

Table T08-0003
Reduce Lowest Individual Income Tax Rate from 10 to 9 Percent
Distribution of Federal Tax Change by Cash Income Percentile, 2008¹
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	9.8	1.2	0.0	0.9	-2	0.0	3.5
Second Quintile	47.3	3.0	0.2	12.7	-31	-0.1	7.3
Middle Quintile	79.2	1.6	0.2	29.6	-72	-0.2	14.3
Fourth Quintile	83.5	1.1	0.2	40.5	-98	-0.1	18.9
Top Quintile	32.8	1.3	0.0	16.4	-40	0.0	25.8
All	50.5	1.6	0.1	100.0	-49	-0.1	21.7
Addendum							
80-90	48.2	1.9	0.1	12.0	-58	-0.1	21.7
90-95	21.4	1.0	0.0	2.4	-24	0.0	24.0
95-99	7.6	0.4	0.0	0.7	-9	0.0	26.3
Top 1 Percent	37.0	0.3	0.0	1.2	-57	0.0	29.7
Top 0.1 Percent	62.4	0.0	0.0	0.2	-93	0.0	31.7

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

Number of AMT Taxpayers (millions). Baseline: 26.4 Proposal: 27.6

(1) Calendar year. Baseline is current law. Proposal would reduce the lowest statutory individual income tax rate from 10 to 9 percent, effective 01/01/08.

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

(3) The cash income percentile breaks used in this table are (in 2006 dollars): 20% \$14,385, 40% \$27,645, 60% \$48,311, 80% \$85,905, 90% \$126,802, 95% \$179,038, 99% \$437,351, 99.5% \$683,621, and 99.9% 2,001,713.

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

(5) 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.

(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 cash income.

Table T08-0003
Reduce Lowest Individual Income Tax From 10 to 9 Percent
Distribution of Federal Tax Change by Cash Income Percentile, 2008¹
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	9.8	1.2	0.0	0.9	-2	-0.7	0.0	0.4	0.0	3.5
Second Quintile	47.3	3.0	0.2	12.7	-31	-1.9	0.0	2.1	-0.1	7.3
Middle Quintile	79.2	1.6	0.2	29.6	-72	-1.3	-0.1	7.4	-0.2	14.3
Fourth Quintile	83.5	1.1	0.2	40.5	-98	-0.8	-0.1	16.9	-0.1	18.9
Top Quintile	32.8	1.3	0.0	16.4	-40	-0.1	0.2	73.1	0.0	25.8
All	50.5	1.6	0.1	100.0	-49	-0.3	0.0	100.0	-0.1	21.7
Addendum										
80-90	48.2	1.9	0.1	12.0	-58	-0.3	0.0	15.5	-0.1	21.7
90-95	21.4	1.0	0.0	2.4	-24	-0.1	0.0	12.3	0.0	24.0
95-99	7.6	0.4	0.0	0.7	-9	0.0	0.1	18.4	0.0	26.3
Top 1 Percent	37.0	0.3	0.0	1.2	-57	0.0	0.1	26.9	0.0	29.7
Top 0.1 Percent	62.4	0.0	0.0	0.2	-93	0.0	0.0	13.6	0.0	31.7

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2008¹

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	29,579	19.6	8,477	296	8,181	3.5	2.4	2.9	0.4
Second Quintile	30,169	20.0	21,597	1,611	19,987	7.5	6.2	7.3	2.1
Middle Quintile	30,172	20.0	38,857	5,646	33,211	14.5	11.1	12.1	7.4
Fourth Quintile	30,178	20.0	67,869	12,891	54,978	19.0	19.4	20.1	17.0
Top Quintile	30,174	20.0	213,996	55,307	158,689	25.9	61.3	58.0	72.9
All	150,867	100.0	69,872	15,177	54,695	21.7	100.0	100.0	100.0
Addendum									
80-90	15,087	10.0	108,117	23,548	84,569	21.8	15.5	15.5	15.5
90-95	7,544	5.0	154,967	37,276	117,691	24.1	11.1	10.8	12.3
95-99	6,034	4.0	264,051	69,495	194,555	26.3	15.1	14.2	18.3
Top 1 Percent	1,509	1.0	1,367,765	406,325	961,440	29.7	19.6	17.6	26.8
Top 0.1 Percent	151	0.1	6,480,962	2,055,636	4,425,326	31.7	9.3	8.1	13.5

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

Number of AMT Taxpayers (millions). Baseline: 26.4 Proposal: 27.6

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