

Table T07-0047
Proposed Standard Deduction for Health Insurance
Distribution of Income Tax Change by Cash Income Percentile, 2009¹

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	9.8	3.9	0.3	5.6	-27	-8.6	0.0	0.4	-0.3	3.1
Second Quintile	34.2	14.6	0.1	6.5	-31	-1.8	0.0	2.2	-0.1	6.9
Middle Quintile	53.5	18.1	0.5	41.8	-199	-3.3	-0.2	7.4	-0.4	12.9
Fourth Quintile	61.4	23.8	0.3	44.3	-210	-1.6	-0.2	17.2	-0.3	17.2
Top Quintile	58.4	34.3	0.0	1.8	-8	0.0	0.4	72.6	0.0	25.0
All	43.5	18.9	0.2	100.0	-95	-0.6	0.0	100.0	-0.1	20.4
Addendum										
Top 10 Percent	56.3	37.8	0.0	-9.0	86	0.1	0.4	56.7	0.0	26.8
Top 5 Percent	53.0	40.8	-0.1	-10.2	194	0.1	0.3	44.1	0.0	28.2
Top 1 Percent	52.5	40.8	0.0	-1.8	172	0.0	0.2	25.6	0.0	30.3
Top 0.5 Percent	52.5	40.0	0.0	-1.0	191	0.0	0.1	20.7	0.0	31.3
Top 0.1 Percent	52.3	39.6	0.0	-0.2	210	0.0	0.1	12.7	0.0	33.4

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

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	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	
Lowest Quintile	29,944	19.6	9,470	319	9,151	3.4	2.4	3.0	0.4
Second Quintile	30,528	20.0	24,961	1,748	23,213	7.0	6.6	7.7	2.2
Middle Quintile	30,533	20.0	44,673	5,942	38,730	13.3	11.8	12.8	7.6
Fourth Quintile	30,532	20.0	77,495	13,567	63,928	17.5	20.4	21.2	17.4
Top Quintile	30,530	20.0	225,214	56,340	168,873	25.0	59.2	55.9	72.2
All	152,651	100.0	76,069	15,612	60,457	20.5	100.0	100.0	100.0
Addendum									
Top 10 Percent	15,266	10.0	328,777	87,902	240,875	26.7	43.2	39.8	56.3
Top 5 Percent	7,633	5.0	486,506	136,744	349,762	28.1	32.0	28.9	43.8
Top 1 Percent	1,527	1.0	1,311,181	397,167	914,013	30.3	17.2	15.1	25.4
Top 0.5 Percent	763	0.5	2,053,477	641,954	1,411,523	31.3	13.5	11.7	20.6
Top 0.1 Percent	153	0.1	5,883,842	1,965,360	3,918,482	33.4	7.7	6.5	12.6

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 a \$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 CPI. 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) For the income levels at each quintile and the top income percentiles used in this table, see

<http://www.taxpolicycenter.org/TaxModel/percentiles.cfm>

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

(5) 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.

(6) 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).