

**Table T05-0234. Option 7: Index CDCTC For Inflation; Make Fully Refundable;
Raise Top Credit Rate to 50 Percent, Phased Out Starting at \$30,000
Distribution of Federal Tax Change by Cash Income Percentile, 2015 ¹**

| Cash Income Percentile ² | Percent of Tax Units ³ | | Percent Change in After-Tax Income ⁴ | Share of Total Federal Tax Change | Average Federal Tax Change | | Share of Federal Taxes | | Average Federal Tax Rate ⁵ | |
|--|-----------------------------------|----------------------|--|---|----------------------------|---------|-------------------------------------|-----------------------|---------------------------------------|-----------------------|
| | With Tax Cut | With Tax Increase | | | Dollars | Percent | Change (%) Under the Proposal | Under the Proposal | Change (%) Under the Proposal | Under the Proposal |
| Lowest Quintile | 4.2 | 0.0 | 0.6 | 27.2 | -64 | -11.6 | -0.1 | 0.4 | -0.6 | 4.2 |
| Second Quintile | 3.8 | 0.0 | 0.2 | 21.0 | -48 | -1.5 | 0.0 | 3.0 | -0.2 | 11.1 |
| Middle Quintile | 5.1 | 0.0 | 0.1 | 18.3 | -42 | -0.5 | 0.0 | 8.2 | -0.1 | 17.5 |
| Fourth Quintile | 5.2 | 0.0 | 0.1 | 14.1 | -32 | -0.2 | 0.0 | 17.8 | 0.0 | 22.1 |
| Top Quintile | 7.0 | 0.0 | 0.0 | 19.4 | -45 | -0.1 | 0.1 | 70.5 | 0.0 | 28.4 |
| All | 5.0 | 0.0 | 0.1 | 100.0 | -46 | -0.2 | 0.0 | 100.0 | -0.1 | 24.3 |
| Addendum | | | | | | | | | | |
| Top 10 Percent | 6.4 | 0.0 | 0.0 | 9.4 | -43 | 0.0 | 0.1 | 54.3 | 0.0 | 29.6 |
| Top 5 Percent | 5.2 | 0.0 | 0.0 | 3.7 | -34 | 0.0 | 0.1 | 41.8 | 0.0 | 30.4 |
| Top 1 Percent | 2.0 | 0.0 | 0.0 | 0.2 | -8 | 0.0 | 0.1 | 24.0 | 0.0 | 31.9 |
| Top 0.5 Percent | 2.0 | 0.0 | 0.0 | 0.1 | -7 | 0.0 | 0.0 | 19.2 | 0.0 | 32.6 |
| Top 0.1 Percent | 1.2 | 0.0 | 0.0 | 0.0 | -6 | 0.0 | 0.0 | 11.5 | 0.0 | 34.1 |

**Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2015 ¹**

| Cash Income Percentile ² | Tax Units ³ | | Average Income (Dollars) | Average Federal Tax Burden (Dollars) | Average After-Tax Income ⁴ (Dollars) | Average Federal Tax Rate ⁵ | Share of Pre- | Share of Post- | Share of |
|--|------------------------|---------------------|--------------------------------|---|--|---|---|-----------------------------------|--------------------------------------|
| | Number (thousands) | Percent of Total | | | | | Pre- Tax Income Percent of Total | Tax Income Percent of Total | Federal Taxes Percent of Total |
| Lowest Quintile | 32,037 | 19.6 | 11,594 | 549 | 11,045 | 4.7 | 2.6 | 3.2 | 0.5 |
| Second Quintile | 32,634 | 20.0 | 28,979 | 3,266 | 25,713 | 11.3 | 6.5 | 7.7 | 3.0 |
| Middle Quintile | 32,634 | 20.0 | 50,115 | 8,825 | 41,291 | 17.6 | 11.3 | 12.3 | 8.2 |
| Fourth Quintile | 32,628 | 20.0 | 86,642 | 19,215 | 67,426 | 22.2 | 19.6 | 20.1 | 17.8 |
| Top Quintile | 32,633 | 20.0 | 267,246 | 75,892 | 191,354 | 28.4 | 60.3 | 57.1 | 70.3 |
| All | 163,160 | 100.0 | 88,578 | 21,580 | 66,998 | 24.4 | 100.0 | 100.0 | 100.0 |
| Addendum | | | | | | | | | |
| Top 10 Percent | 16,316 | 10.0 | 395,730 | 116,979 | 278,751 | 29.6 | 44.7 | 41.6 | 54.2 |
| Top 5 Percent | 8,162 | 5.0 | 592,468 | 180,155 | 412,313 | 30.4 | 33.5 | 30.8 | 41.8 |
| Top 1 Percent | 1,632 | 1.0 | 1,618,465 | 515,604 | 1,102,861 | 31.9 | 18.3 | 16.5 | 23.9 |
| Top 0.5 Percent | 816 | 0.5 | 2,538,582 | 827,974 | 1,710,608 | 32.6 | 14.3 | 12.8 | 19.2 |
| Top 0.1 Percent | 163 | 0.1 | 7,244,911 | 2,466,745 | 4,778,166 | 34.1 | 8.2 | 7.1 | 11.4 |

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

(1) Calendar year. Baseline is current law. The maximum eligible expenses and the AGI level at which the credit rate begins to phase down would be indexed for inflation starting 01/01/06. The rounding factor for indexation would be the nearest multiple of \$10, the same as for the Earned Income Tax Credit. The maximum credit rate would be increased from 35 percent to 50 percent. The credit rate would be reduced by one percentage point for each \$1,000 (or fraction thereof) by which AGI exceeds \$30,000 (indexed). The credit would be available regardless of tax liability. Proposal also includes allowing the CDCTC regardless of AMT liability and extending the EGTRRA provisions.

(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.