

Table T09-0178
Limit Tax Rate That Itemized Deductions Reduce Tax Liability to 28 Percent
Baseline: Administration Baseline With Top Two Rates Reinstated
Small Business Tax Units
Distribution of Federal Tax Change by Cash Income Level, 2012¹

Cash Income Level (thousands of 2009 dollars) ²	Tax Units With Tax Increase ³		Percent Change in After-Tax Income ⁴	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	Number (thousands)	Percent			Dollars	Percent	Change (%) Points)	Under the Proposal	Change (%) Points)	Under the Proposal
Less than 10	0.0	0.0	0.0	0.0	0	0.0	0.0	0.1	0.0	7.3
10-20	0.0	0.0	0.0	0.0	0	0.0	0.0	0.2	0.0	3.9
20-30	0.0	0.0	0.0	0.0	0	0.0	0.0	0.6	0.0	9.4
30-40	0.0	0.0	0.0	0.0	0	0.0	0.0	1.0	0.0	13.0
40-50	0.0	0.0	0.0	0.0	0	0.0	0.0	1.2	0.0	14.7
50-75	0.0	0.0	0.0	0.0	0	0.0	-0.1	4.4	0.0	16.8
75-100	0.0	0.0	0.0	0.0	0	0.0	-0.1	5.6	0.0	18.1
100-200	9.1	0.1	0.0	0.0	1	0.0	-0.3	18.4	0.0	20.8
200-500	500.5	16.2	-0.2	6.8	388	0.5	-0.2	19.0	0.1	24.8
500-1,000	404.3	56.1	-0.9	19.2	4,676	2.4	0.1	11.8	0.7	28.3
More than 1,000	307.5	74.5	-1.4	74.0	31,531	2.9	0.5	37.4	0.9	33.0
All	1,223.0	3.4	-0.5	100.0	489	1.4	0.0	100.0	0.4	24.8

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

Cash Income Level (thousands of 2009 dollars) ²	Tax Units ³		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	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							
Less than 10	2,706	7.5	6,021	437	5,585	7.3	0.3	0.4	0.1
10-20	3,615	10.1	15,596	606	14,990	3.9	1.1	1.4	0.2
20-30	3,107	8.6	26,267	2,464	23,804	9.4	1.6	1.9	0.6
30-40	2,626	7.3	36,691	4,762	31,929	13.0	1.9	2.2	1.0
40-50	2,192	6.1	47,453	6,968	40,485	14.7	2.1	2.3	1.2
50-75	5,024	14.0	65,978	11,057	54,921	16.8	6.6	7.3	4.5
75-100	4,212	11.7	91,824	16,577	75,248	18.1	7.7	8.3	5.7
100-200	7,615	21.2	145,500	30,255	115,245	20.8	22.0	23.0	18.7
200-500	3,084	8.6	310,919	76,700	234,219	24.7	19.0	19.0	19.2
500-1,000	721	2.0	721,142	199,078	522,063	27.6	10.3	9.9	11.7
More than 1,000	413	1.2	3,423,770	1,098,993	2,324,777	32.1	28.1	25.2	36.8
All	35,970	100.0	140,128	34,260	105,867	24.5	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0309-1).

Note: Includes all tax units reporting a net gain or loss on Schedules C, E, or F.

(1) Calendar year. Baseline is the Administration's baseline (extends all of the individual income tax provisions included in 2001 EGTRRA and 2003 JGTRRA; maintains the estate tax at its 2009 parameters; extends the 2009 AMT Patch and indexes the AMT exemption, rate bracket threshold, and phase-out exemption threshold for inflation). The baseline reinstates the top two individual income tax rates to 36 and 39.6 percent. Proposal limits the tax rate at which itemized deductions reduce tax liability to 28 percent.

(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 less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

(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.