

12-May-03

Table T03-0092
Administration's Dividend Exclusion Proposal:
Distribution of Individual Income Tax Change by Percentiles, 2004¹

AGI Class ²	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income ³	Percent of Total Income Tax Change	Average Tax Change (\$)	Average Income Tax Rate ⁴	
					Current Law	Proposal
Lowest Quintile	0.1	*	*	**	-10.4	-10.4
Second Quintile	6.1	0.1	1.0	-8	-5.1	-5.1
Middle Quintile	14.5	0.1	3.7	-30	4.6	4.5
Fourth Quintile	24.4	0.2	9.6	-79	9.0	8.9
Next 10 Percent	35.8	0.2	10.3	-168	11.5	11.3
Next 5 Percent	51.3	0.3	9.9	-324	14.2	13.9
Next 4 Percent	65.8	0.6	21.5	-878	18.6	18.1
Top 1 Percent	81.1	1.2	43.8	-7,152	27.4	26.5
All	18.6	0.4	100.0	-163	13.4	13.1

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0503-1).

- (1) Calendar year. Baseline is current law. Estimates for the dividend exclusion assume that the details of the proposal effectively limit tax-sheltering activity. That assumption may turn out to be over-optimistic and the long-run revenue cost could turn out to be much greater.
- (2) Tax units with negative AGI are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.
- (3) After-tax income is AGI less individual income tax net of refundable credits.
- (4) Average income tax, net of refundable credits, as a percentage of average AGI.