

**Table T05-0208. Option 4: Fully Refundable Child and Dependent Care Tax Credit  
Distribution of Federal Tax Benefits by Cash Income Percentile, 2005<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Percent of Tax Units <sup>3</sup>		Percent Change in After-Tax Income <sup>4</sup>	Share of Total Federal Tax Benefits	Average Federal Tax Benefit		Share of Federal Taxes		Average Federal Tax Rate <sup>5</sup>	
	With Tax Benefit	Without Tax Benefit			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Lowest Quintile	3.1	96.9	0.3	14.2	-24	-9.9	0.0	0.3	-0.3	2.9
Second Quintile	3.6	96.4	0.2	18.3	-30	-2.2	0.0	2.2	-0.2	7.1
Middle Quintile	5.0	95.0	0.1	18.8	-31	-0.6	0.0	7.8	-0.1	14.2
Fourth Quintile	6.7	93.3	0.1	21.5	-36	-0.3	0.0	17.5	-0.1	18.4
Top Quintile	8.6	91.4	0.0	27.1	-45	-0.1	0.1	72.0	0.0	24.7
All	5.4	94.6	0.1	100.0	-33	-0.3	0.0	100.0	-0.1	20.7
<b>Addendum</b>										
Top 10 Percent	7.8	92.2	0.0	13.0	-43	-0.1	0.1	56.6	0.0	26.1
Top 5 Percent	6.5	93.5	0.0	5.5	-36	0.0	0.1	44.5	0.0	27.3
Top 1 Percent	3.8	96.2	0.0	0.7	-22	0.0	0.1	26.6	0.0	29.6
Top 0.5 Percent	2.9	97.1	0.0	0.3	-20	0.0	0.1	21.5	0.0	30.4
Top 0.1 Percent	2.1	97.9	0.0	0.0	-14	0.0	0.0	13.0	0.0	31.9

**Baseline Distribution of Income and Federal Taxes  
by Cash Income Percentile, 2005<sup>1</sup>**

Cash Income Percentile <sup>2</sup>	Tax Units <sup>3</sup>		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income <sup>3</sup> (Dollars)	Average Federal Tax Rate <sup>4</sup>	Share of Pre- Tax Income Percent of Total	Share of Post- Tax Income Percent of Total	Share of Federal Taxes Percent of Total
	Number (thousands)	Percent of Total							
Lowest Quintile	28,340	19.6	7,487	242	7,245	3.2	2.4	3.0	0.4
Second Quintile	28,910	20.0	19,134	1,383	17,751	7.2	6.3	7.4	2.2
Middle Quintile	28,916	20.0	34,409	4,911	29,497	14.3	11.4	12.3	7.8
Fourth Quintile	28,916	20.0	59,726	11,016	48,710	18.4	19.7	20.3	17.5
Top Quintile	28,914	20.0	183,278	45,233	138,045	24.7	60.5	57.5	71.9
All	144,573	100.0	60,566	12,580	47,986	20.8	100.0	100.0	100.0
<b>Addendum</b>									
Top 10 Percent	14,457	10.0	271,934	71,000	200,934	26.1	44.9	41.9	56.4
Top 5 Percent	7,228	5.0	408,681	111,648	297,033	27.3	33.7	31.0	44.4
Top 1 Percent	1,446	1.0	1,126,790	333,481	793,309	29.6	18.6	16.5	26.5
Top 0.5 Percent	723	0.5	1,774,411	539,410	1,235,001	30.4	14.7	12.9	21.4
Top 0.1 Percent	145	0.1	5,136,564	1,636,693	3,499,871	31.9	8.5	7.3	13.0

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-2).

(1) Baseline is current law without the child and dependent care tax credit (CDCTC). Proposal allows a fully refundable CDCTC. Option 4 also indexes the CDCTC for inflation but not until 01/01/06.

(2) Tax units with negative cash income are excluded from the lowest quintile 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 (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.