

**Table T04-0024**

**Kerry Plan with College Tax Credit vs. Administration's FY2005 Budget Proposal Baseline:  
Distribution of Individual Income and Estate Tax Change by Cash Income Percentiles, 2011<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent Change in After-Tax Income <sup>4</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
				Baseline	Proposal
Lowest Quintile	1.1	-3.0	-93	3.0	1.9
Second Quintile	0.4	-2.5	-75	7.8	7.5
Middle Quintile	0.1	-1.6	-49	14.6	14.5
Fourth Quintile	*	0.3	10	19.6	19.6
Top Quintile	-1.9	106.5	3,209	25.6	27.0
All	-1.0	100.0	602	21.7	22.5
<b>Addendum</b>					
Top 10 Percent	-2.6	104.5	6,312	26.6	28.5
Top 5 Percent	-3.3	100.9	12,153	27.3	29.7
Top 1 Percent	-5.5	88.3	53,051	28.0	31.9
Top 0.5 Percent	-6.1	76.0	91,468	28.5	32.9
Top 0.1 Percent	-7.1	48.3	289,634	30.1	35.0

Sources: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-4).

\* Less than 0.05 percent.

(1) Calendar year. Baseline is current law plus the Administration's FY2005 Budget Proposal that proposes extending provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) affecting the following: marginal tax rates; the 10-percent bracket; the child tax credit; the child and dependent care credit; the limitation on itemized deductions (Pease); the personal exemption phaseout (PEP); the standard deduction, 15-percent bracket, and EITC for married couples; pension and IRA provisions; estate tax exemption, rates, and state death tax credit; 15 percent tax rate on qualified dividends and capital gains (0 percent for lower-income taxpayers). The Kerry plan contains the following additional provisions: increase top two marginal tax rates to 36 and 39.6 percent; increase tax rate on capital gains to 20 percent for taxpayers in the top two tax brackets; increase tax rate on dividends to 36 and 39.6 percent for taxpayers in the top two tax brackets; eliminate the repeal of the limitation on itemized deductions (Pease) and the personal exemption phaseout (PEP); enact the College Opportunity Tax Credit; and eliminate the repeal of the estate tax: set top estate tax rate at 48 percent; set the estate tax exemption at \$2 million per individual; increase the Qualified Family-Owned Business Interest (QFOBI) exemption to \$5 million per individual.

(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) Includes individual income tax provisions only.

(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 (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.