

Table T07-0306
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Level, 2010 ¹
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 (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	17.4	0.0	0.9	3.1	-53	-20.7	0.0	0.1	-0.9	3.4
10-20	48.4	0.3	1.1	14.8	-175	-24.7	-0.2	0.5	-1.1	3.3
20-30	65.6	0.3	0.4	6.1	-87	-3.4	-0.1	2.1	-0.3	9.1
30-40	69.7	0.1	0.2	3.6	-68	-1.3	0.0	3.3	-0.2	13.4
40-50	68.9	0.1	0.2	4.3	-99	-1.2	0.0	4.2	-0.2	16.3
50-75	64.7	0.1	0.4	16.2	-218	-1.7	-0.1	11.2	-0.3	18.7
75-100	63.9	0.2	1.0	34.9	-743	-3.8	-0.3	10.7	-0.8	20.0
100-200	80.4	9.9	1.8	126.6	-2,016	-5.7	-1.2	25.1	-1.4	22.5
200-500	83.6	13.8	2.2	87.7	-4,958	-6.0	-0.9	16.6	-1.6	25.0
500-1,000	25.2	72.6	-2.4	-36.3	13,068	6.7	0.5	7.0	1.8	28.2
More than 1,000	11.5	87.5	-5.0	-161.3	111,760	11.5	2.2	18.9	3.5	33.9
All	59.7	2.4	0.3	100.0	-193	-1.2	0.0	100.0	-0.3	21.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2010 ¹

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-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Pre- Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
Less than 10	17,249	11.2	6,020	258	5,762	4.3	0.9	1.1	0.2
10-20	25,257	16.3	16,275	706	15,569	4.3	3.6	4.4	0.7
20-30	21,136	13.7	26,983	2,550	24,433	9.5	5.0	5.7	2.2
30-40	15,865	10.3	37,911	5,155	32,756	13.6	5.2	5.8	3.3
40-50	13,044	8.4	48,808	8,068	40,739	16.5	5.5	5.9	4.2
50-75	22,180	14.3	67,154	12,748	54,406	19.0	13.0	13.4	11.3
75-100	14,059	9.1	94,376	19,660	74,715	20.8	11.5	11.7	11.0
100-200	18,782	12.1	147,048	35,107	111,940	23.9	24.0	23.4	26.3
200-500	5,289	3.4	310,634	82,593	228,041	26.6	14.3	13.4	17.4
500-1,000	831	0.5	738,482	195,367	543,115	26.5	5.3	5.0	6.5
More than 1,000	431	0.3	3,204,623	974,236	2,230,388	30.4	12.0	10.7	16.8
All	154,718	100.0	74,322	16,192	58,130	21.8	100.0	100.0	100.0

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

Number of AMT Taxpayers (millions). Baseline: 32.4 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) 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.