

Table T07-0049
Proposed Standard Deduction for Health Insurance
Distribution of Federal Tax Change by Cash Income Percentile, 2017¹

| 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 | 15.9 | 6.7 | 0.6 | -3.6 | -76 | -13.9 | -0.1 | 0.4 | -0.6 | 3.4 |
| Second Quintile | 34.1 | 20.8 | -0.1 | 2.2 | 44 | 1.4 | 0.0 | 2.7 | 0.1 | 9.2 |
| Middle Quintile | 42.7 | 27.2 | 0.0 | 0.5 | 11 | 0.1 | -0.1 | 7.6 | 0.0 | 15.2 |
| Fourth Quintile | 41.3 | 41.6 | -0.7 | 26.8 | 546 | 2.6 | 0.2 | 17.9 | 0.5 | 20.6 |
| Top Quintile | 33.1 | 58.3 | -0.7 | 74.3 | 1,514 | 1.8 | 0.1 | 71.3 | 0.5 | 27.9 |
| All | 33.4 | 30.9 | -0.5 | 100.0 | 408 | 1.7 | 0.0 | 100.0 | 0.4 | 23.2 |
| Addendum | | | | | | | | | | |
| Top 10 Percent | 32.0 | 60.8 | -0.6 | 43.1 | 1,757 | 1.4 | -0.2 | 54.8 | 0.4 | 29.4 |
| Top 5 Percent | 31.2 | 61.3 | -0.4 | 22.3 | 1,816 | 0.9 | -0.4 | 42.2 | 0.3 | 30.6 |
| Top 1 Percent | 32.1 | 59.0 | -0.1 | 4.1 | 1,663 | 0.3 | -0.4 | 24.2 | 0.1 | 32.5 |
| Top 0.5 Percent | 31.0 | 59.6 | -0.1 | 2.1 | 1,735 | 0.2 | -0.3 | 19.4 | 0.1 | 33.4 |
| Top 0.1 Percent | 30.1 | 59.2 | 0.0 | 0.4 | 1,716 | 0.1 | -0.2 | 11.6 | 0.0 | 35.4 |

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

| 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 | 32,906 | 19.7 | 13,587 | 543 | 13,043 | 4.0 | 2.6 | 3.2 | 0.5 |
| Second Quintile | 33,495 | 20.0 | 34,385 | 3,117 | 31,268 | 9.1 | 6.7 | 7.9 | 2.7 |
| Middle Quintile | 33,494 | 20.0 | 60,002 | 9,103 | 50,899 | 15.2 | 11.7 | 12.8 | 7.8 |
| Fourth Quintile | 33,495 | 20.0 | 103,779 | 20,793 | 82,986 | 20.0 | 20.2 | 20.9 | 17.7 |
| Top Quintile | 33,496 | 20.0 | 305,046 | 83,729 | 221,317 | 27.5 | 59.2 | 55.7 | 71.3 |
| All | 167,480 | 100.0 | 102,987 | 23,491 | 79,497 | 22.8 | 100.0 | 100.0 | 100.0 |
| Addendum | | | | | | | | | |
| Top 10 Percent | 16,747 | 10.0 | 445,488 | 129,305 | 316,183 | 29.0 | 43.3 | 39.8 | 55.0 |
| Top 5 Percent | 8,375 | 5.0 | 659,200 | 199,746 | 459,454 | 30.3 | 32.0 | 28.9 | 42.5 |
| Top 1 Percent | 1,675 | 1.0 | 1,775,742 | 575,394 | 1,200,348 | 32.4 | 17.2 | 15.1 | 24.5 |
| Top 0.5 Percent | 838 | 0.5 | 2,774,861 | 925,769 | 1,849,092 | 33.4 | 13.5 | 11.6 | 19.7 |
| Top 0.1 Percent | 167 | 0.1 | 7,861,774 | 2,778,935 | 5,082,838 | 35.4 | 7.6 | 6.4 | 11.8 |

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).