

2-May-03

Table T03-0044
Administration's Dividend Exclusion Proposal:
Distribution of Individual Income Tax Change by Percentiles, 2003¹

AGI Class ²	Percent of Returns with Tax Cut	Percent Change in After-Tax Income ³	Percent of Total Income Tax Change	Average Tax Change (\$)	Average Income Tax Rate ⁴	
					Current Law	Proposal
Lowest Quintile	0.1	*	*	**	-10.1	-10.1
Second Quintile	6.1	0.1	1.1	-8	-4.9	-5.0
Middle Quintile	14.2	0.1	3.8	-28	4.4	4.3
Fourth Quintile	23.7	0.2	9.7	-71	8.9	8.8
Next 10 Percent	35.2	0.2	10.9	-160	11.4	11.2
Next 5 Percent	50.8	0.3	10.1	-296	14.2	14.0
Next 4 Percent	64.9	0.6	21.8	-802	18.6	18.2
Top 1 Percent	80.1	1.1	42.5	-6,254	27.8	27.0
All	18.3	0.4	100.0	-147	13.3	13.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).

* Less than 0.05 percent. ** Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Estimates for the dividend exclusion assume that the details of the proposal effectively limit tax-sheltering activity. That assumption may turn out to be over-optimistic and the long-run revenue cost could turn out to be much greater.

(2) Returns with negative AGI are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Returns of individuals who are dependents of other taxpayers are excluded from the analysis.

(3) After-tax income is AGI less individual income tax net of refundable credits.

(4) Average income tax, net of refundable credits, as a percentage of average AGI.