

Table T04-0018
Kerry Plan with College Tax Credit vs. Current-Law Baseline:
Distribution of Individual Income and Estate Tax Change by Cash Income Percentiles, 2005¹

Cash Income Class ²	Percent Change in After-Tax Income ³	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁴	
				Current Law	Proposal
Lowest Quintile	1.1	10.9	-81	3.4	2.4
Second Quintile	0.7	15.8	-115	7.7	7.1
Middle Quintile	0.7	28.9	-210	14.6	14.0
Fourth Quintile	0.8	49.7	-361	19.1	18.5
Top Quintile	0.0	-5.7	41	25.3	25.3
All	0.3	100.0	-146	21.3	21.1
Addendum					
Top 10 Percent	-0.5	-66.0	955	26.7	27.0
Top 5 Percent	-1.2	-113.4	3,266	27.8	28.6
Top 1 Percent	-3.2	-163.7	23,309	29.6	31.9
Top 0.5 Percent	-4.0	-153.4	43,668	30.3	33.1
Top 0.1 Percent	-5.0	-107.1	150,072	31.9	35.3

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

(1) Calendar year. Baseline is current law. Includes extending the following provisions: \$1,000 child tax credit amount; standard deduction and width of 15-percent bracket for married couples twice that of singles; 10-percent bracket applies to first \$14,000 of taxable income for married couples filing jointly (\$7,000 for singles and \$10,000 for heads of household), indexed for inflation after 2003; the use of personal nonrefundable credits regardless of AMT liability; and AMT exemption of \$58,000 for married couples filing jointly (\$40,250 for singles and heads of household).

Includes 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; enact the College Opportunity Tax Credit; increase top estate tax rate to 48 percent; set the estate tax exemption at \$2 million per individual; increase the Qualified Family-Owned Business Interest (QFOBI) deduction 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) 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.