

Table T06-0072
IRA Conversion Provision
Fully-Phased In Impact 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	0.0	0.0	0.0	0.0	0	0.0	0.0	0.4	0.0	3.3
Second Quintile	0.0	0.0	0.0	0.0	0	0.0	0.0	2.3	0.0	7.5
Middle Quintile	0.0	0.0	0.0	0.0	0	0.0	0.0	7.8	0.0	14.4
Fourth Quintile	0.0	0.0	0.0	0.0	0	0.0	0.0	17.5	0.0	18.6
Top Quintile	2.8	0.0	0.0	100.0	-53	-0.1	0.0	71.8	0.0	25.0
All	0.6	0.0	0.0	100.0	-11	-0.1	0.0	100.0	0.0	21.0
Addendum										
Top 10 Percent	5.2	0.0	0.1	97.9	-103	-0.1	0.0	56.2	0.0	26.4
Top 5 Percent	6.7	0.0	0.1	83.4	-176	-0.2	0.0	43.9	0.0	27.5
Top 1 Percent	10.4	0.0	0.1	54.6	-576	-0.2	0.0	25.6	-0.1	29.2
Top 0.5 Percent	13.1	0.0	0.1	46.6	-982	-0.2	0.0	20.6	-0.1	29.9
Top 0.1 Percent	19.1	0.0	0.1	24.1	-2,542	-0.2	0.0	12.5	-0.1	31.4

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	265	7,659	3.3	2.5	3.0	0.4	
Second Quintile	29,289	20.0	20,116	1,510	18,606	7.5	6.4	7.5	2.3	
Middle Quintile	29,279	20.0	35,940	5,171	30,769	14.4	11.4	12.4	7.8	
Fourth Quintile	29,283	20.0	62,270	11,578	50,693	18.6	19.8	20.4	17.5	
Top Quintile	29,282	20.0	189,863	47,585	142,278	25.1	60.3	57.2	71.9	
All	146,417	100.0	62,970	13,245	49,725	21.0	100.0	100.0	100.0	
Addendum										
Top 10 Percent	14,642	10.0	281,205	74,447	206,758	26.5	44.7	41.6	56.2	
Top 5 Percent	7,323	5.0	421,832	116,204	305,628	27.6	33.5	30.7	43.9	
Top 1 Percent	1,464	1.0	1,159,675	339,599	820,076	29.3	18.4	16.5	25.6	
Top 0.5 Percent	732	0.5	1,825,082	547,032	1,278,051	30.0	14.5	12.9	20.7	
Top 0.1 Percent	146	0.1	5,274,153	1,656,702	3,617,451	31.4	8.4	7.3	12.5	

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

(1) Calendar year. Provisions include: eliminate the income limitation on Roth IRA conversions, with four-year averaging. The amount of conversion activity has been calibrated to match the revenue estimate from the Joint Committee on Taxation dated March 1, 2006 and published at <http://www.cbpp.org/4-25-06tax.htm>.

(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.