

**Table T05-0195. EGTRRA Changes to the Child and Dependent Care Tax Credit  
Distribution of Federal Tax Change by Cash Income Percentile, 2005<sup>1</sup>**

| Cash Income<br>Percentile <sup>2</sup> | Percent of Tax Units <sup>3</sup> |                      | Percent<br>Change in<br>After-Tax<br>Income <sup>4</sup> | Share of<br>Total<br>Federal Tax<br>Change | Average Federal Tax Change |         | Share of Federal Taxes |                       | Average Federal Tax Rate <sup>5</sup> |                       |
|--|-----------------------------------|----------------------|--|--|----------------------------|---------|------------------------|-----------------------|---------------------------------------|-----------------------|
|  | With Tax<br>Cut                   | With Tax<br>Increase |  |  | Dollars                    | Percent | Change (%<br>Points)   | Under the<br>Proposal | Change (%<br>Points)                  | Under the<br>Proposal |
| Lowest Quintile                        | 0.0                               | 0.0                  | 0.0  | 0.0  | 0                          | 0.0     | 0.0                    | 0.4                   | 0.0                                   | 3.2                   |
| Second Quintile                        | 0.7                               | 0.0                  | 0.0  | 5.1  | -1                         | -0.1    | 0.0                    | 2.2                   | 0.0                                   | 7.2                   |
| Middle Quintile                        | 4.1                               | 0.0                  | 0.0  | 38.3                                       | -7                         | -0.1    | 0.0                    | 7.8                   | 0.0                                   | 14.2                  |
| Fourth Quintile                        | 3.1                               | 0.0                  | 0.0  | 24.5                                       | -4                         | 0.0     | 0.0                    | 17.5                  | 0.0                                   | 18.4                  |
| Top Quintile                           | 3.5                               | 0.0                  | 0.0  | 32.1                                       | -6                         | 0.0     | 0.0                    | 72.0                  | 0.0                                   | 24.7                  |
| All                                    | 2.3                               | 0.0                  | 0.0  | 100.0                                      | -4                         | 0.0     | 0.0                    | 100.0                 | 0.0                                   | 20.7                  |
| <b>Addendum</b>                        |                                   |                      |  |  |                            |         |                        |                       |                                       |                       |
| Top 10 Percent                         | 3.4                               | 0.0                  | 0.0  | 16.2                                       | -6                         | 0.0     | 0.0                    | 56.5                  | 0.0                                   | 26.1                  |
| Top 5 Percent                          | 2.9                               | 0.0                  | 0.0  | 6.9  | -5                         | 0.0     | 0.0                    | 44.4                  | 0.0                                   | 27.3                  |
| Top 1 Percent                          | 1.8                               | 0.0                  | 0.0  | 0.9  | -3                         | 0.0     | 0.0                    | 26.6                  | 0.0                                   | 29.6                  |
| Top 0.5 Percent                        | 1.6                               | 0.0                  | 0.0  | 0.4  | -3                         | 0.0     | 0.0                    | 21.5                  | 0.0                                   | 30.4                  |
| Top 0.1 Percent                        | 1.2                               | 0.0                  | 0.0  | 0.1  | -2                         | 0.0     | 0.0                    | 13.0                  | 0.0                                   | 31.9                  |

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

| Cash Income<br>Percentile <sup>2</sup> | Tax Units <sup>3</sup> |                     | Average<br>Income<br>(Dollars) | Average<br>Federal Tax<br>Burden<br>(Dollars) | Average<br>After-Tax<br>Income <sup>3</sup><br>(Dollars) | Average<br>Federal Tax<br>Rate <sup>4</sup> | Share of Pre-<br>Tax Income<br>Percent of<br>Total | Share of Post-<br>Tax Income<br>Percent of<br>Total | Share of<br>Federal Taxes<br>Percent of<br>Total |
|--|------------------------|---------------------|--------------------------------|---|--|---|--|---|--|
|  | Number<br>(thousands)  | Percent of<br>Total |                                |   |  |   |  |   |  |
| Lowest Quintile                        | 28,340                 | 19.6                | 7,487                          | 242   | 7,245  | 3.2   | 2.4  | 3.0   | 0.4  |
| Second Quintile                        | 28,910                 | 20.0                | 19,134                         | 1,379   | 17,755   | 7.2   | 6.3  | 7.4   | 2.2  |
| Middle Quintile                        | 28,916                 | 20.0                | 34,409                         | 4,893   | 29,516   | 14.2  | 11.4   | 12.3  | 7.8  |
| Fourth Quintile                        | 28,916                 | 20.0                | 59,726                         | 10,986  | 48,740   | 18.4  | 19.7   | 20.3  | 17.5   |
| Top Quintile                           | 28,914                 | 20.0                | 183,278                        | 45,194  | 138,084  | 24.7  | 60.5   | 57.5  | 72.0   |
| All                                    | 144,573                | 100.0               | 60,566                         | 12,562  | 48,004   | 20.7  | 100.0  | 100.0   | 100.0  |
| <b>Addendum</b>                        |                        |                     |                                |   |  |   |  |   |  |
| Top 10 Percent                         | 14,457                 | 10.0                | 271,934                        | 70,963  | 200,971  | 26.1  | 44.9   | 41.9  | 56.5   |
| Top 5 Percent                          | 7,228                  | 5.0                 | 408,681                        | 111,616                                       | 297,064  | 27.3  | 33.7   | 30.9  | 44.4   |
| Top 1 Percent                          | 1,446                  | 1.0                 | 1,126,790                      | 333,462                                       | 793,328  | 29.6  | 18.6   | 16.5  | 26.6   |
| Top 0.5 Percent                        | 723                    | 0.5                 | 1,774,411                      | 539,393                                       | 1,235,017  | 30.4  | 14.7   | 12.9  | 21.5   |
| Top 0.1 Percent                        | 145                    | 0.1                 | 5,136,564                      | 1,636,681                                     | 3,499,883  | 31.9  | 8.5  | 7.3   | 13.0   |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-2).

(1) Calendar year. Baseline is current law but without the changes made to the Child and Dependent Care Tax Credit (CDCTC) by EGTRRA. EGTRRA makes the following changes to the CDCTC: increase the maximum credit rate from 30 to 35 percent; increase allowable expenses from \$2,400 to \$3,000 for one eligible individual and to \$6,000 from \$4,800 for two or more eligible individuals; increase the start of the phasedown of the credit rate from \$10,000 to \$15,000 of AGI.

(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.