

Table T08-0041
Individual Income Tax Measures in Senate Stimulus Proposal
Distribution of Federal Tax Change by Economic Income Percentile Adjusted for Family Size, 2008 ¹
Summary 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 (\$) | Average Federal Tax Rate ⁶ | |
|---------------------------------------|-----------------------------------|-------------------|-------------------------------------------------|-----------------------------------|---------------------------------|---------------------------------------|--------------------|
| | With Tax Cut | With Tax Increase | | | | Change (%) | Under the Proposal |
| Lowest Quintile | 75.6 | 0.0 | 5.6 | 14.0 | -575 | -5.5 | -2.9 |
| Second Quintile | 96.1 | 0.0 | 3.2 | 19.1 | -756 | -2.9 | 5.0 |
| Middle Quintile | 98.7 | 0.0 | 2.2 | 20.9 | -830 | -1.9 | 11.9 |
| Fourth Quintile | 99.4 | 0.0 | 1.5 | 22.2 | -881 | -1.2 | 16.9 |
| Top Quintile | 99.6 | 0.0 | 0.5 | 23.7 | -939 | -0.4 | 21.2 |
| All | 93.5 | 0.0 | 1.2 | 100.0 | -794 | -1.0 | 17.8 |
| Addendum | | | | | | | |
| 80-90 | 99.6 | 0.0 | 1.0 | 11.6 | -920 | -0.8 | 19.2 |
| 90-95 | 99.6 | 0.0 | 0.7 | 5.9 | -943 | -0.6 | 20.0 |
| 95-99 | 99.5 | 0.0 | 0.4 | 4.9 | -970 | -0.3 | 20.2 |
| Top 1 Percent | 99.3 | 0.0 | 0.1 | 1.2 | -974 | -0.1 | 24.2 |
| Top 0.1 Percent | 98.9 | 0.0 | 0.0 | 0.1 | -980 | 0.0 | 24.9 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-2).

Number of AMT Taxpayers (millions). Baseline: 4.1 Proposal: 4.1

(1) Calendar year. Baseline is 2008 current law assuming extension and indexation for inflation of the 2007 AMT patch. The proposal provides a refundable basic credit of \$500 (\$1,000 for married couples filing a joint return) available to all tax filers with at least \$3000 of earned income and Social Security benefits or at least \$1 of income tax liability after nonrefundable credits excluding the child credit. For any tax unit with at least \$1 of basic credit, the proposal provides an additional, refundable, \$300 credit for each child-tax-credit-eligible child. Our estimates are based on 2008 incomes; the proposal actually allows the rebate to be based on 2007 income if it results in a higher amount. Our estimates assume that all potential beneficiaries claim the credit.

(2) Tax units with negative income are excluded from the lowest income class but are included in the totals. For a description of economic income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) Incomes used in the classification by quintile are adjusted for family size by dividing by the square root of the number of people in the tax unit. The resulting percentile breaks are (in 2006 dollars): 20% \$13,467, 40% \$24,205, 60% \$38,777, 80% \$64,528, 90% \$95,509, 95% \$139,295, 99% \$356,534, 99.5% \$544,904, and 99.9% 1,632,689.

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

(5) After-tax income is economic 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 economic income.

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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 | 75.6 | 0.0 | 5.6 | 14.0 | -575 | -213.6 | -0.8 | -0.4 | -5.5 | -2.9 |
| Second Quintile | 96.1 | 0.0 | 3.2 | 19.1 | -756 | -36.9 | -0.9 | 1.8 | -2.9 | 5.0 |
| Middle Quintile | 98.7 | 0.0 | 2.2 | 20.9 | -830 | -13.7 | -0.7 | 7.5 | -1.9 | 11.9 |
| Fourth Quintile | 99.4 | 0.0 | 1.5 | 22.2 | -881 | -6.7 | -0.3 | 17.5 | -1.2 | 16.9 |
| Top Quintile | 99.6 | 0.0 | 0.5 | 23.7 | -939 | -1.8 | 2.7 | 73.3 | -0.4 | 21.2 |
| All | 93.5 | 0.0 | 1.2 | 100.0 | -794 | -5.4 | 0.0 | 100.0 | -1.0 | 17.8 |
| Addendum | | | | | | | | | | |
| 80-90 | 99.6 | 0.0 | 1.0 | 11.6 | -920 | -4.0 | 0.2 | 15.8 | -0.8 | 19.2 |
| 90-95 | 99.6 | 0.0 | 0.7 | 5.9 | -943 | -2.7 | 0.3 | 12.1 | -0.6 | 20.0 |
| 95-99 | 99.5 | 0.0 | 0.4 | 4.9 | -970 | -1.5 | 0.7 | 17.7 | -0.3 | 20.2 |
| Top 1 Percent | 99.3 | 0.0 | 0.1 | 1.2 | -974 | -0.3 | 1.4 | 27.7 | -0.1 | 24.2 |
| Top 0.1 Percent | 98.9 | 0.0 | 0.0 | 0.1 | -980 | -0.1 | 0.7 | 13.6 | 0.0 | 24.9 |

Baseline Distribution of Income and Federal Taxes
by Economic Income Percentile Adjusted for Family Size, 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 | 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 | 29,250 | 19.4 | 10,544 | 269 | 10,275 | 2.6 | 2.6 | 3.1 | 0.4 |
| Second Quintile | 30,172 | 20.0 | 26,030 | 2,047 | 23,982 | 7.9 | 6.6 | 7.5 | 2.8 |
| Middle Quintile | 30,172 | 20.0 | 44,142 | 6,074 | 38,068 | 13.8 | 11.2 | 11.9 | 8.2 |
| Fourth Quintile | 30,175 | 20.0 | 72,721 | 13,189 | 59,532 | 18.1 | 18.4 | 18.6 | 17.8 |
| Top Quintile | 30,173 | 20.0 | 242,233 | 52,396 | 189,837 | 21.6 | 61.4 | 59.2 | 70.7 |
| All | 150,867 | 100.0 | 78,953 | 14,831 | 64,122 | 18.8 | 100.0 | 100.0 | 100.0 |
| Addendum | | | | | | | | | |
| 80-90 | 15,087 | 10.0 | 115,028 | 23,034 | 91,994 | 20.0 | 14.6 | 14.4 | 15.5 |
| 90-95 | 7,543 | 5.0 | 170,735 | 35,024 | 135,711 | 20.5 | 10.8 | 10.6 | 11.8 |
| 95-99 | 6,035 | 4.0 | 308,061 | 63,116 | 244,946 | 20.5 | 15.6 | 15.3 | 17.0 |
| Top 1 Percent | 1,508 | 1.0 | 1,608,730 | 390,065 | 1,218,665 | 24.3 | 20.4 | 19.0 | 26.3 |
| Top 0.1 Percent | 151 | 0.1 | 7,629,109 | 1,903,976 | 5,725,134 | 25.0 | 9.7 | 8.9 | 12.8 |

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 1006-2).

Number of AMT Taxpayers (millions). Baseline:

4.1 Proposal: 4.1

(1) Calendar year. Baseline is 2008 current law assuming extension and indexation for inflation of the 2007 AMT patch. The proposal provides a refundable basic credit of \$500 (\$1,000 for married couples filing a joint return) available to all tax filers with at least \$3000 of earned income and Social Security benefits or at least \$1 of income tax liability after nonrefundable credits excluding the child credit. For any tax unit with at least \$1 of basic credit, the proposal provides an additional, refundable, \$300 credit for each child-tax-credit-eligible child. Our estimates are based on 2008 incomes; the proposal actually allows the rebate to be based on 2007 income if it results in a higher amount. Our estimates assume that all potential beneficiaries claim the credit.

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