

Table T04-0154
Conference Agreement on H.R. 1308, The Working Families Tax Relief Act of 2004:
Distribution of Tax Change by Cash Income Percentiles, 2005¹

Cash Income Class ²	Percent Change in After-Tax Income ³	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁴	
				Current Law	Proposal
Lowest Quintile	*	0.1	-2	3.5	3.4
Second Quintile	0.3	3.0	-55	7.9	7.6
Middle Quintile	0.6	8.7	-162	14.7	14.2
Fourth Quintile	0.7	17.7	-331	19.2	18.6
Top Quintile	1.0	70.5	-1,317	25.3	24.5
All	0.8	100.0	-374	21.3	20.7
Addendum					
Top 10 Percent	0.9	46.8	-1,750	26.6	25.9
Top 5 Percent	0.8	29.0	-2,169	27.7	27.1
Top 1 Percent	0.3	6.4	-2,390	29.5	29.3
Top 0.5 Percent	0.3	4.1	-3,097	30.2	30.0
Top 0.1 Percent	0.3	2.4	-8,870	31.8	31.6

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-3).

* Less than 0.05 percent.

(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; 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; allowance of personal non-refundable credits against regular tax and AMT liability regardless of tentative AMT; extension of expiring corporate tax provisions. Corporate tax change is distributed to tax units based on their share of aggregate capital income (CBO methodology).

(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.