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**Table T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Summary Table**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units with Tax Increase or Cut <sup>3</sup> |             |                     |                     | Percent<br>Change in<br>After-Tax<br>Income <sup>4</sup> | Share of<br>Total<br>Federal Tax<br>Change | Average<br>Federal Tax<br>Change (\$) | Average Federal Tax Rate <sup>5</sup> |                       |
|--|---|-------------|---------------------|---------------------|--|--|---------------------------------------|---------------------------------------|-----------------------|
|  | With Tax Cut                                    |             | With Tax Increase   |                     |  |  |                                       | Change (%)<br>Points)                 | Under the<br>Proposal |
|  | Pct of Tax<br>Units                             | Avg Tax Cut | Pct of Tax<br>Units | Avg Tax<br>Increase |  |  |                                       |                                       |                       |
| Less than 10   | *   | **          | 0.0                 | 0                   | 0.0  | 0.0  | 0                                     | 0.0                                   | 4.9                   |
| 10-20  | 3.4   | -164        | *                   | **                  | 0.0  | -0.5                                       | -6                                    | 0.0                                   | 3.8                   |
| 20-30  | 11.0  | -269        | 0.2                 | 204                 | 0.1  | -2.1                                       | -29                                   | -0.1                                  | 9.5                   |
| 30-40  | 24.1  | -330        | 0.7                 | 208                 | 0.2  | -4.6                                       | -78                                   | -0.2                                  | 13.6                  |
| 40-50  | 31.6  | -381        | 2.5                 | 201                 | 0.3  | -5.7                                       | -115                                  | -0.2                                  | 16.4                  |
| 50-75  | 29.0  | -417        | 12.0                | 191                 | 0.2  | -8.4                                       | -98                                   | -0.2                                  | 19.1                  |
| 75-100   | 14.7  | -432        | 23.3                | 342                 | 0.0  | 0.9  | 16                                    | 0.0                                   | 21.7                  |
| 100-200  | 4.6   | -460        | 40.5                | 917                 | -0.3   | 29.9                                       | 350                                   | 0.2                                   | 25.2                  |
| 200-500  | 0.8   | -591        | 63.9                | 4,123               | -1.2   | 66.5                                       | 2,631                                 | 0.9                                   | 28.6                  |
| 500-1,000  | 1.0   | -1,022      | 52.8                | 7,307               | -0.8   | 16.4                                       | 3,847                                 | 0.5                                   | 30.2                  |
| More than 1,000  | 0.6   | -1,080      | 36.8                | 9,717               | -0.2   | 7.7  | 3,567                                 | 0.1                                   | 36.0                  |
| All  | 12.9  | -373        | 13.0                | 1,648               | -0.3   | 100.0                                      | 165                                   | 0.2                                   | 24.2                  |
| <b>Addendum</b>  |   |             |                     |                     |  |  |                                       |                                       |                       |
| 100-125  | 6.8   | -477        | 31.0                | 510                 | -0.1   | 4.5  | 126                                   | 0.4                                   | 0.0                   |
| 125-150  | 4.1   | -415        | 38.2                | 727                 | -0.2   | 6.4  | 260                                   | 0.7                                   | 0.0                   |
| 150-175  | 2.3   | -487        | 49.8                | 857                 | -0.3   | 6.3  | 415                                   | 0.9                                   | 0.0                   |
| 175-200  | 1.3   | -413        | 67.1                | 1,955               | -0.9   | 12.7                                       | 1,307                                 | 2.5                                   | 0.1                   |

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

Number of AMT Taxpayers (millions). Baseline: 27.0

Proposal: 27.7

\* Less than 0.05

\*\* Insufficient data

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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 T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Detail Table**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change in<br>After-Tax Income<br><sup>4</sup> | Share of Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                    | Average Federal Tax Rate <sup>5</sup> |                    |
|--|-----------------------------------|-------------------|---|---|----------------------------|---------|------------------------|--------------------|---------------------------------------|--------------------|
|  | With Tax Cut                      | With Tax Increase |   |   | Dollars                    | Percent | Change (% Points)      | Under the Proposal | Change (% Points)                     | Under the Proposal |
| Less than 10   | *                                 | 0.0               | 0.0   | 0.0                                     | 0                          | 0.0     | 0.0                    | 0.2                | 0.0                                   | 4.9                |
| 10-20  | 3.4                               | *                 | 0.0   | -0.5                                    | -6                         | -0.9    | 0.0                    | 0.5                | 0.0                                   | 3.8                |
| 20-30  | 11.0                              | 0.2               | 0.1   | -2.1                                    | -29                        | -1.1    | 0.0                    | 1.5                | -0.1                                  | 9.5                |
| 30-40  | 24.1                              | 0.7               | 0.2   | -4.6                                    | -78                        | -1.5    | -0.1                   | 2.6                | -0.2                                  | 13.6               |
| 40-50  | 31.6                              | 2.5               | 0.3   | -5.7                                    | -115                       | -1.5    | -0.1                   | 3.3                | -0.2                                  | 16.4               |
| 50-75  | 29.0                              | 12.0              | 0.2   | -8.4                                    | -98                        | -0.8    | -0.2                   | 9.1                | -0.2                                  | 19.1               |
| 75-100   | 14.7                              | 23.3              | 0.0   | 0.9                                     | 16                         | 0.1     | -0.1                   | 9.1                | 0.0                                   | 21.7               |
| 100-200  | 4.6                               | 40.5              | -0.3  | 29.9                                    | 350                        | 1.0     | 0.0                    | 26.6               | 0.2                                   | 25.2               |
| 200-500  | 0.8                               | 63.9              | -1.2  | 66.5                                    | 2,631                      | 3.1     | 0.4                    | 18.7               | 0.9                                   | 28.6               |
| 500-1,000  | 1.0                               | 52.8              | -0.8  | 16.4                                    | 3,847                      | 1.8     | 0.1                    | 7.9                | 0.5                                   | 30.2               |
| More than 1,000  | 0.6                               | 36.8              | -0.2  | 7.7                                     | 3,567                      | 0.3     | -0.1                   | 20.4               | 0.1                                   | 36.0               |
| All  | 12.9                              | 13.0              | -0.3  | 100.0                                   | 165                        | 0.9     | 0.0                    | 100.0              | 0.2                                   | 24.2               |
| <b>Addendum</b>  |                                   |                   |   |   |                            |         |                        |                    |                                       |                    |
| 100-125  | 6.8                               | 31.0              | -0.1  | 4.5                                     | 126                        | 0.4     | 0.0                    | 8.7                | 0.1                                   | 23.8               |
| 125-150  | 4.1                               | 38.2              | -0.2  | 6.4                                     | 260                        | 0.7     | 0.0                    | 7.8                | 0.2                                   | 25.4               |
| 150-175  | 2.3                               | 49.8              | -0.3  | 6.3                                     | 415                        | 0.9     | 0.0                    | 5.7                | 0.2                                   | 25.9               |
| 175-200  | 1.3                               | 67.1              | -0.9  | 12.7                                    | 1,307                      | 2.5     | 0.1                    | 4.5                | 0.7                                   | 27.0               |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Level, 2015 <sup>1</sup>**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Pre-Tax Income    |                     | Federal Tax Burden |                     | After-Tax Income <sup>4</sup> |                     | Average<br>Federal Tax<br>Rate <sup>5</sup> |  |
|--|------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------------------|---------------------|---|--|
|  | Number<br>(thousands)  | Percent of<br>Total | Average (dollars) | Percent of<br>Total | Average (dollars)  | Percent of<br>Total | Average (dollars)             | Percent of<br>Total |   |  |
| Less than 10   | 18,828                 | 11.1                | 5,900             | 0.8                 | 292                | 0.2                 | 5,608                         | 1.0                 | 5.0   |  |
| 10-20  | 26,753                 | 15.8                | 15,859            | 3.1                 | 604                | 0.5                 | 15,256                        | 3.9                 | 3.8   |  |
| 20-30  | 20,164                 | 11.9                | 26,538            | 3.9                 | 2,546              | 1.6                 | 23,992                        | 4.7                 | 9.6   |  |
| 30-40  | 16,562                 | 9.8                 | 37,305            | 4.5                 | 5,147              | 2.6                 | 32,158                        | 5.2                 | 13.8  |  |
| 40-50  | 13,738                 | 8.1                 | 47,821            | 4.8                 | 7,950              | 3.4                 | 39,872                        | 5.3                 | 16.6  |  |
| 50-75  | 24,031                 | 14.2                | 65,604            | 11.6                | 12,625             | 9.3                 | 52,980                        | 12.3                | 19.2  |  |
| 75-100   | 14,893                 | 8.8                 | 92,846            | 10.2                | 20,165             | 9.2                 | 72,681                        | 10.5                | 21.7  |  |
| 100-200  | 23,887                 | 14.1                | 145,539           | 25.5                | 36,351             | 26.6                | 109,188                       | 25.2                | 25.0  |  |
| 200-500  | 7,059                  | 4.2                 | 305,065           | 15.8                | 84,553             | 18.3                | 220,512                       | 15.0                | 27.7  |  |
| 500-1,000  | 1,187                  | 0.7                 | 726,148           | 6.3                 | 215,715            | 7.9                 | 510,433                       | 5.9                 | 29.7  |  |
| More than 1,000  | 603                    | 0.4                 | 3,088,329         | 13.7                | 1,107,772          | 20.5                | 1,980,557                     | 11.5                | 35.9  |  |
| All  | 168,946                | 100.0               | 80,584            | 100.0               | 19,325             | 100.0               | 61,258                        | 100.0               | 24.0  |  |
| <b>Addendum</b>  |                        |                     |                   |                     |                    |                     |                               |                     |   |  |
| 100-125  | 10,050                 | 6.0                 | 119,250           | 8.8                 | 28,308             | 8.7                 | 90,941                        | 8.8                 | 23.7  |  |
| 125-150  | 6,907                  | 4.1                 | 145,900           | 7.4                 | 36,774             | 7.8                 | 109,126                       | 7.3                 | 25.2  |  |
| 150-175  | 4,215                  | 2.5                 | 172,643           | 5.3                 | 44,337             | 5.7                 | 128,306                       | 5.2                 | 25.7  |  |
| 175-200  | 2,715                  | 1.6                 | 199,859           | 4.0                 | 52,648             | 4.4                 | 147,210                       | 3.9                 | 26.3  |  |

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

Number of AMT Taxpayers (millions). Baseline: 27.0 Proposal: 27.7

\* Less than 0.05

(1) Calendar year. Baseline is current law. Proposal would reduce mortgage interest deduction to 15 percent over ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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 T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Detail Table - Single Tax Units**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change<br>in After-Tax<br>Income <sup>4</sup> | Share of Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                       | Average Federal Tax Rate <sup>5</sup> |                       |
|--|-----------------------------------|-------------------|---|---|----------------------------|---------|------------------------|-----------------------|---------------------------------------|-----------------------|
|  | With Tax Cut                      | With Tax Increase |   |   | Dollars                    | Percent | Change (%)<br>Points)  | Under the<br>Proposal | Change (%)<br>Points)                 | Under the<br>Proposal |
| Less than 10   | *                                 | 0.0               | 0.0   | 0.0                                     | 0                          | 0.0     | 0.0                    | 0.8                   | 0.0                                   | 7.3                   |
| 10-20  | 3.8                               | *                 | 0.0   | -5.7                                    | -6                         | -0.6    | 0.0                    | 2.4                   | 0.0                                   | 6.4                   |
| 20-30  | 10.3                              | 0.3               | 0.1   | -15.2                                   | -25                        | -0.8    | -0.1                   | 4.9                   | -0.1                                  | 12.0                  |
| 30-40  | 21.5                              | 0.9               | 0.2   | -23.0                                   | -52                        | -0.9    | -0.1                   | 6.5                   | -0.1                                  | 15.6                  |
| 40-50  | 28.0                              | 2.9               | 0.2   | -21.3                                   | -67                        | -0.7    | -0.1                   | 7.3                   | -0.1                                  | 19.3                  |
| 50-75  | 20.0                              | 19.6              | 0.1   | -11.0                                   | -23                        | -0.2    | -0.1                   | 17.5                  | 0.0                                   | 22.8                  |
| 75-100   | 9.9                               | 35.4              | -0.1  | 10.9                                    | 55                         | 0.2     | 0.0                    | 11.9                  | 0.1                                   | 25.8                  |
| 100-200  | 3.7                               | 41.9              | -0.3  | 72.6                                    | 354                        | 0.9     | 0.1                    | 20.3                  | 0.3                                   | 27.7                  |
| 200-500  | 1.3                               | 41.1              | -0.7  | 65.7                                    | 1,445                      | 1.5     | 0.1                    | 11.0                  | 0.5                                   | 30.7                  |
| 500-1,000  | 0.8                               | 31.7              | -0.5  | 17.6                                    | 2,175                      | 0.9     | 0.0                    | 4.9                   | 0.3                                   | 33.4                  |
| More than 1,000  | 0.3                               | 24.3              | -0.1  | 9.3                                     | 2,261                      | 0.2     | 0.0                    | 12.5                  | 0.1                                   | 39.8                  |
| All  | 10.1                              | 7.1               | -0.1  | 100.0                                   | 25                         | 0.3     | 0.0                    | 100.0                 | 0.1                                   | 22.5                  |
| <b>Addendum</b>  |                                   |                   |   |   |                            |         |                        |                       |                                       |                       |
| 100-125  | 5.6                               | 40.8              | -0.2  | 14.4                                    | 145                        | 0.5     | 0.0                    | 8.0                   | 0.1                                   | 27.1                  |
| 125-150  | 2.5                               | 38.4              | -0.3  | 15.8                                    | 294                        | 0.7     | 0.0                    | 5.6                   | 0.2                                   | 28.1                  |
| 150-175  | 1.4                               | 47.0              | -0.5  | 18.0                                    | 557                        | 1.2     | 0.0                    | 4.0                   | 0.3                                   | 28.2                  |
| 175-200  | 1.1                               | 48.5              | -0.9  | 24.5                                    | 1,254                      | 2.3     | 0.1                    | 2.8                   | 0.6                                   | 28.1                  |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Level, 2015 <sup>1</sup>**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Pre-Tax Income    |                     | Federal Tax Burden |                     | After-Tax Income <sup>4</sup> |                     | Average<br>Federal Tax<br>Rate <sup>5</sup> |  |
|--|------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------------------|---------------------|---|--|
|  | Number<br>(thousands)  | Percent of<br>Total | Average (dollars) | Percent of<br>Total | Average (dollars)  | Percent of<br>Total | Average (dollars)             | Percent of<br>Total |   |  |
| Less than 10   | 14,874                 | 18.3                | 5,819             | 2.4                 | 425                | 0.8                 | 5,394                         | 2.9                 | 7.3   |  |
| 10-20  | 18,897                 | 23.2                | 15,738            | 8.3                 | 1,014              | 2.4                 | 14,724                        | 10.0                | 6.4   |  |
| 20-30  | 12,463                 | 15.3                | 26,424            | 9.2                 | 3,189              | 4.9                 | 23,235                        | 10.4                | 12.1  |  |
| 30-40  | 9,026                  | 11.1                | 37,254            | 9.4                 | 5,859              | 6.6                 | 31,395                        | 10.2                | 15.7  |  |
| 40-50  | 6,458                  | 7.9                 | 47,583            | 8.6                 | 9,230              | 7.4                 | 38,352                        | 8.9                 | 19.4  |  |
| 50-75  | 9,524                  | 11.7                | 65,053            | 17.3                | 14,866             | 17.6                | 50,186                        | 17.2                | 22.9  |  |
| 75-100   | 4,046                  | 5.0                 | 91,748            | 10.4                | 23,619             | 11.9                | 68,129                        | 9.9                 | 25.7  |  |
| 100-200  | 4,174                  | 5.1                 | 142,151           | 16.5                | 38,989             | 20.2                | 103,162                       | 15.5                | 27.4  |  |
| 200-500  | 926                    | 1.1                 | 311,980           | 8.1                 | 94,192             | 10.8                | 217,787                       | 7.3                 | 30.2  |  |
| 500-1,000  | 165                    | 0.2                 | 715,451           | 3.3                 | 236,787            | 4.9                 | 478,664                       | 2.8                 | 33.1  |  |
| More than 1,000  | 84                     | 0.1                 | 3,035,414         | 7.1                 | 1,206,782          | 12.6                | 1,828,632                     | 5.5                 | 39.8  |  |
| All  | 81,336                 | 100.0               | 44,116            | 100.0               | 9,914              | 100.0               | 34,202                        | 100.0               | 22.5  |  |
| <b>Addendum</b>  |                        |                     |                   |                     |                    |                     |                               |                     |   |  |
| 100-125  | 2,023                  | 2.5                 | 118,666           | 6.7                 | 31,961             | 8.0                 | 86,705                        | 6.3                 | 26.9  |  |
| 125-150  | 1,097                  | 1.4                 | 146,086           | 4.5                 | 40,677             | 5.5                 | 105,410                       | 4.2                 | 27.8  |  |
| 150-175  | 657                    | 0.8                 | 172,745           | 3.2                 | 48,097             | 3.9                 | 124,648                       | 3.0                 | 27.8  |  |
| 175-200  | 398                    | 0.5                 | 200,183           | 2.2                 | 55,027             | 2.7                 | 145,156                       | 2.1                 | 27.5  |  |

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 ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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 T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Detail Table - Married Tax Units Filing Jointly**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change<br>in After-Tax<br>Income <sup>4</sup> | Share of Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                       | Average Federal Tax Rate <sup>5</sup> |                       |
|--|-----------------------------------|-------------------|---|---|----------------------------|---------|------------------------|-----------------------|---------------------------------------|-----------------------|
|  | With Tax Cut                      | With Tax Increase |   |   | Dollars                    | Percent | Change (%)<br>Points)  | Under the<br>Proposal | Change (%)<br>Points)                 | Under the<br>Proposal |
| Less than 10   | 0.0                               | 0.0               | 0.0   | 0.0                                     | 0                          | 0.0     | 0.0                    | 0.0                   | 0.0                                   | 3.9                   |
| 10-20  | 1.0                               | 0.0               | 0.0   | 0.0                                     | -1                         | -0.6    | 0.0                    | 0.0                   | 0.0                                   | 1.4                   |
| 20-30  | 10.8                              | 0.1               | 0.2   | -0.4                                    | -37                        | -2.1    | 0.0                    | 0.2                   | -0.1                                  | 6.3                   |
| 30-40  | 24.2                              | 0.4               | 0.3   | -1.5                                    | -115                       | -3.1    | 0.0                    | 0.5                   | -0.3                                  | 9.6                   |
| 40-50  | 36.3                              | 0.9               | 0.4   | -3.0                                    | -184                       | -3.2    | -0.1                   | 1.0                   | -0.4                                  | 11.6                  |
| 50-75  | 41.0                              | 5.2               | 0.3   | -7.6                                    | -191                       | -1.9    | -0.1                   | 4.6                   | -0.3                                  | 15.1                  |
| 75-100   | 18.4                              | 18.1              | 0.0   | -0.8                                    | -23                        | -0.1    | -0.1                   | 7.4                   | 0.0                                   | 19.6                  |
| 100-200  | 5.0                               | 40.0              | -0.3  | 24.4                                    | 335                        | 0.9     | -0.1                   | 29.8                  | 0.2                                   | 24.6                  |
| 200-500  | 0.8                               | 67.7              | -1.3  | 65.4                                    | 2,806                      | 3.4     | 0.5                    | 22.7                  | 0.9                                   | 28.3                  |
| 500-1,000  | 1.0                               | 56.3              | -0.8  | 16.1                                    | 4,137                      | 2.0     | 0.1                    | 9.6                   | 0.6                                   | 29.7                  |
| More than 1,000  | 0.6                               | 39.1              | -0.2  | 7.5                                     | 3,799                      | 0.4     | -0.2                   | 24.0                  | 0.1                                   | 35.3                  |
| All  | 15.9                              | 24.2              | -0.4  | 100.0                                   | 429                        | 1.2     | 0.0                    | 100.0                 | 0.3                                   | 25.8                  |
| <b>Addendum</b>  |                                   |                   |   |   |                            |         |                        |                       |                                       |                       |
| 100-125  | 7.5                               | 28.6              | -0.1  | 3.1                                     | 107                        | 0.4     | -0.1                   | 8.9                   | 0.1                                   | 22.8                  |
| 125-150  | 4.7                               | 36.6              | -0.2  | 4.8                                     | 221                        | 0.6     | -0.1                   | 8.8                   | 0.2                                   | 24.7                  |
| 150-175  | 2.5                               | 49.5              | -0.3  | 4.8                                     | 358                        | 0.8     | 0.0                    | 6.7                   | 0.2                                   | 25.4                  |
| 175-200  | 1.3                               | 71.2              | -0.9  | 11.7                                    | 1,329                      | 2.6     | 0.1                    | 5.4                   | 0.7                                   | 26.8                  |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Level, 2015 <sup>1</sup>**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Pre-Tax Income    |                     | Federal Tax Burden |                     | After-Tax Income <sup>4</sup> |                     | Average<br>Federal Tax<br>Rate <sup>5</sup> |  |
|--|------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------------------|---------------------|---|--|
|  | Number<br>(thousands)  | Percent of<br>Total | Average (dollars) | Percent of<br>Total | Average (dollars)  | Percent of<br>Total | Average (dollars)             | Percent of<br>Total |   |  |
| Less than 10   | 1,193                  | 2.0                 | 5,175             | 0.1                 | 201                | 0.0                 | 4,975                         | 0.1                 | 3.9   |  |
| 10-20  | 2,308                  | 3.9                 | 16,515            | 0.4                 | 234                | 0.0                 | 16,281                        | 0.6                 | 1.4   |  |
| 20-30  | 2,817                  | 4.8                 | 26,670            | 0.9                 | 1,723              | 0.2                 | 24,946                        | 1.1                 | 6.5   |  |
| 30-40  | 3,184                  | 5.4                 | 37,640            | 1.4                 | 3,734              | 0.5                 | 33,906                        | 1.7                 | 9.9   |  |
| 40-50  | 4,125                  | 7.0                 | 48,277            | 2.3                 | 5,761              | 1.1                 | 42,516                        | 2.7                 | 11.9  |  |
| 50-75  | 10,125                 | 17.2                | 66,252            | 7.8                 | 10,210             | 4.7                 | 56,042                        | 8.8                 | 15.4  |  |
| 75-100   | 8,981                  | 15.3                | 93,522            | 9.7                 | 18,340             | 7.5                 | 75,181                        | 10.5                | 19.6  |  |
| 100-200  | 18,369                 | 31.2                | 146,871           | 31.2                | 35,776             | 29.9                | 111,095                       | 31.7                | 24.4  |  |
| 200-500  | 5,889                  | 10.0                | 304,115           | 20.7                | 83,102             | 22.3                | 221,014                       | 20.2                | 27.3  |  |
| 500-1,000  | 983                    | 1.7                 | 728,319           | 8.3                 | 212,278            | 9.5                 | 516,041                       | 7.9                 | 29.2  |  |
| More than 1,000  | 495                    | 0.8                 | 3,052,733         | 17.5                | 1,073,550          | 24.2                | 1,979,184                     | 15.2                | 35.2  |  |
| All  | 58,870                 | 100.0               | 146,762           | 100.0               | 37,356             | 100.0               | 109,406                       | 100.0               | 25.5  |  |
| <b>Addendum</b>  |                        |                     |                   |                     |                    |                     |                               |                     |   |  |
| 100-125  | 7,303                  | 12.4                | 119,532           | 10.1                | 27,120             | 9.0                 | 92,412                        | 10.5                | 22.7  |  |
| 125-150  | 5,445                  | 9.3                 | 145,848           | 9.2                 | 35,836             | 8.9                 | 110,012                       | 9.3                 | 24.6  |  |
| 150-175  | 3,398                  | 5.8                 | 172,605           | 6.8                 | 43,537             | 6.7                 | 129,068                       | 6.8                 | 25.2  |  |
| 175-200  | 2,223                  | 3.8                 | 199,860           | 5.1                 | 52,205             | 5.3                 | 147,655                       | 5.1                 | 26.1  |  |

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 ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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 T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Detail Table - Head of Household Tax Units**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change<br>in After-Tax<br>Income <sup>4</sup> | Share of Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                       | Average Federal Tax Rate <sup>5</sup> |                       |
|--|-----------------------------------|-------------------|---|---|----------------------------|---------|------------------------|-----------------------|---------------------------------------|-----------------------|
|  | With Tax Cut                      | With Tax Increase |   |   | Dollars                    | Percent | Change (%)<br>Points)  | Under the<br>Proposal | Change (%)<br>Points)                 | Under the<br>Proposal |
| Less than 10   | 0.0                               | 0.0               | 0.0   | 0.0                                     | 0                          | 0.0     | 0.0                    | -0.6                  | 0.0                                   | -6.5                  |
| 10-20  | 1.5                               | 0.0               | 0.0   | -10.2                                   | -3                         | 0.3     | 0.0                    | -2.2                  | 0.0                                   | -5.0                  |
| 20-30  | 11.1                              | 0.0               | 0.1   | -118.4                                  | -34                        | -3.0    | -0.1                   | 2.6                   | -0.1                                  | 4.2                   |
| 30-40  | 27.8                              | 0.4               | 0.3   | -321.2                                  | -105                       | -2.4    | -0.2                   | 8.8                   | -0.3                                  | 11.7                  |
| 40-50  | 33.7                              | 2.1               | 0.4   | -293.4                                  | -139                       | -1.8    | -0.2                   | 10.8                  | -0.3                                  | 16.2                  |
| 50-75  | 21.2                              | 10.3              | 0.1   | -162.3                                  | -55                        | -0.4    | -0.1                   | 25.4                  | -0.1                                  | 19.9                  |
| 75-100   | 7.2                               | 16.5              | -0.1  | 76.2                                    | 64                         | 0.3     | 0.0                    | 16.8                  | 0.1                                   | 23.0                  |
| 100-200  | 1.6                               | 41.0              | -0.4  | 363.4                                   | 415                        | 1.2     | 0.2                    | 20.8                  | 0.3                                   | 26.0                  |
| 200-500  | 0.2                               | 64.9              | -1.5  | 448.0                                   | 3,158                      | 4.0     | 0.3                    | 7.8                   | 1.1                                   | 27.9                  |
| 500-1,000  | 0.7                               | 60.5              | -0.8  | 78.5                                    | 3,815                      | 1.9     | 0.1                    | 2.8                   | 0.5                                   | 29.4                  |
| More than 1,000  | 1.3                               | 39.2              | -0.2  | 39.3                                    | 4,078                      | 0.4     | 0.0                    | 6.9                   | 0.1                                   | 36.6                  |
| All  | 13.7                              | 5.1               | 0.0   | 100.0                                   | 5                          | 0.1     | 0.0                    | 100.0                 | 0.0                                   | 16.9                  |
| <b>Addendum</b>  |                                   |                   |   |   |                            |         |                        |                       |                                       |                       |
| 100-125  | 2.8                               | 24.1              | -0.2  | 71.2                                    | 147                        | 0.5     | 0.0                    | 9.6                   | 0.1                                   | 25.2                  |
| 125-150  | 0.3                               | 62.2              | -0.6  | 136.5                                   | 589                        | 1.5     | 0.1                    | 6.0                   | 0.4                                   | 26.7                  |
| 150-175  | 0.0                               | 68.5              | -0.8  | 101.4                                   | 1,014                      | 2.3     | 0.1                    | 3.0                   | 0.6                                   | 26.2                  |
| 175-200  | 0.0                               | 49.4              | -0.6  | 54.4                                    | 900                        | 1.7     | 0.0                    | 2.2                   | 0.5                                   | 27.5                  |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Level, 2015 <sup>1</sup>**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Pre-Tax Income    |                     | Federal Tax Burden |                     | After-Tax Income <sup>4</sup> |                     | Average<br>Federal Tax<br>Rate <sup>5</sup> |  |
|--|------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------------------|---------------------|---|--|
|  | Number<br>(thousands)  | Percent of<br>Total | Average (dollars) | Percent of<br>Total | Average (dollars)  | Percent of<br>Total | Average (dollars)             | Percent of<br>Total |   |  |
| Less than 10   | 2,630                  | 10.1                | 6,699             | 1.5                 | -438               | -0.6                | 7,137                         | 1.9                 | -6.5  |  |
| 10-20  | 5,290                  | 20.3                | 15,982            | 7.3                 | -798               | -2.2                | 16,780                        | 9.2                 | -5.0  |  |
| 20-30  | 4,577                  | 17.5                | 26,748            | 10.5                | 1,144              | 2.7                 | 25,604                        | 12.1                | 4.3   |  |
| 30-40  | 3,986                  | 15.3                | 37,118            | 12.7                | 4,451              | 9.0                 | 32,667                        | 13.4                | 12.0  |  |
| 40-50  | 2,750                  | 10.5                | 47,741            | 11.3                | 7,850              | 11.0                | 39,891                        | 11.3                | 16.4  |  |
| 50-75  | 3,859                  | 14.8                | 65,204            | 21.6                | 13,006             | 25.5                | 52,197                        | 20.8                | 20.0  |  |
| 75-100   | 1,567                  | 6.0                 | 91,930            | 12.4                | 21,068             | 16.8                | 70,862                        | 11.5                | 22.9  |  |
| 100-200  | 1,144                  | 4.4                 | 137,276           | 13.5                | 35,299             | 20.5                | 101,977                       | 12.0                | 25.7  |  |
| 200-500  | 185                    | 0.7                 | 297,897           | 4.7                 | 79,798             | 7.5                 | 218,099                       | 4.2                 | 26.8  |  |
| 500-1,000  | 27                     | 0.1                 | 706,379           | 1.6                 | 203,643            | 2.8                 | 502,736                       | 1.4                 | 28.8  |  |
| More than 1,000  | 13                     | 0.1                 | 2,940,222         | 3.2                 | 1,072,213          | 6.9                 | 1,868,009                     | 2.4                 | 36.5  |  |
| All  | 26,121                 | 100.0               | 44,620            | 100.0               | 7,531              | 100.0               | 37,089                        | 100.0               | 16.9  |  |
| <b>Addendum</b>  |                        |                     |                   |                     |                    |                     |                               |                     |   |  |
| 100-125  | 632                    | 2.4                 | 118,019           | 6.4                 | 29,633             | 9.5                 | 88,386                        | 5.8                 | 25.1  |  |
| 125-150  | 303                    | 1.2                 | 146,384           | 3.8                 | 38,549             | 5.9                 | 107,835                       | 3.4                 | 26.3  |  |
| 150-175  | 131                    | 0.5                 | 172,627           | 1.9                 | 44,149             | 2.9                 | 128,477                       | 1.7                 | 25.6  |  |
| 175-200  | 79                     | 0.3                 | 198,059           | 1.3                 | 53,560             | 2.2                 | 144,500                       | 1.2                 | 27.0  |  |

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 ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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 T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Detail Table - Tax Units with Children**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change in<br>After-Tax Income<br><sup>4</sup> | Share of Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                    | Average Federal Tax Rate <sup>5</sup> |                    |
|--|-----------------------------------|-------------------|---|---|----------------------------|---------|------------------------|--------------------|---------------------------------------|--------------------|
|  | With Tax Cut                      | With Tax Increase |   |   | Dollars                    | Percent | Change (% Points)      | Under the Proposal | Change (% Points)                     | Under the Proposal |
| Less than 10   | 0.0                               | 0.0               | 0.0   | 0.0                                     | 0                          | 0.0     | 0.0                    | -0.2               | 0.0                                   | -10.6              |
| 10-20  | 0.6                               | 0.0               | 0.0   | 0.0                                     | -1                         | 0.0     | 0.0                    | -0.6               | 0.0                                   | -9.2               |
| 20-30  | 8.0                               | 0.0               | 0.1   | -0.6                                    | -23                        | -3.5    | 0.0                    | 0.3                | -0.1                                  | 2.3                |
| 30-40  | 25.0                              | 0.4               | 0.3   | -2.5                                    | -96                        | -2.3    | -0.1                   | 1.5                | -0.3                                  | 10.9               |
| 40-50  | 33.8                              | 2.3               | 0.4   | -3.4                                    | -158                       | -2.1    | -0.1                   | 2.3                | -0.3                                  | 15.3               |
| 50-75  | 27.8                              | 8.4               | 0.2   | -4.3                                    | -107                       | -0.9    | -0.2                   | 7.2                | -0.2                                  | 18.7               |
| 75-100   | 6.3                               | 17.9              | -0.1  | 2.3                                     | 75                         | 0.4     | -0.1                   | 9.0                | 0.1                                   | 21.6               |
| 100-200  | 1.6                               | 36.4              | -0.4  | 25.4                                    | 463                        | 1.3     | -0.1                   | 30.1               | 0.3                                   | 25.6               |
| 200-500  | 0.2                               | 80.3              | -1.7  | 61.7                                    | 3,637                      | 4.3     | 0.6                    | 21.9               | 1.2                                   | 29.2               |
| 500-1,000  | 1.0                               | 69.4              | -1.1  | 14.8                                    | 5,705                      | 2.6     | 0.1                    | 8.6                | 0.8                                   | 31.2               |
| More than 1,000  | 0.8                               | 51.3              | -0.3  | 6.7                                     | 5,595                      | 0.5     | -0.2                   | 19.6               | 0.2                                   | 36.6               |
| All  | 11.3                              | 17.0              | -0.5  | 100.0                                   | 375                        | 1.5     | 0.0                    | 100.0              | 0.4                                   | 24.9               |
| <b>Addendum</b>  |                                   |                   |   |   |                            |         |                        |                    |                                       |                    |
| 100-125  | 1.9                               | 20.7              | -0.2  | 4.1                                     | 183                        | 0.6     | -0.1                   | 9.4                | 0.2                                   | 24.0               |
| 125-150  | 2.1                               | 31.0              | -0.3  | 5.0                                     | 309                        | 0.8     | -0.1                   | 8.9                | 0.2                                   | 25.6               |
| 150-175  | 1.1                               | 52.5              | -0.4  | 5.2                                     | 538                        | 1.2     | 0.0                    | 6.4                | 0.3                                   | 26.3               |
| 175-200  | 0.5                               | 77.8              | -1.1  | 11.1                                    | 1,648                      | 3.1     | 0.1                    | 5.5                | 0.8                                   | 27.5               |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Level, 2015 <sup>1</sup>**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Pre-Tax Income    |                     | Federal Tax Burden |                     | After-Tax Income <sup>4</sup> |                     | Average<br>Federal Tax<br>Rate <sup>5</sup> |
|--|------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------------------|---------------------|---|
|  | Number<br>(thousands)  | Percent of<br>Total | Average (dollars) | Percent of<br>Total | Average (dollars)  | Percent of<br>Total | Average (dollars)             | Percent of<br>Total |   |
| Less than 10   | 3,055                  | 6.1                 | 6,104             | 0.4                 | -647               | -0.2                | 6,752                         | 0.5                 | -10.6                                       |
| 10-20  | 5,354                  | 10.7                | 16,179            | 1.7                 | -1,484             | -0.6                | 17,663                        | 2.4                 | -9.2  |
| 20-30  | 5,205                  | 10.4                | 26,687            | 2.7                 | 646                | 0.3                 | 26,040                        | 3.5                 | 2.4   |
| 30-40  | 4,865                  | 9.7                 | 37,231            | 3.5                 | 4,139              | 1.6                 | 33,092                        | 4.2                 | 11.1  |
| 40-50  | 4,063                  | 8.1                 | 47,981            | 3.8                 | 7,480              | 2.4                 | 40,501                        | 4.2                 | 15.6  |
| 50-75  | 7,481                  | 14.9                | 66,213            | 9.6                 | 12,467             | 7.4                 | 53,745                        | 10.4                | 18.8  |
| 75-100   | 5,727                  | 11.4                | 93,379            | 10.4                | 20,123             | 9.1                 | 73,256                        | 10.8                | 21.6  |
| 100-200  | 10,299                 | 20.5                | 146,387           | 29.3                | 36,939             | 30.2                | 109,448                       | 29.0                | 25.2  |
| 200-500  | 3,188                  | 6.4                 | 301,180           | 18.7                | 84,247             | 21.3                | 216,933                       | 17.8                | 28.0  |
| 500-1,000  | 488                    | 1.0                 | 726,899           | 6.9                 | 221,065            | 8.6                 | 505,834                       | 6.4                 | 30.4  |
| More than 1,000  | 225                    | 0.5                 | 3,052,860         | 13.3                | 1,112,293          | 19.8                | 1,940,567                     | 11.2                | 36.4  |
| All  | 50,185                 | 100.0               | 102,460           | 100.0               | 25,118             | 100.0               | 77,343                        | 100.0               | 24.5  |
| <b>Addendum</b>  |                        |                     |                   |                     |                    |                     |                               |                     |   |
| 100-125  | 4,185                  | 8.3                 | 119,498           | 9.7                 | 28,499             | 9.5                 | 90,998                        | 9.8                 | 23.9  |
| 125-150  | 3,039                  | 6.1                 | 145,665           | 8.6                 | 37,017             | 8.9                 | 108,648                       | 8.5                 | 25.4  |
| 150-175  | 1,805                  | 3.6                 | 172,444           | 6.1                 | 44,828             | 6.4                 | 127,616                       | 5.9                 | 26.0  |
| 175-200  | 1,270                  | 2.5                 | 199,690           | 4.9                 | 53,352             | 5.4                 | 146,338                       | 4.8                 | 26.7  |

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 ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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 T11-0284**  
**Option 4: Phase Down Deduction Over 10 Years, Immediate \$500,000 Mortgage Cap**  
**Baseline: Current Law**  
**Distribution of Federal Tax Change by Cash Income Level, 2015 <sup>1</sup>**  
**Detail Table - Elderly Tax Units**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                   | Percent Change in<br>After-Tax Income<br><sup>4</sup> | Share of Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                    | Average Federal Tax Rate <sup>5</sup> |                    |
|--|-----------------------------------|-------------------|---|---|----------------------------|---------|------------------------|--------------------|---------------------------------------|--------------------|
|  | With Tax Cut                      | With Tax Increase |   |   | Dollars                    | Percent | Change (% Points)      | Under the Proposal | Change (% Points)                     | Under the Proposal |
| Less than 10   | 0.0                               | 0.0               | 0.0   | 0.0                                     | 0                          | 0.0     | 0.0                    | 0.0                | 0.0                                   | 1.0                |
| 10-20  | 0.1                               | 0.0               | 0.0   | -0.3                                    | 0                          | -0.1    | 0.0                    | 0.2                | 0.0                                   | 0.9                |
| 20-30  | 3.5                               | 0.0               | 0.0   | -4.2                                    | -5                         | -0.7    | 0.0                    | 0.6                | 0.0                                   | 2.8                |
| 30-40  | 18.2                              | 0.2               | 0.1   | -25.8                                   | -45                        | -2.0    | 0.0                    | 1.4                | -0.1                                  | 5.7                |
| 40-50  | 23.9                              | 0.8               | 0.2   | -28.2                                   | -67                        | -1.9    | 0.0                    | 1.6                | -0.1                                  | 7.4                |
| 50-75  | 35.8                              | 4.1               | 0.2   | -109.5                                  | -131                       | -1.7    | -0.1                   | 6.9                | -0.2                                  | 11.6               |
| 75-100   | 24.5                              | 14.8              | 0.1   | -38.1                                   | -81                        | -0.6    | -0.1                   | 7.5                | -0.1                                  | 16.0               |
| 100-200  | 8.5                               | 25.2              | -0.1  | 69.2                                    | 107                        | 0.4     | 0.1                    | 21.7               | 0.1                                   | 21.2               |
| 200-500  | 1.9                               | 27.4              | -0.3  | 166.9                                   | 760                        | 0.9     | 0.2                    | 20.3               | 0.2                                   | 27.1               |
| 500-1,000  | 1.5                               | 22.8              | -0.2  | 45.2                                    | 1,027                      | 0.5     | 0.0                    | 10.5               | 0.1                                   | 30.2               |
| More than 1,000  | 0.5                               | 17.1              | -0.1  | 24.9                                    | 1,062                      | 0.1     | 0.0                    | 29.3               | 0.0                                   | 37.1               |
| All  | 12.3                              | 6.0               | 0.0   | 100.0                                   | 17                         | 0.1     | 0.0                    | 100.0              | 0.0                                   | 20.4               |
| <b>Addendum</b>  |                                   |                   |   |   |                            |         |                        |                    |                                       |                    |
| 100-125  | 12.3                              | 23.0              | 0.0   | 2.6                                     | 9                          | 0.0     | 0.0                    | 6.9                | 0.0                                   | 19.1               |
| 125-150  | 6.6                               | 24.6              | -0.1  | 15.0                                    | 83                         | 0.3     | 0.0                    | 6.1                | 0.1                                   | 21.2               |
| 150-175  | 4.7                               | 26.3              | -0.1  | 16.2                                    | 136                        | 0.4     | 0.0                    | 5.1                | 0.1                                   | 22.8               |
| 175-200  | 5.0                               | 33.5              | -0.3  | 35.3                                    | 508                        | 1.1     | 0.0                    | 3.7                | 0.3                                   | 24.2               |

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Level, 2015 <sup>1</sup>**

| Cash Income Level<br>(thousands of 2011<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     | Pre-Tax Income    |                     | Federal Tax Burden |                     | After-Tax Income <sup>4</sup> |                     | Average<br>Federal Tax<br>Rate <sup>5</sup> |
|--|------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------------------|---------------------|---|
|  | Number<br>(thousands)  | Percent of<br>Total | Average (dollars) | Percent of<br>Total | Average (dollars)  | Percent of<br>Total | Average (dollars)             | Percent of<br>Total |   |
| Less than 10   | 2,834                  | 7.3                 | 6,863             | 0.6                 | 65                 | 0.0                 | 6,798                         | 0.8                 | 1.0   |
| 10-20  | 8,975                  | 23.1                | 15,942            | 4.7                 | 140                | 0.2                 | 15,802                        | 5.9                 | 0.9   |
| 20-30  | 5,212                  | 13.4                | 26,318            | 4.5                 | 743                | 0.6                 | 25,575                        | 5.5                 | 2.8   |
| 30-40  | 3,903                  | 10.0                | 37,346            | 4.8                 | 2,188              | 1.4                 | 35,158                        | 5.7                 | 5.9   |
| 40-50  | 2,851                  | 7.3                 | 47,663            | 4.5                 | 3,578              | 1.6                 | 44,085                        | 5.2                 | 7.5   |
| 50-75  | 5,623                  | 14.5                | 65,129            | 12.0                | 7,696              | 7.0                 | 57,434                        | 13.3                | 11.8  |
| 75-100   | 3,151                  | 8.1                 | 92,429            | 9.6                 | 14,878             | 7.6                 | 77,551                        | 10.1                | 16.1  |
| 100-200  | 4,366                  | 11.2                | 145,274           | 20.9                | 30,751             | 21.6                | 114,523                       | 20.7                | 21.2  |
| 200-500  | 1,477                  | 3.8                 | 315,054           | 15.3                | 84,723             | 20.2                | 230,331                       | 14.1                | 26.9  |
| 500-1,000  | 296                    | 0.8                 | 730,232           | 7.1                 | 219,482            | 10.5                | 510,750                       | 6.2                 | 30.1  |
| More than 1,000  | 158                    | 0.4                 | 3,102,318         | 16.1                | 1,149,373          | 29.3                | 1,952,945                     | 12.8                | 37.1  |
| All  | 38,882                 | 100.0               | 78,233            | 100.0               | 15,963             | 100.0               | 62,270                        | 100.0               | 20.4  |
| <b>Addendum</b>  |                        |                     |                   |                     |                    |                     |                               |                     |   |
| 100-125  | 1,881                  | 4.8                 | 119,436           | 7.4                 | 22,804             | 6.9                 | 96,632                        | 7.5                 | 19.1  |
| 125-150  | 1,215                  | 3.1                 | 145,872           | 5.8                 | 30,831             | 6.0                 | 115,041                       | 5.8                 | 21.1  |
| 150-175  | 802                    | 2.1                 | 172,940           | 4.6                 | 39,218             | 5.1                 | 133,722                       | 4.4                 | 22.7  |
| 175-200  | 468                    | 1.2                 | 200,145           | 3.1                 | 47,971             | 3.6                 | 152,173                       | 2.9                 | 24.0  |

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 ten years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 27 percent for 2015. The option of the credit would immediately available. 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) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(4) 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.

(5) 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.