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**Table T11-0077**  
**Replace Mortgage Interest Deduction with a 12 Percent Refundable Credit**  
**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2015<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
<b>Lowest Quintile</b>	17.3	0.0	0.3	-4.5	-41	-0.3	2.6
<b>Second Quintile</b>	28.0	1.1	0.3	-8.5	-87	-0.3	9.2
<b>Middle Quintile</b>	32.3	11.1	0.1	-5.4	-61	-0.1	16.0
<b>Fourth Quintile</b>	18.1	32.9	-0.3	15.2	206	0.2	19.4
<b>Top Quintile</b>	1.9	59.5	-0.7	103.3	1,600	0.5	25.2
<b>All</b>	20.6	16.8	-0.3	100.0	229	0.3	20.8
<b>Addendum</b>							
<b>80-90</b>	3.5	59.1	-0.8	30.9	952	0.6	22.2
<b>90-95</b>	0.5	64.5	-1.0	27.0	1,689	0.8	23.5
<b>95-99</b>	0.1	59.2	-0.9	36.1	2,819	0.7	25.3
<b>Top 1 Percent</b>	0.1	40.3	-0.2	9.3	2,842	0.1	28.3
<b>Top 0.1 Percent</b>	0.1	22.4	0.0	0.8	2,420	0.0	30.6

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

Number of AMT Taxpayers (millions). Baseline: 6.1

Proposal: 6.8

Note: Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$20,801; 40% \$40,054; 60% \$70,916; 80% \$122,764; 90% \$178,595; 95% \$252,189; 99% \$668,398; 99.9% \$3,077,636.

(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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**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile, 2015<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>	17.3	0.0	0.3	-4.5	-41	-11.4	-0.1	0.5	-0.3	2.6
<b>Second Quintile</b>	28.0	1.1	0.3	-8.5	-87	-2.9	-0.2	3.7	-0.3	9.2
<b>Middle Quintile</b>	32.3	11.1	0.1	-5.4	-61	-0.7	-0.2	10.5	-0.1	16.0
<b>Fourth Quintile</b>	18.1	32.9	-0.3	15.2	206	1.1	0.0	18.4	0.2	19.4
<b>Top Quintile</b>	1.9	59.5	-0.7	103.3	1,600	2.0	0.5	66.9	0.5	25.2
<b>All</b>	20.6	16.8	-0.3	100.0	229	1.3	0.0	100.0	0.3	20.8
<b>Addendum</b>										
<b>80-90</b>	3.5	59.1	-0.8	30.9	952	2.8	0.2	14.6	0.6	22.2
<b>90-95</b>	0.5	64.5	-1.0	27.0	1,689	3.3	0.2	10.8	0.8	23.5
<b>95-99</b>	0.1	59.2	-0.9	36.1	2,819	2.9	0.3	16.5	0.7	25.3
<b>Top 1 Percent</b>	0.1	40.3	-0.2	9.3	2,842	0.5	-0.2	25.0	0.1	28.3
<b>Top 0.1 Percent</b>	0.1	22.4	0.0	0.8	2,420	0.1	-0.2	12.4	0.0	30.6

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile, 2015<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	Share of Post- Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total
<b>Lowest Quintile</b>	41,611	25.4	12,378	357	12,021	2.9	3.7	4.5	0.5
<b>Second Quintile</b>	36,634	22.3	31,691	2,991	28,700	9.4	8.3	9.4	3.8
<b>Middle Quintile</b>	33,094	20.2	57,583	9,255	48,329	16.1	13.6	14.3	10.7
<b>Fourth Quintile</b>	27,684	16.9	99,858	19,168	80,690	19.2	19.7	20.0	18.5
<b>Top Quintile</b>	24,239	14.8	318,674	78,773	239,901	24.7	55.0	52.1	66.4
<b>All</b>	163,952	100.0	85,596	17,529	68,067	20.5	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	12,202	7.4	156,402	33,831	122,570	21.6	13.6	13.4	14.4
<b>90-95</b>	5,998	3.7	223,929	50,905	173,025	22.7	9.6	9.3	10.6
<b>95-99</b>	4,810	2.9	395,693	97,273	298,419	24.6	13.6	12.9	16.3
<b>Top 1 Percent</b>	1,228	0.8	2,091,853	588,897	1,502,956	28.2	18.3	16.5	25.2
<b>Top 0.1 Percent</b>	125	0.1	9,410,020	2,878,552	6,531,468	30.6	8.4	7.3	12.5

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

Number of AMT Taxpayers (millions). Baseline: 6.1 Proposal: 6.8

Note: Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$20,801; 40% \$40,054; 60% \$70,916; 80% \$122,764; 90% \$178,595; 95% \$252,189; 99% \$668,398; 99.9% \$3,077,636.

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(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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**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015<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	19.8	0.0	0.5	-5.2	-56	44.2	-0.1	-0.2	-0.5	-1.6
Second Quintile	27.4	0.3	0.4	-8.6	-95	-4.2	-0.2	2.6	-0.3	7.6
Middle Quintile	30.6	7.2	0.2	-7.2	-82	-1.1	-0.2	8.3	-0.2	14.4
Fourth Quintile	19.9	28.9	-0.3	14.7	178	1.1	0.0	17.6	0.2	19.0
Top Quintile	4.0	52.3	-0.6	106.3	1,291	2.0	0.5	71.7	0.5	25.1
All	20.6	16.8	-0.3	100.0	229	1.3	0.0	100.0	0.3	20.8
<b>Addendum</b>										
80-90	6.8	51.0	-0.8	32.4	782	2.7	0.2	16.0	0.6	22.4
90-95	1.9	57.3	-0.9	28.2	1,366	3.1	0.2	12.1	0.7	23.7
95-99	0.4	52.9	-0.9	36.0	2,210	2.7	0.2	17.7	0.7	25.0
Top 1 Percent	0.1	37.6	-0.2	9.7	2,449	0.5	-0.2	25.9	0.1	28.0
Top 0.1 Percent	0.1	21.2	0.0	0.9	2,163	0.1	-0.2	12.8	0.0	30.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015<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	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	34,536	21.1	11,581	-127	11,708	-1.1	2.9	3.6	-0.2
Second Quintile	34,047	20.8	28,812	2,273	26,538	7.9	7.0	8.1	2.7
Middle Quintile	32,732	20.0	50,953	7,422	43,531	14.6	11.9	12.8	8.5
Fourth Quintile	31,021	18.9	87,111	16,383	70,727	18.8	19.3	19.7	17.7
Top Quintile	30,926	18.9	269,014	66,176	202,839	24.6	59.3	56.2	71.2
All	163,952	100.0	85,596	17,529	68,067	20.5	100.0	100.0	100.0
<b>Addendum</b>									
80-90	15,571	9.5	133,326	29,049	104,277	21.8	14.8	14.6	15.7
90-95	7,752	4.7	191,738	44,017	147,720	23.0	10.6	10.3	11.9
95-99	6,122	3.7	337,285	82,125	255,161	24.4	14.7	14.0	17.5
Top 1 Percent	1,481	0.9	1,817,634	506,501	1,311,133	27.9	19.2	17.4	26.1
Top 0.1 Percent	148	0.1	8,307,026	2,524,496	5,782,530	30.4	8.8	7.7	13.0

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

Number of AMT Taxpayers (millions). Baseline: 6.1 Proposal: 6.8

Note: Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$14,308; 40% \$26,767; 60% \$45,519; 80% \$75,099; 90% \$108,866; 95% \$155,063; 99% \$404,211; 99.9% \$1,887,502.

(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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**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015<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>	11.2	0.0	0.2	-5.5	-20	-4.1	-0.1	1.2	-0.2	5.3
<b>Second Quintile</b>	13.9	0.4	0.1	-5.5	-22	-1.1	-0.1	4.8	-0.1	9.2
<b>Middle Quintile</b>	19.2	3.9	0.1	-6.1	-28	-0.5	-0.2	12.5	-0.1	15.8
<b>Fourth Quintile</b>	18.1	20.7	-0.2	19.0	108	0.8	0.0	21.8	0.2	20.8
<b>Top Quintile</b>	5.9	38.7	-0.5	98.1	686	1.6	0.4	59.7	0.4	25.3
<b>All</b>	13.9	9.5	-0.2	100.0	94	1.0	0.0	100.0	0.2	20.3
<b>Addendum</b>										
<b>80-90</b>	9.0	37.4	-0.6	32.8	431	1.9	0.2	16.4	0.5	23.7
<b>90-95</b>	3.8	42.8	-0.7	24.6	709	2.2	0.1	11.0	0.5	24.4
<b>95-99</b>	0.8	39.0	-0.7	32.3	1,210	2.2	0.2	14.4	0.5	24.1
<b>Top 1 Percent</b>	0.1	28.9	-0.2	8.4	1,560	0.4	-0.1	18.0	0.1	28.7
<b>Top 0.1 Percent</b>	0.1	19.6	0.0	0.9	1,797	0.1	-0.1	8.8	0.0	32.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015<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	Share of Post- Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total
<b>Lowest Quintile</b>	18,853	25.7	8,801	490	8,312	5.6	4.6	5.5	1.3
<b>Second Quintile</b>	17,002	23.2	22,164	2,063	20,101	9.3	10.5	11.9	4.9
<b>Middle Quintile</b>	15,062	20.6	38,011	6,039	31,973	15.9	16.0	16.8	12.6
<b>Fourth Quintile</b>	12,111	16.5	62,667	12,934	49,733	20.6	21.2	21.1	21.8
<b>Top Quintile</b>	9,857	13.5	174,142	43,283	130,860	24.9	47.9	45.1	59.3
<b>All</b>	73,231	100.0	48,892	9,822	39,069	20.1	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	5,249	7.2	95,614	22,194	73,419	23.2	14.0	13.5	16.2
<b>90-95</b>	2,394	3.3	136,698	32,628	104,069	23.9	9.1	8.7	10.9
<b>95-99</b>	1,843	2.5	234,724	55,306	179,418	23.6	12.1	11.6	14.2
<b>Top 1 Percent</b>	371	0.5	1,225,975	350,706	875,269	28.6	12.7	11.4	18.1
<b>Top 0.1 Percent</b>	33	0.1	5,940,430	1,920,525	4,019,906	32.3	5.5	4.7	8.9

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

Note: Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$14,308; 40% \$26,767; 60% \$45,519; 80% \$75,099; 90% \$108,866; 95% \$155,063; 99% \$404,211; 99.9% \$1,887,502.

(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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**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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
<b>Lowest Quintile</b>	41.3	0.0	1.0	-3.7	-153	110.7	-0.1	-0.1	-1.0	-1.9
<b>Second Quintile</b>	49.0	0.1	0.7	-6.7	-222	-8.0	-0.1	1.1	-0.6	6.9
<b>Middle Quintile</b>	44.0	9.4	0.3	-6.2	-155	-1.8	-0.2	5.1	-0.2	13.0
<b>Fourth Quintile</b>	21.5	34.0	-0.2	10.9	207	1.1	-0.1	15.0	0.2	18.0
<b>Top Quintile</b>	3.1	59.2	-0.7	105.8	1,596	2.0	0.4	78.8	0.5	25.0
<b>All</b>	26.1	28.4	-0.4	100.0	468	1.5	0.0	100.0	0.3	21.8
<b>Addendum</b>										
<b>80-90</b>	5.8	58.6	-0.8	30.6	967	2.9	0.2	16.0	0.6	21.8
<b>90-95</b>	1.1	64.2	-1.0	28.7	1,660	3.3	0.2	13.1	0.8	23.4
<b>95-99</b>	0.2	59.1	-0.9	36.7	2,658	2.8	0.3	20.0	0.7	25.3
<b>Top 1 Percent</b>	0.2	40.6	-0.2	9.9	2,751	0.5	-0.3	29.7	0.1	27.8
<b>Top 0.1 Percent</b>	0.0	21.7	0.0	0.8	2,270	0.1	-0.2	14.5	0.0	30.0

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	Share of Post- Tax Income	Share of Federal Taxes
	Number (thousands)	Percent of Total					Percent of Total	Percent of Total	Percent of Total
<b>Lowest Quintile</b>	7,016	11.3	15,244	-138	15,382	-0.9	1.2	1.5	-0.1
<b>Second Quintile</b>	8,791	14.2	37,117	2,776	34,341	7.5	3.6	4.3	1.3
<b>Middle Quintile</b>	11,579	18.6	65,919	8,722	57,197	13.2	8.5	9.4	5.2
<b>Fourth Quintile</b>	15,217	24.5	107,443	19,090	88,353	17.8	18.2	19.0	15.0
<b>Top Quintile</b>	19,258	31.0	321,382	78,704	242,678	24.5	68.8	66.2	78.4
<b>All</b>	62,127	100.0	144,829	31,112	113,717	21.5	100.0	100.0	100.0
<b>Addendum</b>									
<b>80-90</b>	9,186	14.8	156,560	33,192	123,368	21.2	16.0	16.0	15.8
<b>90-95</b>	5,015	8.1	219,522	49,735	169,787	22.7	12.2	12.1	12.9
<b>95-99</b>	4,010	6.5	386,933	95,128	291,805	24.6	17.2	16.6	19.7
<b>Top 1 Percent</b>	1,046	1.7	2,005,770	554,274	1,451,496	27.6	23.3	21.5	30.0
<b>Top 0.1 Percent</b>	106	0.2	8,907,559	2,670,028	6,237,531	30.0	10.5	9.4	14.7

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

Note: Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$14,308; 40% \$26,767; 60% \$45,519; 80% \$75,099; 90% \$108,866; 95% \$155,063; 99% \$404,211; 99.9% \$1,887,502.

(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 T11-0077**  
**Replace Mortgage Interest Deduction with a 12 Percent Refundable Credit**  
**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015 <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	20.8	0.0	0.4	-53.6	-57	3.7	-0.2	-8.1	-0.4	-10.8
Second Quintile	31.7	0.5	0.3	-97.2	-110	-5.3	-0.6	9.4	-0.3	5.8
Middle Quintile	32.0	10.6	0.2	-51.7	-84	-1.0	-0.4	27.3	-0.2	14.9
Fourth Quintile	18.3	35.6	-0.4	96.5	281	1.7	0.4	31.6	0.3	19.9
Top Quintile	2.6	54.1	-0.9	206.1	1,404	2.9	0.9	39.9	0.7	24.8
All	25.2	9.2	-0.1	100.0	34	0.5	0.0	100.0	0.1	13.6
<b>Addendum</b>										
80-90	4.1	50.8	-0.9	85.6	920	3.2	0.4	14.8	0.7	23.4
90-95	0.1	60.9	-1.4	52.7	1,840	4.4	0.3	6.7	1.0	24.5
95-99	0.0	60.8	-1.1	55.8	2,658	3.6	0.3	8.7	0.8	24.2
Top 1 Percent	0.0	47.9	-0.3	12.0	2,957	0.7	0.0	9.7	0.2	28.4
Top 0.1 Percent	0.3	25.6	-0.1	1.0	2,813	0.1	0.0	4.3	0.0	30.5

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015 <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	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	8,415	32.2	14,797	-1,537	16,333	-10.4	10.2	13.0	-7.8	
Second Quintile	7,867	30.1	34,037	2,082	31,955	6.1	21.9	23.7	9.9	
Middle Quintile	5,436	20.8	55,786	8,401	47,386	15.1	24.8	24.3	27.7	
Fourth Quintile	3,045	11.7	86,543	16,915	69,628	19.6	21.5	20.0	31.2	
Top Quintile	1,303	5.0	204,531	49,344	155,187	24.1	21.8	19.1	39.0	
All	26,118	100.0	46,858	6,317	40,541	13.5	100.0	100.0	100.0	
<b>Addendum</b>										
80-90	826	3.2	127,224	28,841	98,383	22.7	8.6	7.7	14.4	
90-95	254	1.0	178,355	41,803	136,552	23.4	3.7	3.3	6.4	
95-99	186	0.7	318,117	74,264	243,853	23.3	4.9	4.3	8.4	
Top 1 Percent	36	0.1	1,570,245	442,636	1,127,609	28.2	4.6	3.9	9.7	
Top 0.1 Percent	3	0.0	7,706,961	2,350,912	5,356,048	30.5	1.9	1.5	4.3	

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

Note: Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.

(1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$14,308; 40% \$26,767; 60% \$45,519; 80% \$75,099; 90% \$108,866; 95% \$155,063; 99% \$404,211; 99.9% \$1,887,502.

(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 T11-0077**  
**Replace Mortgage Interest Deduction with a 12 Percent Refundable Credit**  
**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015<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
Lowest Quintile	26.9	0.0	0.6	-5.2	-107	5.3	-0.1	-2.0	-0.7	-13.1
Second Quintile	38.7	0.5	0.5	-8.8	-181	-7.7	-0.2	2.0	-0.5	5.6
Middle Quintile	34.6	14.8	0.2	-5.2	-108	-1.0	-0.3	9.7	-0.2	15.2
Fourth Quintile	13.3	49.5	-0.5	21.5	455	2.0	0.0	20.7	0.4	19.8
Top Quintile	0.9	74.9	-1.0	97.8	2,485	2.8	0.6	69.5	0.7	26.5
All	23.8	25.9	-0.5	100.0	430	2.0	0.0	100.0	0.4	20.8
<b>Addendum</b>										
80-90	1.6	75.7	-1.2	33.0	1,600	4.0	0.3	16.5	0.9	23.5
90-95	0.1	78.6	-1.5	26.8	2,836	4.7	0.3	11.5	1.1	24.9
95-99	0.1	74.0	-1.2	30.5	4,062	3.4	0.3	17.7	0.9	26.9
Top 1 Percent	0.1	50.8	-0.3	7.5	4,181	0.6	-0.3	23.7	0.2	29.5
Top 0.1 Percent	0.1	26.8	0.0	0.5	3,185	0.1	-0.2	11.0	0.0	31.0

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015<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	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	10,392	20.7	16,134	-2,013	18,146	-12.5	3.1	4.4	-1.9
Second Quintile	10,497	21.0	38,443	2,348	36,094	6.1	7.5	8.8	2.2
Middle Quintile	10,426	20.8	68,794	10,539	58,255	15.3	13.3	14.1	9.9
Fourth Quintile	10,175	20.3	115,654	22,448	93,206	19.4	21.7	22.0	20.7
Top Quintile	8,467	16.9	349,787	90,029	259,758	25.7	54.7	51.1	69.0
All	50,095	100.0	108,069	22,068	86,001	20.4	100.0	100.0	100.0
<b>Addendum</b>									
80-90	4,431	8.8	178,596	40,395	138,202	22.6	14.6	14.2	16.2
90-95	2,037	4.1	256,317	61,045	195,273	23.8	9.6	9.2	11.3
95-99	1,617	3.2	459,363	119,617	339,746	26.0	13.7	12.8	17.5
Top 1 Percent	384	0.8	2,359,939	692,026	1,667,913	29.3	16.7	14.9	24.0
Top 0.1 Percent	36	0.1	11,083,535	3,435,393	7,648,142	31.0	7.4	6.4	11.2

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. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest. (1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.

(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% \$14,308; 40% \$26,767; 60% \$45,519; 80% \$75,099; 90% \$108,866; 95% \$155,063; 99% \$404,211; 99.9% \$1,887,502.

(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 T11-0077**  
**Replace Mortgage Interest Deduction with a 12 Percent Refundable Credit**  
**Limit Mortgages Eligible for Credit to \$500,000**  
**Baseline: Current Policy**  
**Distribution of Federal Tax Change by Cash Income Percentile Adjusted for Family Size, 2015<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
Lowest Quintile	17.7	0.0	0.2	-20.6	-23	-10.2	0.0	0.3	-0.2	1.7
Second Quintile	23.7	0.0	0.2	-57.6	-39	-4.9	-0.1	1.6	-0.2	3.1
Middle Quintile	35.3	0.8	0.2	-79.2	-74	-3.2	-0.1	3.3	-0.2	5.1
Fourth Quintile	26.1	8.9	0.1	-37.8	-44	-0.5	-0.1	10.2	-0.1	10.7
Top Quintile	6.1	19.1	-0.1	295.3	310	0.5	0.3	84.6	0.1	22.3
All	22.2	5.1	0.0	100.0	19	0.1	0.0	100.0	0.0	16.5
<b>Addendum</b>										
80-90	11.0	20.0	-0.2	72.3	169	0.9	0.1	11.0	0.1	15.5
90-95	4.3	18.6	-0.2	66.7	283	0.9	0.1	10.2	0.2	18.0
95-99	0.6	18.8	-0.2	109.0	488	0.8	0.1	19.9	0.2	21.2
Top 1 Percent	0.0	16.5	-0.1	47.3	709	0.2	0.0	43.5	0.0	27.6
Top 0.1 Percent	0.0	13.3	0.0	8.0	1,088	0.1	0.0	22.9	0.0	30.4

**Baseline Distribution of Income and Federal Taxes**  
**by Cash Income Percentile Adjusted for Family Size, 2015<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	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	5,688	17.1	11,712	223	11,489	1.9	2.4	2.8	0.3
Second Quintile	9,342	28.1	24,859	801	24,058	3.2	8.4	9.7	1.6
Middle Quintile	6,733	20.3	44,610	2,339	42,271	5.2	10.9	12.3	3.5
Fourth Quintile	5,458	16.4	79,625	8,566	71,059	10.8	15.7	16.8	10.2
Top Quintile	6,004	18.1	288,858	64,093	224,765	22.2	62.7	58.4	84.3
All	33,251	100.0	83,172	13,725	69,447	16.5	100.0	100.0	100.0
<b>Addendum</b>									
80-90	2,692	8.1	120,595	18,490	102,105	15.3	11.7	11.9	10.9
90-95	1,483	4.5	175,090	31,159	143,931	17.8	9.4	9.3	10.1
95-99	1,408	4.2	305,770	64,254	241,516	21.0	15.6	14.7	19.8
Top 1 Percent	421	1.3	1,709,760	471,386	1,238,374	27.6	26.0	22.6	43.5
Top 0.1 Percent	46	0.1	7,425,874	2,255,524	5,170,350	30.4	12.5	10.4	23.0

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. Estimates assume that individuals pay down their mortgage in response to a smaller tax benefit for mortgage interest.  
 (1) Calendar year. Baseline is current policy. Proposal: replaces the mortgage interest deduction with a 12 percent refundable credit; and limits mortgages eligible for the credit to \$500,000. We approximate the \$500,000 limit on mortgages with a limit on mortgage interest eligible for the credit of \$25,000. The 12 percent refundable credit raises \$37.6 billion relative to current policy.  
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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.