

Table T04-0020

**Kerry Plan with College Tax Credit vs. Administration's FY2005 Budget Proposal Baseline:
Distribution of Individual Income and Estate Tax Change by Cash Income Percentiles, 2005¹**

Cash Income Class ²	Percent Change in After-Tax Income ⁴	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁵	
				Baseline	Proposal
Lowest Quintile	1.1	-8.1	-80	3.4	2.4
Second Quintile	0.4	-6.8	-66	7.5	7.1
Middle Quintile	0.2	-5.9	-57	14.2	14.0
Fourth Quintile	0.1	-5.0	-49	18.6	18.5
Top Quintile	-0.9	126.1	1,213	24.7	25.3
All	-0.4	100.0	194	20.7	21.1
Addendum					
Top 10 Percent	-1.3	129.0	2,485	26.1	27.0
Top 5 Percent	-1.8	131.6	5,047	27.3	28.6
Top 1 Percent	-3.4	128.3	24,319	29.5	31.9
Top 0.5 Percent	-4.0	117.0	44,349	30.3	33.1
Top 0.1 Percent	-5.0	80.7	150,640	31.9	35.3

Sources: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-4).

(1) Calendar year. Baseline is current law plus the Administration's 2005FY Budget Proposal which includes extending the following provisions: \$1,000 child tax credit amount; standard deduction and width of 15-percent bracket for married couples twice that of singles; 10-percent bracket applies to first \$14,000 of taxable income for married couples filing jointly (\$7,000 for singles and \$10,000 for heads of household), indexed for inflation after 2003; reduction in third and fourth marginal tax rates to 25 and 28 percent; the use of personal nonrefundable credits regardless of AMT liability; and AMT exemption of \$58,000 for married couples filing jointly (\$40,250 for singles and heads of household).

Kerry Plan includes the following provisions: increase top two marginal tax rates to 36 and 39.6 percent; increase tax rate on capital gains to 20 percent for taxpayers in the top two tax brackets; increase tax rate on dividends to 36 and 39.6 percent for taxpayers in the top two tax brackets; enact the College Opportunity Tax Credit; increase top estate tax rate to 48 percent; set the estate tax exemption at \$2 million per individual; increase the Qualified Family-Owned Business Interest (QFOBI) exemption to \$5 million per individual.

(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) Includes individual income tax provisions only.

(4) 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.

(5) 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.