

Table T10-0250
Bipartisan Policy Center Tax Reform Plan Against Current Law 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	0.7	-2.4	-94	-12.1	-0.1	0.7	-0.7	5.0
Second Quintile	-0.1	0.4	19	0.4	-0.2	4.0	0.1	12.5
Middle Quintile	-0.2	2.5	122	1.0	-0.3	10.3	0.2	19.8
Fourth Quintile	-0.5	7.3	437	1.6	-0.5	18.5	0.4	24.2
Top Quintile	-2.5	92.3	6,321	6.0	1.1	66.4	1.8	31.6
All	-1.4	100.0	1,004	4.2	0.0	100.0	1.1	26.1
Addendum								
80-90	-2.1	20.1	2,736	5.8	0.2	14.8	1.5	28.0
90-95	-3.0	19.8	5,506	7.8	0.4	11.1	2.2	30.0
95-99	-2.5	22.3	7,685	5.9	0.3	16.2	1.7	31.1
Top 1 Percent	-2.7	30.0	40,440	5.3	0.2	24.3	1.8	35.8
Top 0.1 Percent	-4.6	21.4	282,540	7.7	0.4	12.1	2.9	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	780	12,971	5.7	3.7	4.6	0.8
Second Quintile	38,166	22.5	35,042	4,377	30,665	12.5	8.3	9.7	4.1
Middle Quintile	34,402	20.2	63,944	12,526	51,418	19.6	13.6	14.6	10.6
Fourth Quintile	28,631	16.8	112,508	26,799	85,710	23.8	19.9	20.3	19.0
Top Quintile	24,918	14.7	355,513	106,172	249,340	29.9	54.8	51.3	65.3
All	169,972	100.0	95,128	23,821	71,306	25.0	100.0	100.0	100.0
Addendum									
80-90	12,540	7.4	177,563	46,997	130,566	26.5	13.8	13.5	14.6
90-95	6,150	3.6	254,911	70,943	183,968	27.8	9.7	9.3	10.8
95-99	4,963	2.9	443,618	130,292	313,327	29.4	13.6	12.8	16.0
Top 1 Percent	1,265	0.7	2,262,666	769,320	1,493,346	34.0	17.7	15.6	24.0
Top 0.1 Percent	129	0.1	9,870,712	3,666,555	6,204,157	37.2	7.9	6.6	11.7

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

(1) Calendar year. Baseline is current 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.