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**Table T17-0222**  
**Revenue and Distributionally Neutral Proposal to Lower Individual and Corporate Income Tax Rates and Repeal Certain Tax Expenditures**  
**Proposal Retains Certain Tax Expenditures that Benefit Low-Income Households**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2027 <sup>1</sup>**  
**Summary Table**

Expanded Cash Income Percentile <sup>2,3</sup>	Tax Units		Percent Change in After-Tax Income <sup>4</sup>	Share of Total Federal Tax Change	Average Federal Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
	Number (thousands)	Percent of Total				Change (% Points)	Under the Proposal
<b>Lowest Quintile</b>	50,190	26.9	-0.2	-2.7	40	0.2	4.5
<b>Second Quintile</b>	42,290	22.7	0.4	10.5	-180	-0.4	8.5
<b>Middle Quintile</b>	36,880	19.8	0.6	23.5	-470	-0.5	13.3
<b>Fourth Quintile</b>	30,280	16.2	0.4	19.0	-460	-0.3	16.6
<b>Top Quintile</b>	25,810	13.8	0.4	50.1	-1,420	-0.3	26.0
<b>All</b>	186,640	100.0	0.4	100.0	-390	-0.3	19.9
<b>Addendum</b>							
<b>80-90</b>	13,370	7.2	-0.1	-3.4	190	0.1	19.9
<b>90-95</b>	6,290	3.4	0.2	4.7	-550	-0.2	21.7
<b>95-99</b>	4,930	2.6	0.4	10.7	-1,590	-0.3	25.3
<b>Top 1 Percent</b>	1,220	0.7	1.0	38.1	-22,940	-0.6	32.8
<b>Top 0.1 Percent</b>	120	0.1	0.1	1.9	-11,350	-0.1	33.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Number of AMT Taxpayers (millions). Baseline: 5.6

Proposal: 0

(1) Calendar year. Baseline is current law. Proposal would: repeal the Net Investment Income Tax (NIIT), individual and corporate alternative minimum tax (AMT), phase-out of personal exemptions, and Pease limitation on itemized deductions; set individual tax rates of 0, 5, 16, and 29.6; repeal individual income tax expenditures with exception of EITC, CTC, and partial exclusion of Social Security benefits; set corporate tax rate of 26 percent; implement territorial system plus minimum tax on foreign-source income; and repeal corporate tax expenditures. The 0% rate applies to income in the current law 10% bracket, the 5% rate applies to income in the current law 15% bracket, the 16% rate applies to income in the current law 25% bracket and up to 1.25 times the top of the current law 28% bracket, and the 29.9% rate applies to income above 1.25 times the top of the current law 28% bracket. Proposal is designed to be revenue neutral in FY 2037. Our criteria for distributional neutrality is that the absolute value of the percentage change in after-tax income is less than or equal to 1 percent for all income percentile classes. For more details, see

<http://www.taxpolicycenter.org/publications/tax-reform-tradeoff-eliminating-tax-expenditures-reducing-rates>.

(2) Includes both filing and non-filing units but excludes those that are dependents of other tax units. Tax units with negative adjusted gross income are excluded from their respective income class but are included in the totals. For a description of expanded cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2017 dollars): 20% \$28,100; 40% \$54,700; 60% \$93,200; 80% \$154,900; 90% \$225,400; 95% \$304,600; 99% \$912,100; 99.9% \$5,088,900.

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

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

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**Baseline: Current Law**  
**Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2027 <sup>1</sup>**  
**Detail Table**

Expanded Cash Income Percentile <sup>2,3</sup>	Percent Change in After-Tax Income <sup>4</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>5</sup>	
			Dollars	Percent	Change (%) Points	Under the Proposal	Change (%) Points	Under the Proposal
Lowest Quintile	-0.2	-2.7	40	4.5	0.1	1.0	0.2	4.5
Second Quintile	0.4	10.5	-180	-4.1	-0.1	3.9	-0.4	8.5
Middle Quintile	0.6	23.5	-470	-3.7	-0.2	9.6	-0.5	13.3
Fourth Quintile	0.4	19.0	-460	-1.8	0.0	16.4	-0.3	16.6
Top Quintile	0.4	50.1	-1,420	-1.1	0.3	68.9	-0.3	26.0
All	0.4	100.0	-390	-1.6	0.0	100.0	-0.3	19.9
<b>Addendum</b>								
80-90	-0.1	-3.4	190	0.4	0.3	13.4	0.1	19.9
90-95	0.2	4.7	-550	-0.8	0.1	9.6	-0.2	21.7
95-99	0.4	10.7	-1,590	-1.1	0.1	15.3	-0.3	25.3
Top 1 Percent	1.0	38.1	-22,940	-1.9	-0.1	30.6	-0.6	32.8
Top 0.1 Percent	0.1	1.9	-11,350	-0.2	0.2	14.2	-0.1	33.8

**Baseline Distribution of Income and Federal Taxes**  
**by Expanded Cash Income Percentile, 2027 <sup>1</sup>**

Expanded Cash Income Percentile <sup>2,3</sup>	Tax Units		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>4</sup>		Average Federal Tax Rate <sup>5</sup>
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	50,190	26.9	20,480	4.4	880	0.9	19,590	5.3	4.3
Second Quintile	42,290	22.7	50,580	9.2	4,480	4.0	46,110	10.5	8.9
Middle Quintile	36,880	19.8	90,630	14.3	12,520	9.8	78,100	15.5	13.8
Fourth Quintile	30,280	16.2	151,060	19.6	25,600	16.5	125,460	20.4	17.0
Top Quintile	25,810	13.8	477,190	52.7	125,290	68.6	351,910	48.7	26.3
All	#####	100.0	125,120	100.0	25,240	100.0	99,880	100.0	20.2
<b>Addendum</b>									
80-90	13,370	7.2	234,500	13.4	46,400	13.2	188,100	13.5	19.8
90-95	6,290	3.4	325,770	8.8	71,300	9.5	254,470	8.6	21.9
95-99	4,930	2.6	567,980	12.0	145,190	15.2	422,790	11.2	25.6
Top 1 Percent	1,220	0.7	3,561,250	18.5	1,191,350	30.8	2,369,900	15.5	33.5
Top 0.1 Percent	120	0.1	15,942,810	8.4	5,392,820	14.0	10,549,990	6.9	33.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Number of AMT Taxpayers (millions). Baseline: 5.6 Proposal: 0

(1) Calendar year. Baseline is current law. Proposal would: repeal the Net Investment Income Tax (NIIT), individual and corporate alternative minimum tax (AMT), phase-out of personal exemptions, and Pease limitation on itemized deductions; set individual tax rates of 0, 5, 16, and 29.6; repeal individual income tax expenditures with exception of EITC, CTC, and partial exclusion of Social Security benefits; set corporate tax rate of 26 percent; implement territorial system plus minimum tax on foreign-source income; and repeal corporate tax expenditures. The 0% rate applies to income in the current law 10% bracket, the 5% rate applies to income in the current law 15% bracket, the 16% rate applies to income in the current law 25% bracket and up to 1.25 times the top of the current law 28% bracket, and the 29.9% rate applies to income above 1.25 times the top of the current law 28% bracket. Proposal is designed to be revenue neutral in FY 2037. Our criteria for distributional neutrality is that the absolute value of the percentage change in after-tax income is less than or equal to 1 percent for all income percentile classes. For more details, see

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