

Date: October 6, 2005

Table T05-0273
Remove AGI Phase-out Thresholds for Roth IRA Contribution Limits¹
Distribution of Federal Tax Change by AGI Class and Filing Status, 2005
Filing Status: Single

AGI Class (thousands of 2005 dollars) ²	Number (thousands)	Tax Units ³		Percent Change in After-Tax Income ⁴	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁵	
		Percent of Total	Percent with Tax Cut				Current Law	Proposal
Less than 10	20,385	34.0	0.0	0.0	0.0	0	4.4	4.4
10-20	11,256	18.8	0.0	0.0	0.0	0	13.8	13.8
20-30	8,400	14.0	0.0	0.0	0.0	0	18.0	18.0
30-40	6,549	10.9	0.0	0.0	0.0	0	20.3	20.3
40-50	4,276	7.1	0.0	0.0	0.0	0	21.7	21.7
50-75	5,107	8.5	0.0	0.0	0.0	0	23.8	23.8
75-95	1,485	2.5	0.0	0.0	0.0	0	25.2	25.2
95-110	546	0.9	9.6	0.1	7.5	-51	26.2	26.2
110-150	687	1.1	18.5	0.2	35.2	-190	26.7	26.6
150-160	91	0.2	19.0	0.1	4.2	-170	26.5	26.4
More than 160	579	1.0	24.1	0.1	53.2	-341	33.4	33.3
All	59,884	100.0	0.6	0.0	100.0	-6	21.6	21.6

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

(1) Calendar Year. Baseline is current law. Under current law, the maximum allowed contribution to a Roth IRA is \$4000 for single, head of household, and married filing separately filers and \$8000 for married filing jointly filers. These limits are gradually phased-out for single and head of household filers with AGI between \$95,000 and \$110,000, for married filing jointly filers with AGI between \$150,000 and \$160,000, and for married filing separately filers with AGI between \$0 and \$10,000. Under the proposal, the Roth IRA contribution limits are not phased out, and thus are the same for filers of all income levels. For a detailed discussion of the methodology used for imputing Roth IRA contributions, see Burman, Gale, Hall and Orszag (2004), available at:

http://www.urban.org/UploadedPDF/311029_TPC_DP16.pdf

(2) Tax units with negative AGI are excluded from the lowest income class but are included in the totals.

(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.