

Table T05-0243. Option 2: Increase Point at Which EITC is Phased Out by 10 Percent
Distribution of Federal Tax Change by Cash Income Percentile, 2005¹

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 (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	6.1	0.0	0.0	2.1	-2	-1.0	0.0	0.4	0.0	3.2
Second Quintile	19.0	0.0	0.1	18.4	-21	-1.6	0.0	2.2	-0.1	7.1
Middle Quintile	25.0	0.0	0.3	75.5	-88	-1.8	-0.1	7.7	-0.3	13.9
Fourth Quintile	1.3	0.0	0.0	3.7	-4	0.0	0.0	17.5	0.0	18.4
Top Quintile	0.1	0.0	0.0	0.2	0	0.0	0.1	72.1	0.0	24.7
All	10.3	0.0	0.1	100.0	-23	-0.2	0.0	100.0	0.0	20.7
Addendum										
Top 10 Percent	0.0	0.0	0.0	0.0	0	0.0	0.1	56.6	0.0	26.1
Top 5 Percent	0.0	0.0	0.0	0.0	0	0.0	0.1	44.5	0.0	27.3
Top 1 Percent	0.0	0.0	0.0	0.0	0	0.0	0.1	26.6	0.0	29.6
Top 0.5 Percent	0.0	0.0	0.0	0.0	0	0.0	0.0	21.5	0.0	30.4
Top 0.1 Percent	0.0	0.0	0.0	0.0	0	0.0	0.0	13.1	0.0	31.9

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2005¹

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-Tax Income	Share of Post-Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of 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	1,378	17,756	7.2	6.3	7.4	2.2
Middle Quintile	28,916	20.0	34,409	4,886	29,523	14.2	11.4	12.3	7.8
Fourth Quintile	28,916	20.0	59,726	10,982	48,744	18.4	19.7	20.3	17.5
Top Quintile	28,914	20.0	183,278	45,189	138,089	24.7	60.5	57.5	72.0
All	144,573	100.0	60,566	12,558	48,008	20.7	100.0	100.0	100.0
Addendum									
Top 10 Percent	14,457	10.0	271,934	70,957	200,977	26.1	44.9	41.9	56.5
Top 5 Percent	7,228	5.0	408,681	111,611	297,069	27.3	33.7	30.9	44.4
Top 1 Percent	1,446	1.0	1,126,790	333,459	793,331	29.6	18.6	16.5	26.6
Top 0.5 Percent	723	0.5	1,774,411	539,390	1,235,020	30.4	14.7	12.9	21.5
Top 0.1 Percent	145	0.1	5,136,564	1,636,678	3,499,886	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. 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 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.