

**Table T06-0203**  
**Repeal Deduction for Home Mortgage Interest**  
**And Adjust Taxable Capital Income**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2006<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Percent of Tax Units <sup>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>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.0	0.4	0.0	0.0	1	0.3	0.0	0.4	0.0	3.4
Second Quintile	0.4	2.7	-0.1	0.5	10	0.7	-0.1	2.3	0.1	7.6
Middle Quintile	1.0	12.6	-0.3	3.7	79	1.5	-0.1	7.8	0.2	14.6
Fourth Quintile	3.6	33.0	-0.7	16.4	354	3.1	0.0	17.7	0.6	19.1
Top Quintile	5.1	61.8	-1.2	79.4	1,715	3.7	0.3	71.7	0.9	25.4
All	2.0	22.1	-0.9	100.0	432	3.3	0.0	100.0	0.7	21.4
<b>Addendum</b>										
Top 10 Percent	5.3	66.3	-1.2	56.8	2,454	3.4	0.0	56.0	0.9	26.8
Top 5 Percent	5.8	65.0	-1.0	35.8	3,088	2.7	-0.3	43.5	0.7	27.8
Top 1 Percent	8.5	53.2	-0.4	8.4	3,612	1.1	-0.6	25.5	0.3	29.5
Top 0.5 Percent	12.9	45.7	-0.3	4.0	3,428	0.6	-0.6	20.5	0.2	30.2
Top 0.1 Percent	22.0	29.8	-0.1	0.6	2,495	0.2	-0.4	12.3	0.1	31.5

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2006<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Tax Units <sup>3</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>4</sup> (Dollars)	Average Federal Tax Rate <sup>5</sup>	Share of Pre-Tax Income	Share of Post-Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total
Lowest Quintile	28,703	19.6	7,923	265	7,659	3.3	2.5	3.0	0.4
Second Quintile	29,289	20.0	20,116	1,510	18,606	7.5	6.4	7.5	2.3
Middle Quintile	29,279	20.0	35,940	5,168	30,772	14.4	11.4	12.3	7.9
Fourth Quintile	29,283	20.0	62,270	11,523	50,748	18.5	19.8	20.3	17.7
Top Quintile	29,282	20.0	189,863	46,523	143,341	24.5	60.3	57.4	71.5
All	146,417	100.0	62,970	13,021	49,949	20.7	100.0	100.0	100.0
<b>Addendum</b>									
Top 10 Percent	14,642	10.0	281,205	72,807	208,398	25.9	44.7	41.7	55.9
Top 5 Percent	7,323	5.0	421,832	114,035	307,797	27.0	33.5	30.8	43.8
Top 1 Percent	1,464	1.0	1,159,675	338,896	820,779	29.2	18.4	16.4	26.0
Top 0.5 Percent	732	0.5	1,825,082	546,841	1,278,241	30.0	14.5	12.8	21.0
Top 0.1 Percent	146	0.1	5,274,153	1,656,637	3,617,517	31.4	8.4	7.2	12.7

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

Number of AMT Taxpayers (millions). Baseline: 3.4 Proposal: 3.7

(1) Calendar year. Baseline is current law. Taxable capital income is assumed to fall by the minimum of 90 percent of taxable capital income and the amount of home mortgage interest deducted under current law.

(2) Tax units with negative cash income are excluded from the lowest quintile 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.