

Table T05-0005
Reduction in Rates for Long-Term Capital Gains and Qualifying Dividends:
Distribution of Tax Change by Cash Income Class, Elderly Tax Units, 2005¹

Cash Income Class (thousands of 2003 dollars) ²	Elderly Tax Units ³			Percent Change in After-Tax Income ⁴	Tax Change (\$ millions) ⁵	Percent of Total Tax Change ⁶	Average Tax Change (\$)	Average Federal Tax Rate ⁷	
	Number (thousands)	Percent of Total	Percent with Tax Cut					Baseline	Proposal
Less than 10	3,806	12.9	*	*	**	*	**	2.6	2.6
10-20	7,341	24.9	2.6	*	-14.6	0.1	-2	3.8	3.7
20-30	4,810	16.3	9.4	*	-54.8	0.2	-11	5.1	5.0
30-40	3,290	11.1	13.9	0.1	-73.2	0.3	-22	5.7	5.7
40-50	2,186	7.4	29.1	0.2	-168.1	0.8	-77	9.1	9.0
50-75	3,683	12.5	45.0	0.3	-543.4	2.5	-148	13.3	13.1
75-100	1,885	6.4	54.4	0.4	-604.3	2.7	-321	16.7	16.4
100-200	1,788	6.1	64.8	0.7	-1,387.8	6.3	-776	21.3	20.8
200-500	572	1.9	78.3	1.2	-1,541.8	7.0	-2,694	27.0	26.1
500-1,000	101	0.3	81.7	1.7	-829.5	3.8	-8,201	30.7	29.6
More than 1,000	55	0.2	83.3	2.2	-2,211.4	10.0	-39,980	31.6	30.1
All	29,531	100.0	20.8	0.6	-7,429.0	33.8	-252	16.7	16.2

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

* Less than 0.05 percent. ** Less than \$1 in absolute value. *** Less than \$500,000 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). Elderly tax units refer to those 65 years of age or older; for married couples, at least one individual is age 65 or older.

(2) 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>

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

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

(6) Total tax change is for both elderly and non-elderly tax units.

(7) 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.