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Distributional Effects of the Major Individual Income Tax Provisions of H.R. 3970, The Tax Reduction and Reform Act of 2007

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On October 25, 2007, Ways and Means Committee Chairman Charles Rangel (D, NY) unveiled sweeping tax reform legislation that would provide for a revenue-neutral repeal of the individual alternative minimum tax (AMT). The bill would also increase the standard deduction, expand the earned income tax credit (EITC) for childless individuals, and increase the availability of the refundable child tax credit. These changes are projected to reduce individual income tax revenues by about \$882 billion over ten years.

The cost of these cuts would be largely offset by three provisions designed to raise about \$867 billion over that same period: a surtax on high-income taxpayers; reinstating the limitation on itemized deductions and personal exemptions; and further limiting the deductibility of miscellaneous itemized deductions such as employee business expenses.

All of the above provisions would be effective beginning in 2008. For 2007, the bill extends, and indexes for inflation, the AMT relief that was in place for 2006. It also extends for one year certain expiring provisions such as the R&D credit, the deduction for state and local general sales taxes, and the above-the-line deduction for qualified tuition and related expenses.

Our distribution tables include the impact of all the broad-based individual income tax provisions of the bill described above. The legislation also makes several other more narrowly targeted individual income tax changes, including the taxation of carried interest as ordinary income. It also makes changes to corporate taxes including a reduction in the top corporate marginal tax rate from 35 percent to 30.5 percent, repeal of the domestic production activities deduction, and repeal of the last-in, first-out (LIFO) accounting method.

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Detailed Description of Major Individual Income Tax Provisions²

Standard Deduction: Under current law for 2008, the standard deduction for married couples is \$10,900 (\$5,450 for singles and \$8,000 for heads of household). H.R. 3970 provides an additional amount for each filing status. Married couples filing jointly are allowed to take an additional \$850. The additional amount would be \$625 for heads of household and \$425 for singles and married individuals filing a separate return. These amounts are indexed for inflation after 2008. The bill does not make permanent the increase in the standard deduction for married couples that is currently set to expire at the end of 2010.

EITC: Under current law for 2008, individuals with no qualifying children are eligible for an earned income tax credit equal to 7.65 percent of earnings up to \$5,720, resulting in a maximum possible credit of \$438. H.R. 3970 doubles the credit rate to 15.3 percent and thus increases the maximum credit to \$876. It also increases the earnings level at which the credit begins to phase out from \$7,160 to \$10,900 (\$10,160 to \$13,900 for married couples filing jointly). The threshold is indexed for inflation after 2008. The bill does not make permanent the increase in the EITC for married couples, currently set to expire after 2010.

Refundable Child Tax Credit (CTC): The CTC is partially refundable under current law through 2010. For 2008, the \$1,000 per child credit is refundable at a rate of 15 percent of earnings above a threshold of \$12,050 (indexed for inflation). H.R. 3970 reduces the earnings threshold to \$8,500 and freezes it at that amount for future years. The bill does not make the refundable child tax credit permanent, however.³

Individual AMT: H.R. 3970 permanently repeals the individual alternative minimum tax after 2007.

Surtax: H.R. 3970 imposes a new surtax on modified adjusted gross income (AGI).⁴ For single and head of household taxpayers, the surtax equals 4 percent of modified AGI between \$150,000 and \$250,000 and 4.6 percent of modified AGI greater than \$250,000. For married couples, the surtax equals 4 percent of modified AGI between \$200,000 and \$500,000, and 4.6 percent on amounts over \$500,000.⁵ The lower threshold is indexed for inflation after 2008.

Partial Restoration of PEP and Pease: Under pre-2001 tax act law, personal exemptions and itemized deductions were limited for high-income taxpayers. The 2001 act phased in a repeal of these limitations. For 2008 and 2009, the reduction in exemptions and deductions is 1/3 of what

² The sources for this section are the Ways and Means Committee's summary report, available at <http://waysandmeans.house.gov/media/pdf/110/Summary%20for%20Distribution.pdf>, and the text of the legislation, available at <http://waysandmeans.house.gov/media/pdf/110/HR%203970%20introduced.pdf>. We used the legislative text as our guide to modeling the proposal.

³ After 2010, the CTC will only be refundable to households with three or more children under a provision that predates the 2001 tax cut.

⁴ Modified AGI is adjusted gross income less the deduction for investment interest expense.

⁵ Technically, the lower threshold is the greater of \$200,000 or the minimum income level above which 90 percent of married taxpayers would otherwise be subject to the AMT in 2008. Since that income level will be well below \$200,000 in 2008, this technical point appears to be irrelevant. For married individuals filing a separate return, the thresholds are half those for joint returns.

it would have been under pre-2001 tax act law. For 2010, the limitations are repealed completely. H.R. 3970 restores the full amount of the reduction in exemptions and deductions for married couples with AGI in excess of \$520,000 (\$270,000 for singles and heads of household). Married couples with AGI less than \$500,000 (\$250,000 for others) continue to receive the full benefit of the 2001 tax act changes. For married couples with AGI between \$500,000 and \$520,000 (and for others between \$250,000 and \$270,000), the difference between the current-law limitation and the complete restoration of the pre-2001 tax act limitation is phased in.

Restriction on Itemized Deduction for Miscellaneous Expenses: Under current law, taxpayers can deduct miscellaneous expenses (such as unreimbursed employee business expenses) to the extent that they exceed 2 percent of AGI. This deduction is not allowed for AMT purposes, however. Under H.R. 3970, taxpayers can deduct miscellaneous expenses to the extent that they exceed 2 percent of modified AGI up to the lower threshold for the surtax described above (\$200,000 for married couples, \$150,000 for singles and heads of household, \$100,000 for married individuals filing a separate return) plus 5 percent of modified AGI in excess of this threshold.

Distributional Results

In 2008, compared to current law, the major individual income tax provisions of the bill provide the largest benefits to those in the bottom quintile of the income distribution and those between the 80th and 99th percentiles of the income distribution.⁶ Tax units in the bottom quintile receive an average tax cut equal to 1.0 percent of income. Tax units between the 80th and 90th percentiles receive an average cut equal to 1.1 percent of income, those between the 90th and 95th receive 1.5 percent, and those between the 95th and 99th see an average cut equal to 1.8 percent of income. Lower-income tax units benefit from the expansion of the refundable child tax credit, the childless earned income tax credit, and the standard deduction. Higher-income tax units benefit from the AMT repeal; those below the 99th percentile are generally not subject to the new surtax or the restoration of the limitation on itemized deductions and personal exemptions while those in the top 1 percent generally are. Taxpayers with incomes between \$500,000 and \$1 million experience an average tax increase equal to 2.2 percent of income and an increase in their average effective tax rate of 1.6 percentage points. Taxpayers with incomes over \$1 million experience an average tax increase equal to 4.5 percent of income and an increase in their tax rate of 3.1 percentage points.

Overall, 57 percent of tax units would experience a decrease in taxes in 2008 compared to current law whereas 2.4 percent of tax units would experience a tax increase. In aggregate, the major components of the legislation provide a net tax reduction for 2008; the average tax cut across all households is \$81.

All results above compare tax liabilities under current law to tax liabilities under the proposal. However, current law calls for a dramatic expansion of the AMT in 2008 with the minimum tax

⁶ Tax units in the bottom quintile of the income distribution have cash income less than \$14,385 (in 2006 dollars). The 80th percentile of the income distribution is \$85,905, the 90th percentile \$126,802, the 95th percentile \$179,038, and the 99th percentile \$437,351.

affecting 26.4 million households. A natural alternative is to compare the proposed legislation to what would happen if the AMT were patched as it has been previously, by allowing personal nonrefundable credits against the AMT and increasing and indexing for inflation the AMT exemption amount. Examined against this alternative baseline, the bill increases individual income taxes overall, by an average of \$279 in 2008, and provides a net tax cut to only 47.6 percent of tax units. The largest tax cuts occur in the bottom quintile of the income distribution, averaging 1.0 percent of income, and in the second quintile, averaging 0.5 percent of income. Tax units between the 80th and 99th percentiles of the income distribution receive essentially no tax cut because the benefit they receive from AMT repeal is no greater than the benefit they receive from an extension of the AMT patch. Lastly, taxpayers at the very top of the income distribution again experience a tax increase against this baseline. More than three-quarters of taxpayers earning between \$500,000 and \$1 million see a tax increase, as do almost 90 percent of taxpayers with incomes above \$1 million. Averaged across all households in the income classes, the tax increases will be 2.3 percent of income and 4.5 percent of income respectively.

Of course, the comparison above ignores the fact that all previous tax and spending legislation enacted has assumed the AMT would expand dramatically in 2008. Most importantly, the 2001-06 tax cuts led to a sharp increase in the number of taxpayers subject to the AMT in 2008. Under pre-EGTRRA law 12.2 million taxpayers would be affected by the AMT, but under current law 26.4 million taxpayers will be. Thus, a third way in which to view the proposal is to consider it in combination with the 2001-2006 tax cuts. The combined effect of the 2001-06 tax cuts and H.R. 3970 is to reduce taxes by \$1,529 per taxpayer in 2008, compared to a reduction of \$1,492 under the previously enacted tax cuts alone. However the distributional implications of the combined package are notably different from the tax cuts as enacted. The 2001-06 tax cuts provide only a small reduction to the bottom quintile of the income distribution, 0.3 percent of income on average, whereas the combined effect with the AMT legislation is a tax cut averaging 1.3 percent of income. Since it repeals the AMT, the combined package also provides a much larger tax cut to those with incomes between \$75,000 and \$500,000, ranging from 3.2 to 3.9 percent of income compared to 2.1 to 2.4 percent of income for the 2001-06 tax cuts alone. However, the combined package accomplishes this at the expense of high income taxpayers. Under the original legislation, taxpayers with incomes between \$500,000 and \$1 million and taxpayers with incomes over \$1 million received tax cuts that averaged 4.6 and 6.4 percent of income respectively. Under the combined package they would receive average tax cuts of only 2.1 and 1.0 percent of income.

The implications of HR 3970 differ for years beyond 2008 as current-law tax liabilities and current-law AMT liabilities vary dramatically over time. In 2010, the last year in which most provisions of the 2001-06 tax cuts are in effect, the overall tax cut from the major provisions of HR 3970 is even larger than in 2008, averaging \$193 for all tax units. The growth in the size of the tax cut occurs mostly in the \$75,000 to \$500,000 income range. Under current law, the impact of the AMT increases sharply in these income ranges between 2008 and 2010 so the benefits of the proposed repeal increase markedly as well. Although the tax cut averages 0.7 percent of income for those earning \$75,000 to \$100,000 in 2008, it rises to 1.0 percent of income in 2010. For those earning between \$200,000 and \$500,000 the tax cut rises from 1.6 percent to 2.2 percent of income. Lastly, for those earning over \$500,000 the tax increase rises between 2008 and 2010. In particular, for those earning more than \$1 million the tax increase

grows from 4.5 percent of income to 5.0 percent. Part of this growth stems from the fact that H.R. 3970 fully restores the limitations on itemized deductions and personal exemptions for high-income households; these limitations are still partially in place under current law in 2008 but are scheduled to be completely eliminated by 2010.

In 2011 the overall impact of the legislation becomes a net tax increase. In 2010 tax units receive an average tax cut of \$193 whereas in 2011 they pay an extra \$207 on average. With the expiration of the 2001-06 tax cuts, the benefits of AMT repeal are substantially reduced but the additional tax paid as a result of the surcharge remains relatively constant. Taxpayers in the bottom 95 percent of the income distribution still receive a tax cut on average, but taxpayers in the top 5 percent face a tax increase. Most notably, taxpayers earning between \$200,000 and \$500,000 receive an average tax cut of 2.2 percent of income in 2010 but face a tax increase of 0.4 percent of income in 2011. For taxpayers in that income range the benefits of the AMT repeal in 2011 are smaller than the additional tax liability incurred as a result of the surtax.

Finally, by 2017, the last year in the budget window, the situation changes again. Under current law, AMT coverage will continue to expand since it is not indexed for inflation, and therefore the benefits of AMT repeal become larger over time. By 2017, the net effect of the major provisions of the bill is a tax increase of only \$25 on average, compared to \$207 in 2011. Those in the bottom 99 percent of the income distribution receive a tax cut on average. The highest income taxpayers continue to experience large tax increases relative to current law; taxpayers earning more than \$1 million will pay an extra 4.6 percent of income in tax in 2017.

Table T07-0300
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Level, 2008¹
Detail Table

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	15.8	0.0	0.8	6.9	-47	-19.8	0.0	0.2	-0.8	3.3
10-20	47.5	0.3	1.1	33.4	-162	-24.0	-0.2	0.6	-1.0	3.3
20-30	65.7	0.3	0.4	14.1	-85	-3.5	-0.1	2.1	-0.3	9.1
30-40	69.1	0.2	0.2	8.1	-64	-1.3	0.0	3.4	-0.2	13.6
40-50	68.3	0.2	0.2	8.5	-84	-1.1	0.0	4.2	-0.2	16.3
50-75	62.9	0.1	0.3	27.7	-158	-1.3	-0.1	11.3	-0.3	18.4
75-100	57.1	0.2	0.7	58.3	-532	-2.9	-0.3	10.7	-0.6	19.9
100-200	75.9	9.3	1.5	223.5	-1,569	-4.8	-1.1	24.3	-1.1	22.4
200-500	78.2	18.0	1.6	139.5	-3,582	-4.5	-0.7	16.0	-1.2	25.3
500-1,000	24.0	73.1	-2.2	-74.2	11,497	6.0	0.4	7.1	1.6	28.6
More than 1,000	10.7	88.0	-4.5	-346.3	101,082	10.4	2.0	20.0	3.1	33.4
All	57.0	2.4	0.2	100.0	-81	-0.5	0.0	100.0	-0.1	21.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2008¹

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	18,164	12.0	5,810	237	5,574	4.1	1.0	1.2	0.2
10-20	25,275	16.8	15,564	675	14,889	4.3	3.7	4.6	0.8
20-30	20,401	13.5	25,811	2,441	23,370	9.5	5.0	5.8	2.2
30-40	15,452	10.2	36,328	4,992	31,336	13.7	5.3	5.9	3.4
40-50	12,430	8.2	46,686	7,701	38,984	16.5	5.5	5.9	4.2
50-75	21,580	14.3	64,226	11,988	52,238	18.7	13.2	13.6	11.4
75-100	13,470	8.9	90,172	18,451	71,722	20.5	11.5	11.7	10.9
100-200	17,502	11.6	140,584	32,990	107,594	23.5	23.3	22.8	25.4
200-500	4,784	3.2	299,277	79,244	220,033	26.5	13.6	12.7	16.7
500-1,000	793	0.5	707,298	190,650	516,648	27.0	5.3	5.0	6.7
More than 1,000	421	0.3	3,228,212	975,858	2,252,355	30.2	12.9	11.5	18.1
All	150,867	100.0	69,872	15,072	54,800	21.6	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions): Baseline: 26.4 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class 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 but excludes those that are dependents of other tax units.

(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.

Table T07-0301
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Percentile, 2008¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	25.0	0.1	1.0	20.4	-85	-28.4	-0.1	0.3	-1.0	2.5
Second Quintile	59.9	0.2	0.7	31.7	-129	-8.0	-0.2	2.0	-0.6	6.9
Middle Quintile	68.8	0.2	0.2	17.5	-71	-1.3	-0.1	7.4	-0.2	14.4
Fourth Quintile	61.5	0.1	0.4	49.5	-201	-1.6	-0.2	16.9	-0.3	18.7
Top Quintile	70.2	11.4	-0.1	-19.5	80	0.2	0.5	73.2	0.0	25.6
All	57.0	2.4	0.2	100.0	-81	-0.5	0.0	100.0	-0.1	21.5
Addendum										
80-90	65.5	4.5	1.1	116.9	-952	-4.1	-0.6	15.1	-0.9	20.9
90-95	79.6	11.1	1.5	107.9	-1,757	-4.7	-0.5	11.8	-1.1	22.9
95-99	81.7	13.9	1.8	175.5	-3,573	-5.2	-0.9	17.5	-1.4	24.8
Top 1 Percent	24.7	73.0	-3.5	-419.8	34,190	8.6	2.4	28.9	2.5	31.6
Top 0.1 Percent	7.8	91.8	-4.7	-261.1	212,607	10.6	1.5	14.7	3.3	34.1

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2008¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	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	29,579	19.6	8,477	299	8,178	3.5	2.4	2.9	0.4
Second Quintile	30,169	20.0	21,597	1,612	19,985	7.5	6.2	7.3	2.1
Middle Quintile	30,172	20.0	38,857	5,650	33,207	14.5	11.1	12.1	7.5
Fourth Quintile	30,178	20.0	67,869	12,891	54,977	19.0	19.4	20.1	17.1
Top Quintile	30,174	20.0	213,996	54,775	159,221	25.6	61.3	58.1	72.7
All	150,867	100.0	69,872	15,072	54,800	21.6	100.0	100.0	100.0
Addendum									
80-90	15,087	10.0	108,117	23,527	84,591	21.8	15.5	15.4	15.6
90-95	7,544	5.0	154,967	37,162	117,805	24.0	11.1	10.8	12.3
95-99	6,034	4.0	264,051	69,008	195,043	26.1	15.1	14.2	18.3
Top 1 Percent	1,509	1.0	1,367,765	398,411	969,354	29.1	19.6	17.7	26.4
Top 0.1 Percent	151	0.1	6,480,962	1,997,516	4,483,446	30.8	9.3	8.2	13.3

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 26.4 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$14,385, 40% \$27,645, 60% \$48,311, 80% \$85,905, 90% \$126,802, 95% \$179,038, 99% \$437,351, 99.5% \$683,621, and 99.9% 2,001,713.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(6) 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.

Table T07-0302
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Baseline with 2006 AMT Patch Extended and Indexed for Inflation
Distribution of Federal Tax Change by Cash Income Level, 2008¹
Detail Table

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	15.7	0.0	0.8	-2.0	-46	-19.6	0.0	0.2	-0.8	3.3
10-20	47.1	0.3	0.8	-7.4	-123	-18.2	-0.2	0.6	-0.8	3.6
20-30	65.1	0.3	0.3	-3.8	-78	-3.2	-0.1	2.1	-0.3	9.2
30-40	69.0	0.2	0.2	-2.3	-62	-1.3	-0.1	3.4	-0.2	13.6
40-50	68.1	0.2	0.2	-2.2	-75	-1.0	-0.1	4.2	-0.2	16.3
50-75	60.7	0.0	0.2	-4.2	-83	-0.7	-0.3	11.3	-0.1	18.4
75-100	42.2	0.0	0.1	-2.6	-80	-0.5	-0.3	10.7	-0.1	19.9
100-200	23.4	10.2	0.0	-1.3	-31	-0.1	-0.5	24.3	0.0	22.4
200-500	32.4	50.2	-0.1	1.8	159	0.2	-0.3	16.0	0.1	25.3
500-1,000	17.5	76.4	-2.3	22.7	12,039	6.4	0.3	7.1	1.7	28.5
More than 1,000	8.4	89.2	-4.5	101.4	101,219	10.4	1.5	20.0	3.1	33.3
All	47.6	3.6	-0.5	100.0	279	1.9	0.0	100.0	0.4	21.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2008¹

Cash Income Class (thousands of 2006 dollars) 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 Percent of Total	Share of Post- Tax Income Percent of Total	Share of Federal Taxes Percent of Total
	Number (thousands)	Percent of Total							
Less than 10	18,164	12.0	5,810	236	5,574	4.1	1.0	1.2	0.2
10-20	25,275	16.8	15,564	675	14,890	4.3	3.7	4.5	0.8
20-30	20,401	13.5	25,811	2,441	23,370	9.5	5.0	5.7	2.2
30-40	15,452	10.2	36,328	4,990	31,338	13.7	5.3	5.8	3.5
40-50	12,430	8.2	46,686	7,690	38,995	16.5	5.5	5.8	4.3
50-75	21,580	14.3	64,226	11,912	52,314	18.6	13.2	13.6	11.6
75-100	13,470	8.9	90,172	17,998	72,174	20.0	11.5	11.7	10.9
100-200	17,502	11.6	140,584	31,459	109,125	22.4	23.3	23.0	24.8
200-500	4,784	3.2	299,277	75,462	223,814	25.2	13.6	12.9	16.3
500-1,000	793	0.5	707,298	189,627	517,671	26.8	5.3	4.9	6.8
More than 1,000	421	0.3	3,228,212	972,039	2,256,173	30.1	12.9	11.4	18.4
All	150,867	100.0	69,872	14,706	55,166	21.1	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 5.0 Proposal: 0.0

(1) Calendar year. Baseline is current law plus extension of the 2006 AMT patch indexed for inflation. The 2006 patch allowed personal nonrefundable credits against the AMT and increased the AMT exemption amounts. For 2008, the patched exemption amounts are \$45,050 for singles and heads of household and \$66,350 for joint filers. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that

amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class 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 but excludes those that are dependents of other tax units.

(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.

Table T07-0303
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Baseline with 2006 AMT Patch Extended and Indexed for Inflation
Distribution of Federal Tax Change by Cash Income Percentile, 2008¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (%)	Under the Proposal	Change (%)	Under the Proposal
Lowest Quintile	25.0	0.1	1.0	-5.5	-79	-26.3	-0.1	0.3	-0.9	2.6
Second Quintile	59.1	0.3	0.5	-7.0	-98	-6.1	-0.2	2.0	-0.5	7.0
Middle Quintile	68.7	0.2	0.2	-4.8	-67	-1.2	-0.2	7.4	-0.2	14.4
Fourth Quintile	58.1	0.0	0.2	-5.8	-81	-0.6	-0.4	16.9	-0.1	18.7
Top Quintile	27.4	17.1	-1.1	123.3	1,717	3.2	1.0	73.1	0.8	25.6
All	47.6	3.6	-0.5	100.0	279	1.9	0.0	100.0	0.4	21.5
Addendum										
80-90	31.3	4.8	0.1	-2.5	-70	-0.3	-0.3	15.1	-0.1	20.9
90-95	19.4	12.1	0.0	0.5	30	0.1	-0.2	11.8	0.0	22.9
95-99	29.9	39.1	0.0	0.3	18	0.0	-0.3	17.5	0.0	24.8
Top 1 Percent	17.8	77.5	-3.6	125.0	34,828	8.8	1.8	28.8	2.6	31.5
Top 0.1 Percent	6.7	92.1	-4.7	76.3	212,641	10.7	1.2	14.7	3.3	34.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2008¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	Share of Pre-Tax Income Percent of Total	Share of Post-Tax Income Percent of Total	Share of Federal Taxes Percent of Total	
	Number (thousands)	Percent of Total								
Lowest Quintile	29,579	19.6	8,477	298	8,178	3.5	2.4	2.9	0.4	
Second Quintile	30,169	20.0	21,597	1,612	19,985	7.5	6.2	7.2	2.2	
Middle Quintile	30,172	20.0	38,857	5,645	33,211	14.5	11.1	12.0	7.7	
Fourth Quintile	30,178	20.0	67,869	12,770	55,098	18.8	19.4	20.0	17.4	
Top Quintile	30,174	20.0	213,996	53,071	160,925	24.8	61.3	58.3	72.2	
All	150,867	100.0	69,872	14,706	55,166	21.1	100.0	100.0	100.0	
Addendum										
80-90	15,087	10.0	108,117	22,648	85,469	21.0	15.5	15.5	15.4	
90-95	7,544	5.0	154,967	35,383	119,584	22.8	11.1	10.8	12.0	
95-99	6,034	4.0	264,051	65,397	198,654	24.8	15.1	14.4	17.8	
Top 1 Percent	1,509	1.0	1,367,765	396,454	971,311	29.0	19.6	17.6	27.0	
Top 0.1 Percent	151	0.1	6,480,962	1,989,744	4,491,218	30.7	9.3	8.1	13.5	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 5.0 Proposal: 0.0

(1) Calendar year. Baseline is current law plus extension of the 2006 AMT patch indexed for inflation. The 2006 patch allowed personal nonrefundable credits against the AMT and increased the AMT exemption amounts. For 2008, the patched exemption amounts are \$45,050 for singles and heads of household and \$66,350 for joint filers. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that

amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$14,385, 40% \$27,645, 60% \$48,311, 80% \$85,905, 90% \$126,802, 95% \$179,038, 99% \$437,351, 99.5% \$683,621, and 99.9% 2,001,713.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(6) 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.

Table T07-0304
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Pre-EGTRRA Baseline
Distribution of Federal Tax Change by Cash Income Level, 2008¹
Detail Table

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	16.0	0.0	0.9	0.4	-51	-21.1	0.0	0.2	-0.9	3.3
10-20	52.0	0.4	2.0	3.2	-289	-34.4	-0.2	0.6	-1.9	3.6
20-30	77.1	0.3	2.8	5.6	-630	-21.0	-0.3	2.1	-2.4	9.2
30-40	86.0	0.1	2.7	5.5	-820	-14.3	-0.2	3.4	-2.3	13.6
40-50	92.4	0.1	2.5	5.1	-953	-11.1	-0.1	4.2	-2.0	16.3
50-75	97.8	0.0	2.7	12.7	-1,354	-10.3	-0.1	11.3	-2.1	18.4
75-100	99.1	0.0	3.2	12.9	-2,207	-11.0	-0.2	10.7	-2.5	19.9
100-200	99.5	0.1	3.9	30.7	-4,042	-11.4	-0.6	24.3	-2.9	22.4
200-500	97.3	2.4	3.7	16.5	-7,965	-9.5	-0.1	16.0	-2.7	25.3
500-1,000	88.5	10.9	2.1	3.6	-10,398	-4.9	0.3	7.1	-1.5	28.5
More than 1,000	76.7	23.0	1.0	3.8	-21,044	-1.9	1.5	20.0	-0.7	33.3
All	75.7	0.3	2.9	100.0	-1,529	-9.3	0.0	100.0	-2.2	21.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2008¹

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	18,164	12.0	5,810	241	5,569	4.2	1.0	1.3	0.2
10-20	25,275	16.8	15,564	841	14,723	5.4	3.7	4.6	0.9
20-30	20,401	13.5	25,811	2,992	22,819	11.6	5.0	5.8	2.5
30-40	15,452	10.2	36,328	5,747	30,581	15.8	5.3	5.9	3.6
40-50	12,430	8.2	46,686	8,569	38,117	18.4	5.5	5.9	4.3
50-75	21,580	14.3	64,226	13,183	51,043	20.5	13.2	13.7	11.4
75-100	13,470	8.9	90,172	20,125	70,047	22.3	11.5	11.7	10.9
100-200	17,502	11.6	140,584	35,470	105,113	25.2	23.3	22.9	24.9
200-500	4,784	3.2	299,277	83,587	215,690	27.9	13.6	12.8	16.1
500-1,000	793	0.5	707,298	212,065	495,233	30.0	5.3	4.9	6.8
More than 1,000	421	0.3	3,228,212	1,094,302	2,133,910	33.9	12.9	11.2	18.5
All	150,867	100.0	69,872	16,514	53,359	23.6	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 12.2 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class 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 but excludes those that are dependents of other tax units.

(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.

Table T07-0305
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Against Pre-EGTRRA Baseline
Distribution of Federal Tax Change by Cash Income Percentile, 2008 ¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	26.4	0.2	1.3	1.3	-104	-32.2	-0.1	0.3	-1.2	2.6
Second Quintile	68.3	0.3	2.5	6.5	-493	-24.6	-0.4	2.0	-2.3	7.0
Middle Quintile	87.5	0.1	2.6	11.1	-852	-13.3	-0.3	7.4	-2.2	14.4
Fourth Quintile	98.0	0.0	2.7	19.0	-1,451	-10.3	-0.2	16.9	-2.1	18.7
Top Quintile	98.4	1.1	3.1	62.0	-4,741	-8.0	1.0	73.1	-2.2	25.6
All	75.7	0.3	2.9	100.0	-1,529	-9.3	0.0	100.0	-2.2	21.5
Addendum										
80-90	99.3	0.0	3.7	20.1	-3,078	-12.0	-0.5	15.1	-2.9	20.9
90-95	99.6	0.1	3.8	14.1	-4,321	-10.9	-0.2	11.8	-2.8	22.9
95-99	98.1	1.6	3.8	18.9	-7,226	-10.0	-0.1	17.5	-2.7	24.8
Top 1 Percent	86.2	13.4	1.5	8.8	-13,525	-3.0	1.9	28.8	-1.0	31.5
Top 0.1 Percent	69.8	30.0	0.8	2.2	-33,930	-1.5	1.2	14.7	-0.5	34.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2008 ¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	Share of Pre-Tax Income Percent of Total	Share of Post-Tax Income Percent of Total	Share of Federal Taxes Percent of Total
	Number (thousands)	Percent of Total							
Lowest Quintile	29,579	19.6	8,477	324	8,153	3.8	2.4	3.0	0.4
Second Quintile	30,169	20.0	21,597	2,008	19,589	9.3	6.2	7.3	2.4
Middle Quintile	30,172	20.0	38,857	6,430	32,427	16.6	11.1	12.2	7.8
Fourth Quintile	30,178	20.0	67,869	14,140	53,728	20.8	19.4	20.1	17.1
Top Quintile	30,174	20.0	213,996	59,529	154,467	27.8	61.3	57.9	72.1
All	150,867	100.0	69,872	16,514	53,359	23.6	100.0	100.0	100.0
Addendum									
80-90	15,087	10.0	108,117	25,656	82,461	23.7	15.5	15.5	15.5
90-95	7,544	5.0	154,967	39,734	115,233	25.6	11.1	10.8	12.0
95-99	6,034	4.0	264,051	72,640	191,410	27.5	15.1	14.4	17.6
Top 1 Percent	1,509	1.0	1,367,765	444,806	922,959	32.5	19.6	17.3	26.9
Top 0.1 Percent	151	0.1	6,480,962	2,236,315	4,244,647	34.5	9.3	8.0	13.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 12.2 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$14,385, 40% \$27,645, 60% \$48,311, 80% \$85,905, 90% \$126,802, 95% \$179,038, 99% \$437,351, 99.5% \$683,621, and 99.9% 2,001,713.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(6) 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.

Table T07-0306
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Level, 2010¹
Detail Table

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	17.4	0.0	0.9	3.1	-53	-20.7	0.0	0.1	-0.9	3.4
10-20	48.4	0.3	1.1	14.8	-175	-24.7	-0.2	0.5	-1.1	3.3
20-30	65.6	0.3	0.4	6.1	-87	-3.4	-0.1	2.1	-0.3	9.1
30-40	69.7	0.1	0.2	3.6	-68	-1.3	0.0	3.3	-0.2	13.4
40-50	68.9	0.1	0.2	4.3	-99	-1.2	0.0	4.2	-0.2	16.3
50-75	64.7	0.1	0.4	16.2	-218	-1.7	-0.1	11.2	-0.3	18.7
75-100	63.9	0.2	1.0	34.9	-743	-3.8	-0.3	10.7	-0.8	20.0
100-200	80.4	9.9	1.8	126.6	-2,016	-5.7	-1.2	25.1	-1.4	22.5
200-500	83.6	13.8	2.2	87.7	-4,958	-6.0	-0.9	16.6	-1.6	25.0
500-1,000	25.2	72.6	-2.4	-36.3	13,068	6.7	0.5	7.0	1.8	28.2
More than 1,000	11.5	87.5	-5.0	-161.3	111,760	11.5	2.2	18.9	3.5	33.9
All	59.7	2.4	0.3	100.0	-193	-1.2	0.0	100.0	-0.3	21.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2010¹

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	17,249	11.2	6,020	258	5,762	4.3	0.9	1.1	0.2
10-20	25,257	16.3	16,275	706	15,569	4.3	3.6	4.4	0.7
20-30	21,136	13.7	26,983	2,550	24,433	9.5	5.0	5.7	2.2
30-40	15,865	10.3	37,911	5,155	32,756	13.6	5.2	5.8	3.3
40-50	13,044	8.4	48,808	8,068	40,739	16.5	5.5	5.9	4.2
50-75	22,180	14.3	67,154	12,748	54,406	19.0	13.0	13.4	11.3
75-100	14,059	9.1	94,376	19,660	74,715	20.8	11.5	11.7	11.0
100-200	18,782	12.1	147,048	35,107	111,940	23.9	24.0	23.4	26.3
200-500	5,289	3.4	310,634	82,593	228,041	26.6	14.3	13.4	17.4
500-1,000	831	0.5	738,482	195,367	543,115	26.5	5.3	5.0	6.5
More than 1,000	431	0.3	3,204,623	974,236	2,230,388	30.4	12.0	10.7	16.8
All	154,718	100.0	74,322	16,192	58,130	21.8	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions): Baseline: 32.4 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class 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 but excludes those that are dependents of other tax units.

(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.

Table T07-0307
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Percentile, 2010¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	27.9	0.2	1.1	10.4	-102	-30.3	-0.1	0.3	-1.1	2.5
Second Quintile	61.3	0.2	0.6	13.0	-126	-6.8	-0.1	2.2	-0.5	7.3
Middle Quintile	69.5	0.1	0.2	8.4	-81	-1.3	0.0	7.7	-0.2	14.7
Fourth Quintile	63.7	0.1	0.5	32.7	-316	-2.2	-0.2	17.4	-0.4	19.0
Top Quintile	76.3	11.6	0.2	35.3	-341	-0.6	0.4	72.4	-0.2	25.7
All	59.7	2.4	0.3	100.0	-193	-1.2	0.0	100.0	-0.3	21.5
Addendum										
80-90	73.7	6.2	1.5	68.5	-1,323	-5.1	-0.6	15.4	-1.1	21.2
90-95	83.8	10.9	1.9	61.1	-2,361	-5.8	-0.6	12.1	-1.4	23.2
95-99	86.1	11.2	2.4	101.8	-4,918	-6.6	-1.0	17.4	-1.7	24.7
Top 1 Percent	26.5	71.8	-3.9	-196.0	37,879	9.4	2.7	27.5	2.7	31.8
Top 0.1 Percent	8.2	91.5	-5.4	-120.0	231,853	11.7	1.6	13.8	3.7	35.1

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2007¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	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	30,349	19.6	9,317	338	8,978	3.6	2.5	3.0	0.4
Second Quintile	30,951	20.0	23,511	1,853	21,658	7.9	6.3	7.5	2.3
Middle Quintile	30,935	20.0	41,886	6,221	35,665	14.9	11.3	12.3	7.7
Fourth Quintile	30,943	20.0	72,976	14,214	58,762	19.5	19.6	20.2	17.6
Top Quintile	30,945	20.0	225,458	58,215	167,243	25.8	60.7	57.5	71.9
All	154,718	100.0	74,322	16,192	58,130	21.8	100.0	100.0	100.0
Addendum									
80-90	15,473	10.0	116,377	25,972	90,404	22.3	15.7	15.6	16.0
90-95	7,738	5.0	166,632	40,951	125,681	24.6	11.2	10.8	12.7
95-99	6,187	4.0	281,960	74,482	207,478	26.4	15.2	14.3	18.4
Top 1 Percent	1,547	1.0	1,384,540	401,942	982,598	29.0	18.6	16.9	24.8
Top 0.1 Percent	155	0.1	6,319,084	1,983,017	4,336,066	31.4	8.5	7.5	12.3

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 32.4 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$15,083, 40% \$28,658, 60% \$49,715, 80% \$88,519, 90% \$130,682, 95% \$184,021, 99% \$441,538, 99.5% \$687,852, and 99.9% 1,972,123.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(6) 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.

Table T07-0308
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Level, 2011¹
Detail Table

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	15.7	0.0	0.9	-2.8	-54	-19.5	0.0	0.1	-0.9	3.6
10-20	33.7	0.3	0.7	-8.1	-104	-11.8	-0.1	0.7	-0.6	4.6
20-30	56.9	0.3	0.2	-3.6	-54	-1.7	-0.1	2.3	-0.2	11.1
30-40	67.7	0.1	0.2	-3.5	-71	-1.2	-0.1	3.3	-0.2	15.3
40-50	69.3	0.0	0.3	-4.6	-112	-1.2	-0.1	4.1	-0.2	18.0
50-75	63.1	0.0	0.4	-15.2	-219	-1.5	-0.3	10.8	-0.3	20.5
75-100	56.8	0.2	0.6	-20.9	-474	-2.2	-0.4	10.5	-0.5	22.2
100-200	46.1	12.3	0.5	-31.3	-524	-1.4	-0.6	25.1	-0.4	25.2
200-500	36.4	54.6	-0.4	16.1	941	1.1	0.0	17.1	0.3	28.5
500-1,000	11.8	83.6	-2.6	37.3	13,937	6.1	0.3	7.1	1.9	31.9
More than 1,000	7.0	90.7	-4.7	136.9	99,917	8.7	1.3	18.9	3.1	38.2
All	49.1	4.3	-0.4	100.0	207	1.1	0.0	100.0	0.3	24.3

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2011¹

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	16,811	10.7	6,086	275	5,811	4.5	0.9	1.1	0.2
10-20	25,284	16.2	16,631	876	15,755	5.3	3.5	4.4	0.8
20-30	21,596	13.8	27,636	3,118	24,518	11.3	5.0	5.8	2.3
30-40	16,032	10.2	38,799	6,001	32,797	15.5	5.2	5.7	3.3
40-50	13,218	8.5	49,940	9,109	40,831	18.2	5.5	5.9	4.2
50-75	22,444	14.3	68,652	14,280	54,372	20.8	12.8	13.3	11.1
75-100	14,300	9.1	96,522	21,851	74,671	22.6	11.5	11.7	10.8
100-200	19,360	12.4	150,400	38,393	112,007	25.5	24.2	23.7	25.7
200-500	5,551	3.6	317,079	89,288	227,791	28.2	14.6	13.8	17.1
500-1,000	865	0.6	755,020	226,808	528,212	30.0	5.4	5.0	6.8
More than 1,000	443	0.3	3,272,093	1,148,541	2,123,552	35.1	12.0	10.3	17.6
All	156,502	100.0	77,021	18,484	58,537	24.0	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions): Baseline: 18.5 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class 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 but excludes those that are dependents of other tax units.

(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.

Table T07-0309
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Percentile, 2011¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	21.3	0.1	0.8	-7.3	-77	-19.6	-0.1	0.3	-0.8	3.2
Second Quintile	50.4	0.3	0.3	-6.9	-72	-3.0	-0.1	2.5	-0.3	9.4
Middle Quintile	68.2	0.1	0.2	-8.5	-88	-1.2	-0.2	7.7	-0.2	16.6
Fourth Quintile	61.5	0.0	0.5	-27.6	-286	-1.8	-0.5	17.0	-0.4	21.0
Top Quintile	44.4	21.0	-0.9	150.5	1,556	2.4	0.9	72.4	0.7	29.0
All	49.1	4.3	-0.4	100.0	207	1.1	0.0	100.0	0.3	24.3
Addendum										
80-90	50.8	7.3	0.6	-26.4	-546	-1.9	-0.5	15.3	-0.5	23.8
90-95	42.3	14.3	0.4	-10.7	-442	-1.0	-0.3	12.0	-0.3	25.9
95-99	39.4	47.4	-0.2	8.2	424	0.5	-0.1	17.6	0.1	28.1
Top 1 Percent	10.7	85.5	-3.9	179.4	37,102	7.8	1.7	27.4	2.6	35.9
Top 0.1 Percent	5.6	93.3	-5.1	102.2	211,227	9.0	1.0	13.7	3.3	39.4

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2011¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	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	30,704	19.6	9,721	392	9,329	4.0	2.5	3.1	0.4
Second Quintile	31,300	20.0	24,460	2,379	22,081	9.7	6.4	7.5	2.6
Middle Quintile	31,297	20.0	43,383	7,286	36,097	16.8	11.3	12.3	7.9
Fourth Quintile	31,305	20.0	75,537	16,125	59,412	21.4	19.6	20.3	17.5
Top Quintile	31,299	20.0	233,599	66,089	167,510	28.3	60.7	57.2	71.5
All	156,502	100.0	77,021	18,484	58,537	24.0	100.0	100.0	100.0
Addendum									
80-90	15,649	10.0	120,616	29,223	91,393	24.2	15.7	15.6	15.8
90-95	7,824	5.0	172,853	45,272	127,580	26.2	11.2	10.9	12.3
95-99	6,260	4.0	292,744	81,830	210,915	28.0	15.2	14.4	17.7
Top 1 Percent	1,565	1.0	1,430,531	475,852	954,679	33.3	18.6	16.3	25.7
Top 0.1 Percent	157	0.1	6,508,651	2,354,047	4,154,604	36.2	8.5	7.1	12.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 18.5 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$15,384, 40% \$29,083, 60% \$50,348, 80% \$89,737, 90% \$132,504, 95% \$186,771, 99% \$447,567, 99.5% \$697,094, and 99.9% 1,996,728.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(6) 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.

Table T07-0310
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Level, 2017¹
Detail Table

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	14.8	0.0	1.0	-21.5	-61	-19.7	0.0	0.1	-0.9	3.8
10-20	32.5	0.2	0.6	-63.4	-108	-11.4	-0.1	0.5	-0.6	4.4
20-30	55.1	0.2	0.2	-33.0	-61	-1.8	0.0	1.9	-0.2	10.3
30-40	68.4	0.0	0.3	-45.3	-107	-1.7	-0.1	2.9	-0.2	14.5
40-50	70.1	0.0	0.5	-73.4	-222	-2.2	-0.1	3.5	-0.4	17.4
50-75	68.7	0.0	0.8	-284.3	-500	-3.1	-0.3	9.7	-0.6	20.4
75-100	71.3	0.3	1.3	-396.3	-1,076	-4.2	-0.4	9.8	-1.0	22.5
100-200	64.8	14.1	1.0	-719.4	-1,289	-2.8	-0.8	26.6	-0.8	25.6
200-500	56.7	40.2	0.2	-80.8	-488	-0.5	-0.1	18.7	-0.1	29.0
500-1,000	14.4	83.4	-2.6	400.6	15,756	6.2	0.4	7.4	1.8	31.5
More than 1,000	8.7	89.4	-4.6	1,418.7	109,253	8.9	1.5	18.8	3.0	37.1
All	55.1	4.6	0.0	100.0	25	0.1	0.0	100.0	0.0	24.7

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2017¹

Cash Income Class (thousands of 2006 dollars) 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
Less than 10	14,896	8.9	6,577	311	6,266	4.7	0.6	0.8	0.1
10-20	24,924	14.9	19,117	946	18,172	5.0	3.0	3.8	0.6
20-30	23,081	13.8	31,561	3,297	28,264	10.5	4.6	5.4	1.9
30-40	17,925	10.7	44,159	6,499	37,659	14.7	5.0	5.6	3.0
40-50	14,020	8.4	56,966	10,113	46,853	17.8	5.0	5.5	3.6
50-75	24,122	14.4	78,006	16,371	61,635	21.0	11.8	12.3	10.0
75-100	15,618	9.3	110,090	25,809	84,281	23.4	10.8	10.9	10.2
100-200	23,661	14.1	172,975	45,531	127,445	26.3	25.6	25.0	27.4
200-500	7,011	4.2	361,163	105,300	255,863	29.2	15.8	14.9	18.8
500-1,000	1,078	0.6	860,075	254,898	605,178	29.6	5.8	5.4	7.0
More than 1,000	551	0.3	3,622,846	1,234,897	2,387,949	34.1	12.5	10.9	17.3
All	167,480	100.0	95,452	23,507	71,945	24.6	100.0	100.0	100.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions): Baseline: 39.1 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class 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 but excludes those that are dependents of other tax units.

(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.

Table T07-0311
Major Individual Income Tax Provisions of HR 3970: The Tax Reduction and Reform Act of 2007
Distribution of Federal Tax Change by Cash Income Percentile, 2017¹
Detail Table

Cash Income Percentile ^{2,3}	Percent of Tax Units ⁴		Percent Change in After-Tax Income ⁵	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁶	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	23.0	0.1	0.8	-70.6	-91	-16.7	-0.1	0.4	-0.7	3.6
Second Quintile	53.0	0.2	0.3	-53.7	-68	-2.2	-0.1	2.6	-0.2	9.9
Middle Quintile	69.6	0.0	0.4	-153.2	-194	-2.1	-0.2	7.6	-0.4	16.7
Fourth Quintile	69.7	0.1	1.1	-607.2	-769	-3.7	-0.7	17.0	-0.8	21.5
Top Quintile	60.7	22.6	-0.6	986.6	1,249	1.5	1.0	72.3	0.4	29.4
All	55.1	4.6	0.0	100.0	25	0.1	0.0	100.0	0.0	24.7
Addendum										
80-90	62.9	12.8	1.0	-422.6	-1,070	-2.8	-0.5	15.8	-0.7	24.8
90-95	69.6	14.9	1.1	-346.5	-1,755	-3.0	-0.4	12.1	-0.8	26.6
95-99	56.2	40.8	0.2	-74.8	-474	-0.5	-0.1	17.9	-0.1	29.0
Top 1 Percent	12.4	85.5	-3.9	1,830.5	46,352	8.1	1.9	26.4	2.6	35.3
Top 0.1 Percent	6.5	93.1	-5.0	1,004.1	254,299	9.2	1.1	12.9	3.2	38.7

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2017¹

Cash Income Percentile ^{2,3}	Tax Units ⁴		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁵ (Dollars)	Average Federal Tax Rate ⁶	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	32,906	19.7	12,488	544	11,944	4.4	2.6	3.3	0.5
Second Quintile	33,495	20.0	30,722	3,119	27,604	10.2	6.4	7.7	2.7
Middle Quintile	33,494	20.0	53,357	9,108	44,249	17.1	11.2	12.3	7.8
Fourth Quintile	33,495	20.0	93,061	20,807	72,254	22.4	19.5	20.1	17.7
Top Quintile	33,496	20.0	289,501	83,791	205,710	28.9	60.7	57.2	71.3
All	167,480	100.0	95,452	23,507	71,945	24.6	100.0	100.0	100.0
Addendum									
80-90	16,749	10.0	149,892	38,182	111,710	25.5	15.7	15.5	16.2
90-95	8,373	5.0	214,989	58,886	156,103	27.4	11.3	10.9	12.5
95-99	6,700	4.0	363,495	105,964	257,531	29.2	15.2	14.3	18.0
Top 1 Percent	1,675	1.0	1,762,224	575,727	1,186,498	32.7	18.5	16.5	24.5
Top 0.1 Percent	167	0.1	7,849,252	2,779,382	5,069,871	35.4	8.2	7.1	11.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-1).

Number of AMT Taxpayers (millions). Baseline: 39.1 Proposal: 0.0

(1) Calendar year. Baseline is current law. The modeled provisions of HR 3970 introduce an add-on to the standard deduction of \$425 for singles, \$625 for heads of household, and \$850 for joint filers beginning in 2008 (indexed for inflation); increase the phase-in and phase-out rates for the childless EITC to 15.3% and increase the phase-out threshold to \$10,900 beginning in 2008 (indexed for inflation); reduce the refundability threshold for the child credit to \$8,500 and eliminate inflation adjustments to that amount beginning in 2008; allow the personal nonrefundable credits against the AMT in 2007; increase the AMT exemption amounts to \$44,150 for singles and heads of household and \$64,950 for joint filers in 2007; repeal the individual AMT after 2007; implement a surtax of 4% on modified AGI (AGI less the investment interest expense deduction) above \$150,000 for singles and heads of household and \$200,000 for joint filers after 2007 (indexed for inflation); implement an additional surtax of 0.6% of modified AGI above \$250,000 for singles and heads of household and \$500,000 for joint filers after 2007 (not indexed for inflation); restore the limitation on itemized deductions and personal exemptions for singles and heads of household earning above \$270,000 and joint filers earning above \$520,000 (phasing in the limitations between \$250,000 and \$270,000 and \$500,000 and \$520,000 respectively); and increase the floor on miscellaneous itemized deductions to 5% of AGI above the lower surtax threshold.

(2) Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see

<http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$17,323, 40% \$31,687, 60% \$54,178, 80% \$97,568, 90% \$145,107, 95% \$203,083, 99% \$491,734, 99.5% \$764,508, and 99.9% 2,180,870.

(4) Includes both filing and non-filing units but excludes those that are dependents of other tax units.

(5) 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.

(6) 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.