

Table T07-0302
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Baseline with 2006 AMT Patch Extended and Indexed for Inflation
Distribution of Federal Tax Change by Cash Income Level, 2008¹
Detail Table

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 (%) Under the Proposal	Under the Proposal	Change (%) Under the Proposal	Under the Proposal
Less than 10	15.7	0.0	0.8	-2.0	-46	-19.6	0.0	0.2	-0.8	3.3
10-20	47.1	0.3	0.8	-7.4	-123	-18.2	-0.2	0.6	-0.8	3.6
20-30	65.1	0.3	0.3	-3.8	-78	-3.2	-0.1	2.1	-0.3	9.2
30-40	69.0	0.2	0.2	-2.3	-62	-1.3	-0.1	3.4	-0.2	13.6
40-50	68.1	0.2	0.2	-2.2	-75	-1.0	-0.1	4.2	-0.2	16.3
50-75	60.7	0.0	0.2	-4.2	-83	-0.7	-0.3	11.3	-0.1	18.4
75-100	42.2	0.0	0.1	-2.6	-80	-0.5	-0.3	10.7	-0.1	19.9
100-200	23.4	10.2	0.0	-1.3	-31	-0.1	-0.5	24.3	0.0	22.4
200-500	32.4	50.2	-0.1	1.8	159	0.2	-0.3	16.0	0.1	25.3
500-1,000	17.5	76.4	-2.3	22.7	12,039	6.4	0.3	7.1	1.7	28.5
More than 1,000	8.4	89.2	-4.5	101.4	101,219	10.4	1.5	20.0	3.1	33.3
All	47.6	3.6	-0.5	100.0	279	1.9	0.0	100.0	0.4	21.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2008¹

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	Percent of Total
Less than 10	18,164	12.0	5,810	236	5,574	4.1	1.0	1.2	0.2
10-20	25,275	16.8	15,564	675	14,890	4.3	3.7	4.5	0.8
20-30	20,401	13.5	25,811	2,441	23,370	9.5	5.0	5.7	2.2
30-40	15,452	10.2	36,328	4,990	31,338	13.7	5.3	5.8	3.5
40-50	12,430	8.2	46,686	7,690	38,995	16.5	5.5	5.8	4.3
50-75	21,580	14.3	64,226	11,912	52,314	18.6	13.2	13.6	11.6
75-100	13,470	8.9	90,172	17,998	72,174	20.0	11.5	11.7	10.9
100-200	17,502	11.6	140,584	31,459	109,125	22.4	23.3	23.0	24.8
200-500	4,784	3.2	299,277	75,462	223,814	25.2	13.6	12.9	16.3
500-1,000	793	0.5	707,298	189,627	517,671	26.8	5.3	4.9	6.8
More than 1,000	421	0.3	3,228,212	972,039	2,256,173	30.1	12.9	11.4	18.4
All	150,867	100.0	69,872	14,706	55,166	21.1	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions): Baseline: 5.0 Proposal: 0.0

(1) Calendar year. Baseline is current law plus extension of the 2006 AMT patch indexed for inflation. The 2006 patch allowed personal nonrefundable credits against the AMT and increased the AMT exemption amounts. For 2008, the patched exemption amounts are \$45,050 for singles and heads of household and \$66,350 for joint filers. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that

amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(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 but excludes those that are dependents of other tax units.

(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.