

**Table T04-0078****Combined Effect of House Bills on Marriage Penalty Reform, AMT Relief, Extension of the 10-Percent Income Tax Bracket and Increased and Expanded Child Credit****Distribution of Individual Income Tax Change by Cash Income Percentiles, 2005<sup>1</sup>**

Cash Income Class <sup>2</sup>	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income <sup>3</sup>	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>4</sup>	
					Current Law	Proposal
<b>Lowest Quintile</b>	0.4	*	*	-1	3.5	3.5
<b>Second Quintile</b>	40.7	0.3	2.7	-51	7.8	7.6
<b>Middle Quintile</b>	77.7	0.5	8.1	-155	14.7	14.3
<b>Fourth Quintile</b>	95.3	0.6	16.5	-314	19.2	18.7
<b>Top Quintile</b>	97.3	1.0	72.6	-1,380	25.3	24.5
<b>All</b>	62.3	0.8	100.0	-380	21.3	20.7
<b>Addendum</b>						
<b>Top 10 Percent</b>	96.4	1.0	50.0	-1,901	26.6	25.9
<b>Top 5 Percent</b>	94.2	0.8	30.2	-2,300	27.7	27.2
<b>Top 1 Percent</b>	77.1	0.1	2.8	-1,061	29.5	29.4
<b>Top 0.5 Percent</b>	75.9	0.1	0.9	-693	30.2	30.2
<b>Top 0.1 Percent</b>	79.7	*	0.2	-576	31.8	31.8

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-2).

\* Less than 0.05 percent. \*\* Less than \$1 in absolute value.

(1) Calendar year. Baseline is current law. Provisions include: increasing the standard deduction and the width of the 15 percent bracket for married couples filing a joint return to twice that of singles; increasing AMT exemption to \$58,000 for married couples filing a joint return (\$29,000 for married individuals filing a separate return) and \$40,250 for others, indexed for inflation after 2004; increasing the width of the 10 percent bracket to \$14,000 for married couples filing a joint return (\$7,000 for singles), indexed for inflation after 2003; increasing the child credit to \$1,000; increasing phaseout threshold for child credit to \$125,000 (\$250,000 for married couples filing a joint return).

(2) Tax units with negative cash income are excluded from the lowest quintile but are included in the totals. Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>

(3) 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.

(4) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.