

**Table T04-0075**  
**H.R. 4275: Extension of 10 Percent Income Tax Bracket**  
**Distribution of Individual Income Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

| Cash Income Class <sup>2</sup> | Percent of Tax<br>Units with Tax<br>Cut | Percent Change<br>in After-Tax<br>Income <sup>3</sup> | Percent of<br>Total Tax<br>Change | Average Tax<br>Change (\$) | Average Federal Tax Rate <sup>4</sup> |          |
|--------------------------------|---|---|-----------------------------------|----------------------------|---------------------------------------|----------|
|                                |   |   |                                   |                            | Baseline                              | Proposal |
| Lowest Quintile                | *                                       | *   | *                                 | **                         | 3.5                                   | 3.5      |
| Second Quintile                | 27.2                                    | 0.1   | 7.5                               | -15                        | 7.8                                   | 7.8      |
| Middle Quintile                | 64.0                                    | 0.1   | 18.9                              | -38                        | 14.7                                  | 14.6     |
| Fourth Quintile                | 89.0                                    | 0.2   | 40.1                              | -81                        | 19.2                                  | 19.0     |
| Top Quintile                   | 61.7                                    | 0.1   | 33.5                              | -68                        | 25.3                                  | 25.3     |
| All                            | 48.4                                    | 0.1   | 100.0                             | -41                        | 21.3                                  | 21.2     |
| <b>Addendum</b>                |   |   |                                   |                            |                                       |          |
| Top 10 Percent                 | 46.0                                    | *   | 12.6                              | -51                        | 26.6                                  | 26.6     |
| Top 5 Percent                  | 32.2                                    | *   | 4.4                               | -36                        | 27.7                                  | 27.7     |
| Top 1 Percent                  | 48.1                                    | *   | 1.4                               | -55                        | 29.5                                  | 29.5     |
| Top 0.5 Percent                | 63.6                                    | *   | 0.9                               | -74                        | 30.2                                  | 30.2     |
| Top 0.1 Percent                | 71.2                                    | *   | 0.2                               | -83                        | 31.8                                  | 31.8     |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

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

(1) Calendar year. Baseline is current law. Provisions include: increasing the width of the 10 percent bracket to \$14,000 for married couples filing a joint return (\$7,000 for singles), indexed for inflation after 2003.

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) 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.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.