

Table T05-0294
House Tax Relief Extension Reconciliation Act of 2005 (H.R. 4297 as Reported by the Committee on Ways and Means)
Fully-Phased In Impact of Major Provisions at 2006 Income Levels
Distribution of Federal Tax Change by Cash Income Percentile 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 (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	15.8	0.0	0.1	0.4	-7	-2.5	0.0	0.4	-0.1	3.3
Second Quintile	31.1	0.1	0.2	2.4	-36	-2.4	0.0	2.3	-0.2	7.5
Middle Quintile	39.5	0.1	0.2	3.7	-55	-1.1	0.1	7.8	-0.2	14.3
Fourth Quintile	58.4	0.0	0.3	9.0	-135	-1.2	0.2	17.5	-0.2	18.5
Top Quintile	79.1	0.1	0.9	84.2	-1,262	-2.6	-0.3	71.8	-0.7	24.8
All	44.9	0.1	0.6	100.0	-300	-2.2	0.0	100.0	-0.5	20.9
Addendum										
Top 10 Percent	86.0	0.1	1.1	73.6	-2,204	-2.9	-0.4	56.2	-0.8	26.3
Top 5 Percent	90.9	0.1	1.3	65.9	-3,950	-3.3	-0.5	43.9	-0.9	27.3
Top 1 Percent	96.6	0.0	1.9	51.3	-15,368	-4.4	-0.6	25.6	-1.3	29.0
Top 0.5 Percent	97.9	0.0	2.2	45.8	-27,415	-4.8	-0.6	20.6	-1.5	29.6
Top 0.1 Percent	99.6	0.0	2.9	34.1	-102,092	-5.9	-0.5	12.5	-1.9	31.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2006 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-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	28,703	19.6	7,923	267	7,656	3.4	2.5	3.0	0.4
Second Quintile	29,289	20.0	20,116	1,534	18,582	7.6	6.4	7.5	2.3
Middle Quintile	29,279	20.0	35,940	5,203	30,737	14.5	11.4	12.4	7.7
Fourth Quintile	29,283	20.0	62,270	11,633	50,637	18.7	19.8	20.5	17.3
Top Quintile	29,282	20.0	189,863	48,421	141,443	25.5	60.3	57.1	72.1
All	146,417	100.0	62,970	13,435	49,535	21.3	100.0	100.0	100.0
Addendum									
Top 10 Percent	14,642	10.0	281,205	76,026	205,178	27.0	44.7	41.4	56.6
Top 5 Percent	7,323	5.0	421,832	119,146	302,686	28.2	33.5	30.6	44.4
Top 1 Percent	1,464	1.0	1,159,675	351,424	808,251	30.3	18.4	16.3	26.2
Top 0.5 Percent	732	0.5	1,825,082	568,291	1,256,791	31.1	14.5	12.7	21.2
Top 0.1 Percent	146	0.1	5,274,153	1,736,840	3,537,314	32.9	8.4	7.1	12.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (versions 0304-5 and 0305-3A).

(1) Calendar year. Provisions include: extend deduction of state and local general sales taxes; allow personal non-refundable credits against the regular tax and AMT, regardless of tentative AMT; extend credit for elective deferrals and IRA contributions ("Saver's Credit"); extend deduction for qualified tuition and related expenses; reduce the tax rate on qualifying dividends and long-term capital gains to 15 percent (the rate for individuals in the 10- and 15-percent brackets would be 0 percent); extend increase in Section 179 expensing; extend and modify the research credit. Baseline is current law without the provisions described above that are already in place for 2006.

(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.