

T07-0332

Major Individual Income and Estate Tax Components of Former Sen. Fred Thompson's Tax Plan
Static Impact on Individual Income and Estate Tax Liability and Revenue (\$ billions), 2009-18¹

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-18
Fiscal Year Revenue²											
Assuming tax units choose the system with less tax each year	-287.1	-404.6	-594.0	-720.4	-762.8	-809.2	-858.2	-910.8	-966.8	-1,025.4	-7,339
Assuming all tax units switch to the alternative tax system	-206.4	-293.0	-478.8	-601.7	-640.5	-683.6	-729.0	-777.5	-829.1	-883.8	-6,123
Calendar Year Liability											
Assuming tax units choose the system with less tax each year	-382.8	-411.9	-692.2	-732.5	-775.8	-823.1	-873.7	-926.9	-983.9	-1,043.4	-7,646
Assuming all tax units switch to the alternative tax system	-275.2	-298.9	-576.2	-612.8	-652.7	-696.8	-743.6	-792.5	-845.1	-900.8	-6,395

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

(1) Proposal is effective 01/01/09. Baseline is current law. Proposal extends the provisions of the 2001-2006 tax cuts affecting marginal tax rates; the 10-percent bracket; the child tax credit; the child and dependent care credit; the standard deduction, 15-percent bracket, and EITC for married couples; tax rates on long-term capital gains and dividends; expansion of student loan interest deduction (excludes other education provisions); and estate tax exemption, rates, and state death tax credit. Proposal also repeals the individual alternative minimum tax and allows taxpayers an election between the current tax system and an alternative tax system that denies adjustments to income, itemized deductions, and tax credits and that has a standard deduction of \$12,500 (\$25,000 for joint returns), personal exemptions of \$3,500, and rates of 10% up to \$50,000 (\$100,000 for joint returns) and 25% above that level. Dollar values are presented in 2007 dollars and indexed for inflation. The preferential rates on capital gains and dividends are retained in the alternative tax. The alternative tax is modeled as described in H.R. 3818, with the exception that gross income is replaced by total income in the determination of the tax base. Estimates for 2018 are extrapolated from estimates for the years 2011 to 2017. Estimates are static and do not account for any potential microeconomic behavioral response. Official estimates from the Joint Committee on Taxation would likely show a smaller effect on revenue.

(2) Fiscal-year revenue numbers assume a 75-25 split for income tax provisions and a 0-100 split for estate tax provisions. The actual effect on receipts could differ.