

Table T07-0292
Tax Benefits of the Exclusions and Deductions for Retirement Savings
Distribution of Federal Tax Change by Cash Income Percentile, 2012¹

| Cash Income Percentile ^{2,3} | Percent of Tax Units ⁴ | | Benefit as Percent of After-Tax Income ⁵ | Share of Total Benefits | Average Benefit | | Share of Federal Taxes | | Average Federal Tax Rate ⁶ | |
|---------------------------------------|-----------------------------------|-----------------|---|-------------------------|-----------------|-------------------|------------------------|-------------------|---------------------------------------|-------------------|
| | With Benefit | Without Benefit | | | Dollars | As Percent of Tax | With Exclusion | Without Exclusion | With Exclusion | Without Exclusion |
| Lowest Quintile | 2.8 | 97.2 | 0.1 | 0.3 | 13 | 3.1 | 0.4 | 0.4 | 4.2 | 4.2 |
| Second Quintile | 14.4 | 85.6 | 0.6 | 3.2 | 132 | 5.4 | 2.6 | 2.6 | 10.3 | 10.3 |
| Middle Quintile | 26.3 | 73.7 | 0.9 | 8.0 | 330 | 4.4 | 7.8 | 7.9 | 17.5 | 17.5 |
| Fourth Quintile | 40.8 | 59.2 | 1.2 | 18.3 | 756 | 4.5 | 17.5 | 17.5 | 22.4 | 22.4 |
| Top Quintile | 60.4 | 39.6 | 1.7 | 70.2 | 2,892 | 4.2 | 71.5 | 71.5 | 29.5 | 29.5 |
| All | 28.9 | 71.1 | 1.4 | 100.0 | 825 | 4.3 | 100.0 | 100.0 | 25.1 | 25.1 |
| Addendum | | | | | | | | | | |
| Top 10 Percent | 64.9 | 35.1 | 1.6 | 50.2 | 4,136 | 3.9 | 55.6 | 55.4 | 30.9 | 30.9 |
| Top 5 Percent | 64.0 | 36.0 | 1.5 | 32.7 | 5,388 | 3.2 | 43.3 | 42.9 | 31.8 | 31.8 |
| Top 1 Percent | 59.8 | 40.2 | 0.7 | 8.5 | 6,973 | 1.4 | 25.5 | 24.8 | 33.5 | 33.5 |
| Top 0.5 Percent | 59.2 | 40.8 | 0.5 | 4.6 | 7,570 | 1.0 | 20.6 | 20.0 | 34.4 | 34.4 |
| Top 0.1 Percent | 59.3 | 40.7 | 0.2 | 1.0 | 8,499 | 0.4 | 12.5 | 12.1 | 36.0 | 36.0 |

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2012¹

| 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 | 31,119 | 19.6 | 10,095 | 414 | 9,681 | 4.1 | 2.5 | 3.1 | 0.4 |
| Second Quintile | 31,722 | 20.0 | 25,330 | 2,472 | 22,858 | 9.8 | 6.4 | 7.6 | 2.6 |
| Middle Quintile | 31,712 | 20.0 | 44,783 | 7,523 | 37,259 | 16.8 | 11.2 | 12.3 | 7.9 |
| Fourth Quintile | 31,717 | 20.0 | 78,049 | 16,754 | 61,296 | 21.5 | 19.6 | 20.3 | 17.5 |
| Top Quintile | 31,715 | 20.0 | 241,886 | 68,568 | 173,318 | 28.4 | 60.7 | 57.3 | 71.5 |
| All | 158,578 | 100.0 | 79,703 | 19,177 | 60,526 | 24.1 | 100.0 | 100.0 | 100.0 |
| Addendum | | | | | | | | | |
| Top 10 Percent | 15,856 | 10.0 | 358,861 | 106,622 | 252,239 | 29.7 | 45.0 | 41.7 | 55.6 |
| Top 5 Percent | 7,929 | 5.0 | 538,583 | 166,114 | 372,469 | 30.8 | 33.8 | 30.8 | 43.3 |
| Top 1 Percent | 1,586 | 1.0 | 1,478,477 | 488,875 | 989,602 | 33.1 | 18.6 | 16.4 | 25.5 |
| Top 0.5 Percent | 793 | 0.5 | 2,325,676 | 791,391 | 1,534,285 | 34.0 | 14.6 | 12.7 | 20.6 |
| Top 0.1 Percent | 159 | 0.1 | 6,696,821 | 2,404,178 | 4,292,642 | 35.9 | 8.4 | 7.1 | 12.5 |

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

Number of AMT Taxpayers (millions). Baseline: 20.9 Alternative: 21.2

(1) Calendar year. Baseline is current law. Alternative repeals the deduction for IRA and Keogh contributions and the exclusion for employer and employee contributions to employer-provided retirement plans, such as 401(k) and 403(b) plans.

(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) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$15, 627, 40% \$29,408, 60% \$50,800, 80% \$90,807, 90% \$134,424, 95% \$189,379, 99% \$453,936, 99.5% \$707,475, and 99.9% \$2,023,951.

(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.