

February 16, 2005

**Table T05-0057**  
**Effect of the 2001-2004 Tax Cuts With Lump Sum Financing<sup>1</sup>**  
**Distribution of Federal Tax Change by Cash Income Class, 2005**

| Cash Income Class<br>(thousands of 2003<br>dollars) <sup>2</sup> | Tax Units <sup>3</sup> |                     |                              |                         | Percent Change<br>in After-Tax<br>Income <sup>4</sup> | Average Tax<br>Change (\$) | Average Federal Tax Rate <sup>5</sup> |             |        | Change in Federal<br>Tax Payments<br>(percent) | Average Income Tax Rate |             |        | Change in Income<br>Tax Payments<br>(percent) |
|--|------------------------|---------------------|------------------------------|-------------------------|---|----------------------------|---------------------------------------|-------------|--------|--|-------------------------|-------------|--------|---|
|  | Number<br>(thousands)  | Percent of<br>Total | Percent with<br>Tax Increase | Percent with<br>Tax Cut |   |                            | Pre-EGTRRA                            | Current Law | Change |  | Pre-EGTRRA              | Current Law | Change |   |
|  |                        |                     |                              |                         |   |                            |                                       |             |        |  |                         |             |        |   |
| <b>Less than 10</b>  | 20,301                 | 14.0                | 100.0                        | 0.0                     | -24.6   | 1,396                      | 3.4                                   | 27.2        | 23.7   | 689.2  | -6.0                    | 17.7        | 23.7   | -393.4  |
| <b>10-20</b>   | 26,357                 | 18.1                | 99.5                         | 0.5                     | -8.3  | 1,196                      | 6.7                                   | 14.5        | 7.8    | 115.9  | -3.1                    | 4.7         | 7.8    | -251.1  |
| <b>20-30</b>   | 20,537                 | 14.1                | 91.8                         | 8.2                     | -3.8  | 856                        | 12.9                                  | 16.3        | 3.3    | 25.8   | 2.1                     | 5.5         | 3.4    | 160.8   |
| <b>30-40</b>   | 15,633                 | 10.8                | 86.4                         | 13.6                    | -2.5  | 733                        | 16.8                                  | 18.8        | 2.0    | 12.2   | 5.5                     | 7.6         | 2.1    | 38.1  |
| <b>40-50</b>   | 11,543                 | 7.9                 | 81.4                         | 18.6                    | -1.5  | 548                        | 18.8                                  | 20.0        | 1.2    | 6.3  | 7.1                     | 8.3         | 1.2    | 17.6  |
| <b>50-75</b>   | 20,112                 | 13.8                | 70.2                         | 29.8                    | -0.4  | 182                        | 20.8                                  | 21.1        | 0.3    | 1.4  | 8.8                     | 9.2         | 0.4    | 4.2   |
| <b>75-100</b>  | 11,773                 | 8.1                 | 22.7                         | 77.3                    | 1.1   | -789                       | 22.9                                  | 22.0        | -0.9   | -3.9   | 10.4                    | 9.7         | -0.7   | -6.6  |
| <b>100-200</b>   | 14,039                 | 9.7                 | 4.2                          | 95.8                    | 2.2   | -2,237                     | 25.2                                  | 23.6        | -1.6   | -6.4   | 13.3                    | 11.9        | -1.4   | -10.6   |
| <b>200-500</b>   | 3,588                  | 2.5                 | 3.5                          | 96.5                    | 2.6   | -5,515                     | 27.9                                  | 26.0        | -1.9   | -6.7   | 18.0                    | 16.4        | -1.6   | -9.1  |
| <b>500-1,000</b>   | 593                    | 0.4                 | 4.2                          | 95.8                    | 3.6   | -17,582                    | 30.3                                  | 27.8        | -2.5   | -8.3   | 21.2                    | 18.9        | -2.3   | -11.0   |
| <b>More than 1,000</b>   | 284                    | 0.2                 | 1.3                          | 98.7                    | 5.2   | -100,884                   | 34.6                                  | 31.2        | -3.4   | -9.9   | 23.6                    | 20.3        | -3.3   | -14.1   |
| <b>All</b>   | 145,321                | 100.0               | 73.2                         | 26.8                    | 0.0   | 0                          | 23.0                                  | 23.0        | 0.0    | 0.0  | 11.7                    | 11.8        | 0.1    | 1.2   |

Source: Urban-Brookings Tax Policy Center Microsimulation Model.

(1) Baseline is pre-EGTRRA law. Tax cuts include EGTRRA, JCWA, JGTRRA, and WFTRA. Lump sum financing equals about \$1402 per tax unit.

(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) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.

(4) 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.

(5) 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.