

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 T07-0309
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Percentile, 2011¹
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	21.3	0.1	0.8	-7.3	-77	-0.8	3.2
Second Quintile	50.4	0.3	0.3	-6.9	-72	-0.3	9.4
Middle Quintile	68.2	0.1	0.2	-8.5	-88	-0.2	16.6
Fourth Quintile	61.5	0.0	0.5	-27.6	-286	-0.4	21.0
Top Quintile	44.4	21.0	-0.9	150.5	1,556	0.7	29.0
All	49.1	4.3	-0.4	100.0	207	0.3	24.3
Addendum							
80-90	50.8	7.3	0.6	-26.4	-546	-0.5	23.8
90-95	42.3	14.3	0.4	-10.7	-442	-0.3	25.9
95-99	39.4	47.4	-0.2	8.2	424	0.1	28.1
Top 1 Percent	10.7	85.5	-3.9	179.4	37,102	2.6	35.9
Top 0.1 Percent	5.6	93.3	-5.1	102.2	211,227	3.3	39.4

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

Number of AMT Taxpayers (millions). Baseline: 18.5 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% \$15,384, 40% \$29,083, 60% \$50,348, 80% \$89,737, 90% \$132,504, 95% \$186,771, 99% \$447,567, 99.5% \$697,094, and 99.9% 1,996,728.

(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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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	21.3	0.1	0.8	-7.3	-77	-19.6	-0.1	0.3	-0.8	3.2
Second Quintile	50.4	0.3	0.3	-6.9	-72	-3.0	-0.1	2.5	-0.3	9.4
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Top 1 Percent	10.7	85.5	-3.9	179.4	37,102	7.8	1.7	27.4	2.6	35.9
Top 0.1 Percent	5.6	93.3	-5.1	102.2	211,227	9.0	1.0	13.7	3.3	39.4

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2011¹

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	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	30,704	19.6	9,721	392	9,329	4.0	2.5	3.1	0.4
Second Quintile	31,300	20.0	24,460	2,379	22,081	9.7	6.4	7.5	2.6
Middle Quintile	31,297	20.0	43,383	7,286	36,097	16.8	11.3	12.3	7.9
Fourth Quintile	31,305	20.0	75,537	16,125	59,412	21.4	19.6	20.3	17.5
Top Quintile	31,299	20.0	233,599	66,089	167,510	28.3	60.7	57.2	71.5
All	156,502	100.0	77,021	18,484	58,537	24.0	100.0	100.0	100.0
Addendum									
80-90	15,649	10.0	120,616	29,223	91,393	24.2	15.7	15.6	15.8
90-95	7,824	5.0	172,853	45,272	127,580	26.2	11.2	10.9	12.3
95-99	6,260	4.0	292,744	81,830	210,915	28.0	15.2	14.4	17.7
Top 1 Percent	1,565	1.0	1,430,531	475,852	954,679	33.3	18.6	16.3	25.7
Top 0.1 Percent	157	0.1	6,508,651	2,354,047	4,154,604	36.2	8.5	7.1	12.7

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

Number of AMT Taxpayers (millions). Baseline: 18.5 Proposal: 0.0

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