

**Table T06-0318**  
**Tax Benefits of the One-Third Elimination of the Personal Exemption Phaseout (PEP) and Limitation on Itemized Deductions (Pease)**  
**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>		Benefit as Percent of After-Tax Income <sup>4</sup>	Share of Total Federal Tax Benefits	Average Federal Tax Benefit		Share of Federal Taxes		Average Federal Tax Rate <sup>5</sup>	
	With Tax Benefit	Without Tax Benefit			Dollars	As Percent of Tax	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.0	100.0	0.0	0.0	0	0.0	0.0	0.4	0.0	3.5
Second Quintile	0.0	100.0	0.0	0.0	0	0.0	0.0	2.1	0.0	7.2
Middle Quintile	0.0	100.0	0.0	0.0	0	0.0	0.0	7.5	0.0	14.3
Fourth Quintile	0.0	100.0	0.0	0.0	0	0.0	0.0	17.0	0.0	18.6
Top Quintile	13.5	86.5	0.1	100.0	133	0.3	-0.1	72.8	-0.1	25.3
All	2.7	97.3	0.1	100.0	27	0.2	0.0	100.0	0.0	21.3
<b>Addendum</b>										
Top 10 Percent	26.7	73.3	0.1	99.9	266	0.3	-0.1	57.7	-0.1	26.9
Top 5 Percent	49.6	50.4	0.2	99.8	530	0.4	-0.1	45.9	-0.1	28.2
Top 1 Percent	52.7	47.3	0.3	82.9	2,205	0.6	-0.1	28.2	-0.2	30.7
Top 0.5 Percent	67.5	32.5	0.3	71.0	3,775	0.6	-0.1	23.0	-0.2	31.6
Top 0.1 Percent	74.2	25.8	0.3	38.6	10,260	0.5	-0.1	14.4	-0.2	33.2

**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 Percent of Total	Share of Post-Tax Income Percent of Total	Share of Federal Taxes Percent of Total
	Number (thousands)	Percent of Total							
Lowest Quintile	28,860	19.6	7,727	267	7,459	3.5	2.4	2.9	0.4
Second Quintile	29,449	20.0	19,690	1,423	18,267	7.2	6.2	7.3	2.1
Middle Quintile	29,448	20.0	35,657	5,097	30,559	14.3	11.2	12.1	7.5
Fourth Quintile	29,448	20.0	62,346	11,589	50,757	18.6	19.5	20.2	17.0
Top Quintile	29,447	20.0	195,755	49,729	146,026	25.4	61.2	58.0	72.9
All	147,237	100.0	63,974	13,647	50,327	21.3	100.0	100.0	100.0
<b>Addendum</b>									
Top 10 Percent	14,724	10.0	292,372	78,823	213,550	27.0	45.7	42.4	57.8
Top 5 Percent	7,361	5.0	443,043	125,424	317,619	28.3	34.6	31.6	46.0
Top 1 Percent	1,472	1.0	1,248,587	385,634	862,953	30.9	19.5	17.2	28.3
Top 0.5 Percent	736	0.5	1,984,734	630,745	1,353,989	31.8	15.5	13.5	23.1
Top 0.1 Percent	147	0.1	5,889,414	1,966,492	3,922,922	33.4	9.2	7.8	14.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

(1) Calendar year. Under current law, the calculated value of the personal exemption phaseout and the limitation on itemized deductions is reduced by one-third for 2006. Benefits are measured as current law against a baseline in which PEP and Pease are fully in place.

(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.