

**Table T10-0165**  
**Incremental Effects of Allowing the 2001 and 2003 Tax Cuts to Sunset**  
**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2012<sup>1</sup>**  
**Summary Table**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change (\$)	Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase				Change (%) Points)	Under the Proposal
Lowest Quintile	0.0	0.0	0.0	0.0	0	0.0	4.6
Second Quintile	0.0	2.5	0.0	0.3	1	0.0	10.3
Middle Quintile	0.0	7.7	0.0	1.1	6	0.0	16.6
Fourth Quintile	0.0	19.6	0.0	3.8	25	0.0	19.6
Top Quintile	0.0	43.6	-0.4	94.8	720	0.3	26.7
All	0.0	11.9	-0.2	100.0	112	0.2	21.8
<b>Addendum</b>							
80-90	0.0	31.7	-0.1	4.2	64	0.1	22.1
90-95	0.0	44.5	-0.1	4.8	148	0.1	23.4
95-99	0.0	63.3	-0.2	15.4	586	0.2	25.9
Top 1 Percent	0.0	79.4	-0.8	70.4	10,460	0.6	32.4
Top 0.1 Percent	0.0	85.2	-1.2	42.9	63,247	0.8	35.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

Number of AMT Taxpayers (millions). Baseline: 3.8

Proposal: 3.7

\*\* This table is part of a series of tables showing the distributional effects of moving incrementally from current policy to current law. For definitions and further information, see "Related Tables: Moving Incrementally from Current Policy to Current Law" at <http://taxpolicycenter.org/numbers/displayatab.cfm?template=simulation&SimID=367>

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level— a 55 percent top tax rate and a \$1 million exemption, not indexed); top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

(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 classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2009 dollars): 20% \$19,356, 40% \$37,493, 60% \$65,656, 80% \$111,659, 90% \$161,739, 95% \$226,402, 99% \$599,181, 99.9% \$2,727,123.

(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 T10-0165**  
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**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2012 <sup>1</sup>**  
**Detail Table**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</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	0.8	0.0	4.6
Second Quintile	0.0	2.5	0.0	0.3	1	0.1	0.0	4.0	0.0	10.3
Middle Quintile	0.0	7.7	0.0	1.1	6	0.1	-0.1	10.6	0.0	16.6
Fourth Quintile	0.0	19.6	0.0	3.8	25	0.1	-0.1	17.8	0.0	19.6
Top Quintile	0.0	43.6	-0.4	94.8	720	1.0	0.2	66.7	0.3	26.7
All	0.0	11.9	-0.2	100.0	112	0.7	0.0	100.0	0.2	21.8
<b>Addendum</b>										
80-90	0.0	31.7	-0.1	4.2	64	0.2	-0.1	13.7	0.1	22.1
90-95	0.0	44.5	-0.1	4.8	148	0.3	0.0	10.1	0.1	23.4
95-99	0.0	63.3	-0.2	15.4	586	0.7	0.0	16.0	0.2	25.9
Top 1 Percent	0.0	79.4	-0.8	70.4	10,460	1.8	0.3	26.9	0.6	32.4
Top 0.1 Percent	0.0	85.2	-1.2	42.9	63,247	2.2	0.2	13.7	0.8	35.5

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	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	38,450	24.4	11,600	537	11,063	4.6	3.7	4.5	0.8
Second Quintile	34,947	22.2	28,852	2,980	25,872	10.3	8.4	9.6	4.0
Middle Quintile	31,868	20.3	52,224	8,645	43,579	16.6	13.9	14.8	10.6
Fourth Quintile	26,646	16.9	88,978	17,392	71,586	19.6	19.8	20.3	17.9
Top Quintile	23,298	14.8	280,229	74,050	206,179	26.4	54.5	51.1	66.6
All	157,348	100.0	76,169	16,476	59,692	21.6	100.0	100.0	100.0
<b>Addendum</b>									
80-90	11,720	7.5	138,385	30,537	107,848	22.1	13.5	13.5	13.8
90-95	5,734	3.6	196,549	45,829	150,719	23.3	9.4	9.2	10.1
95-99	4,655	3.0	345,574	88,991	256,584	25.8	13.4	12.7	16.0
Top 1 Percent	1,190	0.8	1,825,188	580,266	1,244,922	31.8	18.1	15.8	26.6
Top 0.1 Percent	120	0.1	8,367,274	2,910,532	5,456,742	34.8	8.4	7.0	13.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

Number of AMT Taxpayers (millions). Baseline: 3.8

Proposal: 3.7

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

(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 classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2009 dollars): 20% \$19,356, 40% \$37,493, 60% \$65,656, 80% \$111,659, 90% \$161,739, 95% \$226,402, 99% \$599,181, 99.9% \$2,727,123.

(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 T10-0165**  
**Incremental Effects of Allowing the 2001 and 2003 Tax Cuts to Sunset**  
**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**  
**Detail Table**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
<b>Lowest Quintile</b>	0.0	0.0	0.0	0.0	0	0.0	0.0	0.1	0.0	1.0
<b>Second Quintile</b>	0.0	0.7	0.0	0.0	0	0.0	0.0	2.8	0.0	8.5
<b>Middle Quintile</b>	0.0	5.4	0.0	0.5	3	0.0	-0.1	8.4	0.0	15.2
<b>Fourth Quintile</b>	0.0	16.0	0.0	2.3	13	0.1	-0.1	17.0	0.0	19.0
<b>Top Quintile</b>	0.0	40.1	-0.3	97.2	574	0.9	0.2	71.6	0.2	26.5
<b>All</b>	0.0	11.9	-0.2	100.0	112	0.7	0.0	100.0	0.2	21.8
<b>Addendum</b>										
<b>80-90</b>	0.0	28.2	-0.1	3.6	42	0.2	-0.1	15.0	0.0	22.2
<b>90-95</b>	0.0	41.0	-0.1	4.6	107	0.3	-0.1	11.4	0.1	23.5
<b>95-99</b>	0.0	60.1	-0.2	16.1	480	0.6	0.0	17.2	0.2	25.7
<b>Top 1 Percent</b>	0.0	77.7	-0.8	72.9	8,972	1.8	0.3	28.0	0.6	32.1
<b>Top 0.1 Percent</b>	0.0	84.9	-1.2	44.9	55,779	2.2	0.2	14.2	0.8	35.3

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
<b>Lowest Quintile</b>	31,706	20.2	10,935	114	10,821	1.0	2.9	3.7	0.1
<b>Second Quintile</b>	32,349	20.6	26,208	2,226	23,982	8.5	7.1	8.3	2.8
<b>Middle Quintile</b>	31,237	19.9	46,322	7,019	39,303	15.2	12.1	13.1	8.5
<b>Fourth Quintile</b>	29,980	19.1	77,565	14,746	62,819	19.0	19.4	20.1	17.1
<b>Top Quintile</b>	29,936	19.0	235,547	61,865	173,683	26.3	58.8	55.4	71.4
<b>All</b>	157,348	100.0	76,169	16,476	59,692	21.6	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	15,019	9.6	117,658	26,058	91,599	22.2	14.7	14.7	15.1
<b>90-95</b>	7,540	4.8	167,170	39,249	127,921	23.5	10.5	10.3	11.4
<b>95-99</b>	5,940	3.8	294,212	75,164	219,047	25.6	14.6	13.9	17.2
<b>Top 1 Percent</b>	1,436	0.9	1,584,726	500,033	1,084,693	31.6	19.0	16.6	27.7
<b>Top 0.1 Percent</b>	142	0.1	7,360,192	2,539,469	4,820,723	34.5	8.7	7.3	14.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

Number of AMT Taxpayers (millions). Baseline: 3.8

Proposal: 3.7

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

(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

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(3) The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,219, 40% \$24,782, 60% \$41,864, 80% \$68,188, 90% \$97,830, 95% \$138,709, 99% \$361,983, 99.9% \$1,670,467.

(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.

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**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**  
**Detail Table - Single Tax Units**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
<b>Lowest Quintile</b>	0.0	0.0	0.0	0.0	0	0.0	0.0	1.5	0.0	7.1
<b>Second Quintile</b>	0.0	1.2	0.0	0.2	0	0.0	0.0	5.0	0.0	10.7
<b>Middle Quintile</b>	0.0	6.3	0.0	1.5	4	0.1	-0.1	12.4	0.0	17.1
<b>Fourth Quintile</b>	0.0	13.9	0.0	4.3	15	0.1	-0.1	20.5	0.0	21.1
<b>Top Quintile</b>	0.0	35.3	-0.4	94.1	386	0.9	0.2	60.5	0.3	27.6
<b>All</b>	0.0	8.8	-0.2	100.0	57	0.6	0.0	100.0	0.1	22.0
<b>Addendum</b>										
<b>80-90</b>	0.0	24.7	-0.1	5.8	45	0.2	-0.1	15.4	0.1	24.0
<b>90-95</b>	0.0	37.4	-0.2	7.8	129	0.4	0.0	10.8	0.1	25.3
<b>95-99</b>	0.0	55.1	-0.3	19.4	425	0.8	0.0	14.6	0.2	26.3
<b>Top 1 Percent</b>	0.0	72.7	-1.0	61.1	6,661	1.9	0.3	19.8	0.6	34.3
<b>Top 0.1 Percent</b>	0.0	80.2	-1.4	35.9	44,577	2.3	0.2	9.5	0.9	38.1

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	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							
<b>Lowest Quintile</b>	16,972	24.6	8,380	595	7,785	7.1	4.7	5.6	1.5
<b>Second Quintile</b>	15,474	22.5	19,970	2,142	17,828	10.7	10.2	11.7	5.0
<b>Middle Quintile</b>	14,005	20.3	34,261	5,867	28,394	17.1	15.9	16.8	12.5
<b>Fourth Quintile</b>	11,543	16.8	55,833	11,768	44,065	21.1	21.3	21.5	20.6
<b>Top Quintile</b>	9,596	13.9	151,979	41,482	110,497	27.3	48.2	44.8	60.3
<b>All</b>	68,932	100.0	43,878	9,576	34,301	21.8	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	5,066	7.4	84,037	20,144	63,893	24.0	14.1	13.7	15.5
<b>90-95</b>	2,373	3.4	119,032	29,996	89,036	25.2	9.3	8.9	10.8
<b>95-99</b>	1,795	2.6	204,548	53,420	151,128	26.1	12.1	11.5	14.5
<b>Top 1 Percent</b>	361	0.5	1,060,631	357,067	703,564	33.7	12.7	10.7	19.5
<b>Top 0.1 Percent</b>	32	0.1	5,243,107	1,952,066	3,291,040	37.2	5.5	4.4	9.4

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

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(3) The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,219, 40% \$24,782, 60% \$41,864, 80% \$68,188, 90% \$97,830, 95% \$138,709, 99% \$361,983, 99.9% \$1,670,467.

(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.

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**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**  
**Detail Table - Married Tax Units Filing Jointly**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</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	0.0	0.0	0.8
Second Quintile	0.0	0.1	0.0	0.0	0	0.0	0.0	1.4	0.0	7.9
Middle Quintile	0.0	5.5	0.0	0.2	2	0.0	0.0	5.3	0.0	13.6
Fourth Quintile	0.0	19.3	0.0	1.7	14	0.1	-0.1	14.6	0.0	17.9
Top Quintile	0.0	44.0	-0.3	98.1	683	0.9	0.2	78.5	0.2	26.2
All	0.0	19.1	-0.2	100.0	211	0.8	0.0	100.0	0.2	22.6
<b>Addendum</b>										
80-90	0.0	31.5	0.0	3.0	43	0.2	-0.1	15.0	0.0	21.5
90-95	0.0	43.6	-0.1	3.6	97	0.2	-0.1	12.2	0.1	23.0
95-99	0.0	63.6	-0.2	15.4	511	0.6	0.0	19.2	0.2	25.6
Top 1 Percent	0.0	79.9	-0.8	76.2	9,720	1.8	0.3	32.1	0.6	31.6
Top 0.1 Percent	0.0	87.2	-1.1	47.0	59,522	2.2	0.2	16.0	0.8	34.7

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
Lowest Quintile	6,622	10.8	14,526	118	14,408	0.8	1.2	1.6	0.0
Second Quintile	8,956	14.6	33,405	2,631	30,774	7.9	3.9	4.6	1.4
Middle Quintile	11,470	18.7	59,671	8,100	51,571	13.6	8.9	9.9	5.4
Fourth Quintile	15,032	24.5	95,023	17,016	78,007	17.9	18.5	19.6	14.7
Top Quintile	18,609	30.3	281,842	73,139	208,704	26.0	67.8	64.8	78.4
All	61,357	100.0	126,020	28,302	97,718	22.5	100.0	100.0	100.0
<b>Addendum</b>									
80-90	8,860	14.4	138,312	29,646	108,666	21.4	15.9	16.1	15.1
90-95	4,843	7.9	192,091	44,065	148,025	22.9	12.0	12.0	12.3
95-99	3,890	6.3	337,723	85,879	251,844	25.4	17.0	16.3	19.2
Top 1 Percent	1,015	1.7	1,748,464	542,574	1,205,891	31.0	23.0	20.4	31.7
Top 0.1 Percent	102	0.2	7,890,377	2,678,469	5,211,909	34.0	10.5	8.9	15.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

(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 classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,219, 40% \$24,782, 60% \$41,864, 80% \$68,188, 90% \$97,830, 95% \$138,709, 99% \$361,983, 99.9% \$1,670,467.

(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 T10-0165**  
**Incremental Effects of Allowing the 2001 and 2003 Tax Cuts to Sunset**  
**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**  
**Detail Table - Head of Household Tax Units**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</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	-5.3	0.0	-7.2
Second Quintile	0.0	0.3	0.0	0.1	0	0.0	0.0	9.6	0.0	6.0
Middle Quintile	0.0	3.1	0.0	2.2	1	0.0	-0.1	27.3	0.0	15.3
Fourth Quintile	0.0	8.3	0.0	5.1	5	0.0	-0.1	29.3	0.0	19.7
Top Quintile	0.0	21.9	-0.2	92.7	207	0.5	0.1	39.0	0.1	25.2
All	0.0	2.8	0.0	100.0	11	0.2	0.0	100.0	0.0	14.0
<b>Addendum</b>										
80-90	0.0	15.1	0.0	6.9	24	0.1	0.0	14.5	0.0	22.9
90-95	0.0	26.5	-0.1	6.0	71	0.2	0.0	5.9	0.1	23.5
95-99	0.0	38.6	-0.1	15.8	253	0.4	0.0	8.1	0.1	24.1
Top 1 Percent	0.0	69.7	-0.6	64.0	5,371	1.2	0.1	10.5	0.4	32.2
Top 0.1 Percent	0.0	75.1	-0.7	34.5	32,862	1.4	0.1	5.0	0.5	35.2

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
Lowest Quintile	7,840	31.9	13,490	-966	14,455	-7.2	10.3	12.9	-5.3
Second Quintile	7,497	30.5	30,617	1,831	28,786	6.0	22.4	24.5	9.6
Middle Quintile	5,095	20.8	50,275	7,686	42,589	15.3	25.0	24.6	27.4
Fourth Quintile	2,777	11.3	76,881	15,151	61,730	19.7	20.8	19.4	29.4
Top Quintile	1,242	5.1	178,521	44,832	133,689	25.1	21.6	18.8	38.9
All	24,547	100.0	41,760	5,832	35,928	14.0	100.0	100.0	100.0
<b>Addendum</b>									
80-90	805	3.3	112,763	25,824	86,938	22.9	8.9	7.9	14.5
90-95	232	0.9	154,893	36,390	118,503	23.5	3.5	3.1	5.9
95-99	173	0.7	278,418	66,763	211,655	24.0	4.7	4.1	8.1
Top 1 Percent	33	0.1	1,423,600	452,285	971,315	31.8	4.6	3.6	10.4
Top 0.1 Percent	3	0.0	6,950,503	2,413,995	4,536,509	34.7	2.0	1.5	4.9

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

(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 classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,219, 40% \$24,782, 60% \$41,864, 80% \$68,188, 90% \$97,830, 95% \$138,709, 99% \$361,983, 99.9% \$1,670,467.

(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 T10-0165**  
**Incremental Effects of Allowing the 2001 and 2003 Tax Cuts to Sunset**  
**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**  
**Detail Table - Tax Units with Children**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
<b>Lowest Quintile</b>	0.0	0.0	0.0	0.0	0	0.0	0.0	-1.3	0.0	-8.9
<b>Second Quintile</b>	0.0	0.3	0.0	0.0	0	0.0	0.0	2.2	0.0	6.1
<b>Middle Quintile</b>	0.0	5.7	0.0	0.5	2	0.0	0.0	9.9	0.0	15.4
<b>Fourth Quintile</b>	0.0	15.4	0.0	2.3	10	0.1	-0.1	19.6	0.0	19.4
<b>Top Quintile</b>	0.0	42.2	-0.2	97.2	531	0.6	0.1	69.5	0.2	27.3
<b>All</b>	0.0	11.5	-0.1	100.0	92	0.5	0.0	100.0	0.1	21.3
<b>Addendum</b>										
<b>80-90</b>	0.0	30.8	0.0	2.9	30	0.1	-0.1	15.7	0.0	22.7
<b>90-95</b>	0.0	44.1	-0.1	3.4	78	0.1	0.0	10.7	0.0	24.0
<b>95-99</b>	0.0	63.0	-0.2	15.9	459	0.4	0.0	16.9	0.1	27.0
<b>Top 1 Percent</b>	0.0	79.3	-0.7	75.0	9,114	1.3	0.2	26.2	0.4	33.6
<b>Top 0.1 Percent</b>	0.0	85.2	-0.9	45.5	57,383	1.7	0.2	12.7	0.6	35.7

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
<b>Lowest Quintile</b>	10,133	20.6	14,723	-1,303	16,026	-8.9	3.2	4.4	-1.3
<b>Second Quintile</b>	10,359	21.1	34,672	2,104	32,568	6.1	7.7	9.1	2.2
<b>Middle Quintile</b>	10,251	20.9	62,298	9,617	52,681	15.4	13.6	14.6	9.9
<b>Fourth Quintile</b>	9,800	19.9	103,142	20,040	83,102	19.4	21.6	22.0	19.7
<b>Top Quintile</b>	8,315	16.9	306,063	83,135	222,927	27.2	54.3	50.2	69.4
<b>All</b>	49,155	100.0	95,419	20,264	75,155	21.2	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	4,398	9.0	157,496	35,755	121,741	22.7	14.8	14.5	15.8
<b>90-95</b>	1,976	4.0	224,546	53,886	170,660	24.0	9.5	9.1	10.7
<b>95-99</b>	1,567	3.2	400,356	107,654	292,702	26.9	13.4	12.4	16.9
<b>Top 1 Percent</b>	374	0.8	2,088,455	692,031	1,396,424	33.1	16.7	14.1	26.0
<b>Top 0.1 Percent</b>	36	0.1	9,839,694	3,457,699	6,381,995	35.1	7.6	6.2	12.5

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

Note: Tax units with children are those claiming an exemption for children at home or away from home.

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

(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

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(3) The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The incomes used 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 2009 dollars): 20% \$13,219, 40% \$24,782, 60% \$41,864, 80% \$68,188, 90% \$97,830, 95% \$138,709, 99% \$361,983, 99.9% \$1,670,467.

(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 T10-0165**  
**Incremental Effects of Allowing the 2001 and 2003 Tax Cuts to Sunset**  
**Tax All Dividends as Ordinary Income**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**  
**Detail Table - Elderly Tax Units**

Cash Income Percentile <sup>2,3</sup>	Percent of Tax Units <sup>4</sup>		Percent Change in After-Tax Income <sup>5</sup>	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate <sup>6</sup>	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
<b>Lowest Quintile</b>	0.0	0.0	0.0	0.0	0	0.0	0.0	0.3	0.0	2.5
<b>Second Quintile</b>	0.0	1.0	0.0	0.1	0	0.1	0.0	1.6	0.0	3.9
<b>Middle Quintile</b>	0.0	6.7	0.0	0.4	6	0.2	-0.1	3.4	0.0	6.2
<b>Fourth Quintile</b>	0.0	29.8	-0.1	2.4	34	0.4	-0.1	10.2	0.1	11.6
<b>Top Quintile</b>	0.0	62.4	-0.7	97.1	1,320	2.0	0.2	84.4	0.5	25.8
<b>All</b>	0.0	18.4	-0.4	100.0	250	1.8	0.0	100.0	0.3	19.0
<b>Addendum</b>										
<b>80-90</b>	0.0	52.3	-0.2	4.5	141	0.8	-0.1	9.8	0.1	16.9
<b>90-95</b>	0.0	63.6	-0.3	5.9	330	1.1	-0.1	9.4	0.2	19.9
<b>95-99</b>	0.0	73.3	-0.5	17.8	975	1.5	-0.1	20.7	0.4	24.4
<b>Top 1 Percent</b>	0.0	79.9	-1.3	68.9	12,140	2.8	0.4	44.5	0.9	32.4
<b>Top 0.1 Percent</b>	0.0	86.8	-1.7	40.9	73,727	3.3	0.3	22.5	1.1	35.8

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2012 <sup>1</sup>**

Cash Income Percentile <sup>2,3</sup>	Tax Units <sup>4</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After- Tax Income <sup>5</sup> (Dollars)	Average Federal Tax Rate <sup>6</sup>	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Tax Income Percent of Total	Tax Income Percent of Total	Federal Taxes Percent of Total
<b>Lowest Quintile</b>	5,016	16.4	10,899	271	10,628	2.5	2.4	2.8	0.3
<b>Second Quintile</b>	8,213	26.9	22,528	870	21,658	3.9	8.0	9.5	1.7
<b>Middle Quintile</b>	5,981	19.6	41,094	2,528	38,566	6.2	10.6	12.3	3.5
<b>Fourth Quintile</b>	5,495	18.0	70,238	8,100	62,139	11.5	16.7	18.2	10.3
<b>Top Quintile</b>	5,617	18.4	257,048	64,862	192,186	25.2	62.4	57.4	84.2
<b>All</b>	30,543	100.0	75,737	14,171	61,567	18.7	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	2,427	8.0	105,444	17,672	87,772	16.8	11.1	11.3	9.9
<b>90-95</b>	1,362	4.5	153,103	30,078	123,025	19.7	9.0	8.9	9.5
<b>95-99</b>	1,394	4.6	267,882	64,282	203,599	24.0	16.1	15.1	20.7
<b>Top 1 Percent</b>	434	1.4	1,396,961	440,022	956,939	31.5	26.2	22.1	44.1
<b>Top 0.1 Percent</b>	42	0.1	6,520,091	2,261,044	4,259,047	34.7	12.0	9.6	22.2

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-5).

Note: Elderly tax units are those with either head or spouse (if filing jointly) age 65 or older.

(1) Calendar year. Baseline is current policy (extension of the 2001-2003 tax cuts and patching AMT using 2009 parameters indexed for inflation) plus estate tax at current law level—a 55 percent top tax rate and a \$1 million exemption, not indexed; top two tax brackets raised to 36 and 39.6 percent; restoration of the personal exemption phaseout (PEP) and the limitation on itemized deductions (Pease); increased tax rates on long-term capital gains (10 percent for tax units in 15 percent bracket, 20 percent for rest) and reduced rates for gains on assets held 5 years or longer. Policy is taxation of all dividends as ordinary income.

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