

Table T08-0032
Individual Income Tax Measures in House Stimulus Proposal
Distribution of Federal Tax Change by Economic 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 (%) Points) | Under the Proposal |
| Lowest Quintile | 60.0 | 0.0 | 3.4 | 10.6 | -347 | -3.3 | -0.7 |
| Second Quintile | 70.9 | 0.0 | 2.1 | 15.7 | -498 | -1.9 | 6.0 |
| Middle Quintile | 80.8 | 0.0 | 1.8 | 21.8 | -693 | -1.6 | 12.2 |
| Fourth Quintile | 94.0 | 0.0 | 1.6 | 29.5 | -937 | -1.3 | 16.9 |
| Top Quintile | 68.8 | 0.0 | 0.4 | 22.3 | -709 | -0.3 | 21.3 |
| All | 74.6 | 0.0 | 1.0 | 100.0 | -635 | -0.8 | 18.0 |
| Addendum | | | | | | | |
| 80-90 | 92.3 | 0.0 | 1.1 | 15.2 | -967 | -0.8 | 19.2 |
| 90-95 | 66.2 | 0.0 | 0.5 | 5.4 | -683 | -0.4 | 20.1 |
| 95-99 | 29.1 | 0.0 | 0.1 | 1.7 | -265 | -0.1 | 20.4 |
| Top 1 Percent | 4.2 | 0.0 | 0.0 | 0.1 | -34 | 0.0 | 24.2 |
| Top 0.1 Percent | 3.9 | 0.0 | 0.0 | 0.0 | -31 | 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 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 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.

Table T08-0032
Individual Income Tax Measures in House Stimulus Proposal
Distribution of Federal Tax Change by Economic 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 | 60.0 | 0.0 | 3.4 | 10.6 | -347 | -128.9 | -0.5 | -0.1 | -3.3 | -0.7 |
| Second Quintile | 70.9 | 0.0 | 2.1 | 15.7 | -498 | -24.3 | -0.6 | 2.2 | -1.9 | 6.0 |
| Middle Quintile | 80.8 | 0.0 | 1.8 | 21.8 | -693 | -11.4 | -0.6 | 7.6 | -1.6 | 12.2 |
| Fourth Quintile | 94.0 | 0.0 | 1.6 | 29.5 | -937 | -7.1 | -0.5 | 17.3 | -1.3 | 16.9 |
| Top Quintile | 68.8 | 0.0 | 0.4 | 22.3 | -709 | -1.4 | 2.2 | 72.8 | -0.3 | 21.3 |
| All | 74.6 | 0.0 | 1.0 | 100.0 | -635 | -4.3 | 0.0 | 100.0 | -0.8 | 18.0 |
| Addendum | | | | | | | | | | |
| 80-90 | 92.3 | 0.0 | 1.1 | 15.2 | -967 | -4.2 | 0.0 | 15.5 | -0.8 | 19.2 |
| 90-95 | 66.2 | 0.0 | 0.5 | 5.4 | -683 | -2.0 | 0.3 | 12.1 | -0.4 | 20.1 |
| 95-99 | 29.1 | 0.0 | 0.1 | 1.7 | -265 | -0.4 | 0.7 | 17.7 | -0.1 | 20.4 |
| Top 1 Percent | 4.2 | 0.0 | 0.0 | 0.1 | -34 | 0.0 | 1.2 | 27.5 | 0.0 | 24.2 |
| Top 0.1 Percent | 3.9 | 0.0 | 0.0 | 0.0 | -31 | 0.0 | 0.6 | 13.4 | 0.0 | 25.0 |

Baseline Distribution of Income and Federal Taxes
by Economic 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 | 29,250 | 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 | 52,396 | 189,837 | 21.6 | 61.4 | 59.2 | 70.7 |
| All | 150,867 | 100.0 | 78,953 | 14,831 | 64,122 | 18.8 | 100.0 | 100.0 | 100.0 |
| Addendum | | | | | | | | | |
| 80-90 | 15,087 | 10.0 | 115,028 | 23,034 | 91,994 | 20.0 | 14.6 | 14.4 | 15.5 |
| 90-95 | 7,543 | 5.0 | 170,735 | 35,024 | 135,711 | 20.5 | 10.8 | 10.6 | 11.8 |
| 95-99 | 6,035 | 4.0 | 308,061 | 63,116 | 244,946 | 20.5 | 15.6 | 15.3 | 17.0 |
| Top 1 Percent | 1,508 | 1.0 | 1,608,730 | 390,065 | 1,218,665 | 24.3 | 20.4 | 19.0 | 26.3 |
| Top 0.1 Percent | 151 | 0.1 | 7,629,109 | 1,903,976 | 5,725,134 | 25.0 | 9.7 | 8.9 | 12.8 |

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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