

Table T07-0042
Proposed Standard Deduction for Health Insurance
Distribution of Federal Tax Change by Cash Income Class, 2009¹

Cash Income Class (thousands of 2006 dollars) ²	Percent of Tax Units ³		Percent Change in After-Tax Income ⁴	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	15.1	3.1	1.6	4.3	-96	-39.3	-0.1	0.1	-1.5	2.3
10-20	25.7	8.6	0.9	9.2	-146	-20.9	-0.1	0.6	-0.9	3.2
20-30	45.9	15.3	0.9	12.0	-232	-9.3	-0.2	2.0	-0.8	7.8
30-40	56.3	15.7	1.2	16.7	-421	-8.3	-0.2	3.1	-1.0	11.3
40-50	61.3	16.8	1.1	16.3	-511	-6.5	-0.2	4.0	-1.0	14.1
50-75	62.5	21.3	0.7	23.5	-430	-3.5	-0.2	11.1	-0.6	16.5
75-100	64.0	25.4	0.5	12.9	-373	-2.0	0.0	11.0	-0.4	18.6
100-200	61.8	31.3	0.1	5.7	-124	-0.4	0.4	26.4	-0.1	22.1
200-500	57.9	35.1	0.0	-0.5	41	0.1	0.3	17.4	0.0	26.0
500-1,000	58.6	34.2	0.0	0.0	-17	0.0	0.1	6.7	0.0	27.0
More than 1,000	55.4	35.5	0.0	-0.1	90	0.0	0.3	17.3	0.0	32.2
All	47.6	17.4	0.4	100.0	-262	-1.7	0.0	100.0	-0.3	20.2

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2009¹

Cash Income Class (thousands of 2006 dollars) ²	Tax Units ³		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
Less than 10	17,677	11.6	6,401	245	6,156	3.8	1.0	1.2	0.2
10-20	25,125	16.5	17,253	700	16,554	4.1	3.7	4.5	0.7
20-30	20,689	13.6	29,162	2,494	26,669	8.6	5.2	6.0	2.2
30-40	15,800	10.4	41,074	5,051	36,022	12.3	5.6	6.2	3.4
40-50	12,740	8.4	52,657	7,910	44,748	15.0	5.8	6.2	4.2
50-75	21,849	14.3	72,356	12,368	59,988	17.1	13.6	14.2	11.3
75-100	13,775	9.0	100,774	19,092	81,682	19.0	12.0	12.2	11.0
100-200	18,217	11.9	154,094	34,137	119,957	22.2	24.2	23.7	26.1
200-500	4,999	3.3	314,188	81,664	232,524	26.0	13.5	12.6	17.1
500-1,000	789	0.5	730,967	197,571	533,396	27.0	5.0	4.6	6.5
More than 1,000	406	0.3	3,097,285	997,963	2,099,322	32.2	10.8	9.2	17.0
All	152,651	100.0	76,069	15,612	60,457	20.5	100.0	100.0	100.0

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

(1) Calendar year. Baseline is current law. Proposal includes: taxation of employer sponsored health insurance premiums, a standard deduction for health insurance of \$7,500 for individual coverage and \$15,000 for family coverage applied to both the income tax base and payroll tax base, a reduction in the EITC phase-out rates for filers with children to 15 percent, repeal of the self-employed health insurance deduction, and limitation of eligibility for the itemized deduction for medical expenses to Medicare beneficiaries. Medicare beneficiaries and dependents are not eligible for the standard deduction for health insurance. Minimum premiums for eligibility are \$500 for individual coverage and \$1,000 for family coverage. All nominal values are presented in 2009 dollars and indexed to the CPL. Following convention, the estimates are static and do not incorporate behavioral responses. In particular, they do not account for the gains of those who newly obtain health insurance, the losses of those who lose coverage due to the proposal, or the potential reductions in both premiums and comprehensiveness of health insurance.

(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 modified cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax. Modified cash income includes the pre-tax portion of employer-sponsored health insurance and the employer's share of payroll taxes on the insurance.

(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 modified cash income (defined above).