

Table T06-0324
Finance Repeal of Personal Exemption Phaseout (PEP) and Limitation on Itemized Deductions (Pease) By Increasing Top Two
Marginal Rates to 34.7 and 36.8 Percent, Baseline Assumes An AMT Fix
Distribution of Federal Tax Change by Cash Income Percentile, 2010¹

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	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	0.1	0.0	0.0	0.4	0	0.0	0.0	17.7	0.0	19.1
Top Quintile	12.7	1.3	0.0	99.6	-5	0.0	0.0	71.5	0.0	25.0
All	2.6	0.3	0.0	100.0	-1	0.0	0.0	100.0	0.0	21.2
Addendum										
Top 10 Percent	25.0	2.6	0.0	95.5	-10	0.0	0.0	55.9	0.0	26.4
Top 5 Percent	39.2	5.2	0.0	52.7	-11	0.0	0.0	43.7	0.0	27.4
Top 1 Percent	34.3	19.9	-0.1	-748.6	770	0.2	0.1	25.9	0.1	29.5
Top 0.5 Percent	37.2	33.2	-0.1	-1,051.4	2,162	0.3	0.1	21.0	0.1	30.4
Top 0.1 Percent	22.8	55.2	-0.3	-1,040.2	10,696	0.5	0.1	12.8	0.2	32.1

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

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- 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	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	20.2	17.7
Top Quintile	30,945	20.0	225,458	56,434	169,024	25.0	60.7	57.8	71.5
All	154,718	100.0	74,322	15,783	58,539	21.2	100.0	100.0	100.0
Addendum									
Top 10 Percent	15,472	10.0	334,549	88,173	246,376	26.4	45.0	42.1	55.9
Top 5 Percent	7,734	5.0	502,540	137,830	364,710	27.4	33.8	31.1	43.7
Top 1 Percent	1,547	1.0	1,384,540	408,200	976,340	29.5	18.6	16.7	25.9
Top 0.5 Percent	774	0.5	2,181,481	659,819	1,521,662	30.3	14.7	13.0	20.9
Top 0.1 Percent	155	0.1	6,319,084	2,015,946	4,303,138	31.9	8.5	7.4	12.8

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; and (2) no repeal of PEP and Pease. Under current law, the top two individual income tax rates are 33 and 35 percent. The proposal assumes that Pease and PEP are repealed and the top two rates are increased by 5.0 percent to 34.7 and 36.8 percent.

(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.