

T08-0066

Repeal Employer Exclusion, Self-Employed Deduction; Allow Flat Refundable Credit

Distribution of Federal Tax Change by Cash Income Percentile, 2009 and 2017¹

Cash Income Percentile ²	2009				2017			
	Percent of Tax Units ³		Percent Change in After-Tax Income ⁴	Average Federal Tax Dollars	Percent of Tax Units ³		Percent Change in After-Tax Income ⁴	Average Federal Tax Dollars
	With Tax Cut	With Tax Increase			With Tax Cut	With Tax Increase		
Lowest Quintile	19.6	0.5	3.1	-281	20.6	1.7	3.3	-424
Second Quintile	36.7	8.2	1.7	-387	32.5	10.8	1.3	-402
Middle Quintile	51.3	16.1	1.0	-398	43.0	21.6	0.7	-344
Fourth Quintile	54.1	30.5	0.4	-233	42.7	39.9	-0.2	126
Top Quintile	36.0	56.3	-0.4	587	30.8	60.6	-0.6	1,291
All	39.5	22.3	0.2	-143	33.9	26.9	-0.1	48
Addendum								
Top 10 Percent	30.7	63.0	-0.4	874	24.7	68.2	-0.6	1,880
Top 5 Percent	26.3	66.9	-0.3	1,106	22.7	69.7	-0.5	2,162
Top 1 Percent	30.1	62.1	-0.1	858	20.8	70.1	-0.2	2,324
Top 0.5 Percent	25.8	65.5	-0.1	1,018	20.1	70.4	-0.1	2,403
Top 0.1 Percent	24.5	65.6	0.0	1,074	20.3	68.9	-0.1	2,371

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

Number of AMT Taxpayers (millions). Baseline: 29.282 (2009), 39.039 (2017); Proposal: 35.125 (2009), 44.185 (2017).

Percentile breaks are at \$15,758; \$30,093; \$52,361; \$93,024; \$137,004; \$192,737; \$459,038; \$712,376; and \$2,032,183 in 2009 and \$21,998; \$40,237; \$68,797;

(1) Calendar year. Baseline is current law. Proposal repeals the exclusion for employer-provided health insurance and the self-employed health insurance deduction and allows a flat refundable credit of \$900 for each covered adult and \$450 for each covered dependent. Credit values are presented in 2009 dollars and grow at the rate of growth of health insurance premiums.

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

(4) After-tax income is cash income plus employer-paid insurance premiums less: individual income tax net of refundable credits; corporate income tax; payroll taxes;

(5) 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.