

Table T08-0063
Options to Limit the Extension of the 2001-06 Tax Cuts Above \$250,000
Static Impact on Individual Income and Estate Tax Liability and Revenue (\$ billions), 2009-18 ¹

	Year											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-18	
Fiscal Year Revenue²												
Extend 2001-06 income tax cuts and make estate tax repeal permanent	0.0	0.0	-125.4	-248.2	-253.9	-260.2	-266.8	-274.4	-282.5	-290.6	-2,002.1	
OPT 1: Roll back income tax cuts for those with AGI > \$250K/\$125K, extend for others, freeze 2009 estate tax law ³	75.7	126.2	-4.9	-138.9	-139.0	-139.3	-139.6	-140.3	-140.9	-141.6	-782.7	
Savings from Option 1 relative to full extension of income tax cuts and permanent estate tax repeal	75.7	126.2	120.5	109.3	114.9	120.9	127.2	134.1	141.6	149.0	1,219.4	
OPT 2: Roll back top two income tax rates and rate cuts for capital gains and qualified dividends, restore PEP/Pease, extend other income tax cuts, and freeze 2009 estate tax law ⁴	47.8	82.7	-22.1	-140.0	-140.3	-140.8	-141.3	-142.2	-143.2	-144.1	-883.5	
Savings from Option 2 relative to full extension of income tax cuts and permanent estate tax repeal	47.8	82.7	103.3	108.2	113.6	119.5	125.5	132.2	139.3	146.5	1,118.7	
Calendar Year Liability												
Extend 2001-06 income tax cuts and make estate tax repeal permanent	0.0	0.0	-246.4	-252.1	-258.1	-264.6	-272.2	-279.7	-288.3	-295.9	-2,157.1	
OPT 1: Roll back income tax cuts for those with AGI > \$250K/\$125K, extend for others, freeze 2009 estate tax law ³	126.2	142.3	-139.6	-139.8	-139.9	-140.3	-141.1	-141.6	-142.3	-142.7	-858.9	
Savings from Option 1 relative to full extension of income tax cuts and permanent estate tax repeal	126.2	142.3	106.7	112.3	118.2	124.2	131.1	138.0	146.0	153.2	1,298.2	
OPT 2: Roll back top two income tax rates and rate cuts for capital gains and qualified dividends, restore PEP/Pease, extend other income tax cuts, and freeze 2009 estate tax law ⁴	79.6	100.9	-140.7	-140.9	-141.3	-141.9	-142.9	-143.6	-144.7	-145.3	-960.7	
Savings from Option 2 relative to full extension of income tax cuts and permanent estate tax repeal	79.6	100.9	105.7	111.1	116.8	122.7	129.3	136.1	143.6	150.6	1,196.4	

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

(1) Baseline is current law. Tax cuts include the individual income and estate tax provisions in EGTRRA, JCWA, JGTRRA, WFTRA, AJCA, TIPRA, PPA, and TRHCA. Estimates for 2018 are extrapolated based on model estimates through 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 somewhat different effect on revenue.

(2) Fiscal-year revenue numbers assume a 0-100 split for estate tax provisions and a 60-40 split for income tax provisions. The actual effect on receipts could differ.

(3) The option freezes 2009 estate tax law (\$3.5 million exemption and 45-percent rate) and extends the expiring provisions of the 2001-06 income tax cuts for tax units with adjusted gross income under \$125,000 in 2009 dollars (\$250,000 for married couples filing a joint return) only. For 2009 and 2010, the income tax cuts would be repealed for tax units with incomes greater than those thresholds.

(4) The top two statutory income tax rates would be 36 and 39.6 percent instead of 33 and 35 percent; the limitation on itemized deductions (Pease) and the personal exemption phase-out (PEP) would be fully restored; qualified dividends would be taxed as ordinary income; and long-term capital gains would be taxed at a rate of 20 percent (10 percent for those in the lowest two tax brackets), effective 01/01/09. Other provisions of the 2001-06 tax cuts would be extended. Estate tax law would be frozen at 2009 levels (\$3.5 million exemption and 45-percent rate).