

A more detailed version of this table including baseline values and additional distribution measures is available on the second worksheet in the Excel file and second page of the pdf.

26-Oct-07 PRELIMINARY RESULTS

<http://www.taxpolicycenter.org>

**Table T07-0303**  
**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 Percentile, 2008 <sup>1</sup>**  
**Summary Table**

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 (\$)	Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase				Change (%)	Under the Proposal
Lowest Quintile	25.0	0.1	1.0	-5.5	-79	-0.9	2.6
Second Quintile	59.1	0.3	0.5	-7.0	-98	-0.5	7.0
Middle Quintile	68.7	0.2	0.2	-4.8	-67	-0.2	14.4
Fourth Quintile	58.1	0.0	0.2	-5.8	-81	-0.1	18.7
Top Quintile	27.4	17.1	-1.1	123.3	1,717	0.8	25.6
All	47.6	3.6	-0.5	100.0	279	0.4	21.5
<b>Addendum</b>							
80-90	31.3	4.8	0.1	-2.5	-70	-0.1	20.9
90-95	19.4	12.1	0.0	0.5	30	0.0	22.9
95-99	29.9	39.1	0.0	0.3	18	0.0	24.8
Top 1 Percent	17.8	77.5	-3.6	125.0	34,828	2.6	31.5
Top 0.1 Percent	6.7	92.1	-4.7	76.3	212,641	3.3	34.0

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) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$14,385, 40% \$27,645, 60% \$48,311, 80% \$85,905, 90% \$126,802, 95% \$179,038, 99% \$437,351, 99.5% \$683,621, and 99.9% 2,001,713.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(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 cash income.

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**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 Percentile, 2008<sup>1</sup>**  
**Detail Table**

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
<b>Lowest Quintile</b>	25.0	0.1	1.0	-5.5	-79	-26.3	-0.1	0.3	-0.9	2.6
<b>Second Quintile</b>	59.1	0.3	0.5	-7.0	-98	-6.1	-0.2	2.0	-0.5	7.0
<b>Middle Quintile</b>	68.7	0.2	0.2	-4.8	-67	-1.2	-0.2	7.4	-0.2	14.4
<b>Fourth Quintile</b>	58.1	0.0	0.2	-5.8	-81	-0.6	-0.4	16.9	-0.1	18.7
<b>Top Quintile</b>	27.4	17.1	-1.1	123.3	1,717	3.2	1.0	73.1	0.8	25.6
<b>All</b>	47.6	3.6	-0.5	100.0	279	1.9	0.0	100.0	0.4	21.5
<b>Addendum</b>										
<b>80-90</b>	31.3	4.8	0.1	-2.5	-70	-0.3	-0.3	15.1	-0.1	20.9
<b>90-95</b>	19.4	12.1	0.0	0.5	30	0.1	-0.2	11.8	0.0	22.9
<b>95-99</b>	29.9	39.1	0.0	0.3	18	0.0	-0.3	17.5	0.0	24.8
<b>Top 1 Percent</b>	17.8	77.5	-3.6	125.0	34,828	8.8	1.8	28.8	2.6	31.5
<b>Top 0.1 Percent</b>	6.7	92.1	-4.7	76.3	212,641	10.7	1.2	14.7	3.3	34.0

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2008<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 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>	29,579	19.6	8,477	298	8,178	3.5	2.4	2.9	0.4
<b>Second Quintile</b>	30,169	20.0	21,597	1,612	19,985	7.5	6.2	7.2	2.2
<b>Middle Quintile</b>	30,172	20.0	38,857	5,645	33,211	14.5	11.1	12.0	7.7
<b>Fourth Quintile</b>	30,178	20.0	67,869	12,770	55,098	18.8	19.4	20.0	17.4
<b>Top Quintile</b>	30,174	20.0	213,996	53,071	160,925	24.8	61.3	58.3	72.2
<b>All</b>	150,867	100.0	69,872	14,706	55,166	21.1	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	15,087	10.0	108,117	22,648	85,469	21.0	15.5	15.5	15.4
<b>90-95</b>	7,544	5.0	154,967	35,383	119,584	22.8	11.1	10.8	12.0
<b>95-99</b>	6,034	4.0	264,051	65,397	198,654	24.8	15.1	14.4	17.8
<b>Top 1 Percent</b>	1,509	1.0	1,367,765	396,454	971,311	29.0	19.6	17.6	27.0
<b>Top 0.1 Percent</b>	151	0.1	6,480,962	1,989,744	4,491,218	30.7	9.3	8.1	13.5

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

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

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