

Table T11-0201
Replace the Mortgage Interest Deduction with a Revenue-Neutral 21.6 Percent Non-refundable Credit
Limit Mortgages Eligible for Credit to \$500,000 on Primary Residences Only
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile, 2011 ¹
Summary Table

Cash Income Percentile ^{2,3}	Tax Units with Tax Increase or Cut ⁴				Percent Change in After-Tax Income ⁵	Average Federal Tax Change (\$)	Average Federal Tax Rate ⁶	
	With Tax Cut		With Tax Increase				Change (% Points)	Under the Proposal
	Pct of Tax Units	Avg Tax Cut	Pct of Tax Units	Avg Tax Increase				
Lowest Quintile	1.0	-159	*	**	0.0	-2	0.0	0.8
Second Quintile	11.8	-329	0.5	352	0.2	-37	-0.2	5.6
Middle Quintile	32.8	-503	3.6	517	0.4	-146	-0.3	12.2
Fourth Quintile	44.1	-788	12.9	433	0.4	-292	-0.4	16.2
Top Quintile	17.8	-628	49.4	1,591	-0.4	674	0.3	23.3
All	19.1	-598	9.9	1,255	0.0	10	0.0	18.1
Addendum								
80-90	28.4	-659	38.7	656	-0.1	67	0.1	19.2
90-95	9.4	-491	63.5	1,140	-0.5	677	0.4	21.4
95-99	5.0	-502	60.4	3,104	-0.8	1,851	0.6	23.6
Top 1 Percent	2.7	-660	45.5	4,716	-0.2	2,127	0.1	27.8
Top 0.1 Percent	2.2	-1,627	23.4	7,646	0.0	1,752	0.0	30.8

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

Number of AMT Taxpayers (millions). Baseline: 4.3

Proposal: 4.8

* Less than 0.05

** Insufficient data

(1) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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, no tax units. The breaks are (in 2011 dollars): 20% \$16,812; 40% \$33,542; 60% \$59,486; 80% \$103,465; 90% \$163,173; 95% \$210,998; 99% \$532,613; 99.9% \$2,178,886.

(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 T11-0201
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Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile, 2011¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	1.0	*	0.0	-2	-2.1	0.0	0.2	0.0	0.8
Second Quintile	11.8	0.5	0.2	-37	-2.6	-0.1	2.6	-0.2	5.6
Middle Quintile	32.8	3.6	0.4	-146	-2.6	-0.3	9.1	-0.3	12.2
Fourth Quintile	44.1	12.9	0.4	-292	-2.2	-0.4	17.7	-0.4	16.2
Top Quintile	17.8	49.4	-0.4	674	1.2	0.8	70.3	0.3	23.3
All	19.1	9.9	0.0	10	0.1	0.0	100.0	0.0	18.1
Addendum									
80-90	28.4	38.7	-0.1	67	0.3	0.0	15.2	0.1	19.2
90-95	9.4	63.5	-0.5	677	1.8	0.2	11.5	0.4	21.4
95-99	5.0	60.4	-0.8	1,851	2.5	0.4	17.9	0.6	23.6
Top 1 Percent	2.7	45.5	-0.2	2,127	0.5	0.1	25.7	0.1	27.8
Top 0.1 Percent	2.2	23.4	0.0	1,752	0.1	0.0	13.1	0.0	30.8

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2011¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	43,661	26.6	9,187	3.8	77	0.2	9,111	4.5	0.8
Second Quintile	36,819	22.5	24,603	8.5	1,420	2.7	23,183	9.7	5.8
Middle Quintile	32,344	19.7	44,639	13.5	5,592	9.3	39,047	14.4	12.5
Fourth Quintile	26,761	16.3	79,524	19.9	13,168	18.2	66,356	20.3	16.6
Top Quintile	23,243	14.2	251,746	54.6	58,040	69.5	193,706	51.3	23.1
All	163,869	100.0	65,357	100.0	11,841	100.0	53,516	100.0	18.1
Addendum									
80-90	11,775	7.2	130,276	14.3	24,948	15.1	105,329	14.1	19.2
90-95	5,676	3.5	183,757	9.7	38,713	11.3	145,044	9.4	21.1
95-99	4,619	2.8	320,086	13.8	73,522	17.5	246,564	13.0	23.0
Top 1 Percent	1,173	0.7	1,530,773	16.8	422,728	25.6	1,108,045	14.8	27.6
Top 0.1 Percent	120	0.1	6,859,873	7.7	2,113,525	13.1	4,746,348	6.5	30.8

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

Number of AMT Taxpayers (millions). Baseline: 4.3 Proposal: 4.8

* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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% \$16,812; 40% \$33,542; 60% \$59,486; 80% \$103,465; 90% \$163,173; 95% \$210,998; 99% \$532,613; 99.9% \$2,178,886.

(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.

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Limit Mortgages Eligible for Credit to \$500,000 on Primary Residences Only
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2011 ¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.2	0.0	0.0	0	0.0	0.0	-0.6	0.0	-3.7
Second Quintile	6.8	1.6	0.1	-12	-1.5	0.0	1.4	-0.1	3.6
Middle Quintile	28.8	3.6	0.4	-130	-2.9	-0.2	7.4	-0.3	11.0
Fourth Quintile	47.4	4.7	0.5	-313	-2.9	-0.5	16.7	-0.5	15.6
Top Quintile	17.3	44.8	-0.3	543	1.1	0.8	75.0	0.3	23.2
All	19.1	9.9	0.0	10	0.1	0.0	100.0	0.0	18.1
Addendum									
80-90	26.3	36.7	-0.1	85	0.4	0.1	16.2	0.1	19.5
90-95	11.6	53.1	-0.4	488	1.5	0.2	12.7	0.3	21.1
95-99	5.2	55.8	-0.7	1,449	2.3	0.4	19.2	0.5	23.4
Top 1 Percent	2.8	42.1	-0.2	1,857	0.5	0.1	26.9	0.1	27.6
Top 0.1 Percent	2.1	21.6	0.0	1,559	0.1	0.0	13.5	0.0	30.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2011 ¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	36,119	22.0	8,514	2.9	-314	-0.6	8,828	3.6	-3.7
Second Quintile	34,184	20.9	21,971	7.0	797	1.4	21,175	8.3	3.6
Middle Quintile	32,894	20.1	39,696	12.2	4,480	7.6	35,217	13.2	11.3
Fourth Quintile	30,355	18.5	68,751	19.5	11,003	17.2	57,747	20.0	16.0
Top Quintile	29,277	17.9	214,472	58.6	49,209	74.3	165,264	55.2	22.9
All	163,869	100.0	65,357	100.0	11,841	100.0	53,516	100.0	18.1
Addendum									
80-90	14,737	9.0	109,930	15.1	21,318	16.2	88,613	14.9	19.4
90-95	7,285	4.5	160,327	10.9	33,328	12.5	126,999	10.6	20.8
95-99	5,822	3.6	274,602	14.9	62,661	18.8	211,941	14.1	22.8
Top 1 Percent	1,433	0.9	1,320,449	17.7	362,091	26.7	958,358	15.7	27.4
Top 0.1 Percent	144	0.1	5,985,092	8.0	1,824,792	13.5	4,160,300	6.8	30.5

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

Number of AMT Taxpayers (millions). Baseline: 4.3

Proposal: 4.8

* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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% \$11,688; 40% \$22,351; 60% \$38,055; 80% \$65,353; 90% \$95,935; 95% \$134,201; 99% \$335,779; 99.9% \$1,350,445.

(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.

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Limit Mortgages Eligible for Credit to \$500,000 on Primary Residences Only
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2011¹
Detail Table - Single Tax Units

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.3	0.0	0.0	0	-0.1	0.0	1.2	0.0	3.4
Second Quintile	5.1	0.1	0.1	-11	-1.1	0.0	4.3	-0.1	6.2
Middle Quintile	20.2	0.2	0.3	-70	-1.9	-0.2	12.3	-0.2	12.1
Fourth Quintile	35.9	2.8	0.4	-146	-1.7	-0.3	20.9	-0.3	17.3
Top Quintile	12.0	35.6	-0.2	245	0.8	0.6	61.2	0.2	23.7
All	11.9	4.4	0.0	-11	-0.2	0.0	100.0	0.0	17.2
Addendum									
80-90	16.4	31.8	-0.1	50	0.3	0.1	17.9	0.1	21.0
90-95	9.2	39.1	-0.2	202	0.9	0.1	8.1	0.2	21.9
95-99	3.2	44.5	-0.5	690	1.7	0.3	15.0	0.4	22.9
Top 1 Percent	1.9	34.6	-0.2	1,141	0.5	0.1	20.1	0.1	28.9
Top 0.1 Percent	2.3	20.2	-0.1	1,318	0.1	0.0	9.8	0.0	33.6

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2011¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	23,744	29.6	6,815	5.9	230	1.2	6,585	6.9	3.4
Second Quintile	19,342	24.1	17,082	12.0	1,070	4.4	16,012	13.6	6.3
Middle Quintile	15,928	19.9	30,098	17.4	3,715	12.5	26,383	18.4	12.3
Fourth Quintile	11,766	14.7	48,403	20.7	8,536	21.2	39,867	20.6	17.6
Top Quintile	8,867	11.1	137,269	44.2	32,330	60.6	104,939	40.8	23.6
All	80,235	100.0	34,300	100.0	5,895	100.0	28,405	100.0	17.2
Addendum									
80-90	5,214	6.5	77,390	14.7	16,196	17.9	61,193	14.0	20.9
90-95	1,603	2.0	109,752	6.4	23,782	8.1	85,971	6.0	21.7
95-99	1,667	2.1	185,341	11.2	41,793	14.7	143,548	10.5	22.6
Top 1 Percent	383	0.5	857,687	12.0	246,343	20.0	611,344	10.3	28.7
Top 0.1 Percent	33	0.0	4,190,532	5.0	1,407,004	9.8	2,783,528	4.0	33.6

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

* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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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(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.

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Limit Mortgages Eligible for Credit to \$500,000 on Primary Residences Only
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2011¹
Detail Table - Married Tax Units Filing Jointly

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.2	0.0	0.0	0	0.0	0.0	-0.3	0.0	-8.1
Second Quintile	8.6	4.7	0.0	-10	-1.1	0.0	0.4	0.0	3.0
Middle Quintile	37.1	7.6	0.4	-204	-3.8	-0.2	4.3	-0.4	9.8
Fourth Quintile	56.6	5.2	0.6	-460	-3.6	-0.6	14.1	-0.5	14.6
Top Quintile	19.9	49.1	-0.4	685	1.2	0.8	81.4	0.3	23.0
All	30.4	19.8	-0.1	61	0.3	0.0	100.0	0.1	19.5
Addendum									
80-90	32.8	39.0	-0.1	97	0.4	0.0	15.7	0.1	18.8
90-95	12.6	57.3	-0.4	558	1.5	0.2	14.7	0.3	20.9
95-99	5.9	60.8	-0.7	1,780	2.5	0.5	21.4	0.6	23.5
Top 1 Percent	3.2	45.0	-0.2	2,136	0.5	0.1	29.5	0.1	27.2
Top 0.1 Percent	2.0	22.1	0.0	1,632	0.1	0.0	14.6	0.0	29.9

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2011¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	4,201	7.4	12,701	0.8	-1,028	-0.3	13,729	1.0	-8.1
Second Quintile	6,521	11.5	30,924	2.9	931	0.5	29,993	3.5	3.0
Middle Quintile	11,254	19.9	52,021	8.5	5,304	4.4	46,717	9.4	10.2
Fourth Quintile	15,448	27.3	84,707	18.9	12,829	14.7	71,878	20.0	15.1
Top Quintile	18,895	33.4	252,901	69.1	57,515	80.6	195,386	66.3	22.7
All	56,662	100.0	122,041	100.0	23,791	100.0	98,249	100.0	19.5
Addendum									
80-90	8,587	15.2	131,394	16.3	24,661	15.7	106,733	16.5	18.8
90-95	5,392	9.5	176,360	13.8	36,341	14.5	140,019	13.6	20.6
95-99	3,925	6.9	314,670	17.9	72,066	21.0	242,604	17.1	22.9
Top 1 Percent	992	1.8	1,476,527	21.2	399,482	29.4	1,077,044	19.2	27.1
Top 0.1 Percent	102	0.2	6,440,391	9.5	1,921,834	14.6	4,518,557	8.3	29.8

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

* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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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(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.

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Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2011¹
Detail Table - Head of Household Tax Units

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.0	0.0	0.0	0	0.0	-0.2	-16.0	0.0	-14.0
Second Quintile	7.8	2.7	0.0	-11	13.2	-0.1	-0.9	0.0	-0.4
Middle Quintile	34.2	5.4	0.4	-151	-3.1	-0.6	30.1	-0.4	11.0
Fourth Quintile	45.7	9.1	0.4	-245	-2.1	-0.4	35.9	-0.4	16.3
Top Quintile	15.9	46.5	-0.4	540	1.4	1.3	50.9	0.3	22.8
All	14.8	4.9	0.1	-36	-1.1	0.0	100.0	-0.1	9.1
Addendum									
80-90	22.1	41.4	-0.2	155	0.8	0.3	16.8	0.2	20.4
90-95	6.5	52.9	-0.7	809	2.6	0.3	9.2	0.5	21.8
95-99	6.6	58.0	-0.7	1,419	2.5	0.4	11.1	0.6	22.6
Top 1 Percent	1.6	48.9	-0.3	2,204	0.7	0.2	13.8	0.2	27.7
Top 0.1 Percent	3.0	29.6	-0.1	2,029	0.1	0.1	6.8	0.0	30.6

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2011¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	7,953	32.6	11,391	10.5	-1,592	-15.9	12,983	13.2	-14.0
Second Quintile	7,879	32.3	26,611	24.2	-83	-0.8	26,694	26.8	-0.3
Middle Quintile	4,968	20.4	43,368	24.9	4,934	30.7	38,434	24.3	11.4
Fourth Quintile	2,487	10.2	69,930	20.1	11,639	36.3	58,291	18.5	16.6
Top Quintile	1,050	4.3	167,924	20.4	37,714	49.6	130,210	17.4	22.5
All	24,414	100.0	35,432	100.0	3,270	100.0	32,163	100.0	9.2
Addendum									
80-90	643	2.6	101,291	7.5	20,502	16.5	80,789	6.6	20.2
90-95	223	0.9	148,577	3.8	31,620	8.8	116,957	3.3	21.3
95-99	151	0.6	255,857	4.5	56,437	10.7	199,421	3.9	22.1
Top 1 Percent	33	0.1	1,194,732	4.6	328,715	13.6	866,016	3.6	27.5
Top 0.1 Percent	3	0.0	5,612,443	2.0	1,715,081	6.7	3,897,362	1.6	30.6

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

* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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% \$11,688; 40% \$22,351; 60% \$38,055; 80% \$65,353; 90% \$95,935; 95% \$134,201; 99% \$335,779; 99.9% \$1,350,445.

(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 T11-0201
Replace the Mortgage Interest Deduction with a Revenue-Neutral 21.6 Percent Non-refundable Credit
Limit Mortgages Eligible for Credit to \$500,000 on Primary Residences Only
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2011¹
Detail Table - Tax Units with Children

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.1	0.0	0.0	0	0.0	0.0	-2.8	0.0	-18.2
Second Quintile	6.0	5.0	0.0	6	-2.2	0.0	-0.4	0.0	-0.8
Middle Quintile	37.1	11.7	0.4	-164	-2.6	-0.3	7.8	-0.3	11.3
Fourth Quintile	58.2	10.5	0.6	-448	-3.0	-0.7	18.9	-0.5	16.0
Top Quintile	11.3	70.1	-0.6	1,247	1.9	0.9	76.4	0.5	24.4
All	22.5	17.9	-0.1	97	0.6	0.0	100.0	0.1	18.0
Addendum									
80-90	16.6	66.8	-0.4	498	1.6	0.2	18.6	0.3	20.5
90-95	8.3	74.3	-0.7	1,182	2.7	0.2	11.8	0.6	22.0
95-99	2.5	77.1	-1.0	2,934	3.2	0.5	20.2	0.8	25.3
Top 1 Percent	2.1	57.4	-0.3	3,121	0.6	0.0	25.7	0.2	29.0
Top 0.1 Percent	2.2	29.8	0.0	2,473	0.1	-0.1	12.2	0.0	31.2

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2011¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	9,624	19.9	12,221	2.8	-2,225	-2.9	14,446	4.0	-18.2
Second Quintile	10,630	22.0	30,191	7.6	-257	-0.4	30,447	9.3	-0.9
Middle Quintile	9,718	20.1	53,686	12.4	6,249	8.1	47,436	13.3	11.6
Fourth Quintile	9,731	20.1	91,659	21.2	15,141	19.6	76,518	21.5	16.5
Top Quintile	8,493	17.6	279,232	56.2	66,836	75.5	212,396	52.1	23.9
All	48,380	100.0	87,155	100.0	15,551	100.0	71,604	100.0	17.8
Addendum									
80-90	4,479	9.3	153,349	16.3	30,973	18.4	122,375	15.8	20.2
90-95	1,994	4.1	204,015	9.7	43,711	11.6	160,304	9.2	21.4
95-99	1,626	3.4	372,645	14.4	91,251	19.7	281,393	13.2	24.5
Top 1 Percent	394	0.8	1,704,575	15.9	490,537	25.7	1,214,038	13.8	28.8
Top 0.1 Percent	37	0.1	8,017,842	7.0	2,498,743	12.2	5,519,099	5.9	31.2

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) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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% \$11,688; 40% \$22,351; 60% \$38,055; 80% \$65,353; 90% \$95,935; 95% \$134,201; 99% \$335,779; 99.9% \$1,350,445.

(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 T11-0201
Replace the Mortgage Interest Deduction with a Revenue-Neutral 21.6 Percent Non-refundable Credit
Limit Mortgages Eligible for Credit to \$500,000 on Primary Residences Only
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2011 ¹
Detail Table - Elderly Tax Units

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase		Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.0	0.0	0.0	0	0.0	0.0	0.1	0.0	0.6
Second Quintile	0.6	0.0	0.0	-1	-0.9	0.0	0.5	0.0	0.9
Middle Quintile	16.8	0.4	0.2	-56	-4.3	-0.1	3.3	-0.2	3.5
Fourth Quintile	40.5	0.5	0.4	-258	-4.3	-0.5	11.8	-0.4	9.0
Top Quintile	21.2	16.3	0.0	46	0.1	0.6	84.3	0.0	20.2
All	15.4	3.1	0.1	-53	-0.6	0.0	100.0	-0.1	14.2
Addendum									
80-90	31.5	11.3	0.2	-140	-1.0	-0.1	12.4	-0.1	13.6
90-95	16.5	20.5	-0.1	59	0.2	0.1	13.3	0.0	16.8
95-99	8.8	21.5	-0.2	318	0.7	0.3	20.6	0.1	19.7
Top 1 Percent	5.1	17.2	-0.1	478	0.2	0.3	38.1	0.0	26.9
Top 0.1 Percent	2.3	9.7	0.0	510	0.0	0.1	20.2	0.0	31.1

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2011 ¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Pre-Tax Income		Federal Tax Burden		After-Tax Income ⁵		Average Federal Tax Rate ⁶
	Number (thousands)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	Average (dollars)	Percent of Total	
Lowest Quintile	5,318	15.0	8,514	2.0	54	0.1	8,461	2.3	0.6
Second Quintile	8,941	25.2	17,755	7.1	162	0.5	17,594	8.2	0.9
Middle Quintile	8,299	23.4	35,781	13.2	1,309	3.4	34,472	14.8	3.7
Fourth Quintile	6,547	18.4	64,256	18.7	6,027	12.3	58,230	19.7	9.4
Top Quintile	6,397	18.0	208,223	59.1	42,095	83.8	166,127	55.0	20.2
All	35,530	100.0	63,396	100.0	9,049	100.0	54,347	100.0	14.3
Addendum									
80-90	2,978	8.4	97,974	13.0	13,492	12.5	84,482	13.0	13.8
90-95	1,695	4.8	149,233	11.2	24,937	13.2	124,296	10.9	16.7
95-99	1,338	3.8	249,438	14.8	48,771	20.3	200,667	13.9	19.6
Top 1 Percent	387	1.1	1,173,369	20.1	314,527	37.8	858,842	17.2	26.8
Top 0.1 Percent	39	0.1	5,341,288	9.2	1,659,915	20.1	3,681,373	7.4	31.1

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) Calendar year. Baseline is current law. Proposal: replaces the mortgage interest deduction with a revenue-neutral 21.6 percent non-refundable credit; and limits mortgages eligible for the credit to \$500,000 on primary residences only. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(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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