

**Table T05-0242. Option 2: Increase Point at Which EITC is Phased Out by 10 Percent**  
**Distribution of Federal Tax Change by Cash Income Class, 2005<sup>1</sup>**

Cash Income Class (thousands of 2005 dollars) <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
Less than 10	4.1	0.0	0.0	0.5	-1	-0.4	0.0	0.2	0.0	3.5
10-20	12.9	0.0	0.1	5.3	-7	-1.0	0.0	1.0	-0.1	4.7
20-30	27.2	0.0	0.3	33.5	-56	-2.3	-0.1	2.7	-0.2	9.9
30-40	27.1	0.0	0.4	48.1	-106	-2.1	-0.1	4.2	-0.3	14.1
40-50	8.9	0.0	0.1	11.0	-31	-0.4	0.0	4.8	-0.1	16.7
50-75	0.7	0.0	0.0	1.4	-2	0.0	0.0	13.0	0.0	18.5
75-100	0.1	0.0	0.0	0.1	0	0.0	0.0	11.4	0.0	20.0
100-200	0.0	0.0	0.0	0.0	0	0.0	0.0	23.7	0.0	22.3
200-500	0.1	0.0	0.0	0.0	0	0.0	0.0	15.3	0.0	25.4
500-1,000	0.0	0.0	0.0	0.0	0	0.0	0.0	6.5	0.0	27.2
More than 1,000	0.0	0.0	0.0	0.0	0	0.0	0.0	17.0	0.0	31.2
All	10.3	0.0	0.1	100.0	-23	-0.2	0.0	100.0	0.0	20.7

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

Cash Income Class (thousands of 2005 dollars) <sup>2</sup>	Tax Units <sup>3</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>4</sup> (Dollars)	Average Federal Tax Rate <sup>5</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	
Less than 10	19,560	13.5	5,618	200	5,418	3.6	1.3	1.5	0.2
10-20	25,611	17.7	14,885	707	14,178	4.8	4.4	5.2	1.0
20-30	19,953	13.8	24,715	2,491	22,224	10.1	5.6	6.4	2.7
30-40	15,289	10.6	34,863	5,028	29,835	14.4	6.1	6.6	4.2
40-50	11,738	8.1	44,824	7,511	37,312	16.8	6.0	6.3	4.9
50-75	20,700	14.3	61,482	11,355	50,127	18.5	14.5	15.0	13.0
75-100	11,936	8.3	86,246	17,287	68,959	20.0	11.8	11.9	11.4
100-200	14,432	10.0	133,489	29,794	103,694	22.3	22.0	21.6	23.7
200-500	3,797	2.6	287,471	72,943	214,528	25.4	12.5	11.7	15.3
500-1,000	642	0.4	678,426	184,607	493,819	27.2	5.0	4.6	6.5
More than 1,000	335	0.2	2,943,745	919,666	2,024,078	31.2	11.3	9.8	17.0
All	144,573	100.0	60,566	12,558	48,008	20.7	100.0	100.0	100.0

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

(1) Calendar year. Baseline is current law. Proposal reduces the EITC phasedown rates to ensure the credit is completely phased out at an income level that is 10 percent higher than under current law. For married couples filing a joint return, the rates would be 6.05, 13.34, and 17.87 percent for 0 children, 1 child, and 2 or more children, respectively. For other filing statuses, the rates would be 6.24 percent, 13.47 percent, and 18.02 percent.

(2) Tax units with negative cash income are excluded from the lowest income class 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.