

Table T06-0193

## Maintain 2007 Estate Tax Rate (45 Percent) and Raise Exemption Level to \$5 Million

Baseline: Equal-Cost Alternative that Maintains 2007 Exemption Level (\$2 million) and Reduces Rate to 23.5 Percent

Distribution of Federal Tax Change by Cash Income Class, 2011 <sup>1</sup>

| Cash Income Class<br>(thousands of 2005<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                      | Percent<br>Change in<br>After-Tax<br>Income <sup>4</sup> | Share of<br>Total Federal<br>Tax Change | Average Federal Tax Change |         | Share of Federal Taxes |                       | Average Federal Tax Rate <sup>5</sup> |                       |
|--|-----------------------------------|----------------------|--|---|----------------------------|---------|------------------------|-----------------------|---------------------------------------|-----------------------|
|  | With Tax<br>Cut                   | With Tax<br>Increase |  |   | Dollars                    | Percent | Change (%)<br>Points)  | Under the<br>Proposal | Change (%)<br>Points)                 | Under the<br>Proposal |
| Less than 10   | 0.0                               | 0.0                  | 0.0  | n.a.                                    | 0                          | -0.1    | 0.0                    | 0.2                   | 0.0                                   | 4.3                   |
| 10-20  | 0.0                               | 0.0                  | 0.0  | n.a.                                    | -1                         | -0.1    | 0.0                    | 0.9                   | 0.0                                   | 6.0                   |
| 20-30  | 0.0                               | 0.0                  | 0.0  | n.a.                                    | -2                         | -0.1    | 0.0                    | 2.7                   | 0.0                                   | 12.0                  |
| 30-40  | 0.0                               | 0.0                  | 0.0  | n.a.                                    | -1                         | 0.0     | 0.0                    | 3.8                   | 0.0                                   | 16.1                  |
| 40-50  | 0.0                               | 0.0                  | 0.0  | n.a.                                    | -1                         | 0.0     | 0.0                    | 4.4                   | 0.0                                   | 18.5                  |
| 50-75  | 0.0                               | 0.0                  | 0.0  | n.a.                                    | 0                          | 0.0     | 0.0                    | 11.8                  | 0.0                                   | 20.9                  |
| 75-100   | 0.0                               | 0.0                  | 0.0  | n.a.                                    | -3                         | 0.0     | 0.0                    | 11.2                  | 0.0                                   | 22.6                  |
| 100-200  | 0.0                               | 0.0                  | 0.1  | n.a.                                    | -118                       | -0.3    | -0.1                   | 25.8                  | -0.1                                  | 25.1                  |
| 200-500  | 0.1                               | 0.0                  | 0.1  | n.a.                                    | -243                       | -0.3    | -0.1                   | 16.5                  | -0.1                                  | 27.4                  |
| 500-1,000  | 0.2                               | 0.1                  | 0.0  | n.a.                                    | 62                         | 0.0     | 0.0                    | 6.5                   | 0.0                                   | 28.6                  |
| More than 1,000  | 0.3                               | 0.2                  | -0.4   | n.a.                                    | 7,945                      | 0.8     | 0.1                    | 16.0                  | 0.2                                   | 32.3                  |
| All  | 0.0                               | 0.0                  | 0.0  | n.a.                                    | 0                          | 0.0     | 0.0                    | 100.0                 | 0.0                                   | 23.3                  |

Baseline Distribution of Income and Federal Taxes  
by Cash Income Class, 2011 <sup>1</sup>

| Cash Income Class<br>(thousands of 2005<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Average<br>Income<br>(Dollars) | Average<br>Federal Tax<br>Burden<br>(Dollars) | Average<br>After-Tax<br>Income <sup>4</sup><br>(Dollars) | Average<br>Federal Tax<br>Rate <sup>5</sup> | Share of Pre-                     | Share of Post-                    | Share of                             |
|--|------------------------|---------------------|--------------------------------|---|--|---|-----------------------------------|-----------------------------------|--------------------------------------|
|  | Number<br>(thousands)  | Percent of<br>Total |                                |   |  |   | Tax Income<br>Percent of<br>Total | Tax Income<br>Percent of<br>Total | Federal Taxes<br>Percent of<br>Total |
| Less than 10   | 17,076                 | 11.0                | 6,303                          | 270   | 6,033  | 4.3   | 0.9                               | 1.1                               | 0.2                                  |
| 10-20  | 24,604                 | 15.8                | 17,000                         | 1,019   | 15,981   | 6.0   | 3.5                               | 4.3                               | 0.9                                  |
| 20-30  | 22,025                 | 14.1                | 28,090                         | 3,379   | 24,711   | 12.0  | 5.2                               | 5.9                               | 2.7                                  |
| 30-40  | 16,710                 | 10.7                | 39,487                         | 6,342   | 33,145   | 16.1  | 5.5                               | 6.1                               | 3.8                                  |
| 40-50  | 13,168                 | 8.4                 | 50,814                         | 9,388   | 41,427   | 18.5  | 5.6                               | 6.0                               | 4.4                                  |
| 50-75  | 22,575                 | 14.5                | 69,796                         | 14,585  | 55,211   | 20.9  | 13.2                              | 13.6                              | 11.8                                 |
| 75-100   | 14,102                 | 9.0                 | 98,049                         | 22,180  | 75,869   | 22.6  | 11.6                              | 11.7                              | 11.2                                 |
| 100-200  | 18,722                 | 12.0                | 152,864                        | 38,532  | 114,331  | 25.2  | 24.0                              | 23.4                              | 25.9                                 |
| 200-500  | 5,166                  | 3.3                 | 324,098                        | 88,923  | 235,174  | 27.4  | 14.0                              | 13.3                              | 16.5                                 |
| 500-1,000  | 825                    | 0.5                 | 769,080                        | 220,182                                       | 548,898  | 28.6  | 5.3                               | 4.9                               | 6.5                                  |
| More than 1,000  | 423                    | 0.3                 | 3,274,032                      | 1,049,101                                     | 2,224,930  | 32.0  | 11.6                              | 10.3                              | 15.9                                 |
| All  | 155,984                | 100.0               | 76,577                         | 17,858  | 58,719   | 23.3  | 100.0                             | 100.0                             | 100.0                                |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-3A).

(1) Calendar year. Baseline is current law plus the following provisions: \$2 million effective exemption; single statutory rate of 23.5 percent; repeal the state death tax credit and replace with a deduction for state estate taxes paid; repeal the 5-percent surtax. Proposal would increase the exemption to \$5 million and create a single statutory estate tax rate of 45 percent.

(2) 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>

(3) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.

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