

Table T11-0023
Administration's FY2012 Budget Proposals
Major Individual Income and Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile, 2013 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	41.4	9.2	2.5	4.1	-273	-2.4	2.8
Second Quintile	79.8	7.8	3.1	10.7	-806	-2.7	9.6
Middle Quintile	93.0	4.3	2.8	14.8	-1,220	-2.3	16.3
Fourth Quintile	97.9	1.6	3.4	24.5	-2,414	-2.6	19.5
Top Quintile	95.0	4.9	2.5	45.9	-5,164	-1.8	27.8
All	77.8	6.0	2.8	100.0	-1,672	-2.1	22.3
Addendum							
80-90	98.4	1.5	4.1	19.6	-4,377	-3.1	22.2
90-95	98.4	1.6	4.0	13.0	-5,936	-2.9	23.5
95-99	93.9	6.1	3.0	13.6	-7,718	-2.1	26.5
Top 1 Percent	49.8	50.2	-0.1	-0.4	812	0.0	34.9
Top 0.1 Percent	24.5	75.5	-0.8	-1.9	41,860	0.5	38.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).

Number of AMT Taxpayers (millions). Baseline: 21.2

Proposal: 3.7

(1) Calendar year. Baseline is current law. Proposal would a) index the parameters of the AMT to inflation after 2011 and allow non-refundable credits against tentative AMT; b) extend parts of the 2001 and 2003 tax cuts, including marriage penalty relief, the 10, 15, 25, 28 and a portion of the 33 percent brackets, and the 0%/15% rate structure on capital gains and qualified dividends for taxpayers in those brackets; c) set the threshold for the 36 percent bracket at \$200,000 (single), \$250,000 (married), or \$225,000 (head of household), indexed for inflation after 2009, less the standard deduction and one personal exemption (two if married); d) set the thresholds for PEP and Pease at \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; e) tax capital gains and qualified dividends at 20% for taxpayers in the top two brackets and repeal the 8%/18% rates for assets held more than 5 years; f) extend the \$1,000 child tax credit, \$3,000 (not indexed) refundability threshold, and allow against the AMT; g) extend the American Opportunity Tax Credit; h) extend the EITC's 45% phase-in rate for families with 3 or more children and higher phase-out thresholds for married couples; i) extend the maximum credit amount for the child and dependent care tax credit and increase the phase-out threshold to \$75,000 (not indexed); j) provide automatic enrollment in IRAs; k) limit itemized deductions to 28% for taxpayers in the top two brackets; and l) set the estate tax at its 2009 level (\$3.5M exemption, 45% rate) and modify certain valuation discount rules. Business provisions include a) expand and make the R&E credit permanent; b) tax carried interest as ordinary income; c) repeal LIFO; d) expand section 179 expensing; e) reform international tax system; f) reform treatment of financial institutions; g) eliminate fossil fuel preferences; h) reinstate Superfund environmental income tax; and g) reform the treatment of insurance industry.

(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% 19,829, 40% 38,180, 60% 66,963, 80% 114,669, 90% 167,030, 95% 236,580, 99% 643,739, 99.9% 2,961,299.

(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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Administration's FY2012 Budget Proposals
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Distribution of Federal Tax Change by Cash Income Percentile, 2013¹
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	41.4	9.2	2.5	4.1	-273	-45.9	-0.3	0.5	-2.4	2.8
Second Quintile	79.8	7.8	3.1	10.7	-806	-22.1	-0.6	3.6	-2.7	9.6
Middle Quintile	93.0	4.3	2.8	14.8	-1,220	-12.4	-0.4	9.9	-2.3	16.3
Fourth Quintile	97.9	1.6	3.4	24.5	-2,414	-12.0	-0.6	17.0	-2.6	19.5
Top Quintile	95.0	4.9	2.5	45.9	-5,164	-5.9	2.0	68.9	-1.8	27.8
All	77.8	6.0	2.8	100.0	-1,672	-8.6	0.0	100.0	-2.1	22.3
Addendum										
80-90	98.4	1.5	4.1	19.6	-4,377	-12.2	-0.5	13.4	-3.1	22.2
90-95	98.4	1.6	4.0	13.0	-5,936	-11.0	-0.3	10.0	-2.9	23.5
95-99	93.9	6.1	3.0	13.6	-7,718	-7.4	0.2	16.2	-2.1	26.5
Top 1 Percent	49.8	50.2	-0.1	-0.4	812	0.1	2.6	29.4	0.0	34.9
Top 0.1 Percent	24.5	75.5	-0.8	-1.9	41,860	1.2	1.5	15.1	0.5	38.8

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2013¹

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	40,401	25.3	11,561	595	10,966	5.1	3.7	4.6	0.8
Second Quintile	35,545	22.3	29,518	3,645	25,873	12.4	8.3	9.6	4.2
Middle Quintile	32,339	20.3	53,265	9,879	43,386	18.6	13.6	14.6	10.3
Fourth Quintile	27,031	16.9	91,335	20,194	71,140	22.1	19.5	20.1	17.7
Top Quintile	23,705	14.9	295,351	87,191	208,160	29.5	55.2	51.5	66.9
All	159,683	100.0	79,379	19,349	60,030	24.4	100.0	100.0	100.0
Addendum									
80-90	11,940	7.5	142,598	35,989	106,609	25.2	13.4	13.3	13.9
90-95	5,860	3.7	204,431	53,985	150,446	26.4	9.5	9.2	10.2
95-99	4,707	3.0	366,652	104,716	261,936	28.6	13.6	12.9	16.0
Top 1 Percent	1,197	0.8	1,983,475	691,470	1,292,005	34.9	18.7	16.1	26.8
Top 0.1 Percent	122	0.1	9,019,082	3,459,139	5,559,943	38.4	8.7	7.1	13.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).

Number of AMT Taxpayers (millions). Baseline: 21.2

Proposal: 3.7

(1) Calendar year. Baseline is current law. Proposal would a) index the parameters of the AMT to inflation after 2011 and allow non-refundable credits against tentative AMT; b) extend parts of the 2001 and 2003 tax cuts, including marriage penalty relief, the 10, 15, 25, 28 and a portion of the 33 percent brackets, and the 0%/15% rate structure on capital gains and qualified dividends for taxpayers in those brackets; c) set the threshold for the 36 percent bracket at \$200,000 (single), \$250,000 (married), or \$225,000 (head of household), indexed for inflation after 2009, less the standard deduction and one personal exemption (two if married); d) set the thresholds for PEP and Pease at \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; e) tax capital gains and qualified dividends at 20% for taxpayers in the top two brackets and repeal the 8%/18% rates for assets held more than 5 years; f) extend the \$1,000 child tax credit, \$3,000 (not indexed) refundability threshold, and allow against the AMT; g) extend the American Opportunity Tax Credit; h) extend the EITC's 45% phase-in rate for families with 3 or more children and higher phase-out thresholds for married couples; i) extend the maximum credit amount for the child and dependent care tax credit and increase the phase-out threshold to \$75,000 (not indexed); j) provide automatic enrollment in IRAs; k) limit itemized deductions to 28% for taxpayers in the top two brackets; and l) set the estate tax at its 2009 level (\$3.5M exemption, 45% rate) and modify certain valuation discount rules. Business provisions include a) expand and make the R&E credit permanent; b) tax carried interest as ordinary income; c) repeal LIFO; d) expand section 179 expensing; e) reform international tax system; f) reform treatment of financial institutions; g) eliminate fossil fuel preferences; h) reinstate Superfund environmental income tax; and g) reform the treatment of insurance industry.

(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 breaks are (in 2009 dollars): 20% 19,829, 40% 38,180, 60% 66,963, 80% 114,669, 90% 167,030, 95% 236,580, 99% 643,739, 99.9% 2,961,299.

(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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Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013¹
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	40.7	8.7	3.9	5.2	-416	-170.1	-0.5	-0.2	-3.8	-1.6
Second Quintile	72.7	8.0	3.5	10.4	-845	-29.0	-0.7	2.4	-3.2	7.7
Middle Quintile	87.9	6.3	2.9	13.7	-1,144	-14.1	-0.5	7.9	-2.4	14.8
Fourth Quintile	97.5	1.9	3.2	23.0	-2,017	-11.8	-0.6	16.3	-2.5	18.9
Top Quintile	95.3	4.4	2.4	47.6	-4,194	-5.8	2.2	73.5	-1.7	27.5
All	77.8	6.0	2.8	100.0	-1,672	-8.6	0.0	100.0	-2.1	22.3
Addendum										
80-90	97.9	1.8	3.5	18.4	-3,210	-10.6	-0.3	14.7	-2.7	22.3
90-95	98.0	1.5	3.6	13.2	-4,650	-10.1	-0.2	11.1	-2.7	23.7
95-99	94.9	5.1	3.0	15.1	-6,712	-7.6	0.2	17.3	-2.2	26.1
Top 1 Percent	54.7	45.3	0.2	1.0	-1,753	-0.3	2.6	30.4	-0.1	34.5
Top 0.1 Percent	28.0	72.0	-0.6	-1.7	30,970	1.0	1.5	15.6	0.4	38.4

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2013¹

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	33,459	21.0	10,833	245	10,589	2.3	2.9	3.7	0.3
Second Quintile	32,885	20.6	26,816	2,915	23,901	10.9	7.0	8.2	3.1
Middle Quintile	31,869	20.0	47,152	8,127	39,025	17.2	11.9	13.0	8.4
Fourth Quintile	30,496	19.1	79,522	17,082	62,440	21.5	19.1	19.9	16.9
Top Quintile	30,312	19.0	248,646	72,639	176,007	29.2	59.5	55.7	71.3
All	159,683	100.0	79,379	19,349	60,030	24.4	100.0	100.0	100.0
Addendum									
80-90	15,281	9.6	121,325	30,288	91,037	25.0	14.6	14.5	15.0
90-95	7,600	4.8	174,872	46,022	128,850	26.3	10.5	10.2	11.3
95-99	5,988	3.8	311,732	88,212	223,520	28.3	14.7	14.0	17.1
Top 1 Percent	1,444	0.9	1,722,207	596,149	1,126,059	34.6	19.6	17.0	27.9
Top 0.1 Percent	144	0.1	7,944,556	3,020,072	4,924,484	38.0	9.0	7.4	14.1

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).

Number of AMT Taxpayers (millions). Baseline: 21.2

Proposal: 3.7

(1) Calendar year. Baseline is current law. Proposal would a) index the parameters of the AMT to inflation after 2011 and allow non-refundable credits against tentative AMT; b) extend parts of the 2001 and 2003 tax cuts, including marriage penalty relief, the 10, 15, 25, 28 and a portion of the 33 percent brackets, and the 0%/15% rate structure on capital gains and qualified dividends for taxpayers in those brackets; c) set the threshold for the 36 percent bracket at \$200,000 (single), \$250,000 (married), or \$225,000 (head of household), indexed for inflation after 2009, less the standard deduction and one personal exemption (two if married); d) set the thresholds for PEP and Pease at \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; e) tax capital gains and qualified dividends at 20% for taxpayers in the top two brackets and repeal the 8%/18% rates for assets held more than 5 years; f) extend the \$1,000 child tax credit, \$3,000 (not indexed) refundability threshold, and allow against the AMT; g) extend the American Opportunity Tax Credit; h) extend the EITC's 45% phase-in rate for families with 3 or more children and higher phase-out thresholds for married couples; i) extend the maximum credit amount for the child and dependent care tax credit and increase the phase-out threshold to \$75,000 (not indexed); j) provide automatic enrollment in IRAs; k) limit itemized deductions to 28% for taxpayers in the top two brackets; and l) set the estate tax at its 2009 level (\$3.5M exemption, 45% rate) and modify certain valuation discount rules. Business provisions include a) expand and make the R&E credit permanent; b) tax carried interest as ordinary income; c) repeal LIFO; d) expand section 179 expensing; e) reform international tax system; f) reform treatment of financial institutions; g) eliminate fossil fuel preferences; h) reinstate Superfund environmental income tax; and g) reform the treatment of insurance industry.

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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% 13,627, 40% 25,365, 60% 42,896, 80% 70,063, 90% 101,583, 95% 145,293, 99% 386,366, 99.9% 1,826,435.

(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.

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Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013¹
Detail Table - Single Tax Units

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	28.3	9.5	1.7	3.7	-130	-21.9	-0.2	1.2	-1.6	5.7
Second Quintile	61.2	10.4	1.8	8.2	-324	-13.8	-0.3	4.6	-1.6	9.9
Middle Quintile	86.9	6.6	1.8	11.9	-518	-8.2	0.0	12.1	-1.5	16.5
Fourth Quintile	97.0	2.4	2.1	17.4	-925	-7.2	0.3	20.4	-1.6	20.9
Top Quintile	95.4	4.0	3.4	58.7	-3,838	-8.0	0.2	61.5	-2.4	27.7
All	68.6	7.2	2.6	100.0	-898	-8.3	0.0	100.0	-2.0	21.8
Addendum										
80-90	97.0	2.3	3.1	16.3	-2,004	-8.8	-0.1	15.4	-2.3	23.9
90-95	96.7	2.2	3.5	11.7	-3,151	-9.2	-0.1	10.4	-2.5	24.9
95-99	95.7	4.2	4.6	20.3	-7,098	-11.5	-0.5	14.3	-3.3	25.4
Top 1 Percent	62.0	37.9	2.5	10.4	-18,180	-4.2	0.9	21.4	-1.6	35.9
Top 0.1 Percent	27.3	72.7	0.7	1.1	-22,204	-0.9	0.8	10.7	-0.4	41.4

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2013¹

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	18,053	25.6	8,179	595	7,585	7.3	4.6	5.6	1.4
Second Quintile	16,001	22.7	20,442	2,343	18,100	11.5	10.2	11.9	4.9
Middle Quintile	14,578	20.7	35,077	6,318	28,759	18.0	16.0	17.2	12.1
Fourth Quintile	11,876	16.8	57,277	12,918	44,358	22.6	21.2	21.6	20.2
Top Quintile	9,681	13.7	159,815	48,112	111,703	30.1	48.3	44.3	61.3
All	70,516	100.0	45,439	10,784	34,655	23.7	100.0	100.0	100.0
Addendum									
80-90	5,163	7.3	87,005	22,810	64,196	26.2	14.0	13.6	15.5
90-95	2,344	3.3	124,519	34,135	90,384	27.4	9.1	8.7	10.5
95-99	1,814	2.6	215,516	61,928	153,588	28.7	12.2	11.4	14.8
Top 1 Percent	360	0.5	1,152,428	432,085	720,343	37.5	13.0	10.6	20.5
Top 0.1 Percent	32	0.1	5,673,795	2,369,274	3,304,521	41.8	5.7	4.3	9.9

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(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.

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Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013¹
Detail Table - Married Tax Units Filing Jointly

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	38.7	13.9	4.8	2.8	-665	-141.0	-0.2	-0.1	-4.7	-1.4
Second Quintile	74.1	9.3	4.3	7.0	-1,310	-34.5	-0.5	1.2	-3.8	7.2
Middle Quintile	84.6	8.5	3.3	11.8	-1,693	-17.2	-0.5	4.9	-2.8	13.4
Fourth Quintile	97.7	1.9	3.7	26.4	-2,874	-14.1	-1.0	13.8	-2.9	17.9
Top Quintile	95.2	4.8	2.2	52.0	-4,546	-5.3	2.2	80.2	-1.5	27.4
All	84.1	6.6	2.7	100.0	-2,679	-7.9	0.0	100.0	-2.0	23.5
Addendum										
80-90	98.3	1.6	3.7	21.9	-4,007	-11.5	-0.6	14.5	-2.8	21.7
90-95	98.7	1.2	3.7	16.2	-5,443	-10.5	-0.3	11.9	-2.7	23.3
95-99	94.5	5.4	2.6	15.9	-6,708	-6.6	0.3	19.3	-1.9	26.4
Top 1 Percent	52.7	47.3	-0.3	-2.0	3,294	0.5	2.9	34.5	0.2	34.1
Top 0.1 Percent	28.6	71.4	-0.8	-2.7	43,111	1.4	1.6	17.4	0.5	37.8

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2013¹

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	7,024	11.4	14,231	471	13,759	3.3	1.2	1.6	0.2	
Second Quintile	8,856	14.4	34,357	3,797	30,560	11.1	3.7	4.5	1.6	
Middle Quintile	11,443	18.6	60,965	9,858	51,108	16.2	8.5	9.6	5.4	
Fourth Quintile	15,130	24.6	97,772	20,334	77,438	20.8	18.1	19.3	14.8	
Top Quintile	18,854	30.6	297,727	86,213	211,515	29.0	68.7	65.5	77.9	
All	61,567	100.0	132,758	33,874	98,884	25.5	100.0	100.0	100.0	
Addendum										
80-90	9,003	14.6	142,540	34,912	107,628	24.5	15.7	15.9	15.1	
90-95	4,921	8.0	200,289	52,061	148,228	26.0	12.1	12.0	12.3	
95-99	3,909	6.4	359,028	101,369	257,658	28.2	17.2	16.5	19.0	
Top 1 Percent	1,021	1.7	1,900,519	644,948	1,255,571	33.9	23.8	21.1	31.6	
Top 0.1 Percent	104	0.2	8,491,806	3,163,991	5,327,816	37.3	10.8	9.1	15.8	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).

(1) Calendar year. Baseline is current law. Proposal would a) index the parameters of the AMT to inflation after 2011 and allow non-refundable credits against tentative AMT; b) extend parts of the 2001 and 2003 tax cuts, including marriage penalty relief, the 10, 15, 25, 28 and a portion of the 33 percent brackets, and the 0%/15% rate structure on capital gains and qualified dividends for taxpayers in those brackets; c) set the threshold for the 36 percent bracket at \$200,000 (single), \$250,000 (married), or \$225,000 (head of household), indexed for inflation after 2009, less the standard deduction and one personal exemption (two if married); d) set the thresholds for PEP and Pease at \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; e) tax capital gains and qualified dividends at 20% for taxpayers in the top two brackets and repeal the 8%/18% rates for assets held more than 5 years; f) extend the \$1,000 child tax credit, \$3,000 (not indexed) refundability threshold, and allow against the AMT; g) extend the American Opportunity Tax Credit; h) extend the EITC's 45% phase-in rate for families with 3 or more children and higher phase-out thresholds for married couples; i) extend the maximum credit amount for the child and dependent care tax credit and increase the phase-out threshold to \$75,000 (not indexed); j) provide automatic enrollment in IRAs; k) limit itemized deductions to 28% for taxpayers in the top two brackets; and l) set the estate tax at its 2009 level (\$3.5M exemption, 45% rate) and modify certain valuation discount rules. Business provisions include a) expand and make the R&E credit permanent; b) tax carried interest as ordinary income; c) repeal LIFO; d) expand section 179 expensing; e) reform international tax system; f) reform treatment of financial institutions; g) eliminate fossil fuel preferences; h) reinstate Superfund environmental income tax; and g) reform the treatment of insurance industry.

(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% 13,627, 40% 25,365, 60% 42,896, 80% 70,063, 90% 101,583, 95% 145,293, 99% 386,366, 99.9% 1,826,435.

(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 T11-0023
Administration's FY2012 Budget Proposals
Major Individual Income and Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013¹
Detail Table - Head of Household Tax Units

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	69.8	2.5	5.8	19.2	-844	110.9	-5.6	-9.0	-6.1	-11.6
Second Quintile	93.8	1.6	4.9	29.8	-1,399	-46.4	-4.2	8.5	-4.4	5.1
Middle Quintile	96.8	1.2	4.0	24.5	-1,690	-18.2	0.5	27.2	-3.3	14.8
Fourth Quintile	99.2	0.5	3.4	16.7	-2,088	-11.9	2.7	30.4	-2.7	19.6
Top Quintile	96.3	3.1	2.0	9.7	-2,722	-5.3	6.6	42.8	-1.5	26.1
All	87.3	1.8	4.0	100.0	-1,423	-19.8	0.0	100.0	-3.3	13.4
Addendum										
80-90	98.1	1.2	2.7	5.3	-2,350	-8.1	1.9	14.9	-2.0	23.0
90-95	98.2	1.0	2.9	2.4	-3,493	-8.3	0.8	6.6	-2.2	23.8
95-99	95.2	4.8	2.0	2.2	-4,270	-5.6	1.4	9.0	-1.5	24.8
Top 1 Percent	48.3	51.8	-0.2	-0.2	2,285	0.4	2.5	12.4	0.2	34.6
Top 0.1 Percent	22.3	77.7	-1.0	-0.4	44,769	1.6	1.2	5.8	0.6	38.5

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2013¹

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	8,120	32.4	13,842	-761	14,604	-5.5	10.4	13.2	-3.4	
Second Quintile	7,619	30.4	31,582	3,013	28,569	9.5	22.2	24.2	12.7	
Middle Quintile	5,177	20.6	51,476	9,310	42,166	18.1	24.6	24.2	26.7	
Fourth Quintile	2,860	11.4	78,894	17,511	61,383	22.2	20.9	19.5	27.7	
Top Quintile	1,273	5.1	187,085	51,472	135,613	27.5	22.0	19.2	36.3	
All	25,098	100.0	43,104	7,200	35,904	16.7	100.0	100.0	100.0	
Addendum										
80-90	808	3.2	115,728	29,008	86,719	25.1	8.7	7.8	13.0	
90-95	249	1.0	161,060	41,867	119,193	26.0	3.7	3.3	5.8	
95-99	182	0.7	289,763	75,977	213,786	26.2	4.9	4.3	7.6	
Top 1 Percent	35	0.1	1,499,445	515,758	983,687	34.4	4.8	3.8	9.9	
Top 0.1 Percent	3	0.0	7,613,791	2,885,610	4,728,181	37.9	2.0	1.5	4.6	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).

(1) Calendar year. Baseline is current law. Proposal would a) index the parameters of the AMT to inflation after 2011 and allow non-refundable credits against tentative AMT; b) extend parts of the 2001 and 2003 tax cuts, including marriage penalty relief, the 10, 15, 25, 28 and a portion of the 33 percent brackets, and the 0%/15% rate structure on capital gains and qualified dividends for taxpayers in those brackets; c) set the threshold for the 36 percent bracket at \$200,000 (single), \$250,000 (married), or \$225,000 (head of household), indexed for inflation after 2009, less the standard deduction and one personal exemption (two if married); d) set the thresholds for PEP and Pease at \$250,000 of AGI (married) and \$200,000 (single), indexed for inflation after 2009; e) tax capital gains and qualified dividends at 20% for taxpayers in the top two brackets and repeal the 8%/18% rates for assets held more than 5 years; f) extend the \$1,000 child tax credit, \$3,000 (not indexed) refundability threshold, and allow against the AMT; g) extend the American Opportunity Tax Credit; h) extend the EITC's 45% phase-in rate for families with 3 or more children and higher phase-out thresholds for married couples; i) extend the maximum credit amount for the child and dependent care tax credit and increase the phase-out threshold to \$75,000 (not indexed); j) provide automatic enrollment in IRAs; k) limit itemized deductions to 28% for taxpayers in the top two brackets; and l) set the estate tax at its 2009 level (\$3.5M exemption, 45% rate) and modify certain valuation discount rules. Business provisions include a) expand and make the R&E credit permanent; b) tax carried interest as ordinary income; c) repeal LIFO; d) expand section 179 expensing; e) reform international tax system; f) reform treatment of financial institutions; g) eliminate fossil fuel preferences; h) reinstate Superfund environmental income tax; and g) reform the treatment of insurance industry.

(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% 13,627, 40% 25,365, 60% 42,896, 80% 70,063, 90% 101,583, 95% 145,293, 99% 386,366, 99.9% 1,826,435.

(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 T11-0023
Administration's FY2012 Budget Proposals
Major Individual Income and Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013¹
Detail Table - Tax Units with Children

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	2.1	7.0	8.5	-1,115	120.8	-1.2	-2.0	-7.4	-13.6
Second Quintile	97.5	0.9	6.0	14.8	-1,932	-52.0	-1.5	1.7	-5.4	5.0
Middle Quintile	99.0	0.5	4.5	17.6	-2,334	-19.6	-1.0	9.2	-3.7	15.1
Fourth Quintile	99.6	0.4	4.9	28.6	-3,974	-16.2	-1.1	18.8	-3.8	19.4
Top Quintile	95.0	5.0	2.2	30.5	-4,994	-5.1	4.7	72.2	-1.5	28.6
All	93.1	1.7	3.7	100.0	-2,762	-11.3	0.0	100.0	-2.8	21.8
Addendum										
80-90	99.4	0.6	4.2	16.0	-5,027	-11.9	-0.1	15.0	-3.1	22.9
90-95	99.4	0.6	4.1	10.2	-6,964	-11.0	0.0	10.5	-3.0	24.2
95-99	90.6	9.4	2.0	6.9	-5,852	-4.7	1.2	17.8	-1.4	28.0
Top 1 Percent	41.1	58.9	-0.7	-2.6	9,279	1.2	3.5	28.8	0.4	36.2
Top 0.1 Percent	18.6	81.4	-1.2	-2.0	76,054	1.9	1.8	13.9	0.7	39.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2013¹

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	10,404	21.1	15,026	-923	15,950	-6.1	3.2	4.5	-0.8	
Second Quintile	10,419	21.1	35,671	3,718	31,954	10.4	7.6	9.0	3.2	
Middle Quintile	10,279	20.8	63,686	11,927	51,759	18.7	13.3	14.4	10.1	
Fourth Quintile	9,803	19.9	106,014	24,525	81,489	23.1	21.1	21.6	19.9	
Top Quintile	8,309	16.8	325,807	98,129	227,678	30.1	55.1	51.0	67.5	
All	49,348	100.0	99,630	24,497	75,133	24.6	100.0	100.0	100.0	
Addendum										
80-90	4,326	8.8	162,746	42,254	120,492	26.0	14.3	14.1	15.1	
90-95	1,997	4.1	233,966	63,477	170,490	27.1	9.5	9.2	10.5	
95-99	1,604	3.3	425,182	124,945	300,238	29.4	13.9	13.0	16.6	
Top 1 Percent	382	0.8	2,235,730	799,619	1,436,111	35.8	17.4	14.8	25.3	
Top 0.1 Percent	36	0.1	10,656,644	4,079,568	6,577,076	38.3	7.8	6.4	12.1	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).
 Note: Tax units with children are those claiming an exemption for children at home or away from home.

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 (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 T11-0023
Administration's FY2012 Budget Proposals
Major Individual Income and Corporate Tax Provisions
Baseline: Current Law
Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2013¹
Detail Table - Elderly Tax Units

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	6.8	21.2	0.4	0.5	-41	-13.9	0.0	0.3	-0.4	2.3
Second Quintile	29.5	20.9	0.7	2.7	-148	-14.3	-0.1	1.6	-0.6	3.9
Middle Quintile	54.1	26.0	0.9	4.6	-353	-12.4	-0.1	3.3	-0.9	6.0
Fourth Quintile	92.8	6.0	2.1	15.4	-1,303	-13.7	-0.5	9.7	-1.8	11.3
Top Quintile	92.1	7.4	3.3	76.8	-6,391	-8.2	0.8	85.1	-2.4	26.4
All	53.2	16.9	2.5	100.0	-1,511	-9.1	0.0	100.0	-1.9	19.4
Addendum										
80-90	93.5	5.8	3.7	17.4	-3,264	-15.4	-0.7	9.5	-3.0	16.3
90-95	94.7	4.6	3.9	14.5	-4,891	-13.7	-0.5	9.1	-3.1	19.2
95-99	96.0	4.0	5.2	30.3	-10,552	-13.8	-1.0	18.9	-3.8	23.5
Top 1 Percent	61.5	38.5	1.7	14.7	-16,993	-3.0	3.0	47.7	-1.1	34.9
Top 0.1 Percent	32.3	67.7	0.2	0.9	-10,115	-0.4	2.2	25.5	-0.1	39.1

Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile Adjusted for Family Size, 2013¹

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	5,313	17.0	10,822	294	10,528	2.7	2.4	2.9	0.3	
Second Quintile	8,515	27.2	22,986	1,033	21,953	4.5	8.0	9.7	1.7	
Middle Quintile	6,190	19.8	41,540	2,857	38,682	6.9	10.5	12.4	3.4	
Fourth Quintile	5,603	17.9	72,670	9,505	63,165	13.1	16.6	18.4	10.2	
Top Quintile	5,686	18.2	269,484	77,552	191,932	28.8	62.6	56.7	84.4	
All	31,333	100.0	78,111	16,681	61,431	21.4	100.0	100.0	100.0	
Addendum										
80-90	2,520	8.0	109,880	21,198	88,682	19.3	11.3	11.6	10.2	
90-95	1,400	4.5	159,960	35,637	124,323	22.3	9.2	9.0	9.5	
95-99	1,357	4.3	281,390	76,668	204,722	27.3	15.6	14.4	19.9	
Top 1 Percent	409	1.3	1,589,526	571,645	1,017,880	36.0	26.5	21.6	44.7	
Top 0.1 Percent	44	0.1	7,053,610	2,770,657	4,282,954	39.3	12.7	9.8	23.3	

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-7).
 Note: Elderly tax units are those with either head or spouse (if filing jointly) age 65 or older.

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