

December 16, 2004

Table T05-0019
Unified Tax Plan C Against Extended Law¹
Distribution of Federal Tax Change by Cash Income Class, 2010

Cash Income Class (thousands of 2003 dollars) ²	Tax Units ³				Percent Change in After-Tax Income ⁴	Average Tax Change (\$)	Average Federal Tax Rate ⁵	
	Number (thousands)	Percent of Total	Percent with Tax Cut	Percent with Tax Increase			Extended Law	Proposal
Less than 10	20,959	13.5	59.9	10.8	3.5	-220	3.7	0.3
10-20	27,983	18.0	63.6	17.1	3.2	-524	5.2	2.2
20-30	21,426	13.8	73.1	20.2	2.5	-620	11.1	8.9
30-40	16,668	10.7	73.0	23.2	1.5	-496	15.1	13.8
40-50	12,398	8.0	72.8	25.2	1.2	-519	17.1	16.1
50-75	20,405	13.1	76.7	22.9	1.2	-687	19.9	18.9
75-100	12,772	8.2	76.1	23.8	1.2	-950	21.9	21.0
100-200	16,851	10.8	73.7	26.3	1.0	-1,138	24.8	24.0
200-500	4,370	2.8	24.1	75.8	-5.4	12,722	28.1	32.0
500-1,000	707	0.5	6.8	93.2	-11.7	64,752	28.8	37.1
More than 1,000	311	0.2	3.9	96.1	-18.9	360,646	34.9	47.2
All	155,433	100.0	68.4	22.6	-1.5	793	22.5	23.6

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

(1) Baseline is current law with 2001 and 2003 tax cuts extended. The Unified Tax Plan C contains the following provisions. Capital gains and dividends are taxed as ordinary income, the refundability threshold for the child tax credit is lowered to \$5,000 and unindexed, a \$250 capital income exclusion is added, the standard deduction is increased to \$10,000 for married couples, the AMT is eliminated, the PEP/PEASE provisions are retained, tax-deferred retirement saving is instead replaced with a revenue-neutral refundable credit rate, and the tax structure is simplified to 3 rates, 15%, 25%, and 39.6% at \$0, \$25,000 and \$120,000 respectively for married couples filing jointly. The employee share of OASDI is eliminated, and the employer cap on social security taxes is eliminated. The estate tax is adjusted to have a \$2.5 million exemption and a 48% maximum rate. \$30 billion a year is estimated to be recouped by closing corporate tax loopholes.

(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) 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.