

Table T09-0283
Administration's Fiscal Year 2010 Budget Proposals
Major Individual Income Tax Provisions, Maintain Estate Tax at 2009 Parameters, Major Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile, 2012¹
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 (%)	Under the Proposal
Lowest Quintile	75.3	0.1	4.8	6.2	-526	-4.5	0.7
Second Quintile	90.4	0.2	4.7	12.7	-1,184	-4.1	8.2
Middle Quintile	97.9	0.1	3.9	16.2	-1,659	-3.2	15.0
Fourth Quintile	99.7	0.0	4.1	23.1	-2,826	-3.2	18.3
Top Quintile	97.7	2.3	2.9	41.6	-5,819	-2.1	26.0
All	90.0	0.4	3.6	100.0	-2,071	-2.7	20.6
Addendum							
80-90	99.9	0.0	4.7	17.5	-4,855	-3.5	21.1
90-95	100.0	0.0	4.2	10.7	-6,099	-3.1	22.4
95-99	97.1	2.9	3.2	11.4	-7,959	-2.3	25.1
Top 1 Percent	66.9	33.0	0.5	2.0	-5,596	-0.3	32.3
Top 0.1 Percent	42.6	57.4	-0.1	-0.1	3,784	0.1	35.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

Number of AMT Taxpayers (millions). Baseline: 18.2

Proposal: 4.1

(1) Calendar year. Baseline is current law. Proposal would: (a) extend the Making Work Pay Credit, reduce the phase-out rate to 1.6 percent, and index the phase-out thresholds for inflation after 2010; (b) extend the higher EITC credit value for families with 3 children and higher phase-out threshold for married couples; (c) modify the saver's credit making it equal to 50% of the first \$500 of retirement savings (\$1,000 for couples) and fully refundable; (d) create automatic 401(k)s and IRAs; (e) extend the American Opportunity Tax Credit; (f) extend the \$3,000 child tax credit refundability threshold; (g) change the threshold for the 36-percent tax bracket to \$250,000 less the standard deduction and two personal exemptions for married couples filing jointly and \$200,000 less the standard deduction and one personal exemption for single filers, indexed for inflation after 2009; (h) set the thresholds for the personal exemption phase-out and limitation on itemized deductions to \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009;

(i) impose a 20 percent rate on capital gains and qualified dividends for taxpayers in the top two tax brackets and repeal the 8 percent and 18 percent rates for assets held for more than 5 years; (j) limit value of itemized deduction to 28 percent; (k) maintain the estate tax at its 2009 parameters; (l) extend the 2001 and 2003 tax cuts for low and middle income individuals (marriage penalty relief, the 10, 15, 25, 28 percent brackets, the 15 percent rate on capital gains and qualified dividends for taxpayers in those brackets, the \$1,000 child tax credit, and the expanded child and dependent care credit). Corporate income tax measures included were making the research and experimentation tax credit permanent; expanding net operating loss carryback, taxing carried interest as ordinary income, repealing LIFO, and implementing international enforcement, reform deferral and other reform policies.

(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 classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2009 dollars): 20% \$19,429, 40% \$37,634, 60% \$65,903, 80% \$112,079, 90% \$162,348, 95% \$227,254, 99% \$601,435, 99.9% \$2,737,383.

(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.

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Major Individual Income Tax Provisions, Maintain Estate Tax at 2009 Parameters, Major Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile, 2012¹
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	75.3	0.1	4.8	6.2	-526	-86.3	-0.7	0.1	-4.5	0.7
Second Quintile	90.4	0.2	4.7	12.7	-1,184	-33.4	-1.1	3.3	-4.1	8.2
Middle Quintile	97.9	0.1	3.9	16.2	-1,659	-17.5	-0.7	10.1	-3.2	15.0
Fourth Quintile	99.7	0.0	4.1	23.1	-2,826	-14.8	-0.6	17.6	-3.2	18.3
Top Quintile	97.7	2.3	2.9	41.6	-5,819	-7.4	3.2	68.7	-2.1	26.0
All	90.0	0.4	3.6	100.0	-2,071	-11.6	0.0	100.0	-2.7	20.6
Addendum										
80-90	99.9	0.0	4.7	17.5	-4,855	-14.3	-0.4	13.8	-3.5	21.1
90-95	100.0	0.0	4.2	10.7	-6,099	-12.2	-0.1	10.2	-3.1	22.4
95-99	97.1	2.9	3.2	11.4	-7,959	-8.4	0.6	16.3	-2.3	25.1
Top 1 Percent	66.9	33.0	0.5	2.0	-5,596	-0.9	3.1	28.4	-0.3	32.3
Top 0.1 Percent	42.6	57.4	-0.1	-0.1	3,784	0.1	1.7	14.5	0.1	35.6

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	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	38,450	24.4	11,600	610	10,991	5.3	3.7	4.6	0.8
Second Quintile	34,947	22.2	28,852	3,544	25,308	12.3	8.4	9.6	4.4
Middle Quintile	31,868	20.3	52,224	9,499	42,725	18.2	13.9	14.8	10.8
Fourth Quintile	26,646	16.9	88,978	19,144	69,833	21.5	19.8	20.3	18.2
Top Quintile	23,298	14.8	280,229	78,784	201,445	28.1	54.5	51.1	65.6
All	157,348	100.0	76,169	17,790	58,378	23.4	100.0	100.0	100.0
Addendum									
80-90	11,720	7.5	138,385	34,024	104,361	24.6	13.5	13.3	14.3
90-95	5,734	3.6	196,549	50,063	146,485	25.5	9.4	9.1	10.3
95-99	4,655	3.0	345,574	94,783	250,791	27.4	13.4	12.7	15.8
Top 1 Percent	1,190	0.8	1,825,188	595,543	1,229,645	32.6	18.1	15.9	25.3
Top 0.1 Percent	120	0.1	8,367,274	2,978,103	5,389,171	35.6	8.4	7.0	12.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

Number of AMT Taxpayers (millions). Baseline: 18.2

Proposal: 4.1

(1) Calendar year. Baseline is current law. Proposal would: (a) extend the Making Work Pay Credit, reduce the phase-out rate to 1.6 percent, and index the phase-out thresholds for inflation after 2010; (b) extend the higher EITC credit value for families with 3 children and higher phase-out threshold for married couples; (c) modify the saver's credit making it equal to 50% of the first \$500 of retirement savings (\$1,000 for couples) and fully refundable; (d) create automatic 401(k)s and IRAs; (e) extend the American Opportunity Tax Credit; (f) extend the \$3,000 child tax credit refundability threshold; (g) change the threshold for the 36-percent tax bracket to \$250,000 less the standard deduction and two personal exemptions for married couples filing jointly and \$200,000 less the standard deduction and one personal exemption for single filers, indexed for inflation after 2009; (h) set the thresholds for the personal exemption phase-out and limitation on itemized deductions to \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; (i) impose a 20 percent rate on capital gains and qualified dividends for taxpayers in the top two tax brackets and repeal the 8 percent and 18 percent rates for assets held for more than 5 years; (j) limit value of itemized deduction to 28 percent; (k) maintain the estate tax at its 2009 parameters;

(l) extend the 2001 and 2003 tax cuts for low and middle income individuals (marriage penalty relief, the 10, 15, 25, 28 percent brackets, the 15 percent rate on capital gains and qualified dividends for taxpayers in those brackets, the \$1,000 child tax credit, and the expanded child and dependent care credit). Corporate income tax measures included were making the research and experimentation tax credit permanent; expanding net operating loss carryback, taxing carried interest as ordinary income, repealing LIFO, and implementing international enforcement, reform deferral and other reform policies.

(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

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(3) The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2009 dollars): 20% \$19,429, 40% \$37,634, 60% \$65,903, 80% \$112,079, 90% \$162,348, 95% \$227,254, 99% \$601,435, 99.9% \$2,737,383.

(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.

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Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012¹
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	78.7	0.0	6.7	7.0	-716	-292.4	-0.9	-0.6	-6.6	-4.3
Second Quintile	83.7	0.3	5.1	11.9	-1,198	-42.1	-1.1	2.2	-4.6	6.3
Middle Quintile	95.4	0.1	4.1	15.2	-1,588	-20.2	-0.9	7.9	-3.4	13.5
Fourth Quintile	99.7	0.0	3.9	22.2	-2,409	-14.9	-0.6	16.7	-3.1	17.8
Top Quintile	98.0	1.8	2.8	43.6	-4,745	-7.2	3.5	73.7	-2.0	25.8
All	90.0	0.4	3.6	100.0	-2,071	-11.6	0.0	100.0	-2.7	20.6
Addendum										
80-90	99.8	0.0	4.0	16.6	-3,603	-12.6	-0.2	15.1	-3.1	21.2
90-95	99.7	0.0	3.9	11.1	-4,808	-11.3	0.1	11.6	-2.9	22.7
95-99	97.9	2.1	3.3	12.8	-7,010	-8.7	0.6	17.6	-2.4	24.9
Top 1 Percent	71.6	28.4	0.7	3.1	-6,981	-1.4	3.1	29.4	-0.4	32.0
Top 0.1 Percent	46.7	53.3	0.0	0.0	-365	0.0	1.7	15.0	0.0	35.3

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 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	31,706	20.2	10,935	245	10,690	2.2	2.9	3.7	0.3
Second Quintile	32,349	20.6	26,208	2,848	23,360	10.9	7.1	8.2	3.3
Middle Quintile	31,237	19.9	46,322	7,856	38,467	17.0	12.1	13.1	8.8
Fourth Quintile	29,980	19.1	77,565	16,211	61,354	20.9	19.4	20.0	17.4
Top Quintile	29,936	19.0	235,547	65,618	169,930	27.9	58.8	55.4	70.2
All	157,348	100.0	76,169	17,790	58,378	23.4	100.0	100.0	100.0
Addendum									
80-90	15,019	9.6	117,658	28,521	89,137	24.2	14.7	14.6	15.3
90-95	7,540	4.8	167,170	42,711	124,459	25.6	10.5	10.2	11.5
95-99	5,940	3.8	294,212	80,227	213,985	27.3	14.6	13.8	17.0
Top 1 Percent	1,436	0.9	1,584,726	513,398	1,071,327	32.4	19.0	16.8	26.3
Top 0.1 Percent	142	0.1	7,360,192	2,599,378	4,760,814	35.3	8.7	7.4	13.2

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).
Number of AMT Taxpayers (millions). Baseline: 18.2 Proposal: 4.1

(1) Calendar year. Baseline is current law. Proposal would: (a) extend the Making Work Pay Credit, reduce the phase-out rate to 1.6 percent, and index the phase-out thresholds for inflation after 2010; (b) extend the higher EITC credit value for families with 3 children and higher phase-out threshold for married couples; (c) modify the saver's credit making it equal to 50% of the first \$500 of retirement savings (\$1,000 for couples) and fully refundable; (d) create automatic 401(k)s and IRAs; (e) extend the American Opportunity Tax Credit; (f) extend the \$3,000 child tax credit refundability threshold; (g) change the threshold for the 36-percent tax bracket to \$250,000 less the standard deduction and two personal exemptions for married couples filing jointly and \$200,000 less the standard deduction and one personal exemption for single filers, indexed for inflation after 2009; (h) set the thresholds for the personal exemption phase-out and limitation on itemized deductions to \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; (i) impose a 20 percent rate on capital gains and qualified dividends for taxpayers in the top two tax brackets and repeal the 8 percent and 18 percent rates for assets held for more than 5 years; (j) limit value of itemized deduction to 28 percent; (k) maintain the estate tax at its 2009 parameters.

(l) extend the 2001 and 2003 tax cuts for low and middle income individuals (marriage penalty relief, the 10, 15, 25, 28 percent brackets, the 15 percent rate on capital gains and qualified dividends for taxpayers in those brackets, the \$1,000 child tax credit, and the expanded child and dependent care credit). Corporate income tax measures included were making the research and experimentation tax credit permanent, expanding net operating loss carryback, taxing carried interest as ordinary income, repealing LIFO, and implementing international enforcement, reform deferral and other reform policies.

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(3) The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,268, 40% \$24,875, 60% \$42,021, 80% \$68,444, 90% \$98,198, 95% \$139,231, 99% \$363,345, 99.9% \$1,676,752.

(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.

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Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012¹
Detail Table - Single Tax Units

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	73.6	0.0	4.4	7.5	-340	-55.1	-0.8	0.8	-4.1	3.3
Second Quintile	75.8	0.3	3.2	11.2	-554	-23.4	-0.7	4.5	-2.8	9.1
Middle Quintile	95.1	0.1	3.2	16.3	-893	-14.4	-0.5	12.0	-2.6	15.5
Fourth Quintile	99.5	0.0	2.7	17.7	-1,178	-9.6	0.3	20.8	-2.1	19.9
Top Quintile	98.7	0.9	3.5	47.2	-3,775	-8.7	1.6	61.8	-2.5	26.2
All	85.2	0.2	3.3	100.0	-1,114	-11.1	0.0	100.0	-2.5	20.4
Addendum										
80-90	99.5	0.0	3.4	14.2	-2,153	-10.1	0.2	15.7	-2.6	22.8
90-95	99.2	0.0	3.7	9.9	-3,189	-10.0	0.1	11.1	-2.7	24.2
95-99	99.3	0.7	4.7	16.3	-6,963	-12.3	-0.2	14.5	-3.4	24.3
Top 1 Percent	79.6	20.4	2.1	6.8	-14,542	-4.0	1.5	20.6	-1.4	33.2
Top 0.1 Percent	51.1	48.8	0.3	0.4	-8,586	-0.4	1.1	10.2	-0.2	38.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 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	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	16,972	24.6	8,380	617	7,763	7.4	4.7	5.7	1.5
Second Quintile	15,474	22.5	19,970	2,367	17,603	11.9	10.2	11.7	5.3
Middle Quintile	14,005	20.3	34,261	6,204	28,058	18.1	15.9	16.9	12.5
Fourth Quintile	11,543	16.8	55,833	12,288	43,545	22.0	21.3	21.6	20.4
Top Quintile	9,596	13.9	151,979	43,536	108,443	28.7	48.2	44.7	60.2
All	68,932	100.0	43,878	10,073	33,804	23.0	100.0	100.0	100.0
Addendum									
80-90	5,066	7.4	84,037	21,282	62,755	25.3	14.1	13.6	15.5
90-95	2,373	3.4	119,032	31,989	87,043	26.9	9.3	8.9	10.9
95-99	1,795	2.6	204,548	56,672	147,876	27.7	12.1	11.4	14.7
Top 1 Percent	361	0.5	1,060,631	366,415	694,216	34.6	12.7	10.8	19.1
Top 0.1 Percent	32	0.1	5,243,107	1,998,766	3,244,340	38.1	5.5	4.4	9.1

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

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

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(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.

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Detail Table - Married Tax Units Filing Jointly

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	77.5	0.0	8.3	3.8	-1,175	-263.3	-0.4	-0.3	-8.1	-5.0
Second Quintile	85.2	0.4	6.4	8.3	-1,893	-52.9	-0.8	0.9	-5.7	5.1
Middle Quintile	94.2	0.2	4.6	13.0	-2,314	-24.7	-0.9	4.8	-3.9	11.9
Fourth Quintile	99.8	0.0	4.5	25.1	-3,411	-17.8	-1.2	14.1	-3.6	16.6
Top Quintile	97.8	2.2	2.7	49.6	-5,433	-7.0	3.3	80.3	-1.9	25.7
All	92.9	0.8	3.5	100.0	-3,324	-10.8	0.0	100.0	-2.6	21.7
Addendum										
80-90	99.9	0.0	4.4	19.9	-4,580	-13.9	-0.5	15.0	-3.3	20.5
90-95	100.0	0.0	4.0	13.5	-5,689	-11.8	-0.1	12.3	-3.0	22.2
95-99	97.5	2.5	2.9	13.8	-7,216	-7.9	0.6	19.6	-2.1	25.1
Top 1 Percent	69.6	30.4	0.4	2.4	-4,821	-0.9	3.4	33.4	-0.3	31.6
Top 0.1 Percent	45.9	54.1	0.0	0.0	-433	0.0	1.8	16.7	0.0	34.8

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 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	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	6,622	10.8	14,526	446	14,080	3.1	1.2	1.6	0.2
Second Quintile	8,956	14.6	33,405	3,580	29,825	10.7	3.9	4.6	1.7
Middle Quintile	11,470	18.7	59,671	9,383	50,289	15.7	8.9	9.9	5.7
Fourth Quintile	15,032	24.5	95,023	19,201	75,821	20.2	18.5	19.5	15.3
Top Quintile	18,609	30.3	281,842	77,857	203,985	27.6	67.8	64.9	77.0
All	61,357	100.0	126,020	30,683	95,337	24.4	100.0	100.0	100.0
Addendum									
80-90	8,860	14.4	138,312	32,918	105,393	23.8	15.9	16.0	15.5
90-95	4,843	7.9	192,091	48,281	143,809	25.1	12.0	11.9	12.4
95-99	3,890	6.3	337,723	91,873	245,850	27.2	17.0	16.4	19.0
Top 1 Percent	1,015	1.7	1,748,464	557,417	1,191,047	31.9	23.0	20.7	30.1
Top 0.1 Percent	102	0.2	7,890,377	2,742,932	5,147,445	34.8	10.5	9.0	14.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

(1) Calendar year. Baseline is current law. Proposal would: (a) extend the Making Work Pay Credit, reduce the phase-out rate to 1.6 percent, and index the phase-out thresholds for inflation after 2010; (b) extend the higher EITC credit value for families with 3 children and higher phase-out threshold for married couples; (c) modify the saver's credit making it equal to 50% of the first \$500 of retirement savings (\$1,000 for couples) and fully refundable; (d) create automatic 401(k)s and IRAs; (e) extend the American Opportunity Tax Credit; (f) extend the \$3,000 child tax credit refundability threshold; (g) change the threshold for the 36-percent tax bracket to \$250,000 less the standard deduction and two personal exemptions for married couples filing jointly and \$200,000 less the standard deduction and one personal exemption for single filers, indexed for inflation after 2009; (h) set the thresholds for the personal exemption phase-out and limitation on itemized deductions to \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; (i) impose a 20 percent rate on capital gains and qualified dividends for taxpayers in the top two tax brackets and repeal the 8 percent and 18 percent rates for assets held for more than 5 years; (j) limit value of itemized deduction to 28 percent; (k) maintain the estate tax at its 2009 parameters.

(l) extend the 2001 and 2003 tax cuts for low and middle income individuals (marriage penalty relief, the 10, 15, 25, 28 percent brackets, the 15 percent rate on capital gains and qualified dividends for taxpayers in those brackets, the \$1,000 child tax credit, and the expanded child and dependent care credit). Corporate income tax measures included were making the research and experimentation tax credit permanent; expanding net operating loss carryback, taxing carried interest as ordinary income, repealing LIFO, and implementing international enforcement, reform deferral and other reform policies.

(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

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(3) The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,268, 40% \$24,875, 60% \$42,021, 80% \$68,444, 90% \$98,198, 95% \$139,231, 99% \$363,345, 99.9% \$1,676,752.

(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.

Table T09-0283
Administration's Fiscal Year 2010 Budget Proposals
Major Individual Income Tax Provisions, Maintain Estate Tax at 2009 Parameters, Major Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012¹
Detail Table - Head of Household Tax Units

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	90.3	0.0	8.1	22.1	-1,153	150.7	-8.4	-12.0	-8.6	-14.2
Second Quintile	97.2	0.1	6.1	31.1	-1,700	-59.1	-5.9	7.1	-5.6	3.8
Middle Quintile	98.9	0.0	4.5	23.4	-1,880	-21.2	1.3	28.5	-3.7	13.9
Fourth Quintile	99.7	0.0	3.7	14.9	-2,202	-13.2	4.2	32.1	-2.9	18.8
Top Quintile	97.4	1.9	2.1	8.4	-2,782	-5.9	8.9	44.3	-1.6	25.0
All	95.4	0.1	4.8	100.0	-1,669	-24.7	0.0	100.0	-4.0	12.2
Addendum										
80-90	99.2	0.0	2.8	4.6	-2,353	-8.5	2.9	16.4	-2.1	22.6
90-95	99.1	0.0	3.0	2.0	-3,472	-8.8	1.2	6.6	-2.2	23.1
95-99	94.9	5.1	2.0	1.8	-4,153	-5.9	1.8	9.1	-1.5	23.7
Top 1 Percent	55.9	44.1	0.1	0.1	-1,248	-0.3	3.0	12.2	-0.1	32.3
Top 0.1 Percent	40.4	59.6	-0.3	-0.1	14,389	0.6	1.4	5.8	0.2	35.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 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	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	7,840	31.9	13,490	-765	14,255	-5.7	10.3	13.0	-3.6
Second Quintile	7,497	30.5	30,617	2,877	27,740	9.4	22.4	24.2	13.0
Middle Quintile	5,095	20.8	50,275	8,877	41,398	17.7	25.0	24.6	27.3
Fourth Quintile	2,777	11.3	76,881	16,627	60,254	21.6	20.8	19.5	27.8
Top Quintile	1,242	5.1	178,521	47,330	131,191	26.5	21.6	19.0	35.4
All	24,547	100.0	41,760	6,757	35,003	16.2	100.0	100.0	100.0
Addendum									
80-90	805	3.3	112,763	27,807	84,956	24.7	8.9	8.0	13.5
90-95	232	0.9	154,893	39,277	115,616	25.4	3.5	3.1	5.5
95-99	173	0.7	278,418	70,004	208,414	25.1	4.7	4.2	7.3
Top 1 Percent	33	0.1	1,423,600	460,729	962,870	32.4	4.6	3.7	9.2
Top 0.1 Percent	3	0.0	6,950,503	2,450,412	4,500,091	35.3	2.0	1.5	4.3

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

(1) Calendar year. Baseline is current law. Proposal would: (a) extend the Making Work Pay Credit, reduce the phase-out rate to 1.6 percent, and index the phase-out thresholds for inflation after 2010; (b) extend the higher EITC credit value for families with 3 children and higher phase-out threshold for married couples; (c) modify the saver's credit making it equal to 50% of the first \$500 of retirement savings (\$1,000 for couples) and fully refundable; (d) create automatic 401(k)s and IRAs; (e) extend the American Opportunity Tax Credit; (f) extend the \$3,000 child tax credit refundability threshold; (g) change the threshold for the 36-percent tax bracket to \$250,000 less the standard deduction and two personal exemptions for married couples filing jointly and \$200,000 less the standard deduction and one personal exemption for single filers, indexed for inflation after 2009; (h) set the thresholds for the personal exemption phase-out and limitation on itemized deductions to \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; (i) impose a 20 percent rate on capital gains and qualified dividends for taxpayers in the top two tax brackets and repeal the 8 percent and 18 percent rates for assets held for more than 5 years; (j) limit value of itemized deduction to 28 percent; (k) maintain the estate tax at its 2009 parameters.

(l) extend the 2001 and 2003 tax cuts for low and middle income individuals (marriage penalty relief, the 10, 15, 25, 28 percent brackets, the 15 percent rate on capital gains and qualified dividends for taxpayers in those brackets, the \$1,000 child tax credit, and the expanded child and dependent care credit). Corporate income tax measures included were making the research and experimentation tax credit permanent; expanding net operating loss carryback, taxing carried interest as ordinary income, repealing LIFO, and implementing international enforcement, reform deferral and other reform policies.

(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

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(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.

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Major Individual Income Tax Provisions, Maintain Estate Tax at 2009 Parameters, Major Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012¹
Detail Table - Tax Units with Children

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	94.8	0.0	9.9	9.9	-1,550	165.7	-1.8	-2.7	-10.5	-16.9
Second Quintile	99.5	0.1	7.9	16.0	-2,443	-69.0	-2.1	1.2	-7.1	3.2
Middle Quintile	99.9	0.0	5.5	18.3	-2,820	-24.9	-1.3	9.3	-4.5	13.7
Fourth Quintile	100.0	0.0	5.3	26.3	-4,240	-18.5	-1.0	19.4	-4.1	18.1
Top Quintile	96.9	3.1	2.6	29.4	-5,585	-6.4	6.2	72.7	-1.8	26.9
All	97.9	0.5	4.4	100.0	-3,217	-14.4	0.0	100.0	-3.4	20.1
Addendum										
80-90	100.0	0.0	4.5	14.7	-5,302	-13.4	0.2	15.9	-3.4	21.7
90-95	100.0	0.0	4.0	8.3	-6,633	-11.3	0.4	10.9	-3.0	23.1
95-99	94.0	5.9	2.2	6.4	-6,413	-5.7	1.7	17.8	-1.6	26.8
Top 1 Percent	55.8	44.2	0.0	0.0	95	0.0	4.0	28.0	0.0	33.8
Top 0.1 Percent	32.7	67.4	-0.3	-0.5	19,600	0.6	2.0	13.5	0.2	36.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 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	10,133	20.6	14,723	-936	15,659	-6.4	3.2	4.4	-0.9
Second Quintile	10,359	21.1	34,672	3,539	31,133	10.2	7.7	9.0	3.3
Middle Quintile	10,251	20.9	62,298	11,329	50,969	18.2	13.6	14.6	10.6
Fourth Quintile	9,800	19.9	103,142	22,938	80,203	22.2	21.6	21.9	20.4
Top Quintile	8,315	16.9	306,063	87,962	218,101	28.7	54.3	50.5	66.4
All	49,155	100.0	95,419	22,395	73,024	23.5	100.0	100.0	100.0
Addendum									
80-90	4,398	9.0	157,496	39,466	118,029	25.1	14.8	14.5	15.8
90-95	1,976	4.0	224,546	58,557	165,989	26.1	9.5	9.1	10.5
95-99	1,567	3.2	400,356	113,535	286,820	28.4	13.4	12.5	16.2
Top 1 Percent	374	0.8	2,088,455	706,373	1,382,081	33.8	16.7	14.4	24.0
Top 0.1 Percent	36	0.1	9,839,694	3,519,421	6,320,273	35.8	7.6	6.3	11.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

Note: Tax units with children are those claiming an exemption for children at home or away from home.

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

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Major Individual Income Tax Provisions, Maintain Estate Tax at 2009 Parameters, Major Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012¹
Detail Table - Elderly Tax Units

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	34.2	0.0	1.0	1.0	-108	-38.3	-0.1	0.2	-1.0	1.6
Second Quintile	52.2	0.2	1.2	3.9	-251	-25.2	-0.3	1.5	-1.1	3.3
Middle Quintile	82.1	0.2	1.7	7.4	-662	-23.3	-0.5	3.2	-1.6	5.3
Fourth Quintile	99.1	0.0	2.6	16.1	-1,569	-17.4	-0.7	10.0	-2.2	10.6
Top Quintile	98.1	1.4	3.6	71.6	-6,845	-9.9	1.6	85.1	-2.7	24.2
All	71.6	0.4	2.9	100.0	-1,757	-11.6	0.0	100.0	-2.3	17.7
Addendum										
80-90	99.2	0.0	4.2	16.3	-3,594	-18.2	-0.8	9.5	-3.4	15.3
90-95	99.5	0.0	4.6	13.8	-5,452	-16.4	-0.5	9.2	-3.6	18.1
95-99	99.4	0.6	5.3	27.5	-10,587	-15.3	-0.9	20.0	-4.0	22.0
Top 1 Percent	83.9	16.1	1.9	14.1	-17,382	-3.8	3.7	46.3	-1.2	31.4
Top 0.1 Percent	58.0	42.0	0.5	1.6	-20,516	-0.9	2.6	24.0	-0.3	35.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 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	5,016	16.4	10,899	283	10,616	2.6	2.4	2.9	0.3
Second Quintile	8,213	26.9	22,528	998	21,529	4.4	8.0	9.6	1.8
Middle Quintile	5,981	19.6	41,094	2,842	38,252	6.9	10.6	12.4	3.7
Fourth Quintile	5,495	18.0	70,238	8,996	61,242	12.8	16.7	18.2	10.7
Top Quintile	5,617	18.4	257,048	68,955	188,093	26.8	62.4	57.1	83.5
All	30,543	100.0	75,737	15,182	60,555	20.1	100.0	100.0	100.0
Addendum									
80-90	2,427	8.0	105,444	19,701	85,744	18.7	11.1	11.3	10.3
90-95	1,362	4.5	153,103	33,190	119,913	21.7	9.0	8.8	9.8
95-99	1,394	4.6	267,882	69,443	198,438	25.9	16.1	15.0	20.9
Top 1 Percent	434	1.4	1,396,961	455,317	941,644	32.6	26.2	22.1	42.6
Top 0.1 Percent	42	0.1	6,520,091	2,337,443	4,182,648	35.9	12.0	9.6	21.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-1).

Note: Elderly tax units are those with either head or spouse (if filing jointly) age 65 or older.

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