

**Table T07-0051**  
**Proposed Standard Deduction for Health Insurance**  
**Distribution of Income and Medicare Tax Change by Cash Income Percentile, 2017<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	15.7	9.8	0.1	-0.7	-13	-2.5	0.0	0.4	-0.1	3.9
Second Quintile	31.8	24.5	-0.3	4.5	84	2.7	0.0	2.7	0.2	9.3
Middle Quintile	42.0	29.3	0.0	1.2	21	0.2	-0.1	7.7	0.0	15.2
Fourth Quintile	40.7	43.4	-0.5	22.7	419	2.0	0.1	17.8	0.4	20.4
Top Quintile	31.4	61.0	-0.6	72.3	1,335	1.6	0.0	71.3	0.4	27.9
All	32.3	33.6	-0.5	100.0	369	1.6	0.0	100.0	0.4	23.2
<b>Addendum</b>										
Top 10 Percent	29.9	63.8	-0.5	45.1	1,664	1.3	-0.2	54.9	0.4	29.4
Top 5 Percent	28.4	65.2	-0.4	25.1	1,852	0.9	-0.3	42.3	0.3	30.6
Top 1 Percent	29.3	63.4	-0.2	4.8	1,781	0.3	-0.3	24.2	0.1	32.5
Top 0.5 Percent	29.4	63.1	-0.1	2.4	1,792	0.2	-0.3	19.4	0.1	33.4
Top 0.1 Percent	30.5	61.5	0.0	0.5	1,753	0.1	-0.2	11.7	0.0	35.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2017<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	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	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
<b>Addendum</b>									
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).