

Table T05-0008
Reduction in Rates for Dividends and Long-Term Capital Gains:
Distribution of Tax Change by Cash Income Percentiles, Non-Elderly Tax Units, 2005¹

Cash Income Class ²	Non-Elderly Tax Units (thousands)	Percent of Tax Units with Tax Cut	Percent Change in After-Tax Income ³	Tax Change (\$ millions) ⁴	Percent of Total Tax Change ⁵	Average Tax Change (\$)	Average Federal Tax Rate ⁶	
							Baseline	Proposal
Lowest Quintile	22,247	0.5	*	-2.7	*	**	3.7	3.7
Second Quintile	21,544	3.0	*	-47.6	0.2	-2	8.5	8.5
Middle Quintile	22,778	8.2	*	-166.1	0.8	-7	16.4	16.4
Fourth Quintile	23,804	17.1	*	-499.7	2.3	-21	20.0	19.9
Top Quintile	24,869	40.7	0.4	-13,858.3	63.0	-557	25.0	24.7
All	115,790	14.5	0.3	-14,575.9	66.2	-126	21.8	21.5
Addendum								
Top 10 Percent	12,547	53.6	0.6	-13,176.0	59.9	-1,050	26.3	25.9
Top 5 Percent	6,177	63.3	0.7	-12,332.0	56.0	-1,997	27.6	27.1
Top 1 Percent	1,195	75.8	1.2	-10,162.8	46.2	-8,501	30.1	29.3
Top 0.5 Percent	596	78.4	1.4	-9,159.8	41.6	-15,380	30.9	30.0
Top 0.1 Percent	120	83.4	1.9	-7,005.6	31.8	-58,375	33.0	31.7

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0304-5).

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

(1) Calendar year. Provisions include: reduce the tax rate on qualifying dividends and long-term capital gains to 15 percent (the rate for individuals in the 10- and 15-percent brackets is 5 percent). Baseline is current law without these rate reductions for dividends and capital gains that were enacted by JGTRRA. Under Pre-JGTRRA law, dividends were taxed at the same rates as ordinary income; long-term gains were generally subject to a 20-percent rate (10 percent for those in the 10- and 15-percent brackets). Non-Elderly tax units refer to those in which neither the primary nor secondary taxpayer (if applicable) is 65 years of age or older.

(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) Static tax change that does not include behavioral effects.

(5) Total tax change is for both elderly and non-elderly tax units.

(6) 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.