

**Table T11-0169**  
**TPC Interpretation of Governor Tim Pawlenty's Tax Proposal Outline**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2013<sup>1</sup>**  
**Summary Table**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change (\$)	Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase				Change (% Points)	Under the Proposal
Lowest Quintile	40.1	0.1	2.2	0.9	-218	-2.2	1.6
Second Quintile	85.2	0.2	3.7	3.3	-919	-3.3	7.4
Middle Quintile	97.3	0.1	4.9	6.5	-2,057	-4.1	13.3
Fourth Quintile	99.4	*	7.0	12.6	-4,825	-5.5	15.8
Top Quintile	99.9	*	17.2	76.6	-33,149	-12.2	17.0
All	80.0	0.1	11.3	100.0	-6,267	-8.7	15.0
<b>Addendum</b>							
80-90	99.8	*	9.8	11.7	-10,051	-7.4	17.3
90-95	100.0	*	10.8	8.8	-15,495	-8.0	17.8
95-99	99.9	*	14.9	16.8	-36,403	-10.8	17.2
Top 1 Percent	100.0	*	29.5	39.3	-337,439	-19.1	16.2
Top 0.1 Percent	100.0	0.0	37.7	21.5	-1,800,502	-22.9	16.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

Number of AMT Taxpayers (millions). Baseline: 21.0

Proposal: 0.0

\* Less than 0.05

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

(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 2011 dollars): 20% \$17,910; 40% \$37,091; 60% \$64,533; 80% \$111,349; 90% \$160,384; 95% \$227,324; 99% \$593,011; 99.9% \$2,682,257.

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

(5) 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.

(6) 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.

TPC estimates are based on Governor Pawlenty's description of his tax proposal and subsequent remarks to the New York Times by his spokesperson Alex Conant. Because Governor Pawlenty did not specify which corporate tax expenditures he would eliminate, we provide an illustrative option that broadens the corporate tax base by eliminating the tax expenditures included in the Bipartisan Policy Center's Rivlin-Domenici plan. Based on remarks by the Governor and Alex Conant, we did not eliminate any individual income tax expenditures. If Governor Pawlenty or his campaign staff provide the Tax Policy Center with additional details on his proposal we will re-estimate his plan.

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**Distribution of Federal Tax Change by Cash Income Percentile, 2013<sup>1</sup>**  
**Detail Table**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	40.1	0.1	2.2	0.9	-218	-57.5	-0.2	0.4	-2.2	1.6
Second Quintile	85.2	0.2	3.7	3.3	-919	-31.0	0.4	4.3	-3.3	7.4
Middle Quintile	97.3	0.1	4.9	6.5	-2,057	-23.3	2.1	12.3	-4.1	13.3
Fourth Quintile	99.4	*	7.0	12.6	-4,825	-25.9	3.0	20.9	-5.5	15.8
Top Quintile	99.9	*	17.2	76.6	-33,149	-41.7	-5.3	62.0	-12.2	17.0
All	80.0	0.1	11.3	100.0	-6,267	-36.7	0.0	100.0	-8.7	15.0
<b>Addendum</b>										
80-90	99.8	*	9.8	11.7	-10,051	-30.0	1.5	15.8	-7.4	17.3
90-95	100.0	*	10.8	8.8	-15,495	-31.0	0.9	11.4	-8.0	17.8
95-99	99.9	*	14.9	16.8	-36,403	-38.5	-0.5	15.5	-10.8	17.2
Top 1 Percent	100.0	*	29.5	39.3	-337,439	-54.1	-7.3	19.3	-19.1	16.2
Top 0.1 Percent	100.0	0.0	37.7	21.5	-1,800,502	-58.1	-4.6	9.0	-22.9	16.5

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	43,362	26.1	10,122	3.7	380	0.6	9,742	4.6	3.8	
Second Quintile	37,681	22.7	27,586	8.6	2,966	3.9	24,621	10.1	10.8	
Middle Quintile	32,699	19.7	50,739	13.8	8,815	10.1	41,924	14.9	17.4	
Fourth Quintile	27,208	16.4	87,197	19.7	18,634	17.8	68,563	20.3	21.4	
Top Quintile	24,067	14.5	272,779	54.6	79,526	67.4	193,253	50.6	29.2	
All	166,272	100.0	72,381	100.0	17,092	100.0	55,290	100.0	23.6	
<b>Addendum</b>										
80-90	12,130	7.3	136,031	13.7	33,514	14.3	102,516	13.5	24.6	
90-95	5,919	3.6	193,370	9.5	50,000	10.4	143,370	9.2	25.9	
95-99	4,805	2.9	338,609	13.5	94,595	16.0	244,014	12.8	27.9	
Top 1 Percent	1,213	0.7	1,767,267	17.8	624,138	26.6	1,143,129	15.1	35.3	
Top 0.1 Percent	124	0.1	7,871,135	8.1	3,098,558	13.6	4,772,578	6.5	39.4	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

Number of AMT Taxpayers (millions). Baseline: 21.0 Proposal: 0.0

\* Less than 0.05

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

(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 2011 dollars): 20% \$17,910; 40% \$37,091; 60% \$64,533; 80% \$111,349; 90% \$160,384; 95% \$227,324; 99% \$593,011; 99.9% \$2,682,257.

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

(5) 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.

(6) 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.

**Table T11-0169**  
**TPC Interpretation of Governor Tim Pawlenty's Tax Proposal Outline**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**  
**Detail Table**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	40.5	0.1	3.9	1.3	-362	-344.7	-0.7	-0.5	-3.8	-2.7
Second Quintile	74.6	0.1	3.6	2.7	-814	-35.3	0.1	2.9	-3.3	6.1
Middle Quintile	93.9	0.2	4.1	4.9	-1,545	-21.7	2.0	10.2	-3.5	12.4
Fourth Quintile	99.2	0.1	6.5	11.5	-3,924	-24.8	3.2	20.2	-5.2	15.7
Top Quintile	99.7	*	16.4	79.5	-27,009	-40.7	-4.6	67.1	-11.7	17.1
All	80.0	0.1	11.3	100.0	-6,267	-36.7	0.0	100.0	-8.7	15.0
<b>Addendum</b>										
80-90	99.5	*	9.1	11.8	-7,979	-28.4	2.0	17.2	-6.9	17.3
90-95	99.6	*	10.5	9.6	-12,926	-30.3	1.2	12.7	-7.8	17.9
95-99	99.9	*	14.0	17.1	-29,342	-36.7	0.0	17.1	-10.1	17.5
Top 1 Percent	99.9	*	29.3	41.0	-291,314	-54.2	-7.7	20.0	-19.0	16.1
Top 0.1 Percent	100.0	*	37.8	22.6	-1,586,476	-58.3	-4.8	9.4	-22.9	16.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	36,065	21.7	9,430	2.8	105	0.1	9,325	3.7	1.1	
Second Quintile	34,713	20.9	24,668	7.1	2,308	2.8	22,360	8.4	9.4	
Middle Quintile	33,034	19.9	44,764	12.3	7,106	8.3	37,658	13.5	15.9	
Fourth Quintile	30,538	18.4	76,122	19.3	15,834	17.0	60,288	20.0	20.8	
Top Quintile	30,666	18.4	230,715	58.8	66,367	71.6	164,348	54.8	28.8	
All	166,272	100.0	72,381	100.0	17,092	100.0	55,290	100.0	23.6	
<b>Addendum</b>										
80-90	15,414	9.3	115,967	14.9	28,051	15.2	87,916	14.7	24.2	
90-95	7,701	4.6	165,716	10.6	42,629	11.6	123,087	10.3	25.7	
95-99	6,085	3.7	289,779	14.7	79,971	17.1	209,807	13.9	27.6	
Top 1 Percent	1,466	0.9	1,533,122	18.7	537,322	27.7	995,799	15.9	35.1	
Top 0.1 Percent	148	0.1	6,917,786	8.5	2,722,903	14.2	4,194,883	6.8	39.4	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

Number of AMT Taxpayers (millions). Baseline: 21.0 Proposal: 0.0

\* Less than 0.05

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

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(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 incomes used are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2011 dollars): 20% \$12,691; 40% \$24,715; 60% \$41,205; 80% \$67,703; 90% \$97,820; 95% \$138,778; 99% \$358,616; 99.9% \$1,621,247.

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

(5) 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.

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**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**  
**Detail Table - Single Tax Units**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	27.6	0.1	1.6	1.1	-115	-27.2	0.1	1.5	-1.5	4.1
Second Quintile	62.7	0.1	1.7	2.4	-290	-16.7	1.2	6.1	-1.5	7.6
Middle Quintile	91.8	0.3	3.5	6.7	-993	-18.6	2.7	14.9	-3.0	12.9
Fourth Quintile	99.0	0.1	6.4	13.8	-2,736	-23.2	3.1	22.9	-5.0	16.6
Top Quintile	99.3	*	17.4	75.7	-18,368	-41.2	-7.1	54.4	-12.2	17.5
All	67.7	0.1	9.5	100.0	-2,889	-33.5	0.0	100.0	-7.4	14.7
<b>Addendum</b>										
80-90	99.1	0.0	9.6	13.1	-5,969	-28.4	1.2	16.6	-7.2	18.1
90-95	99.2	0.1	11.0	9.5	-9,502	-29.5	0.6	11.4	-8.0	19.1
95-99	99.9	0.1	14.8	16.5	-21,522	-37.6	-0.9	13.8	-10.6	17.6
Top 1 Percent	99.9	0.0	36.5	36.6	-233,398	-59.3	-8.0	12.6	-22.6	15.5
Top 0.1 Percent	100.0	0.0	48.2	19.4	-1,352,503	-62.6	-4.5	5.8	-27.2	16.3

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	23,198	28.8	7,467	5.5	422	1.4	7,045	6.7	5.7	
Second Quintile	19,587	24.3	19,069	11.9	1,739	4.9	17,329	13.9	9.1	
Middle Quintile	15,802	19.6	33,699	16.9	5,347	12.1	28,352	18.3	15.9	
Fourth Quintile	11,719	14.5	54,610	20.3	11,791	19.8	42,819	20.5	21.6	
Top Quintile	9,604	11.9	150,063	45.8	44,630	61.6	105,433	41.3	29.7	
All	80,622	100.0	39,043	100.0	8,637	100.0	30,407	100.0	22.1	
<b>Addendum</b>										
80-90	5,116	6.4	83,160	13.5	21,007	15.4	62,152	13.0	25.3	
90-95	2,332	2.9	118,552	8.8	32,161	10.8	86,391	8.2	27.1	
95-99	1,790	2.2	202,277	11.5	57,181	14.7	145,096	10.6	28.3	
Top 1 Percent	365	0.5	1,033,246	12.0	393,929	20.7	639,317	9.5	38.1	
Top 0.1 Percent	33	0.0	4,968,941	5.3	2,162,383	10.4	2,806,558	3.8	43.5	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

\* Less than 0.05

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

(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

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(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 incomes used are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2011 dollars): 20% \$12,691; 40% \$24,715; 60% \$41,205; 80% \$67,703; 90% \$97,820; 95% \$138,778; 99% \$358,616; 99.9% \$1,621,247.

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

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(6) 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.

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**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**  
**Detail Table - Married Tax Units Filing Jointly**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	61.2	0.1	6.9	0.6	-960	-1,281.9	-0.3	-0.3	-6.8	-6.3
Second Quintile	85.8	0.1	5.7	1.6	-1,769	-46.5	-0.2	1.1	-5.0	5.8
Middle Quintile	94.8	0.2	4.2	3.3	-2,084	-23.6	1.2	6.6	-3.6	11.6
Fourth Quintile	99.5	0.1	6.6	10.3	-4,893	-25.9	2.9	18.0	-5.3	15.0
Top Quintile	99.9	*	16.2	84.0	-31,827	-40.8	-3.6	74.5	-11.6	16.9
All	93.9	0.1	12.7	100.0	-12,644	-37.9	0.0	100.0	-9.5	15.6
<b>Addendum</b>										
80-90	99.9	*	9.1	11.8	-9,408	-29.2	2.2	17.5	-6.9	16.8
90-95	99.9	0.0	10.5	10.2	-14,767	-30.9	1.4	13.9	-7.8	17.5
95-99	99.9	*	13.9	18.3	-33,317	-36.6	0.4	19.4	-10.1	17.4
Top 1 Percent	100.0	*	27.7	43.7	-306,421	-53.0	-7.6	23.7	-18.2	16.1
Top 0.1 Percent	100.0	*	35.9	23.8	-1,638,831	-57.3	-4.9	10.8	-22.1	16.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	4,398	7.6	14,027	0.8	75	0.0	13,952	1.1	0.5	
Second Quintile	6,664	11.5	35,110	3.1	3,806	1.3	31,304	3.6	10.8	
Middle Quintile	11,624	20.1	58,324	8.8	8,836	5.3	49,488	10.0	15.2	
Fourth Quintile	15,415	26.7	93,246	18.7	18,898	15.1	74,348	19.9	20.3	
Top Quintile	19,298	33.4	274,004	68.9	78,020	78.1	195,984	65.8	28.5	
All	57,802	100.0	132,789	100.0	33,360	100.0	99,430	100.0	25.1	
<b>Addendum</b>										
80-90	9,190	15.9	135,542	16.2	32,198	15.4	103,344	16.5	23.8	
90-95	5,048	8.7	188,768	12.4	47,792	12.5	140,976	12.4	25.3	
95-99	4,018	7.0	331,401	17.4	91,007	19.0	240,394	16.8	27.5	
Top 1 Percent	1,042	1.8	1,686,659	22.9	578,470	31.3	1,108,189	20.1	34.3	
Top 0.1 Percent	106	0.2	7,429,691	10.3	2,859,921	15.7	4,569,770	8.4	38.5	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

\* Less than 0.05

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

(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 incomes used are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2011 dollars): 20% \$12,691; 40% \$24,715; 60% \$41,205; 80% \$67,703; 90% \$97,820; 95% \$138,778; 99% \$358,616; 99.9% \$1,621,247.

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

(5) 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.

(6) 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.

**Table T11-0169**  
**TPC Interpretation of Governor Tim Pawlenty's Tax Proposal Outline**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**  
**Detail Table - Head of Household Tax Units**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	65.6	*	5.6	11.2	-745	93.0	-8.0	-12.2	-6.0	-12.3
Second Quintile	93.0	*	4.7	19.0	-1,296	-54.9	-3.7	8.2	-4.4	3.6
Middle Quintile	97.8	*	5.0	18.0	-2,021	-23.7	4.3	30.3	-4.1	13.3
Fourth Quintile	99.5	*	6.2	18.4	-3,640	-22.4	5.2	33.5	-4.8	16.8
Top Quintile	99.4	0.0	11.4	33.4	-14,471	-30.4	2.3	40.1	-8.3	19.0
All	85.9	*	6.4	100.0	-2,170	-34.4	0.0	100.0	-5.4	10.4
<b>Addendum</b>										
80-90	99.4	0.0	6.1	7.7	-5,162	-18.7	3.4	17.5	-4.6	20.1
90-95	98.8	0.0	7.4	3.6	-8,508	-21.6	1.1	6.8	-5.5	20.0
95-99	99.9	0.0	10.3	6.9	-20,405	-29.9	0.5	8.5	-7.7	17.9
Top 1 Percent	100.0	0.0	28.2	15.2	-249,183	-52.0	-2.7	7.4	-18.3	16.9
Top 0.1 Percent	100.0	0.0	37.4	7.9	-1,464,249	-57.2	-1.7	3.1	-22.6	16.9

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	8,232	32.6	12,526	10.2	-801	-4.1	13,327	12.9	-6.4	
Second Quintile	8,034	31.8	29,745	23.7	2,363	11.9	27,382	25.9	7.9	
Middle Quintile	4,869	19.3	49,199	23.7	8,538	26.1	40,661	23.3	17.4	
Fourth Quintile	2,769	11.0	75,439	20.7	16,282	28.3	59,157	19.3	21.6	
Top Quintile	1,263	5.0	175,207	21.9	47,675	37.8	127,531	18.9	27.2	
All	25,256	100.0	39,986	100.0	6,311	100.0	33,675	100.0	15.8	
<b>Addendum</b>										
80-90	814	3.2	111,657	9.0	27,609	14.1	84,048	8.0	24.7	
90-95	230	0.9	154,037	3.5	39,378	5.7	114,659	3.1	25.6	
95-99	186	0.7	266,330	4.9	68,177	7.9	198,153	4.3	25.6	
Top 1 Percent	33	0.1	1,361,869	4.5	479,426	10.1	882,443	3.5	35.2	
Top 0.1 Percent	3	0.0	6,471,563	1.9	2,558,692	4.8	3,912,871	1.4	39.5	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

\* Less than 0.05

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

(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 incomes used are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2011 dollars): 20% \$12,691; 40% \$24,715; 60% \$41,205; 80% \$67,703; 90% \$97,820; 95% \$138,778; 99% \$358,616; 99.9% \$1,621,247.

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

(5) 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.

(6) 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.

**Table T11-0169**  
**TPC Interpretation of Governor Tim Pawlenty's Tax Proposal Outline**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**  
**Detail Table - Tax Units with Children**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	73.4	*	7.1	2.6	-1,028	93.4	-2.1	-3.1	-7.7	-15.9
Second Quintile	97.7	*	6.2	5.1	-1,918	-62.9	-1.2	1.8	-5.7	3.3
Middle Quintile	99.3	*	5.6	6.9	-2,777	-25.2	1.8	11.8	-4.6	13.5
Fourth Quintile	99.9	*	7.8	14.9	-6,089	-26.6	3.3	24.0	-6.0	16.6
Top Quintile	99.9	*	16.3	70.4	-34,183	-38.5	-1.8	65.4	-11.4	18.3
All	93.8	*	11.6	100.0	-8,205	-36.8	0.0	100.0	-8.8	15.2
<b>Addendum</b>										
80-90	99.9	*	9.6	12.0	-11,051	-28.0	2.2	17.9	-7.1	18.4
90-95	100.0	0.0	10.5	8.3	-17,082	-28.9	1.3	12.0	-7.7	19.0
95-99	99.9	0.0	14.4	15.7	-40,166	-35.7	0.3	16.5	-10.2	18.5
Top 1 Percent	100.0	0.0	29.0	34.3	-363,924	-51.3	-5.6	19.0	-18.5	17.6
Top 0.1 Percent	100.0	0.0	36.6	17.6	-2,030,828	-56.0	-3.5	8.1	-22.1	17.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	10,088	20.4	13,356	2.9	-1,101	-1.0	14,456	4.2	-8.2	
Second Quintile	10,789	21.8	33,957	8.0	3,050	3.0	30,907	9.5	9.0	
Middle Quintile	10,009	20.3	60,740	13.2	11,001	10.0	49,739	14.2	18.1	
Fourth Quintile	9,950	20.1	101,182	21.9	22,868	20.6	78,314	22.3	22.6	
Top Quintile	8,349	16.9	298,935	54.3	88,779	67.3	210,156	50.2	29.7	
All	49,418	100.0	93,026	100.0	22,303	100.0	70,722	100.0	24.0	
<b>Addendum</b>										
80-90	4,396	8.9	154,877	14.8	39,479	15.8	115,398	14.5	25.5	
90-95	1,981	4.0	221,864	9.6	59,127	10.6	162,737	9.2	26.7	
95-99	1,589	3.2	392,402	13.6	112,658	16.3	279,744	12.7	28.7	
Top 1 Percent	382	0.8	1,966,324	16.4	710,077	24.6	1,256,247	13.7	36.1	
Top 0.1 Percent	35	0.1	9,174,185	7.0	3,627,835	11.6	5,546,350	5.6	39.5	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

\* Less than 0.05

Note: Tax units with children are those claiming an exemption for children at home or away from home.

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

(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

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(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 incomes used are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2011 dollars): 20% \$12,691; 40% \$24,715; 60% \$41,205; 80% \$67,703; 90% \$97,820; 95% \$138,778; 99% \$358,616; 99.9% \$1,621,247.

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

(5) 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.

(6) 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.

**Table T11-0169**  
**TPC Interpretation of Governor Tim Pawlenty's Tax Proposal Outline**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**  
**Detail Table - Elderly Tax Units**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	16.7	0.0	0.3	0.1	-25	-33.4	0.0	0.1	-0.3	0.5
Second Quintile	41.4	*	0.7	0.5	-138	-37.7	0.2	0.9	-0.7	1.1
Middle Quintile	85.3	0.5	2.3	2.6	-848	-35.6	1.3	5.1	-2.1	3.8
Fourth Quintile	98.7	0.2	5.8	8.2	-3,547	-39.2	3.0	14.0	-5.1	7.9
Top Quintile	99.7	*	21.1	88.6	-35,480	-54.9	-4.6	79.9	-15.2	12.5
All	68.0	0.2	13.1	100.0	-7,465	-52.3	0.0	100.0	-10.5	9.6
<b>Addendum</b>										
80-90	99.6	0.0	10.4	10.3	-8,948	-45.1	1.8	13.7	-8.5	10.3
90-95	99.7	0.0	13.5	10.2	-16,075	-47.5	1.1	12.4	-10.5	11.7
95-99	99.9	0.1	18.1	20.1	-35,660	-51.1	0.5	21.1	-13.4	12.8
Top 1 Percent	99.9	*	35.5	48.1	-311,481	-61.7	-8.1	32.7	-22.5	14.0
Top 0.1 Percent	100.0	*	44.2	25.9	-1,632,691	-63.4	-4.9	16.4	-26.0	15.1

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2013<sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Pre-Tax Income		Federal Tax Burden		After-Tax Income <sup>5</sup>		Average Federal Tax Rate <sup>6</sup>	
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total		
Lowest Quintile	5,988	16.2	9,531	2.2	75	0.1	9,456	2.7	0.8	
Second Quintile	9,396	25.4	20,198	7.2	366	0.7	19,832	8.9	1.8	
Middle Quintile	8,334	22.5	40,053	12.7	2,383	3.8	37,669	14.9	6.0	
Fourth Quintile	6,402	17.3	69,759	17.0	9,043	11.0	60,716	18.5	13.0	
Top Quintile	6,913	18.7	232,751	61.1	64,617	84.5	168,134	55.2	27.8	
All	37,068	100.0	71,055	100.0	14,265	100.0	56,790	100.0	20.1	
<b>Addendum</b>										
80-90	3,175	8.6	105,683	12.7	19,828	11.9	85,855	13.0	18.8	
90-95	1,753	4.7	152,604	10.2	33,855	11.2	118,749	9.9	22.2	
95-99	1,557	4.2	266,474	15.8	69,807	20.6	196,667	14.6	26.2	
Top 1 Percent	427	1.2	1,382,440	22.4	504,552	40.8	877,887	17.8	36.5	
Top 0.1 Percent	44	0.1	6,274,992	10.4	2,577,223	21.4	3,697,769	7.7	41.1	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

\* Less than 0.05

Note: Elderly tax units are those with either head or spouse (if filing jointly) age 65 or older.

(1) Baseline is current law. Proposal would make 2011 tax law permanent and would also: (a) repeal individual alternative minimum tax; (b) impose rate of 10 percent on first \$50,000 of taxable income (\$100,000 for married couples filing a joint return) and 25 percent on amounts above that threshold, indexed for inflation after 2011; (c) exclude interest income, dividends, and gains from sales of capital assets from gross income; (d) repeal deduction for investment interest; (e) repeal 3.8 percent additional Medicare tax on investment income; (f) impose an alternative tax rate of 15 percent on sole proprietor, farm, partnership, S corporation, and rental income; (g) repeal the estate tax; and (h) reduce the corporate tax rate to 15 percent. Governor Pawlenty has not specified which corporate tax expenditures he would eliminate; our estimates assume the same base broadeners as in the Bipartisan Policy Center's tax reform proposal (Rivlin/Domenici). Effective date: 01/01/13.

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