

Table T06-0196
Maintain 2007 Estate Tax Rate (45 Percent) and Raise Exemption Level to \$5 Million
Baseline: Equal-Cost Alternative that Maintains 2007 Exemption Level (\$2 million) and Reduces Rate to 23.5 Percent
Distribution of Federal Tax Change by Economic Income Percentile, 2011¹

Economic 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	n.a.	0	0.0	0.0	0.7	0.0	5.3
Second Quintile	0.0	0.0	0.0	n.a.	0	0.0	0.0	3.7	0.0	11.5
Middle Quintile	0.0	0.0	0.0	n.a.	0	0.0	0.0	8.9	0.0	16.6
Fourth Quintile	0.0	0.0	0.0	n.a.	0	0.0	0.0	18.3	0.0	20.9
Top Quintile	0.1	0.0	0.0	n.a.	1	0.0	0.0	68.3	0.0	23.4
All	0.0	0.0	0.0	n.a.	0	0.0	0.0	100.0	0.0	21.0
Addendum										
Top 10 Percent	0.1	0.0	0.0	n.a.	3	0.0	0.0	52.3	0.0	23.6
Top 5 Percent	0.2	0.0	0.0	n.a.	45	0.0	0.0	40.3	0.0	23.7
Top 1 Percent	0.5	0.2	-0.2	n.a.	1,882	0.5	0.1	23.4	0.1	24.6
Top 0.5 Percent	0.5	0.3	-0.3	n.a.	5,008	0.8	0.1	18.8	0.2	24.9
Top 0.1 Percent	0.4	0.6	-0.4	n.a.	24,364	1.3	0.1	10.9	0.3	24.5

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

Economic 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	
Lowest Quintile	30,250	19.4	11,711	621	11,090	5.3	2.7	3.2	0.7
Second Quintile	31,193	20.0	28,596	3,283	25,313	11.5	6.7	7.5	3.7
Middle Quintile	31,198	20.0	47,818	7,915	39,902	16.6	11.2	11.9	8.9
Fourth Quintile	31,196	20.0	78,017	16,294	61,722	20.9	18.3	18.4	18.3
Top Quintile	31,197	20.0	260,371	60,981	199,390	23.4	61.2	59.3	68.3
All	155,984	100.0	85,093	17,858	67,235	21.0	100.0	100.0	100.0
Addendum									
Top 10 Percent	15,599	10.0	395,773	93,325	302,448	23.6	46.5	45.0	52.3
Top 5 Percent	7,799	5.0	605,989	143,745	462,244	23.7	35.6	34.4	40.3
Top 1 Percent	1,560	1.0	1,699,070	416,641	1,282,429	24.5	20.0	19.1	23.3
Top 0.5 Percent	780	0.5	2,697,930	667,330	2,030,600	24.7	15.9	15.1	18.7
Top 0.1 Percent	156	0.1	7,955,580	1,926,505	6,029,074	24.2	9.4	9.0	10.8

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

(1) Calendar year. Baseline is current law plus the following provisions: \$2 million effective exemption; single statutory rate of 23.5 percent; repeal the state death tax credit and replace with a deduction for state estate taxes paid; repeal the 5-percent surtax. Proposal would increase the exemption to \$5 million and create a single statutory estate tax rate of 45 percent.

(2) Tax units with negative economic income are excluded from the lowest income class but are included in the totals. For classifier purposes, economic income has been adjusted for family size by dividing by the square root of the number of members of the tax unit. For a further description of economic 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.