

**Table T10-0254**  
**Bowles-Simpson Deficit Commission**  
**"Chairmen's Mark" Option 1: The Zero Plan Variant Retaining the Child Tax Credit and Earned Income Tax Credit**  
**Retain Payroll Tax Exclusion for Employer-Sponsored Health Insurance (ESI) Benefits, Cafeteria Plan Benefits, and Employer Retirement Contributions**  
**Reduce Mortgage, Health and Retirement Benefits under Individual Income Tax to 80 Percent of Current Level; Tax Rates of 12, 20, 27 Percent**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2015 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Percent Change in After-Tax Income <sup>4</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>5</sup>		
			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal	
<b>Lowest Quintile</b>	0.5	-0.9	-53	-8.9	-0.1	0.7	-0.4	4.4	
<b>Second Quintile</b>	-1.5	6.3	432	12.9	0.2	4.2	1.4	11.9	
<b>Middle Quintile</b>	-0.8	4.9	376	3.8	-0.4	10.3	0.7	17.7	
<b>Fourth Quintile</b>	-0.8	6.7	612	3.0	-0.9	17.5	0.6	20.8	
<b>Top Quintile</b>	-3.7	82.8	8,626	10.4	1.3	67.3	2.7	28.8	
<b>All</b>	-2.3	100.0	1,540	8.3	0.0	100.0	1.8	23.5	
<b>Addendum</b>									
<b>80-90</b>	-1.5	8.7	1,798	5.0	-0.4	13.9	1.2	24.0	
<b>90-95</b>	-1.8	7.1	3,005	5.6	-0.3	10.2	1.3	25.1	
<b>95-99</b>	-2.1	11.9	6,238	6.1	-0.3	15.7	1.6	27.4	
<b>Top 1 Percent</b>	-7.8	55.1	113,434	18.2	2.3	27.4	5.5	35.5	
<b>Top 0.1 Percent</b>	-11.6	35.8	723,873	23.6	1.8	14.4	7.8	40.6	

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2015 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>6</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>4</sup> (Dollars)	Average Federal Tax Rate <sup>5</sup>	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
<b>Lowest Quintile</b>	41,624	25.4	12,380	597	11,783	4.8	3.7	4.5	0.8
<b>Second Quintile</b>	36,614	22.3	31,685	3,351	28,333	10.6	8.3	9.5	4.0
<b>Middle Quintile</b>	33,124	20.2	57,597	9,826	47,771	17.1	13.6	14.4	10.7
<b>Fourth Quintile</b>	27,665	16.9	99,859	20,181	79,679	20.2	19.7	20.1	18.3
<b>Top Quintile</b>	24,232	14.8	317,385	82,895	234,490	26.1	54.9	51.9	66.0
<b>All</b>	163,952	100.0	85,389	18,566	66,823	21.7	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	12,217	7.5	156,310	35,708	120,601	22.8	13.6	13.5	14.3
<b>90-95</b>	5,983	3.7	223,625	53,197	170,428	23.8	9.6	9.3	10.5
<b>95-99</b>	4,805	2.9	394,683	101,783	292,901	25.8	13.6	12.9	16.1
<b>Top 1 Percent</b>	1,226	0.8	2,076,558	623,851	1,452,707	30.0	18.2	16.3	25.1
<b>Top 0.1 Percent</b>	125	0.1	9,314,304	3,061,986	6,252,318	32.9	8.3	7.1	12.6

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

(1) Calendar year. Baseline is current policy which extends the 2001 and 2003 tax cuts, the AMT patch, and 2009 estate tax law. Proposal replaces the mortgage interest deduction with a 15-percent refundable credit; replaces the exclusion from taxable income of ESI benefits with a refundable credit of \$1,058 for single-coverage ESI, \$2,433 for family-coverage ESI; reduces contribution limits on tax-deferred retirement saving accounts and IRAs to 43 percent of current limits; caps excluded accruals from defined benefit pension plans at \$177,000; and includes income from assets in retirement saving accounts in excess of \$6,330 in taxable income (all figures in 2015\$). These proposals provide roughly 80 percent of the benefits of the mortgage, health, and retirement provisions under CBO's alternative fiscal scenario baseline. 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; taxes inside buildup in life insurance and annuities; repeals the foreign earned income exclusion; and taxes unrealized capital gains at death. The proposal implements a three-rate structure with statutory tax rates of 12, 20, and 27 percent; the threshold for the 20 percent rate would be the same as that for the 28 percent rate under current law; the threshold for the 27 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 and 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.