

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 T07-0307
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, 2010¹
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	27.9	0.2	1.1	10.4	-102	-1.1	2.5
Second Quintile	61.3	0.2	0.6	13.0	-126	-0.5	7.3
Middle Quintile	69.5	0.1	0.2	8.4	-81	-0.2	14.7
Fourth Quintile	63.7	0.1	0.5	32.7	-316	-0.4	19.0
Top Quintile	76.3	11.6	0.2	35.3	-341	-0.2	25.7
All	59.7	2.4	0.3	100.0	-193	-0.3	21.5
Addendum							
80-90	73.7	6.2	1.5	68.5	-1,323	-1.1	21.2
90-95	83.8	10.9	1.9	61.1	-2,361	-1.4	23.2
95-99	86.1	11.2	2.4	101.8	-4,918	-1.7	24.7
Top 1 Percent	26.5	71.8	-3.9	-196.0	37,879	2.7	31.8
Top 0.1 Percent	8.2	91.5	-5.4	-120.0	231,853	3.7	35.1

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) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$15,083, 40% \$28,658, 60% \$49,715, 80% \$88,519, 90% \$130,682, 95% \$184,021, 99% \$441,538, 99.5% \$687,852, and 99.9% 1,972,123.

(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 T07-0307
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, 2010¹
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 Under the Proposal		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	27.9	0.2	1.1	10.4	-102	-30.3	-0.1	0.3	-1.1	2.5
Second Quintile	61.3	0.2	0.6	13.0	-126	-6.8	-0.1	2.2	-0.5	7.3
Middle Quintile	69.5	0.1	0.2	8.4	-81	-1.3	0.0	7.7	-0.2	14.7
Fourth Quintile	63.7	0.1	0.5	32.7	-316	-2.2	-0.2	17.4	-0.4	19.0
Top Quintile	76.3	11.6	0.2	35.3	-341	-0.6	0.4	72.4	-0.2	25.7
All	59.7	2.4	0.3	100.0	-193	-1.2	0.0	100.0	-0.3	21.5
Addendum										
80-90	73.7	6.2	1.5	68.5	-1,323	-5.1	-0.6	15.4	-1.1	21.2
90-95	83.8	10.9	1.9	61.1	-2,361	-5.8	-0.6	12.1	-1.4	23.2
95-99	86.1	11.2	2.4	101.8	-4,918	-6.6	-1.0	17.4	-1.7	24.7
Top 1 Percent	26.5	71.8	-3.9	-196.0	37,879	9.4	2.7	27.5	2.7	31.8
Top 0.1 Percent	8.2	91.5	-5.4	-120.0	231,853	11.7	1.6	13.8	3.7	35.1

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2007¹

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	30,349	19.6	9,317	338	8,978	3.6	2.5	3.0	0.4
Second Quintile	30,951	20.0	23,511	1,853	21,658	7.9	6.3	7.5	2.3
Middle Quintile	30,935	20.0	41,886	6,221	35,665	14.9	11.3	12.3	7.7
Fourth Quintile	30,943	20.0	72,976	14,214	58,762	19.5	19.6	20.2	17.6
Top Quintile	30,945	20.0	225,458	58,215	167,243	25.8	60.7	57.5	71.9
All	154,718	100.0	74,322	16,192	58,130	21.8	100.0	100.0	100.0
Addendum									
80-90	15,473	10.0	116,377	25,972	90,404	22.3	15.7	15.6	16.0
90-95	7,738	5.0	166,632	40,951	125,681	24.6	11.2	10.8	12.7
95-99	6,187	4.0	281,960	74,482	207,478	26.4	15.2	14.3	18.4
Top 1 Percent	1,547	1.0	1,384,540	401,942	982,598	29.0	18.6	16.9	24.8
Top 0.1 Percent	155	0.1	6,319,084	1,983,017	4,336,066	31.4	8.5	7.5	12.3

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

Number of AMT Taxpayers (millions). Baseline: 32.4 Proposal: 0.0

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