

Table T10-0247
Bowles-Simpson Deficit Commission
"Chairmen's Mark" Option 1: The Zero Plan Variant Retaining the Child Tax Credit and Earned Income Tax Credit
Additionally, Eliminate Payroll Tax Exclusion for Employer-Sponsored Health Insurance Benefits, Cafeteria Plan Benefits, and Employer Contributions to Retirement Accounts
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile, 2015 ¹

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	-2.7	49.1	319	47.0	0.4	1.2	2.6	8.1	
Second Quintile	-2.7	102.5	757	19.1	0.8	5.0	2.4	14.9	
Middle Quintile	-1.6	90.4	738	6.7	0.6	11.2	1.3	20.3	
Fourth Quintile	-0.2	12.4	121	0.5	0.0	18.4	0.1	23.1	
Top Quintile	0.8	-157.2	-1,755	-1.9	-1.7	64.1	-0.6	28.9	
All	-0.3	100.0	165	0.8	0.0	100.0	0.2	24.8	
Addendum									
80-90	0.5	-27.2	-602	-1.5	-0.3	14.0	-0.4	25.4	
90-95	1.0	-37.4	-1,690	-2.8	-0.4	10.1	-0.8	26.1	
95-99	1.2	-59.5	-3,348	-3.0	-0.6	15.2	-0.9	27.9	
Top 1 Percent	0.5	-33.2	-7,322	-1.0	-0.5	24.8	-0.3	33.8	
Top 0.1 Percent	-1.2	32.5	70,242	2.0	0.2	12.8	0.7	38.1	

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2015 ¹

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	41,624	25.4	12,380	679	11,701	5.5	3.7	4.6	0.8
Second Quintile	36,614	22.3	31,685	3,964	27,721	12.5	8.3	9.6	4.2
Middle Quintile	33,124	20.2	57,597	10,978	46,619	19.1	13.6	14.6	10.6
Fourth Quintile	27,665	16.9	99,859	22,905	76,955	22.9	19.7	20.2	18.4
Top Quintile	24,232	14.8	317,385	93,498	223,887	29.5	54.9	51.4	65.9
All	163,952	100.0	85,389	20,984	64,405	24.6	100.0	100.0	100.0
Addendum									
80-90	12,217	7.5	156,310	40,331	115,979	25.8	13.6	13.4	14.3
90-95	5,983	3.7	223,625	60,048	163,577	26.9	9.6	9.3	10.4
95-99	4,805	2.9	394,683	113,341	281,343	28.7	13.6	12.8	15.8
Top 1 Percent	1,226	0.8	2,076,558	708,582	1,367,977	34.1	18.2	15.9	25.3
Top 0.1 Percent	125	0.1	9,314,304	3,480,315	5,833,989	37.4	8.3	6.9	12.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-4).

(1) Calendar year. Baseline is current law. The proposal eliminates most major tax expenditures, including preferential rates on capital gains and qualified dividends; all itemized deductions, except deduction for miscellaneous expenses above a 2%-of-AGI floor; exemption on all municipal bond interest; all above-the-line deductions except those for the self-employment tax, moving expenses, and alimony paid; and all tax credits except the foreign tax credit, the child tax credit, and the earned income tax credit; includes 85% of Social Security benefits in taxable income; repeals the AMT, Pease, and PEP; taxes inside buildup in life insurance and annuities; repeals the exclusion from income of benefits under Section 125 cafeteria plans; repeals the foreign earned income exclusion; taxes unrealized capital gains at death; includes Employer-Sponsored Insurance (ESI) premiums in taxable income; eliminates contributions to tax-deferred retirement accounts; and taxes accruals in defined benefit pension plans. The proposal implements a three-rate structure with statutory tax rates of 9, 15, and 24 percent; the threshold for the 15 percent rate would be the same as that for the 28 percent rate under current law; the threshold for the 24 percent rate would be the same as that for the 36 percent rate under the Administration's budget proposal.

The proposal increases the Social Security wage base by an additional 2 percent per year until 2050 (taxable maximum would be \$140,100 in 2015) and phases in a 15 cent increase in the gasoline tax (average increase in 2015 would be 13.5 cents). We assume corporate income tax revenue would be unchanged (lower corporate rate would be offset by base broadeners).

(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% 20681, 40% 39827, 60% 70585, 80% 121920, 90% 177321, 95% 250235, 99% 662637, 99.9% 3040915.

(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.