

Table T08-0031
Individual Income Tax Measures in House Stimulus Proposal
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2008¹
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	51.3	0.0	3.2	9.2	-297	-3.2	-3.3
Second Quintile	68.2	0.0	2.1	14.3	-455	-2.0	5.0
Middle Quintile	87.8	0.0	2.2	24.0	-761	-1.9	13.2
Fourth Quintile	98.0	0.0	1.8	31.1	-987	-1.4	17.7
Top Quintile	68.2	0.0	0.4	21.4	-678	-0.3	25.1
All	74.6	0.0	1.2	100.0	-635	-0.9	20.3
Addendum							
80-90	96.2	0.0	1.2	15.5	-987	-0.9	20.9
90-95	65.3	0.0	0.5	4.9	-620	-0.4	23.2
95-99	17.2	0.0	0.1	0.8	-132	-0.1	24.9
Top 1 Percent	6.7	0.0	0.0	0.1	-64	0.0	29.6
Top 0.1 Percent	1.3	0.0	0.0	0.0	-12	0.0	31.7

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 an income tax rebate equal to 10 percent of taxable income, up to a maximum of \$600 (\$1,200 for married couples filing a joint return). The rebate is limited by individual income tax after non-refundable credits. But if the tax unit has at least \$3,000 of earned income (defined as the sum of wages and salaries plus any positive amount of self-employment income net of the deduction for self-employment tax), the minimum payment is \$300 (\$600 for married couples filing a joint return). This minimum payment is not limited by income tax liability and is thus fully refundable. For any tax unit with at least \$1 of income tax rebate, the proposal provides an additional, fully refundable, \$300 rebate for each qualifying child. A qualifying child is one that is eligible for the child tax credit. The total value of the income tax rebate and the child rebate would be 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 rebate to be based on 2007 income if it results in a higher amount.

(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) 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% \$11,679, 40% \$21,348, 60% \$36,933, 80% \$60,839, 90% \$87,007, 95% \$121,716, 99% \$295,855, 99.5% \$462,868, and 99.9% 1,362,091.

(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.

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Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2008 ¹
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	51.3	0.0	3.2	9.2	-297	n/a	-0.4	-0.4	-3.2	-3.3
Second Quintile	68.2	0.0	2.1	14.3	-455	-28.4	-0.5	1.6	-2.0	5.0
Middle Quintile	87.8	0.0	2.2	24.0	-761	-12.3	-0.7	7.7	-1.9	13.2
Fourth Quintile	98.0	0.0	1.8	31.1	-987	-7.5	-0.6	17.2	-1.4	17.7
Top Quintile	68.2	0.0	0.4	21.4	-678	-1.3	2.2	73.7	-0.3	25.1
All	74.6	0.0	1.2	100.0	-635	-4.3	0.0	100.0	-0.9	20.3
Addendum										
80-90	96.2	0.0	1.2	15.5	-987	-4.3	0.0	15.6	-0.9	20.9
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95-99	17.2	0.0	0.1	0.8	-132	-0.2	0.7	18.0	-0.1	24.9
Top 1 Percent	6.7	0.0	0.0	0.1	-64	0.0	1.2	28.0	0.0	29.6
Top 0.1 Percent	1.3	0.0	0.0	0.0	-12	0.0	0.6	14.3	0.0	31.7

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 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	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	29,578	19.6	9,201	-10	9,211	-0.1	2.6	3.3	0.0
Second Quintile	30,174	20.0	22,835	1,600	21,235	7.0	6.5	7.7	2.2
Middle Quintile	30,173	20.0	41,216	6,201	35,015	15.1	11.8	12.7	8.4
Fourth Quintile	30,173	20.0	69,170	13,208	55,962	19.1	19.8	20.3	17.8
Top Quintile	30,174	20.0	208,398	53,020	155,377	25.4	59.7	56.5	71.5
All	150,867	100.0	69,872	14,831	55,041	21.2	100.0	100.0	100.0
Addendum									
80-90	15,088	10.0	105,440	23,068	82,373	21.9	15.1	15.0	15.6
90-95	7,543	5.0	149,344	35,280	114,065	23.6	10.7	10.4	11.9
95-99	6,034	4.0	255,691	63,836	191,855	25.0	14.6	13.9	17.2
Top 1 Percent	1,509	1.0	1,344,079	397,984	946,095	29.6	19.2	17.2	26.8
Top 0.1 Percent	151	0.1	6,391,285	2,026,032	4,365,253	31.7	9.2	7.9	13.7

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 an income tax rebate equal to 10 percent of taxable income, up to a maximum of \$600 (\$1,200 for married couples filing a joint return). The rebate is limited by individual income tax after non-refundable credits. But if the tax unit has at least \$3,000 of earned income (defined as the sum of wages and salaries plus any positive amount of self-employment income net of the deduction for self-employment tax), the minimum payment is \$300 (\$600 for married couples filing a joint return). This minimum payment is not limited by income tax liability and is thus fully refundable. For any tax unit with at least \$1 of income tax rebate, the proposal provides an additional, fully refundable, \$300 rebate for each qualifying child. A qualifying child is one that is eligible for the child tax credit. The total value of the income tax rebate and the child rebate would be 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 rebate to be based on 2007 income if it results in a higher amount.

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