

17-Oct-05

Preliminary Results

<http://www.taxpolicycenter.org>

Table T05-0263
Federal Income Tax Liability: Effect of Limiting the
Mortgage Interest Deduction and the Effect of AMT Repeal
on Sample Families, 2005¹

AGI (2005 dollars) ²	Tax Increase Due to Limitation of Mortgage Interest Deduction ³ (dollars)	Tax Cut from AMT Repeal (dollars)
200,000	4,963	915
210,000	4,963	1,728
220,000	4,963	2,214
230,000	4,963	2,431
240,000	4,963	2,649
250,000	4,963	2,866
260,000	4,963	3,084
270,000	5,119	3,301
280,000	5,342	3,334
290,000	5,345	3,293
300,000	5,345	3,254
310,000	5,345	3,215
320,000	5,345	3,177
330,000	5,345	3,138
340,000	5,345	3,099
350,000	5,345	3,378
360,000	5,345	3,761
370,000	5,345	4,145
380,000	5,345	4,529
390,000	5,345	4,913
400,000	5,345	5,296
410,000	5,345	5,680
420,000	5,295	6,064
430,000	4,626	6,448
440,000	4,276	6,496
450,000	4,276	6,045
460,000	4,276	5,594
470,000	4,276	5,144
480,000	4,276	4,693
490,000	4,276	4,242
500,000	4,276	4,981

Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0305-3A).

(1) Baseline is current law. For the sample families, itemized deductions other than home mortgage interest are assumed to be 12 percent of AGI, which was the average ratio for itemizers in 2000 (those filers with itemized deductions below the standard deduction are assumed to take the standard deduction, except in a few instances where itemizing would result in a lower tax liability). Home mortgage interest is assumed to be \$33,637 a simple calculation of interest on the mortgage of \$573,040 at 5.87 percent. For purposes of calculating the AMT, tax preference items such as state and local taxes and miscellaneous deductions are assumed to be 63 percent of itemized deductions other than the deduction for home mortgage interest.

(2) The fraction of AGI composed by capital gains and applicable dividends are as follows (the first percentage is for capital gains and the second is for dividends): \$200,000 - \$490,000: 6.1% and 1.7%; \$500,000: 9.4% and 1.8%.

(3) Deduction for home mortgage interest is limited to mortgages no larger than \$312,895. Assuming an interest rate of 5.87%, their mortgage interest deduction is capped at \$18,367.