

T07-0344
H.R. 3818, The Republican Study Committee Taxpayer Choice Act
Impact on Individual Income Tax Revenue with Behavioral Response (\$ billions), 2008-18¹

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008-18
Fiscal Year Revenue²												
Assuming tax units choose the system with less tax each year	-224.4	-319.7	-346.2	-484.5	-552.0	-585.4	-622.3	-661.2	-702.1	-745.7	-791.7	-6,035
Assuming all tax units switch to the alternative tax system	-150.3	-219.1	-241.4	-402.9	-476.8	-507.8	-542.5	-579.0	-617.3	-658.1	-701.6	-5,097
Calendar Year Liability												
Assuming tax units choose the system with less tax each year	-299.2	-326.5	-352.7	-528.4	-559.9	-593.9	-631.7	-671.0	-712.5	-756.7	-803.4	-6,236
Assuming all tax units switch to the alternative tax system	-200.4	-225.3	-246.7	-455.0	-484.0	-515.8	-551.4	-588.2	-626.9	-668.4	-712.7	-5,275

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

(1) Proposal is effective 01/01/08. Baseline is current law. Proposal repeals the individual alternative minimum tax; makes permanent the 2003 rate cuts for capital gains and dividends; 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 incorporate an income elasticity (with respect to the net-of-tax rate) of 0.4.

(2) Fiscal-year revenue numbers assume a 75-25 split. The actual effect on receipts could differ.