.2	17.7	17.7
All	154,718	100.0	17,886	56,437	24.1	100.0	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Number of AMT taxpayers (millions). Baseline: 16.5 Proposal: 0.0.

²Calendar year. Baseline is pre-EGTRRA law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses. Values are presented in 2007 dollars and indexed for inflation.

³Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

⁴Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

⁵Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare), and estate tax.

⁶Average federal tax (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.

**Table 9. Repeal AMT and Implement 4% Surtax on AGI Above \$100,000/\$200,000
Distribution of AMT and AGI Surtax by Cash Income Class, 2010¹**

Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Percent of Tax Liability	
	Thousands	Percent	AMT ⁴	AGI Surtax
Less than 30	63,641	41.1	0.1	0.0
30-50	28,908	18.7	0.4	0.0
50-75	22,180	14.3	2.6	0.0
75-100	14,059	9.1	7.7	0.0
100-200	18,782	12.1	33.8	3.9
200-500	5,289	3.4	39.5	20.3
500-1,000	831	0.5	7.6	17.9
More than 1,000	431	0.3	8.4	57.8
All	154,718	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

¹Calendar year. Baseline is current law. Proposal repeals the individual AMT and implements a 4 percent surtax on AGIs above \$200,000 for joint tax units and \$100,000 for other filing statuses. Values are presented in 2007 dollars and indexed for inflation.

²Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>.

³Includes both filing and nonfiling units but excludes those that are dependents of other tax units.

⁴AMT liability includes direct liability, lost credits, and the value of reduced deductions.