

**Table T06-0320**  
**Freeze the One-Third Repeal of the Personal Exemption Phaseout (PEP) and Limitation on Itemized Deductions (Pease)**  
**Baseline is Current Law Plus an AMT Fix**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2010<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Percent of Tax Units <sup>3</sup>		Percent Change in After-Tax Income <sup>4</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>5</sup>	
	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	3.6
Second Quintile	0.0	0.0	0.0	0.0	0	0.0	0.0	2.4	0.0	7.9
Middle Quintile	0.0	0.0	0.0	0.0	0	0.0	0.0	7.9	0.0	14.8
Fourth Quintile	0.0	0.1	0.0	0.0	0	0.0	-0.1	17.7	0.0	19.1
Top Quintile	0.1	13.0	-0.2	100.0	253	0.5	0.1	71.5	0.1	25.0
All	0.0	2.6	-0.1	100.0	51	0.3	0.0	100.0	0.1	21.2
<b>Addendum</b>										
Top 10 Percent	0.2	25.6	-0.2	99.9	505	0.6	0.1	55.8	0.2	26.3
Top 5 Percent	0.4	40.4	-0.3	99.3	1,005	0.7	0.2	43.6	0.2	27.3
Top 1 Percent	0.7	46.8	-0.5	87.2	4,406	1.1	0.2	25.8	0.3	29.3
Top 0.5 Percent	0.6	64.7	-0.5	78.2	7,905	1.2	0.2	20.8	0.4	30.1
Top 0.1 Percent	0.6	72.2	-0.5	42.6	21,540	1.1	0.1	12.7	0.3	31.7

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2010<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Tax Units <sup>3</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>4</sup>	Average Federal Tax Rate <sup>5</sup>	Share of Pre-Tax Income	Share of Post-Tax Income	Share of Federal Taxes
	Number (thousands)	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	1,852	21,658	7.9	6.3	7.4	2.4
Middle Quintile	30,935	20.0	41,886	6,206	35,680	14.8	11.3	12.2	7.9
Fourth Quintile	30,943	20.0	72,976	13,969	59,007	19.1	19.6	20.1	17.8
Top Quintile	30,945	20.0	225,458	56,033	169,424	24.9	60.7	57.8	71.4
All	154,718	100.0	74,322	15,703	58,619	21.1	100.0	100.0	100.0
<b>Addendum</b>									
Top 10 Percent	15,472	10.0	334,549	87,373	247,176	26.1	45.0	42.2	55.6
Top 5 Percent	7,734	5.0	502,540	136,239	366,301	27.1	33.8	31.2	43.4
Top 1 Percent	1,547	1.0	1,384,540	401,299	983,241	29.0	18.6	16.8	25.6
Top 0.5 Percent	774	0.5	2,181,481	647,638	1,533,843	29.7	14.7	13.1	20.6
Top 0.1 Percent	155	0.1	6,319,084	1,982,912	4,336,172	31.4	8.5	7.4	12.6

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

(1) Calendar year. Baseline is current law plus: (1) extending the 2006 AMT exemption levels and indexing them for inflation after 2006; and allowing personal nonrefundable credits regardless of tentative AMT. Under current law, the calculated value of the personal exemption phaseout and the limitation on itemized deductions is reduced by one-third for 2006 and 2007, two-thirds for 2008 and 2009 and eliminated completely in 2010. This proposal freezes the reduction at one-third for 2008 through 2010.

(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.