

Table T06-0059
Impose \$10,000 Limit on Individual Income Tax Cuts in
EGTRRA, JGTRRA, and WFTRA With Extension of 2005 AMT Relief, Indexed for Inflation
Distribution of Federal Tax Change by Cash Income Percentile, 2007 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	0.0	0.0	0.0	0.0	0	0.0	0.0	0.4	0.0	3.5
Second Quintile	0.0	0.0	0.0	0.0	0	0.0	-0.1	2.4	0.0	7.9
Middle Quintile	0.0	0.0	0.0	0.0	0	0.0	-0.2	7.9	0.0	14.7
Fourth Quintile	0.0	0.0	0.0	0.0	0	0.0	-0.4	17.3	0.0	18.7
Top Quintile	0.0	4.7	-1.1	100.0	1,572	3.2	0.6	71.8	0.8	25.4
All	0.0	0.9	-0.6	100.0	315	2.3	0.0	100.0	0.5	21.3
Addendum										
Top 10 Percent	0.1	9.4	-1.4	100.0	3,145	4.1	1.0	56.6	1.1	27.0
Top 5 Percent	0.1	18.7	-2.0	100.0	6,289	5.3	1.3	44.7	1.4	28.5
Top 1 Percent	0.0	70.5	-3.6	98.3	30,929	8.8	1.6	27.3	2.6	31.6
Top 0.5 Percent	0.0	85.1	-4.3	92.1	57,918	10.2	1.6	22.3	3.0	32.7
Top 0.1 Percent	0.0	94.8	-5.2	63.2	198,796	11.6	1.1	13.6	3.6	34.6

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2007 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	29,070	19.6	8,362	295	8,067	3.5	2.5	3.0	0.4	
Second Quintile	29,647	20.0	21,129	1,675	19,454	7.9	6.4	7.5	2.4	
Middle Quintile	29,637	20.0	37,526	5,519	32,007	14.7	11.4	12.3	8.1	
Fourth Quintile	29,644	20.0	64,902	12,150	52,752	18.7	19.7	20.3	17.7	
Top Quintile	29,645	20.0	198,145	48,719	149,426	24.6	60.3	57.4	71.1	
All	148,223	100.0	65,748	13,695	52,053	20.8	100.0	100.0	100.0	
Addendum										
Top 10 Percent	14,822	10.0	293,546	76,148	217,398	25.9	44.6	37.8	55.6	
Top 5 Percent	7,411	5.0	440,478	119,076	321,402	27.0	33.5	27.9	43.5	
Top 1 Percent	1,482	1.0	1,211,207	351,485	859,722	29.0	18.4	14.9	25.7	
Top 0.5 Percent	741	0.5	1,906,126	565,898	1,340,227	29.7	14.5	11.6	20.7	
Top 0.1 Percent	148	0.1	5,505,589	1,708,841	3,796,748	31.0	8.4	6.6	12.5	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-3A).

(1) Calendar year. Baseline is current law with the extension of the 2005 AMT exemption levels (\$58,000 for married couples and \$40,250 for singles and heads of household), indexed for inflation after 2005; allowance of personal non-refundable credits regardless of tentative AMT; and extending the non-refundable credit for elective deferrals and IRA contributions (the "saver's credit"). Proposal includes limiting the individual income tax cuts due to the following provisions in EGTRRA, JGTRRA, and WFTRA to \$10,000: marginal tax rates; the 10-percent bracket; the child tax credit; the child and dependent care credit; the standard deduction, 15-percent bracket, and EITC for married couples; tax rates on long-term capital gains and dividends; pension and IRA provisions; expansion of student loan interest deduction (excludes other education provisions). The effect of these provisions is measured against a pre-EGTRRA baseline with the extension of the 2000 AMT exemption levels (\$45,000 for married couples and \$33,750 for singles and heads of household), indexed for inflation after 2000; and allowance of personal non-refundable credits regardless of tentative AMT.

(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.