

Table T08-0037
Individual Income Tax Measures in H.R. 5140
The Recovery Rebates and Economic Stimulus for the American People Act of 2008
Distribution of Federal Tax Change by Economic Income Percentile Adjusted for Family Size, 2008 ¹
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 (% Points)	Under the Proposal
Lowest Quintile	61.7	0.0	3.6	10.7	-367	-3.5	-0.9
Second Quintile	71.9	0.0	2.3	16.8	-558	-2.1	5.7
Middle Quintile	81.6	0.0	1.9	22.3	-739	-1.7	12.1
Fourth Quintile	94.5	0.0	1.6	28.6	-948	-1.3	16.8
Top Quintile	68.9	0.0	0.4	21.4	-711	-0.3	21.4
All	75.5	0.0	1.0	100.0	-663	-0.8	18.0
Addendum							
80-90	92.5	0.0	1.1	14.6	-969	-0.8	19.2
90-95	66.5	0.0	0.5	5.2	-685	-0.4	20.1
95-99	29.2	0.0	0.1	1.6	-266	-0.1	20.4
Top 1 Percent	4.3	0.0	0.0	0.1	-36	0.0	24.3
Top 0.1 Percent	4.1	0.0	0.0	0.0	-36	0.0	25.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-2).

Number of AMT Taxpayers (millions). Baseline: 4.1 Proposal: 4.1

(1) Calendar year. Baseline is 2008 current law assuming extension and indexation for inflation of the 2007 AMT patch. The proposal provides a refundable basic credit equal to the greater of: (1) income tax liability net of non-refundable credits (other than the child tax credit) not to exceed \$600 (\$1,200 for married couples filing a joint return); and (2) \$300 (\$600 for joint returns) if the individual has: (a) at least \$3,000 of earned income; or (b) income tax liability net of non-refundable credits (other than the child tax credit) of at least \$1 and gross income greater than the sum of the applicable basic standard deduction and one personal exemption (2 exemptions for joint returns). For any tax unit with at least \$1 of basic credit, the proposal provides an additional, refundable, \$300 credit for each child-tax-credit-eligible child. The total value of the credit (basic plus child credit) is phased out at a rate of 5 percent of AGI in excess of \$75,000 for singles, \$150,000 for couples. Our estimates are based on 2008 incomes; the proposal actually allows the credit to be based on 2007 income if it results in a higher amount. Our estimates assume that all potential beneficiaries claim the credit.

(2) Tax units with negative income are excluded from the lowest income class but are included in the totals. For a description of economic income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) Incomes used in the classification by quintile are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2006 dollars): 20% \$13,467, 40% \$24,205, 60% \$38,777, 80% \$64,528, 90% \$95,509, 95% \$139,295, 99% \$356,534, 99.5% \$544,904, and 99.9% 1,632,689.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) After-tax income is economic 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 economic 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	61.7	0.0	3.6	10.7	-367	-136.3	-0.5	-0.1	-3.5	-0.9
Second Quintile	71.9	0.0	2.3	16.8	-558	-27.3	-0.7	2.1	-2.1	5.7
Middle Quintile	81.6	0.0	1.9	22.3	-739	-12.2	-0.7	7.5	-1.7	12.1
Fourth Quintile	94.5	0.0	1.6	28.6	-948	-7.2	-0.5	17.3	-1.3	16.8
Top Quintile	68.9	0.0	0.4	21.4	-711	-1.4	2.3	73.0	-0.3	21.4
All	75.5	0.0	1.0	100.0	-663	-4.5	0.0	100.0	-0.8	18.0
Addendum										
80-90	92.5	0.0	1.1	14.6	-969	-4.2	0.0	15.6	-0.8	19.2
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Top 1 Percent	4.3	0.0	0.0	0.1	-36	0.0	1.2	27.6	0.0	24.3
Top 0.1 Percent	4.1	0.0	0.0	0.0	-36	0.0	0.6	13.5	0.0	25.0

Baseline Distribution of Income and Federal Taxes
by Economic Income Percentile Adjusted for Family Size, 2008 ¹

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 Percent of Total	Share of Post-Tax Income Percent of Total	Share of Federal Taxes Percent of Total
	Number (thousands)	Percent of Total							
Lowest Quintile	29,250	19.4	10,544	269	10,275	2.6	2.6	3.1	0.4
Second Quintile	30,172	20.0	26,030	2,047	23,982	7.9	6.6	7.5	2.8
Middle Quintile	30,172	20.0	44,142	6,074	38,068	13.8	11.2	11.9	8.2
Fourth Quintile	30,175	20.0	72,721	13,189	59,532	18.1	18.4	18.6	17.8
Top Quintile	30,173	20.0	242,233	52,464	189,768	21.7	61.4	59.2	70.7
All	150,867	100.0	78,953	14,845	64,108	18.8	100.0	100.0	100.0
Addendum									
80-90	15,087	10.0	115,028	23,035	91,993	20.0	14.6	14.4	15.5
90-95	7,543	5.0	170,735	35,034	135,701	20.5	10.8	10.6	11.8
95-99	6,035	4.0	308,061	63,207	244,855	20.5	15.6	15.3	17.0
Top 1 Percent	1,508	1.0	1,608,730	391,016	1,217,714	24.3	20.4	19.0	26.3
Top 0.1 Percent	151	0.1	7,629,109	1,907,963	5,721,147	25.0	9.7	8.9	12.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-2).

Number of AMT Taxpayers (millions). Baseline:

4.1

Proposal:

4.1

(1) Calendar year. Baseline is 2008 current law assuming extension and indexation for inflation of the 2007 AMT patch. The proposal provides a refundable basic credit equal to the greater of: (1) income tax liability net of non-refundable credits (other than the child tax credit) not to exceed \$600 (\$1,200 for married couples filing a joint return); and (2) \$300 (\$600 for joint returns) if the individual has: (a) at least \$3,000 of earned income; or (b) income tax liability net of non-refundable credits (other than the child tax credit) of at least \$1 and gross income greater than the sum of the applicable basic standard deduction and one personal exemption (2 exemptions for joint returns). For any tax unit with at least \$1 of basic credit, the proposal provides an additional, refundable, \$300 credit for each child-tax-credit-eligible child. The total value of the credit (basic plus child credit) is phased out at a rate of 5 percent of AGI in excess of \$75,000 for singles, \$150,000 for couples. Our estimates are based on 2008 incomes; the proposal actually allows the credit to be based on 2007 income if it results in a higher amount. Our estimates assume that all potential beneficiaries claim the credit.

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