

Table T07-0048
Proposed Standard Deduction for Health Insurance
Distribution of Federal Tax Change by Cash Income Class, 2017¹

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	14.8	3.9	1.4	-2.1	-95	-30.7	0.0	0.1	-1.3	2.9
10-20	19.9	11.7	0.1	-1.0	-26	-2.8	0.0	0.6	-0.1	4.4
20-30	35.0	21.1	-0.2	1.6	47	1.4	0.0	1.9	0.1	9.5
30-40	41.3	24.7	0.1	-0.6	-23	-0.4	-0.1	2.9	-0.1	13.0
40-50	43.6	27.0	0.1	-0.5	-25	-0.3	-0.1	3.5	0.0	15.8
50-75	42.3	37.1	-0.5	11.3	319	2.0	0.0	10.1	0.4	19.1
75-100	40.1	46.8	-0.9	18.9	827	3.2	0.2	10.4	0.7	21.8
100-200	33.7	57.4	-1.0	49.4	1,425	3.1	0.4	27.7	0.8	24.9
200-500	30.9	62.0	-0.7	19.1	1,857	1.8	0.0	18.8	0.5	28.3
500-1,000	32.4	58.8	-0.3	2.6	1,644	0.7	-0.1	6.9	0.2	29.3
More than 1,000	31.2	59.0	-0.1	1.4	1,714	0.1	-0.3	17.0	0.1	34.0
All	33.4	30.9	-0.5	100.0	408	1.7	0.0	100.0	0.4	23.2

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2017¹

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- Tax Income	Share of Post- Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	
Less than 10	14,896	8.9	7,385	311	7,074	4.2	0.6	0.8	0.1
10-20	24,924	14.9	20,877	945	19,932	4.5	3.0	3.7	0.6
20-30	23,081	13.8	35,342	3,296	32,046	9.3	4.7	5.6	1.9
30-40	17,925	10.7	49,708	6,495	43,213	13.1	5.2	5.8	3.0
40-50	14,020	8.4	63,765	10,108	53,656	15.9	5.2	5.7	3.6
50-75	24,122	14.4	87,397	16,361	71,036	18.7	12.2	12.9	10.0
75-100	15,618	9.3	122,391	25,791	96,600	21.1	11.1	11.3	10.2
100-200	23,661	14.1	188,445	45,501	142,944	24.2	25.9	25.4	27.4
200-500	7,011	4.2	377,779	105,184	272,594	27.8	15.4	14.4	18.7
500-1,000	1,078	0.6	873,942	254,607	619,335	29.1	5.5	5.0	7.0
More than 1,000	551	0.3	3,635,573	1,234,473	2,401,100	34.0	11.6	9.9	17.3
All	167,480	100.0	102,987	23,491	79,497	22.8	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).