

**Table T04-0152**  
**Conference Agreement on H.R. 1308, The Working Families Tax Relief Act of 2004:**  
**Financed by Additional Corporate Taxes**  
**Distribution of Tax Change by Cash Income Percentiles, 2005<sup>1,2</sup>**

Cash Income Class <sup>3</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>4</sup>	Average Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
				Current Law	Proposal
Lowest Quintile	0.4	-0.2	18	3.5	3.7
Second Quintile	37.7	0.0	-1	7.8	7.8
Middle Quintile	69.5	0.2	-69	14.7	14.5
Fourth Quintile	77.2	0.3	-132	19.2	19.0
Top Quintile	77.3	-0.1	172	25.3	25.4
All	52.4	0.0	0	21.3	21.3
<b>Addendum</b>					
Top 10 Percent	73.1	-0.5	876	26.6	26.9
Top 5 Percent	65.3	-0.9	2,514	27.7	28.3
Top 1 Percent	28.2	-2.0	14,794	29.5	30.9
Top 0.5 Percent	18.5	-2.4	26,428	30.2	31.8
Top 0.1 Percent	5.2	-3.0	92,440	31.8	33.9

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) Tax cut is financed by raising corporate taxes by \$50 billion and imputing liability to each unit based on capital income.

(3) 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>

(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.