

**Table T06-0259**  
**Combined Effect of the 2001-2006 Tax Cuts with Financing Proportional to Income Tax Liability**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2006<sup>1</sup>**

| Cash Income Percentile <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change in After-Tax Income <sup>4</sup> | Share of Total Federal Tax Change | Average Federal Tax Change |         | Share of Federal Taxes |                    | Average Federal Tax Rate <sup>5</sup> |                    |
|-------------------------------------|-----------------------------------|-------------------|---|-----------------------------------|----------------------------|---------|------------------------|--------------------|---------------------------------------|--------------------|
|                                     | With Tax Cut                      | With Tax Increase |   |                                   | Dollars                    | Percent | Change (%) Points)     | Under the Proposal | Change (%) Points)                    | Under the Proposal |
| <b>Lowest Quintile</b>              | 11.4                              | 25.8              | -1.1  | n/a                               | 85                         | 29.6    | 0.1                    | 0.5                | 1.1                                   | 4.7                |
| <b>Second Quintile</b>              | 52.5                              | 19.3              | 0.5   | n/a                               | -85                        | -4.5    | -0.1                   | 2.5                | -0.4                                  | 9.0                |
| <b>Middle Quintile</b>              | 50.9                              | 37.7              | 1.0   | n/a                               | -301                       | -5.1    | -0.4                   | 7.7                | -0.8                                  | 15.6               |
| <b>Fourth Quintile</b>              | 49.6                              | 48.4              | 0.4   | n/a                               | -218                       | -1.7    | -0.3                   | 17.2               | -0.4                                  | 20.1               |
| <b>Top Quintile</b>                 | 49.6                              | 49.9              | -0.4  | n/a                               | 522                        | 1.0     | 0.7                    | 72.0               | 0.3                                   | 27.7               |
| <b>All</b>                          | 42.8                              | 36.1              | 0.0   | n/a                               | 0                          | 0.0     | 0.0                    | 100.0              | 0.0                                   | 23.2               |
| <b>Addendum</b>                     |                                   |                   |   |                                   |                            |         |                        |                    |                                       |                    |
| <b>Top 10 Percent</b>               | 34.3                              | 65.3              | -0.8  | n/a                               | 1,665                      | 2.1     | 1.1                    | 56.8               | 0.6                                   | 29.5               |
| <b>Top 5 Percent</b>                | 22.0                              | 77.6              | -1.3  | n/a                               | 3,730                      | 2.9     | 1.3                    | 44.8               | 0.9                                   | 31.0               |
| <b>Top 1 Percent</b>                | 16.3                              | 83.3              | -1.6  | n/a                               | 12,742                     | 3.4     | 0.9                    | 26.8               | 1.1                                   | 33.7               |
| <b>Top 0.5 Percent</b>              | 18.6                              | 80.8              | -1.5  | n/a                               | 17,717                     | 2.9     | 0.6                    | 21.6               | 1.0                                   | 34.5               |
| <b>Top 0.1 Percent</b>              | 26.8                              | 72.8              | -1.3  | n/a                               | 42,549                     | 2.3     | 0.3                    | 13.0               | 0.8                                   | 36.0               |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2006<sup>1</sup>**

| Cash Income Percentile <sup>2</sup> | Tax Units <sup>3</sup> |                  | Average Income (Dollars) | Average Federal Tax Burden (Dollars) | Average After-Tax Income <sup>4</sup> (Dollars) | Average Federal Tax Rate <sup>5</sup> | Share of Pre-Tax Income Percent of Total | Share of Post-Tax Income Percent of Total | Share of Federal Taxes Percent of Total |
|-------------------------------------|------------------------|------------------|--------------------------|--------------------------------------|---|---------------------------------------|--|---|---|
|                                     | Number (thousands)     | Percent of Total |                          |                                      |   |                                       |  |   |   |
| <b>Lowest Quintile</b>              | 28,703.0               | 19.6             | 7,923.0                  | 287.0                                | 7,636   | 3.6                                   | 2.5                                      | 3.1                                       | 0.4                                     |
| <b>Second Quintile</b>              | 29,289.0               | 20.0             | 20,116.0                 | 1,888.0                              | 18,228  | 9.4                                   | 6.4                                      | 7.5                                       | 2.6                                     |
| <b>Middle Quintile</b>              | 29,279.0               | 20.0             | 35,940.0                 | 5,916.0                              | 30,024  | 16.5                                  | 11.4                                     | 12.4                                      | 8.1                                     |
| <b>Fourth Quintile</b>              | 29,283.0               | 20.0             | 62,270.0                 | 12,738.0                             | 49,532  | 20.5                                  | 19.8                                     | 20.5                                      | 17.5                                    |
| <b>Top Quintile</b>                 | 29,282.0               | 20.0             | 189,863.0                | 51,998.0                             | 137,865   | 27.4                                  | 60.3                                     | 57.0                                      | 71.3                                    |
| <b>All</b>                          | #####                  | 100.0            | 62,970.0                 | 14,589.0                             | 48,380  | 23.2                                  | 100.0                                    | 100.0                                     | 100.0                                   |
| <b>Addendum</b>                     |                        |                  |                          |                                      |   |                                       |  |   |   |
| <b>Top 10 Percent</b>               | 14,642.0               | 10.0             | 281,205.0                | 81,184.0                             | 200,021   | 28.9                                  | 44.7                                     | 41.3                                      | 55.7                                    |
| <b>Top 5 Percent</b>                | 7,323.0                | 5.0              | 421,832.0                | 126,874.0                            | 294,958   | 30.1                                  | 33.5                                     | 30.5                                      | 43.5                                    |
| <b>Top 1 Percent</b>                | 1,464.0                | 1.0              | #####                    | 378,063.0                            | 781,612   | 32.6                                  | 18.4                                     | 16.2                                      | 25.9                                    |
| <b>Top 0.5 Percent</b>              | 732.0                  | 0.5              | #####                    | 612,372.0                            | #####   | 33.6                                  | 14.5                                     | 12.5                                      | 21.0                                    |
| <b>Top 0.1 Percent</b>              | 146.0                  | 0.1              | #####                    | #####                                | #####   | 35.2                                  | 8.4                                      | 7.1                                       | 12.7                                    |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-3A).

(1) Calendar year. Baseline is pre-EGTRRA law. Provisions include major individual income and estate tax measures in EGTRRA, JCWA, JGTRRA, AJCA, WFTRA, TIPRA, and PPA. Financing proportional to income tax liability requires an additional levy of 22.7% of tax liability on all tax units. Units with negative liability receive a reduced refund.

(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 cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(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 cash income.