

Table T04-0146
Conference Agreement on H.R. 1308, The Working Families Tax Relief Act of 2004:
Financed by a Lump Sum Tax
Distribution of Tax Change by Cash Income Class, 2005^{1,2}

Cash Income Class (thousands of 2003 dollars) ³	Tax Units ⁴			Percent Change in After-Tax Income ⁵	Average Tax Change (\$)	Average Federal Tax Rate ⁶	
	Number (thousands)	Percent of Total	Percent with Tax Cut			Current Law	Proposal
Less than 10	20,301	14.0	0.0	-6.5	372	3.4	9.7
10-20	26,357	18.1	0.1	-2.4	351	5.5	7.8
20-30	20,537	14.1	6.9	-1.2	262	11.2	12.2
30-40	15,633	10.8	12.1	-0.7	207	15.4	15.9
40-50	11,543	7.9	19.6	-0.3	132	17.5	17.7
50-75	20,112	13.8	31.6	0.0	21	19.5	19.5
75-100	11,773	8.1	66.9	0.6	-389	21.3	20.8
100-200	14,039	9.7	87.6	0.9	-968	23.6	22.8
200-500	3,588	2.5	90.5	0.9	-2,014	26.3	25.7
500-1,000	593	0.4	82.7	0.2	-1,028	27.7	27.6
More than 1,000	284	0.2	94.8	0.3	-5,280	31.2	31.0
All	145,321	100.0	24.9	0.0	0	21.3	21.3

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

(1) Calendar year. Baseline is current law. Provisions include: increasing the standard deduction and the width of the 15 percent bracket for married couples filing a joint return to twice that of singles; increasing AMT exemption to \$58,000 for married couples filing a joint return (\$29,000 for married individuals filing a separate return) and \$40,250 for others; 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; increasing the child credit to \$1,000; allowance of personal non-refundable credits against regular tax and AMT liability regardless of tentative AMT; extension of expiring corporate tax provisions. Corporate tax change is distributed to tax units based on their share of aggregate capital income (CBO methodology).

(2) Lump sum financing assumes the cost of the tax cut is financed by a \$374 lump sum tax on each tax unit.

(3) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(4) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.

(5) 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.

(6) 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.