

**Table T05-0160**  
**Reduction in Rates for Long-Term Capital Gains and Qualifying Dividends:**  
**Distribution of Tax Change by Tax Bracket, All Tax Units, 2005<sup>1</sup>**

Tax Bracket	Tax Units <sup>2</sup>		Percent with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Tax Change (\$ millions) <sup>4</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
	Number (thousands)	Percent of Total						Baseline	Proposal
<b>0%</b>	43,229	29.9	*	*	-1.3	*	**	2.9	2.9
<b>10%</b>	21,850	15.1	8.5	*	-106.3	0.4	-5	8.7	8.7
<b>15%</b>	48,636	33.6	17.4	0.1	-1,264.4	5.3	-26	17.2	17.2
<b>25%</b>	22,809	15.8	33.9	0.1	-2,388.7	9.9	-105	22.2	22.0
<b>26% (AMT)</b>	1,997	1.4	52.4	0.3	-901.2	3.8	-451	23.7	23.4
<b>28% (AMT)</b>	1,403	1.0	75.9	1.8	-9,268.2	38.6	-6,605	30.2	28.9
<b>28%</b>	3,292	2.3	56.5	0.4	-1,539.7	6.4	-468	25.4	25.1
<b>33%</b>	653	0.5	64.0	0.5	-701.8	2.9	-1,075	27.3	27.0
<b>35%</b>	705	0.5	74.8	1.1	-7,845.5	32.7	-11,134	33.1	32.3
<b>All</b>	144,573	100.0	15.9	0.3	-24,017.0	100.0	-166	20.9	20.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-3a).

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