

Table T05-0161
Partial Rollback of Individual Income Tax Cuts Benefiting High-Income Earners
Static Impact on Individual Income Tax Liability and Revenue (\$ billions), 2006-15¹

	Year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-15
Fiscal Year Revenue²											
Option 1: 39.6 Percent Rate on Taxable Income Over \$1 Million in 2006 and 2007³	9.8	13.8	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.1
Option 2: Repeal Phaseout of PEP and Pease⁴	2.3	3.2	6.1	7.2	10.2	2.8	0.0	0.0	0.0	0.0	31.7
Option 3: 39.6 Percent Rate on Taxable Income Over \$1 Million in 2006 through 2010⁵	9.8	13.8	14.5	15.6	16.3	4.1	0.0	0.0	0.0	0.0	74.1
Calendar Year Liability											
Option 1: 39.6 Percent Rate on Taxable Income Over \$1 Million in 2006 and 2007	13.1	14.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.1
Option 2: Repeal Phaseout of PEP and Pease	3.1	3.3	7.0	7.2	11.1	0.0	0.0	0.0	0.0	0.0	31.7
Option 3: 39.6 Percent Rate on Taxable Income Over \$1 Million in 2006 through 2010	13.1	14.0	14.7	15.9	16.5	0.0	0.0	0.0	0.0	0.0	74.1

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

(1) Baseline is current law. Estimates are static and do not account for any potential microeconomic behavioral response; official revenue estimates by the Joint Committee on Taxation (JCT) would likely show a somewhat smaller revenue gain.

(2) Fiscal-year revenue numbers assume a 75-25 split. The actual effect on receipts could differ.

(3) The threshold for the 39.6 percent rate would be \$500,000 for married individuals filing a separate return. The threshold would be indexed for inflation after 2006. In 2008, the rate would return to its current-law value of 35 percent.

(4) Under current law, the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease) are gradually phased out between 2006 and 2010 and are then reinstated in 2011 when the rest of the provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) expire. This provision keeps PEP and Pease in place throughout the budget window.

(5) The threshold for the 39.6 percent rate would be \$500,000 for married individuals filing a separate return. The threshold would be indexed for inflation after 2006. In 2011, the top statutory rate is scheduled to return to 39.6 percent under current law and thus the proposal has no revenue effect after calendar year 2010.