

## T11-0103

Effective Federal Tax Rates Under Administration's FY2012 Budget Proposals<sup>1</sup>

## By Cash Income Percentile, 2012

Cash Income Percentile <sup>2</sup>	Average Effective Tax Rate				
	Individual Income Tax <sup>3</sup>	Payroll Tax <sup>4</sup>	Corporate Income Tax	Estate Tax	All Federal Tax <sup>5</sup>
<b>Lowest Quintile</b>	-6.0	7.1	0.5	0.0	1.5
<b>Second Quintile</b>	-2.8	9.4	0.6	0.0	7.0
<b>Middle Quintile</b>	3.3	10.0	0.7	0.0	13.8
<b>Fourth Quintile</b>	7.2	10.4	0.8	0.0	18.2
<b>Top Quintile</b>	15.6	6.1	4.1	0.3	26.0
<b>All</b>	10.1	7.7	2.6	0.2	20.6
<b>Addendum</b>					
<b>80-90</b>	9.7	10.1	1.2	0.0	21.0
<b>90-95</b>	11.8	9.2	1.7	0.0	22.8
<b>95-99</b>	15.9	5.7	3.2	0.3	25.2
<b>Top 1 Percent</b>	21.7	1.7	8.2	0.6	32.2
<b>Top 0.1 Percent</b>	22.7	0.7	11.3	0.8	35.6

Source : Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-1).

Notes : Data are for calendar year 2012.

(1) Administration's FY2012 budget proposal: a) indexes the parameters of the AMT to inflation after 2011 and allows non-refundable credits against tentative AMT; b) extends parts of the 2001 and 2003 tax cuts, including marriage penalty relief, the 10, 15, 25, 28 and a portion of the 33 percent brackets, and the 0%/15% rate structure on capital gains and qualified dividends for taxpayers in those brackets; c) sets the threshold for the 36 percent bracket at \$200,000 (single), \$250,000 (married), or \$225,000 (head of household), indexed for inflation after 2009, less the standard deduction and one personal exemption (two if married); d) sets the thresholds for PEP and Pease at \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; e) taxes capital gains and qualified dividends at 20% for taxpayers in the top two brackets and repeals the 8%/18% rates for assets held more than 5 years; f) extends the \$1,000 child tax credit, \$3,000 (not indexed) refundability threshold, and allows against the AMT; g) extends the American Opportunity Tax Credit; h) extends the EITC's 45% phase-in rate for families with 3 or more children and higher phase-out thresholds for married couples; i) extends the maximum credit amount for the child and dependent care tax credit and increases the phase-out threshold to \$75,000 (not indexed); j) provides automatic enrollment in IRAs; k) limits itemized deductions to 28% for taxpayers in the top two brackets and l) set the estate tax at its 2009 level (\$3.5M exemption, 45% rate) and modify certain valuation discount rules. Business provisions include a) expand and make the R&E credit permanent; b) tax carried interest as ordinary income; c) repeal LIFO; d) expand section 179 expensing; e) reform international tax system; f) reform treatment of financial institutions; g) eliminate fossil fuel preferences; h) reinstate Superfund environmental income tax; and g) reform the treatment of insurance industry.

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units but excludes those that are dependents of other tax units. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>. 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 2011 dollars): 20% \$17,082, 40% \$34,078, 60% \$61,868, 80% \$104,110, 90% \$168,586, 95% \$215,481, 99% \$568,351, 99.9% \$2,467,357.

(3) After tax credits (including refundable portion of earned income and child tax credits).

(4) Includes both the employee and employer portion of Social Security and Medicare tax.

(5) Excludes customs duties and excise taxes.