

Table T10-0249
Bipartisan Policy Center Tax Reform Plan Against Current Policy Baseline
Distribution of Federal Tax Change by Cash Income Percentile, Proposal in 2022 Evaluated at 2018 Income Levels¹

Cash Income Percentile ^{2,3}	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	
			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.0	0.0	5	0.7	-0.1	0.7	0.0	5.0
Second Quintile	-2.1	3.9	667	17.9	0.0	4.0	1.9	12.5
Middle Quintile	-2.8	7.7	1,464	13.1	-0.5	10.3	2.3	19.8
Fourth Quintile	-4.3	16.8	3,845	16.4	-0.3	18.5	3.4	24.2
Top Quintile	-7.2	71.5	18,767	20.0	0.9	66.4	5.3	31.6
All	-5.2	100.0	3,846	18.3	0.0	100.0	4.0	26.1
Addendum								
80-90	-6.1	15.9	8,294	20.0	0.2	14.8	4.7	28.0
90-95	-7.5	13.6	14,471	23.3	0.5	11.1	5.7	30.0
95-99	-6.5	16.1	21,227	18.2	0.0	16.2	4.8	31.1
Top 1 Percent	-8.4	25.9	133,770	19.8	0.3	24.3	5.9	35.8
Top 0.1 Percent	-11.0	14.4	730,656	22.7	0.4	12.1	7.4	40.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2018¹

Cash Income Percentile ^{2,3}	Tax Units ⁶		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	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	43,136	25.4	13,751	681	13,069	5.0	3.7	4.5	0.8
Second Quintile	38,166	22.5	35,042	3,729	31,313	10.6	8.3	9.5	4.0
Middle Quintile	34,402	20.2	63,944	11,184	52,761	17.5	13.6	14.4	10.8
Fourth Quintile	28,631	16.8	112,508	23,391	89,118	20.8	19.9	20.3	18.8
Top Quintile	24,918	14.7	355,513	93,727	261,786	26.4	54.8	51.8	65.5
All	169,972	100.0	95,128	20,979	74,148	22.1	100.0	100.0	100.0
Addendum									
80-90	12,540	7.4	177,563	41,439	136,124	23.3	13.8	13.5	14.6
90-95	6,150	3.6	254,911	61,978	192,933	24.3	9.7	9.4	10.7
95-99	4,963	2.9	443,618	116,750	326,868	26.3	13.6	12.9	16.3
Top 1 Percent	1,265	0.7	2,262,666	675,990	1,586,676	29.9	17.7	15.9	24.0
Top 0.1 Percent	129	0.1	9,870,712	3,218,439	6,652,273	32.6	7.9	6.8	11.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-6).

(1) Calendar year. Baseline is current policy which extends the 2001 and 2003 tax cuts, the AMT patch, and 2009 estate tax law. Proposal repeals AMT, HOH filing status, the standard deduction, all itemized deductions, personal exemptions, child tax credit, EITC, education credits, the foreign earned income exclusion, exclusion from income of interest on private purpose tax exempt bonds, the exclusion from income of benefits under Section 125 cafeteria plans. Proposal indexes the tax system using the chained CPI; implements statutory individual rates of 15 and 27 percent; top rate applies to income greater than \$102,000 for married couples (\$51,000 for others), indexed for inflation after 2012; taxes capital gains and qualified dividends as ordinary income with a \$1,000 (indexed) exclusion for long-term gains; provides a 15% refundable credit for charitable donations; a 15% refundable credit for mortgage interest on primary residence up to \$25,000 limit; provides deduction for medical expenses in excess of 10% of AGI and miscellaneous expenses in excess of 5% of AGI, both subject to a \$4,600 floor for married couples (\$2,300 for others), indexed for inflation after 2012.

Proposal provides a refundable credit of \$1,600 (indexed for inflation after 2012) for each dependent; a refundable per-worker earnings credit of 21.3 percent of first \$20,300 of earnings, indexed for inflation after 2012; earnings credit is available to all workers under age 65 who cannot be claimed as a dependent. Proposal includes 100% of Social Security benefits in taxable income; provides a non-refundable credit of 7.5% of Social Security benefits regardless of age; repeals the elderly credit; and provides a non-refundable credit for elderly of 15% of baseline standard deduction (including the additional deduction for the elderly). Proposal caps the exclusion for ESI premiums and phases it out over 10 years beginning in 2018; limits contributions to tax-deferred retirement accounts to 20 percent of earnings or \$20,000 indexed for inflation, implements a broad-based value added tax of 6.5 percent; taxes unrealized capital gains at death; reduces corporate tax rate to 27 percent and repeals certain other individual and corporate tax expenditures.

(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% 21818, 40% 41770, 60% 75014, 80% 131422, 90% 191946, 95% 270410, 99% 701245, 99.9% 3209498.

(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.

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