

Table T07-0286
Tax Benefits of the Partial Exclusion for Social Security Benefits
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 Exclusion | Without Exclusion | With Exclusion | Without Exclusion |
| Lowest Quintile | 4.3 | 95.7 | 0.1 | 1.1 | 8 | 3.2 | 0.0 | 0.4 | 0.1 | 3.5 |
| Second Quintile | 18.2 | 81.9 | 0.6 | 14.1 | 105 | 7.4 | 0.1 | 2.2 | 0.5 | 7.8 |
| Middle Quintile | 16.6 | 83.4 | 0.7 | 29.7 | 221 | 4.3 | 0.2 | 7.7 | 0.6 | 14.9 |
| Fourth Quintile | 19.4 | 80.6 | 0.5 | 36.1 | 269 | 2.3 | 0.2 | 17.2 | 0.4 | 19.0 |
| Top Quintile | 15.2 | 84.8 | 0.1 | 19.0 | 141 | 0.3 | -0.6 | 72.3 | 0.1 | 25.4 |
| All | 14.7 | 85.3 | 0.3 | 100.0 | 149 | 1.1 | 0.0 | 100.0 | 0.2 | 21.5 |
| Addendum | | | | | | | | | | |
| Top 10 Percent | 15.1 | 84.9 | 0.1 | 10.5 | 157 | 0.2 | -0.5 | 57.2 | 0.1 | 26.9 |
| Top 5 Percent | 17.2 | 82.8 | 0.1 | 6.1 | 181 | 0.1 | -0.4 | 45.5 | 0.0 | 28.2 |
| Top 1 Percent | 20.2 | 79.8 | 0.0 | 1.6 | 234 | 0.1 | -0.3 | 27.9 | 0.0 | 30.8 |
| Top 0.5 Percent | 20.4 | 79.6 | 0.0 | 0.8 | 237 | 0.0 | -0.2 | 22.8 | 0.0 | 31.7 |
| Top 0.1 Percent | 20.4 | 79.6 | 0.0 | 0.2 | 254 | 0.0 | -0.2 | 14.3 | 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 partial exclusion for Social Security benefits.

(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.