

Table T06-0093
Conference Agreement on the Tax Increase Prevention and Reconciliation Act of 2005
Fully-Phased In Impact of Major Provisions at 2006 Income Levels
With Financing Proportional to Individual Income Tax
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	6.1	35.0	-0.4	n/a	31	11.7	0.1	0.4	0.4	3.7
Second Quintile	9.5	64.6	-0.4	n/a	78	5.1	0.1	2.4	0.4	7.9
Middle Quintile	9.2	82.3	-0.4	n/a	108	2.1	0.2	7.9	0.3	14.7
Fourth Quintile	12.8	85.7	-0.3	n/a	170	1.5	0.3	17.6	0.3	18.9
Top Quintile	45.0	54.8	0.3	n/a	-387	-0.8	-0.6	71.6	-0.2	25.3
All	16.6	64.4	0.0	n/a	0	0.0	0.0	100.0	0.0	21.3
Addendum										
Top 10 Percent	55.7	44.1	0.4	n/a	-711	-0.9	-0.5	56.1	-0.3	26.8
Top 5 Percent	61.1	38.9	0.3	n/a	-1,008	-0.9	-0.4	44.0	-0.2	28.0
Top 1 Percent	30.7	69.2	-0.1	n/a	918	0.3	0.1	26.2	0.1	30.4
Top 0.5 Percent	29.3	70.7	0.0	n/a	471	0.1	0.0	21.2	0.0	31.1
Top 0.1 Percent	35.9	64.1	0.4	n/a	-13,645	-0.8	-0.1	12.8	-0.3	32.6

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-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes 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	1,513	18,603	7.5	6.4	7.5	2.3
Middle Quintile	29,279	20.0	35,940	5,180	30,761	14.4	11.4	12.4	7.7
Fourth Quintile	29,283	20.0	62,270	11,614	50,656	18.7	19.8	20.5	17.3
Top Quintile	29,282	20.0	189,863	48,401	141,462	25.5	60.3	57.1	72.1
All	146,417	100.0	62,970	13,418	49,552	21.3	100.0	100.0	100.0
Addendum									
Top 10 Percent	14,642	10.0	281,205	75,989	205,216	27.0	44.7	41.4	56.6
Top 5 Percent	7,323	5.0	421,832	119,075	302,757	28.2	33.5	30.6	44.4
Top 1 Percent	1,464	1.0	1,159,675	351,130	808,546	30.3	18.4	16.3	26.2
Top 0.5 Percent	732	0.5	1,825,082	567,752	1,257,330	31.1	14.5	12.7	21.2
Top 0.1 Percent	146	0.1	5,274,153	1,734,728	3,539,426	32.9	8.4	7.1	12.9

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

(1) Calendar year. Provisions include: increase the individual alternative minimum tax (AMT) exemption to \$62,550 for married couples filing a joint return, \$42,500 for singles and heads of household, and \$31,275 for married individuals filing a separate return; allow personal non-refundable credits against the regular tax and AMT, regardless of tentative AMT; extend the reduction in 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); section 179 expensing provisions. Also includes the present value of the tax savings from the Roth IRA conversion provision. Because of the ability to convert non-deductible IRAs to Roths, we model the provision as effectively removing the income limitation on contributions to Roth IRAs. 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>. Baseline is current law without the provisions described above that are already in place for 2006. Assumes financing equal to 6.58 percent of individual income tax (those with negative income tax would see their net refund reduced by that amount).

(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.