

Table T05-0004
Reduction in Rates for Dividends and Long-Term Capital Gains:
Distribution of Tax Change by Cash Income Percentiles, All Tax Units, 2005¹

Cash Income Class ²	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income ³	Tax Change (\$ millions) ⁴	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁵	
						Baseline	Proposal
Lowest Quintile	0.4	*	-2.8	*	**	3.4	3.4
Second Quintile	3.8	*	-94.9	0.4	-3	7.5	7.5
Middle Quintile	9.4	*	-316.5	1.4	-11	14.1	14.1
Fourth Quintile	21.6	0.1	-1,208.6	5.5	-42	18.6	18.6
Top Quintile	43.9	0.5	-20,380.7	92.6	-701	24.9	24.5
All	15.8	0.3	-22,004.8	100.0	-151	20.9	20.6
Addendum							
Top 10 Percent	56.2	0.7	-18,880.9	85.8	-1,299	26.4	25.9
Top 5 Percent	65.4	0.9	-17,378.2	79.0	-2,392	27.8	27.1
Top 1 Percent	76.9	1.3	-13,636.9	62.0	-9,384	30.2	29.3
Top 0.5 Percent	79.1	1.5	-12,046.7	54.7	-16,581	31.0	30.0
Top 0.1 Percent	83.9	2.0	-8,793.0	40.0	-60,507	33.0	31.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-5).

* Less than 0.05 percent. ** Less than \$1 in absolute value.

(1) Calendar year. Provisions include: reduce the tax rate on qualifying dividends and long-term capital gains to 15 percent (the rate for individuals in the 10- and 15-percent brackets is 5 percent). Baseline is current law without these rate reductions for dividends and capital gains that were enacted by JGTRRA. Under Pre-JGTRRA law, dividends were taxed at the same rates as ordinary income; long-term gains were generally subject to a 20-percent rate (10 percent for those in the 10- and 15-percent brackets).

(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) Static tax change that does not include behavioral effects.

(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.