

Click on PDF or Excel link above for additional tables containing more detail and breakdowns by filing status and demographic groups.

**Table T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2015 <sup>1</sup>**  
**Summary Table**

Cash Income Percentile <sup>2,3</sup>	Tax Units with Tax Increase or Cut <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 (%)	Under the Proposal
	Pct of Tax Units	Avg Tax Cut	Pct of Tax Units	Avg Tax Increase					
<b>Lowest Quintile</b>	1.9	-156	0.0	0	0.0	-0.3	-3	0.0	3.9
<b>Second Quintile</b>	16.3	-306	0.5	217	0.2	-4.1	-49	-0.2	11.5
<b>Middle Quintile</b>	30.8	-403	10.4	459	0.2	-5.6	-76	-0.1	17.9
<b>Fourth Quintile</b>	13.8	-436	42.5	850	-0.4	18.4	301	0.3	22.5
<b>Top Quintile</b>	2.5	-476	62.9	2,708	-0.8	91.6	1,691	0.6	29.8
<b>All</b>	12.9	-373	18.3	1,733	-0.4	100.0	269	0.3	24.3
<b>Addendum</b>									
<b>80-90</b>	3.9	-446	62.2	1,388	-0.8	23.0	846	0.6	25.8
<b>90-95</b>	1.3	-496	68.6	2,782	-1.2	25.3	1,900	0.9	27.3
<b>95-99</b>	0.6	-779	62.4	4,859	-1.1	32.9	3,026	0.8	29.2
<b>Top 1 Percent</b>	0.8	-975	44.1	8,563	-0.3	10.4	3,769	0.2	34.7
<b>Top 0.1 Percent</b>	0.3	-1,073	21.6	11,576	-0.1	0.7	2,494	0.0	38.0

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

Number of AMT Taxpayers (millions). Baseline: 27.0

Proposal: 28.7

\* Less than 0.05

\*\* Insufficient data

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$19,452; 40% \$40,088; 60% \$69,465; 80% \$120,224; 90% \$170,951; 95% \$243,973; 99% \$633,380; 99.9% \$2,884,799.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2015 <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	1.9	0.0	0.0	-0.3	-3	-0.7	0.0	0.6	0.0	3.9
Second Quintile	16.3	0.5	0.2	-4.1	-49	-1.4	-0.1	4.1	-0.2	11.5
Middle Quintile	30.8	10.4	0.2	-5.6	-76	-0.8	-0.2	10.2	-0.1	17.9
Fourth Quintile	13.8	42.5	-0.4	18.4	301	1.4	0.0	18.3	0.3	22.5
Top Quintile	2.5	62.9	-0.8	91.6	1,691	1.9	0.4	66.7	0.6	29.8
<b>All</b>	<b>12.9</b>	<b>18.3</b>	<b>-0.4</b>	<b>100.0</b>	<b>269</b>	<b>1.4</b>	<b>0.0</b>	<b>100.0</b>	<b>0.3</b>	<b>24.3</b>
<b>Addendum</b>										
80-90	3.9	62.2	-0.8	23.0	846	2.2	0.1	14.5	0.6	25.8
90-95	1.3	68.6	-1.2	25.3	1,900	3.4	0.2	10.6	0.9	27.3
95-99	0.6	62.4	-1.1	32.9	3,026	2.8	0.2	16.3	0.8	29.2
Top 1 Percent	0.8	44.1	-0.3	10.4	3,769	0.6	-0.2	25.2	0.2	34.7
Top 0.1 Percent	0.3	21.6	-0.1	0.7	2,494	0.1	-0.2	12.3	0.0	38.0

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2015 <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	43,801	25.9	11,368	3.7	451	0.6	10,917	4.6	4.0	
Second Quintile	38,297	22.7	30,850	8.7	3,580	4.2	27,270	10.1	11.6	
Middle Quintile	33,246	19.7	56,491	13.8	10,200	10.4	46,291	14.9	18.1	
Fourth Quintile	27,764	16.4	97,100	19.8	21,571	18.3	75,529	20.3	22.2	
Top Quintile	24,598	14.6	301,089	54.4	88,046	66.3	213,043	50.6	29.2	
<b>All</b>	<b>168,946</b>	<b>100.0</b>	<b>80,584</b>	<b>100.0</b>	<b>19,325</b>	<b>100.0</b>	<b>61,258</b>	<b>100.0</b>	<b>24.0</b>	
<b>Addendum</b>										
80-90	12,369	7.3	150,582	13.7	37,990	14.4	112,592	13.5	25.2	
90-95	6,040	3.6	213,273	9.5	56,407	10.4	156,866	9.2	26.5	
95-99	4,936	2.9	375,241	13.6	106,392	16.1	268,850	12.8	28.4	
Top 1 Percent	1,253	0.7	1,918,232	17.7	662,489	25.4	1,255,743	15.2	34.5	
Top 0.1 Percent	129	0.1	8,360,965	7.9	3,172,325	12.5	5,188,640	6.5	37.9	

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

Number of AMT Taxpayers (millions). Baseline: 27.0

Proposal: 28.7

\* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$19,452; 40% \$40,088; 60% \$69,465; 80% \$120,224; 90% \$170,951; 95% \$243,973; 99% \$633,380; 99.9% \$2,884,799.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	1.0	0.0	0.0	-0.1	-1	-0.6	0.0	0.2	0.0	1.6
Second Quintile	13.7	0.9	0.2	-3.6	-46	-1.6	-0.1	3.0	-0.2	10.2
Middle Quintile	26.8	8.8	0.1	-3.9	-53	-0.6	-0.2	8.3	-0.1	16.4
Fourth Quintile	19.3	33.4	-0.3	14.8	217	1.2	0.0	17.4	0.3	21.9
Top Quintile	5.0	55.0	-0.7	92.8	1,342	1.8	0.3	71.0	0.5	29.4
<b>All</b>	<b>12.9</b>	<b>18.3</b>	<b>-0.4</b>	<b>100.0</b>	<b>269</b>	<b>1.4</b>	<b>0.0</b>	<b>100.0</b>	<b>0.3</b>	<b>24.3</b>
<b>Addendum</b>										
80-90	8.2	53.5	-0.8	25.0	722	2.3	0.1	15.5	0.6	25.4
90-95	2.7	59.1	-1.0	24.3	1,391	2.9	0.2	11.8	0.8	27.0
95-99	1.0	56.8	-1.0	33.0	2,397	2.7	0.2	17.4	0.8	28.8
Top 1 Percent	0.8	41.2	-0.3	10.6	3,171	0.6	-0.2	26.3	0.2	34.5
Top 0.1 Percent	0.3	20.6	-0.1	0.8	2,243	0.1	-0.2	12.9	0.0	38.0

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	36,457	21.6	10,602	2.8	175	0.2	10,427	3.7	1.7	
Second Quintile	35,217	20.9	27,635	7.2	2,857	3.1	24,777	8.4	10.3	
Middle Quintile	33,605	19.9	49,901	12.3	8,210	8.5	41,691	13.5	16.5	
Fourth Quintile	31,021	18.4	84,761	19.3	18,362	17.5	66,399	19.9	21.7	
Top Quintile	31,406	18.6	254,525	58.7	73,494	70.7	181,032	54.9	28.9	
<b>All</b>	<b>168,946</b>	<b>100.0</b>	<b>80,584</b>	<b>100.0</b>	<b>19,325</b>	<b>100.0</b>	<b>61,258</b>	<b>100.0</b>	<b>24.0</b>	
<b>Addendum</b>										
80-90	15,725	9.3	128,613	14.9	31,882	15.4	96,731	14.7	24.8	
90-95	7,925	4.7	182,258	10.6	47,894	11.6	134,363	10.3	26.3	
95-99	6,244	3.7	320,925	14.7	89,994	17.2	230,931	13.9	28.0	
Top 1 Percent	1,512	0.9	1,668,229	18.5	572,160	26.5	1,096,069	16.0	34.3	
Top 0.1 Percent	151	0.1	7,425,020	8.3	2,816,378	13.1	4,608,642	6.7	37.9	

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

Number of AMT Taxpayers (millions). Baseline: 27.0

Proposal: 28.7

\* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$13,764; 40% \$26,717; 60% \$44,414; 80% \$72,834; 90% \$104,772; 95% \$148,814; 99% \$386,554; 99.9% \$1,774,285.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	1.0	0.0	0.0	-0.5	-1	-0.2	0.0	1.4	0.0	5.8
Second Quintile	6.4	0.1	0.1	-4.8	-14	-0.7	-0.1	4.9	-0.1	9.4
Middle Quintile	21.3	1.4	0.2	-13.6	-50	-0.8	-0.2	11.8	-0.1	16.1
Fourth Quintile	22.2	17.3	-0.1	8.3	40	0.3	-0.1	20.0	0.1	22.4
Top Quintile	6.8	40.5	-0.6	110.7	642	1.3	0.4	61.8	0.4	30.1
<b>All</b>	<b>10.1</b>	<b>7.8</b>	<b>-0.2</b>	<b>100.0</b>	<b>71</b>	<b>0.7</b>	<b>0.0</b>	<b>100.0</b>	<b>0.2</b>	<b>22.6</b>
<b>Addendum</b>										
80-90	10.7	38.2	-0.5	29.3	326	1.4	0.1	15.4	0.4	26.1
90-95	3.8	43.7	-0.6	26.0	597	1.7	0.1	11.3	0.5	27.7
95-99	1.3	44.4	-0.8	41.7	1,278	2.0	0.2	15.2	0.6	29.2
Top 1 Percent	0.9	32.4	-0.3	13.8	2,067	0.5	0.0	19.9	0.2	37.2
Top 0.1 Percent	0.4	19.9	-0.1	1.2	2,024	0.1	-0.1	9.4	0.0	41.2

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	23,196	28.5	8,395	5.4	485	1.4	7,910	6.6	5.8	
Second Quintile	19,667	24.2	21,310	11.7	2,020	4.9	19,290	13.6	9.5	
Middle Quintile	15,891	19.5	37,519	16.6	6,100	12.0	31,419	18.0	16.3	
Fourth Quintile	11,931	14.7	60,761	20.2	13,554	20.1	47,206	20.3	22.3	
Top Quintile	9,954	12.2	167,534	46.5	49,782	61.5	117,753	42.1	29.7	
<b>All</b>	<b>81,336</b>	<b>100.0</b>	<b>44,116</b>	<b>100.0</b>	<b>9,914</b>	<b>100.0</b>	<b>34,202</b>	<b>100.0</b>	<b>22.5</b>	
<b>Addendum</b>										
80-90	5,175	6.4	92,340	13.3	23,776	15.3	68,565	12.8	25.8	
90-95	2,512	3.1	131,560	9.2	35,882	11.2	95,679	8.6	27.3	
95-99	1,882	2.3	225,150	11.8	64,386	15.0	160,764	10.9	28.6	
Top 1 Percent	385	0.5	1,132,088	12.1	418,934	20.0	713,155	9.9	37.0	
Top 0.1 Percent	34	0.0	5,399,109	5.2	2,219,627	9.5	3,179,482	3.9	41.1	

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

\* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$13,764; 40% \$26,717; 60% \$44,414; 80% \$72,834; 90% \$104,772; 95% \$148,814; 99% \$386,554; 99.9% \$1,774,285.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	0.6	0.0	0.0	0.0	-1	-0.3	0.0	0.1	0.0	1.7
Second Quintile	25.3	1.7	0.3	-2.1	-113	-2.5	-0.1	1.4	-0.3	11.5
Middle Quintile	32.9	16.4	0.1	-1.9	-58	-0.6	-0.1	5.4	-0.1	15.6
Fourth Quintile	18.2	44.2	-0.4	14.1	336	1.5	0.0	15.6	0.3	21.5
Top Quintile	4.2	62.0	-0.8	89.9	1,700	2.0	0.2	77.5	0.6	29.2
All	15.9	35.9	-0.6	100.0	631	1.7	0.0	100.0	0.4	25.9
<b>Addendum</b>										
80-90	7.1	61.4	-0.8	23.5	928	2.5	0.1	15.8	0.6	25.0
90-95	2.3	66.8	-1.2	24.2	1,770	3.3	0.2	12.7	0.9	26.8
95-99	0.9	62.2	-1.1	32.0	2,913	2.8	0.2	19.3	0.8	28.7
Top 1 Percent	0.8	44.0	-0.3	10.2	3,553	0.6	-0.3	29.7	0.2	33.8
Top 0.1 Percent	0.3	20.7	-0.1	0.7	2,291	0.1	-0.2	14.4	0.0	37.3

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	4,463	7.6	15,631	0.8	268	0.1	15,363	1.1	1.7	
Second Quintile	6,865	11.7	39,057	3.1	4,589	1.4	34,468	3.7	11.8	
Middle Quintile	11,932	20.3	64,653	8.9	10,149	5.5	54,504	10.1	15.7	
Fourth Quintile	15,574	26.5	104,032	18.8	22,040	15.6	81,992	19.8	21.2	
Top Quintile	19,635	33.4	302,339	68.7	86,545	77.3	215,794	65.8	28.6	
All	58,870	100.0	146,762	100.0	37,356	100.0	109,406	100.0	25.5	
<b>Addendum</b>										
80-90	9,415	16.0	149,979	16.3	36,583	15.7	113,396	16.6	24.4	
90-95	5,079	8.6	208,633	12.3	54,169	12.5	154,464	12.2	26.0	
95-99	4,077	6.9	367,942	17.4	102,760	19.1	265,182	16.8	27.9	
Top 1 Percent	1,065	1.8	1,845,234	22.7	620,630	30.1	1,224,604	20.2	33.6	
Top 0.1 Percent	108	0.2	7,994,782	10.0	2,977,692	14.7	5,017,089	8.4	37.3	

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

\* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$13,764; 40% \$26,717; 60% \$44,414; 80% \$72,834; 90% \$104,772; 95% \$148,814; 99% \$386,554; 99.9% \$1,774,285.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	0.7	0.0	0.0	-0.3	-1	0.1	0.0	-3.2	0.0	-5.4
Second Quintile	20.1	1.7	0.2	-32.6	-68	-2.1	-0.4	13.5	-0.2	9.7
Middle Quintile	28.3	13.0	0.1	-17.2	-59	-0.6	-0.4	25.5	-0.1	18.3
Fourth Quintile	13.0	40.7	-0.5	48.5	290	1.5	0.2	27.9	0.4	22.8
Top Quintile	3.3	58.9	-1.0	101.7	1,347	2.5	0.6	36.3	0.7	28.3
<b>All</b>	<b>13.6</b>	<b>10.5</b>	<b>-0.2</b>	<b>100.0</b>	<b>66</b>	<b>0.9</b>	<b>0.0</b>	<b>100.0</b>	<b>0.2</b>	<b>17.0</b>
<b>Addendum</b>										
80-90	5.0	57.4	-0.9	39.6	815	2.6	0.2	13.7	0.7	26.1
90-95	0.0	60.3	-1.4	23.4	1,708	3.8	0.2	5.5	1.0	27.0
95-99	0.3	64.2	-1.3	30.6	2,722	3.5	0.2	7.9	0.9	27.5
Top 1 Percent	0.5	57.1	-0.4	8.1	4,009	0.8	0.0	9.2	0.3	34.6
Top 0.1 Percent	0.3	29.0	-0.1	0.6	3,466	0.1	0.0	4.2	0.1	38.2

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	8,554	32.8	13,984	10.3	-750	-3.3	14,734	13.0	-5.4	
Second Quintile	8,234	31.5	33,302	23.5	3,310	13.9	29,992	25.5	9.9	
Middle Quintile	5,041	19.3	54,971	23.8	10,107	25.9	44,864	23.4	18.4	
Fourth Quintile	2,893	11.1	83,770	20.8	18,823	27.7	64,947	19.4	22.5	
Top Quintile	1,307	5.0	194,776	21.8	53,798	35.7	140,978	19.0	27.6	
<b>All</b>	<b>26,121</b>	<b>100.0</b>	<b>44,620</b>	<b>100.0</b>	<b>7,531</b>	<b>100.0</b>	<b>37,089</b>	<b>100.0</b>	<b>16.9</b>	
<b>Addendum</b>										
80-90	840	3.2	124,047	8.9	31,567	13.5	92,479	8.0	25.5	
90-95	238	0.9	171,264	3.5	44,531	5.4	126,733	3.1	26.0	
95-99	194	0.7	293,736	4.9	77,988	7.7	215,748	4.3	26.6	
Top 1 Percent	35	0.1	1,501,783	4.5	515,740	9.2	986,043	3.6	34.3	
Top 0.1 Percent	3	0.0	7,219,902	1.9	2,755,009	4.2	4,464,893	1.4	38.2	

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

\* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$13,764; 40% \$26,717; 60% \$44,414; 80% \$72,834; 90% \$104,772; 95% \$148,814; 99% \$386,554; 99.9% \$1,774,285.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	0.4	0.0	0.0	0.0	0	0.0	0.0	-0.8	0.0	-6.8
Second Quintile	22.6	2.4	0.3	-3.4	-87	-2.1	-0.2	3.5	-0.2	10.7
Middle Quintile	25.2	25.5	-0.1	1.3	36	0.3	-0.2	10.2	0.1	19.1
Fourth Quintile	4.5	64.8	-0.8	23.8	665	2.5	0.1	21.5	0.6	24.2
Top Quintile	1.2	78.5	-1.2	78.3	2,656	2.7	0.3	65.6	0.8	30.7
<b>All</b>	<b>11.2</b>	<b>31.9</b>	<b>-0.7</b>	<b>100.0</b>	<b>566</b>	<b>2.3</b>	<b>0.0</b>	<b>100.0</b>	<b>0.6</b>	<b>25.1</b>
<b>Addendum</b>										
<b>80-90</b>	2.0	79.4	-1.2	24.2	1,557	3.5	0.2	15.9	0.9	27.1
<b>90-95</b>	0.3	81.3	-1.8	22.2	3,158	4.7	0.3	10.9	1.3	28.6
<b>95-99</b>	0.4	77.6	-1.4	24.7	4,414	3.5	0.2	16.2	1.0	30.2
<b>Top 1 Percent</b>	0.8	55.8	-0.4	7.2	5,482	0.7	-0.4	22.7	0.3	35.7
<b>Top 0.1 Percent</b>	0.4	28.0	-0.1	0.4	3,550	0.1	-0.2	10.5	0.0	38.3

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	10,299	20.5	14,919	3.0	-1,019	-0.8	15,939	4.2	-6.8	
Second Quintile	10,995	21.9	37,962	8.1	4,132	3.6	33,830	9.6	10.9	
Middle Quintile	10,131	20.2	67,712	13.3	12,882	10.4	54,830	14.3	19.0	
Fourth Quintile	10,153	20.2	112,761	22.3	26,568	21.4	86,193	22.6	23.6	
Top Quintile	8,372	16.7	329,225	53.6	98,408	65.4	230,817	49.8	29.9	
<b>All</b>	<b>50,185</b>	<b>100.0</b>	<b>102,460</b>	<b>100.0</b>	<b>25,118</b>	<b>100.0</b>	<b>77,343</b>	<b>100.0</b>	<b>24.5</b>	
<b>Addendum</b>										
<b>80-90</b>	4,416	8.8	171,499	14.7	44,910	15.7	126,589	14.4	26.2	
<b>90-95</b>	1,992	4.0	245,849	9.5	67,183	10.6	178,666	9.2	27.3	
<b>95-99</b>	1,588	3.2	434,482	13.4	126,794	16.0	307,688	12.6	29.2	
<b>Top 1 Percent</b>	375	0.8	2,183,049	15.9	773,801	23.0	1,409,247	13.6	35.5	
<b>Top 0.1 Percent</b>	35	0.1	10,034,824	6.9	3,840,320	10.7	6,194,504	5.6	38.3	

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 would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$13,764; 40% \$26,717; 60% \$44,414; 80% \$72,834; 90% \$104,772; 95% \$148,814; 99% \$386,554; 99.9% \$1,774,285.

(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 T11-0278**  
**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	*	0.0	0.0	0.0	0	0.0	0.0	0.1	0.0	0.8
Second Quintile	2.0	*	0.0	-3.2	-6	-1.3	0.0	0.7	0.0	1.9
Middle Quintile	25.1	0.8	0.2	-38.0	-76	-2.6	-0.1	4.1	-0.2	6.5
Fourth Quintile	28.9	11.3	0.1	-23.5	-64	-0.6	-0.1	10.9	-0.1	13.9
Top Quintile	7.6	25.9	-0.2	164.7	405	0.6	0.2	84.2	0.2	28.0
<b>All</b>	<b>12.3</b>	<b>6.8</b>	<b>-0.1</b>	<b>100.0</b>	<b>45</b>	<b>0.3</b>	<b>0.0</b>	<b>100.0</b>	<b>0.1</b>	<b>20.5</b>
<b>Addendum</b>										
80-90	12.9	26.7	-0.2	36.4	198	0.9	0.1	11.8	0.2	19.5
90-95	5.2	26.4	-0.3	37.7	370	1.0	0.1	10.9	0.2	22.9
95-99	1.8	25.3	-0.3	65.2	695	0.9	0.1	21.0	0.2	27.0
Top 1 Percent	1.2	19.7	-0.1	25.5	934	0.2	0.0	40.4	0.1	35.3
Top 0.1 Percent	0.1	10.6	0.0	2.2	813	0.0	-0.1	19.9	0.0	39.0

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	6,748	17.4	10,638	2.4	84	0.1	10,554	2.9	0.8	
Second Quintile	9,924	25.5	22,647	7.4	439	0.7	22,207	9.1	1.9	
Middle Quintile	8,724	22.4	44,646	12.8	2,966	4.2	41,680	15.0	6.6	
Fourth Quintile	6,359	16.4	77,029	16.1	10,755	11.0	66,274	17.4	14.0	
Top Quintile	7,090	18.2	263,589	61.4	73,479	83.9	190,111	55.7	27.9	
<b>All</b>	<b>38,882</b>	<b>100.0</b>	<b>78,233</b>	<b>100.0</b>	<b>15,963</b>	<b>100.0</b>	<b>62,270</b>	<b>100.0</b>	<b>20.4</b>	
<b>Addendum</b>										
80-90	3,205	8.2	117,227	12.4	22,710	11.7	94,516	12.5	19.4	
90-95	1,775	4.6	166,728	9.7	37,867	10.8	128,860	9.5	22.7	
95-99	1,634	4.2	296,750	15.9	79,399	20.9	217,351	14.7	26.8	
Top 1 Percent	476	1.2	1,495,891	23.4	527,576	40.5	968,314	19.1	35.3	
Top 0.1 Percent	48	0.1	6,639,891	10.5	2,585,194	19.9	4,054,697	8.0	38.9	

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 would reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only. Estimates assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(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% \$13,764; 40% \$26,717; 60% \$44,414; 80% \$72,834; 90% \$104,772; 95% \$148,814; 99% \$386,554; 99.9% \$1,774,285.

(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.