

Revised Estimates: January 30, 2003

Table T03-0060
50-Percent Exclusion for Dividend Income:
Distribution of Income Tax Change by Percentiles, 2003¹

AGI Class ²	Percent Change in After-Tax Income ³	Percent of Total Income Tax Change	Average Tax Change (\$)	Average Income Tax Rate ⁴	
				Current Law	Proposal
Lowest Quintile	*	0.2	-1	-6.7	-6.8
Second Quintile	*	1.1	-4	-2.4	-2.4
Middle Quintile	*	2.6	-11	5.5	5.5
Fourth Quintile	0.1	8.1	-33	9.6	9.5
Next 10 Percent	0.1	8.4	-68	12.0	11.9
Next 5 Percent	0.2	9.9	-160	14.8	14.6
Next 4 Percent	0.3	24.0	-485	19.2	19.0
Top 1 Percent	0.5	45.7	-3,696	27.8	27.4
All	0.2	100.0	-81	13.9	13.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model.

* Less than 0.05 percent.

(1) Calendar year. The proposal would mirror the Administration's dividend exclusion proposal but would exempt only half of qualified dividend income received by individuals with a similar basis adjustment for qualified capital gains.

(2) Returns with negative AGI are excluded from the lowest quintile but are included in the totals. The income thresholds are (in 2001\$): second quintile, \$9,965; middle quintile, \$21,350; fourth quintile, \$37,835; next 10 percent, \$68,330; next 5 percent, \$98,054; next 4 percent, \$133,859; and top 1 percent, \$316,895.

(3) After-tax income is AGI, plus any untaxed portion of dividends, less individual income tax net of refundable credits.

(4) Average income tax, net of refundable credits, as a percentage of average AGI plus any untaxed portion of dividends.