

**Table T05-0069: Reduction in Rates for Long-Term Capital Gains and Qualifying Dividends  
Distribution of Federal Tax Change by Cash Income Percentile, 2005<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Percent of Tax Units <sup>3</sup>		Percent Change in After-Tax Income <sup>4</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>5</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	0.4	0.0	0.0	0.0	0	-0.1	0.0	0.4	0.0	3.2
Second Quintile	4.0	0.0	0.0	0.4	-3	-0.2	0.0	2.2	0.0	7.2
Middle Quintile	9.4	0.0	0.0	1.2	-10	-0.2	0.1	7.8	0.0	14.2
Fourth Quintile	22.0	0.0	0.1	4.8	-40	-0.4	0.2	17.5	-0.1	18.4
Top Quintile	42.3	0.0	0.6	93.6	-781	-1.7	-0.3	72.0	-0.4	24.7
All	15.6	0.0	0.4	100.0	-167	-1.3	0.0	100.0	-0.3	20.7
<b>Addendum</b>										
Top 10 Percent	53.7	0.0	0.7	88.1	-1,471	-2.0	-0.4	56.5	-0.5	26.1
Top 5 Percent	61.9	0.0	0.9	81.9	-2,734	-2.4	-0.5	44.4	-0.7	27.3
Top 1 Percent	71.3	0.0	1.4	66.3	-11,063	-3.2	-0.5	26.6	-1.0	29.6
Top 0.5 Percent	73.1	0.0	1.6	59.7	-19,940	-3.6	-0.5	21.5	-1.1	30.4
Top 0.1 Percent	81.4	0.0	2.2	45.4	-75,869	-4.4	-0.4	13.0	-1.5	31.9

**Baseline Distribution of Income and Federal Taxes  
by Cash Income Percentile, 2005<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Tax Units <sup>3</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>3</sup> (Dollars)	Average Federal Tax Rate <sup>4</sup>	Share of Pre-Tax Income	Share of Post-Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total
Lowest Quintile	28,340	19.6	7,487	241	7,246	3.2	2.4	3.0	0.4
Second Quintile	28,910	20.0	19,134	1,378	17,756	7.2	6.3	7.4	2.2
Middle Quintile	28,916	20.0	34,409	4,895	29,514	14.2	11.4	12.3	7.7
Fourth Quintile	28,916	20.0	59,726	11,025	48,701	18.5	19.7	20.4	17.3
Top Quintile	28,914	20.0	183,278	45,969	137,309	25.1	60.5	57.4	72.3
All	144,573	100.0	60,566	12,725	47,841	21.0	100.0	100.0	100.0
<b>Addendum</b>									
Top 10 Percent	14,457	10.0	271,934	72,422	199,512	26.6	44.9	41.7	56.9
Top 5 Percent	7,228	5.0	408,681	114,332	294,348	28.0	33.7	30.8	44.9
Top 1 Percent	1,446	1.0	1,126,790	344,501	782,289	30.6	18.6	16.4	27.1
Top 0.5 Percent	723	0.5	1,774,411	559,304	1,215,106	31.5	14.7	12.7	22.0
Top 0.1 Percent	145	0.1	5,136,564	1,712,481	3,424,083	33.3	8.5	7.2	13.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-1).

(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. 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 (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.