

Table T07-0274
Tax Benefits of the Earned Income Tax Credit
Distribution of Federal Tax Change by Cash Income Percentile, 2006¹

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Benefit as Percent of After-Tax Income ⁵	Share of Total Benefits	Average Benefit		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Benefit	Without Benefit			Dollars	As Percent of Tax	With Credit	Without Credit	With Credit	Without Credit
Lowest Quintile	28.5	71.6	5.4	27.7	399	150.8	0.6	0.9	5.2	8.6
Second Quintile	26.2	73.8	4.0	52.0	736	51.8	1.0	3.1	3.7	11.0
Middle Quintile	21.0	79.0	0.9	19.4	274	5.4	0.2	7.7	0.8	15.1
Fourth Quintile	0.7	99.3	0.0	0.6	8	0.1	-0.3	16.7	0.0	18.6
Top Quintile	0.1	99.9	0.0	0.1	1	0.0	-1.5	71.4	0.0	25.3
All	15.2	84.8	0.6	100.0	283	2.1	0.0	100.0	0.4	21.7
Addendum										
Top 10 Percent	0.1	100.0	0.0	0.0	1	0.0	-1.2	56.5	0.0	26.9
Top 5 Percent	0.1	99.9	0.0	0.0	1	0.0	-0.9	45.0	0.0	28.2
Top 1 Percent	0.0	100.0	0.0	0.0	0	0.0	-0.6	27.6	0.0	30.7
Top 0.5 Percent	0.0	100.0	0.0	0.0	0	0.0	-0.5	22.6	0.0	31.6
Top 0.1 Percent	0.0	100.0	0.0	0.0	0	0.0	-0.3	14.1	0.0	33.3

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2006¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	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	28,860	19.6	7,727	265	7,462	3.4	2.4	2.9	0.4
Second Quintile	29,449	20.0	19,690	1,421	18,269	7.2	6.2	7.3	2.1
Middle Quintile	29,448	20.0	35,657	5,092	30,565	14.3	11.2	12.1	7.5
Fourth Quintile	29,448	20.0	62,346	11,569	50,777	18.6	19.5	20.2	17.0
Top Quintile	29,447	20.0	195,755	49,539	146,215	25.3	61.2	58.1	72.8
All	147,237	100.0	63,974	13,603	50,371	21.3	100.0	100.0	100.0
Addendum									
Top 10 Percent	14,724	10.0	292,372	78,494	213,878	26.9	45.7	42.5	57.7
Top 5 Percent	7,361	5.0	443,043	124,859	318,185	28.2	34.6	31.6	45.9
Top 1 Percent	1,472	1.0	1,248,587	383,838	864,749	30.7	19.5	17.2	28.2
Top 0.5 Percent	736	0.5	1,984,734	627,877	1,356,856	31.6	15.5	13.5	23.1
Top 0.1 Percent	147	0.1	5,889,414	1,959,921	3,929,493	33.3	9.2	7.8	14.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-2).

Number of AMT Taxpayers (millions). Baseline: 3.6 Alternative: 3.6

(1) Calendar year. Baseline is current law. Alternative repeals the earned income tax credit.

(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 breaks used in this table are (in 2006 dollars): 20% \$13,640, 40% \$26,417, 60% \$46,362, 80% \$82,316, 90% \$121,201, 95% \$170,900, 99% \$418,664, 99.5% \$655,488, and 99.9% 1,907,342.

(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.