

Table T04-0022
Kerry Plan with College Tax Credit vs. Current-Law Baseline:
Distribution of Individual Income and Estate Tax Change by Cash Income Percentiles, 2011¹

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	1.4	2.3	-119	3.3	1.9
Second Quintile	2.3	9.3	-467	9.5	7.5
Middle Quintile	2.2	14.9	-744	16.4	14.5
Fourth Quintile	2.1	23.9	-1,198	21.2	19.6
Top Quintile	1.5	49.5	-2,483	28.1	27.0
All	1.8	100.0	-1,003	23.9	22.5
Addendum					
Top 10 Percent	1.2	28.3	-2,843	29.3	28.5
Top 5 Percent	1.0	17.0	-3,400	30.4	29.7
Top 1 Percent	0.6	5.6	-5,629	32.3	31.9
Top 0.5 Percent	0.4	2.5	-4,993	33.1	32.9
Top 0.1 Percent	-0.1	-0.2	2,172	35.0	35.0

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

(1) Calendar year. Baseline is current law. Kerry Plan includes extending the provisions proposed in the Administration's FY2005 Budget with the following exceptions: 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 College Opportunity Tax Credit; and eliminate the repeal of the estate tax and institute an estate tax exemption of \$2 million per individual, a top estate tax rate of 48 percent, and a maximum Qualified Family-Owned Business Interest (QFOBI) exemption of \$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.