

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 T07-0305
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Pre-EGTRRA Baseline
Distribution of Federal Tax Change by Cash Income Percentile, 2008¹
Summary Table

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 (\$)	Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase				Change (%)	Under the Proposal
Lowest Quintile	26.4	0.2	1.3	1.3	-104	-1.2	2.6
Second Quintile	68.3	0.3	2.5	6.5	-493	-2.3	7.0
Middle Quintile	87.5	0.1	2.6	11.1	-852	-2.2	14.4
Fourth Quintile	98.0	0.0	2.7	19.0	-1,451	-2.1	18.7
Top Quintile	98.4	1.1	3.1	62.0	-4,741	-2.2	25.6
All	75.7	0.3	2.9	100.0	-1,529	-2.2	21.5
Addendum							
80-90	99.3	0.0	3.7	20.1	-3,078	-2.9	20.9
90-95	99.6	0.1	3.8	14.1	-4,321	-2.8	22.9
95-99	98.1	1.6	3.8	18.9	-7,226	-2.7	24.8
Top 1 Percent	86.2	13.4	1.5	8.8	-13,525	-1.0	31.5
Top 0.1 Percent	69.8	30.0	0.8	2.2	-33,930	-0.5	34.0

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

Number of AMT Taxpayers (millions). Baseline: 12.2 Proposal: 0.0

(1) Calendar year. Baseline is current law. 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.

Table T07-0305
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Pre-EGTRRA Baseline
Distribution of Federal Tax Change by Cash Income Percentile, 2008 ¹
Detail Table

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	26.4	0.2	1.3	1.3	-104	-32.2	-0.1	0.3	-1.2	2.6
Second Quintile	68.3	0.3	2.5	6.5	-493	-24.6	-0.4	2.0	-2.3	7.0
Middle Quintile	87.5	0.1	2.6	11.1	-852	-13.3	-0.3	7.4	-2.2	14.4
Fourth Quintile	98.0	0.0	2.7	19.0	-1,451	-10.3	-0.2	16.9	-2.1	18.7
Top Quintile	98.4	1.1	3.1	62.0	-4,741	-8.0	1.0	73.1	-2.2	25.6
All	75.7	0.3	2.9	100.0	-1,529	-9.3	0.0	100.0	-2.2	21.5
Addendum										
80-90	99.3	0.0	3.7	20.1	-3,078	-12.0	-0.5	15.1	-2.9	20.9
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95-99	98.1	1.6	3.8	18.9	-7,226	-10.0	-0.1	17.5	-2.7	24.8
Top 1 Percent	86.2	13.4	1.5	8.8	-13,525	-3.0	1.9	28.8	-1.0	31.5
Top 0.1 Percent	69.8	30.0	0.8	2.2	-33,930	-1.5	1.2	14.7	-0.5	34.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2008 ¹

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 Percent of Total	Share of Post-Tax Income Percent of Total	Share of Federal Taxes Percent of Total
	Number (thousands)	Percent of Total							
Lowest Quintile	29,579	19.6	8,477	324	8,153	3.8	2.4	3.0	0.4
Second Quintile	30,169	20.0	21,597	2,008	19,589	9.3	6.2	7.3	2.4
Middle Quintile	30,172	20.0	38,857	6,430	32,427	16.6	11.1	12.2	7.8
Fourth Quintile	30,178	20.0	67,869	14,140	53,728	20.8	19.4	20.1	17.1
Top Quintile	30,174	20.0	213,996	59,529	154,467	27.8	61.3	57.9	72.1
All	150,867	100.0	69,872	16,514	53,359	23.6	100.0	100.0	100.0
Addendum									
80-90	15,087	10.0	108,117	25,656	82,461	23.7	15.5	15.5	15.5
90-95	7,544	5.0	154,967	39,734	115,233	25.6	11.1	10.8	12.0
95-99	6,034	4.0	264,051	72,640	191,410	27.5	15.1	14.4	17.6
Top 1 Percent	1,509	1.0	1,367,765	444,806	922,959	32.5	19.6	17.3	26.9
Top 0.1 Percent	151	0.1	6,480,962	2,236,315	4,244,647	34.5	9.3	8.0	13.5

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

Number of AMT Taxpayers (millions). Baseline: 12.2 Proposal: 0.0

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