

Table T05-0318
Effect of Not Extending Credit for Elective Deferrals and IRA Contributions (Savers' Credit)
and the Pension and IRA Provisions of EGTRRA
Distribution of Federal Tax Change by Cash Income Percentiles, 2015¹

Cash Income Percentiles ²	Percent of Tax Units with Tax Increase	Percent Change in After-Tax Income ³	Percent of Total Tax Change	Average Tax Change (\$)	Average Federal Tax Rate ⁴	
					Current Law	Proposal
Lowest Quintile	0.6	0.0	0.1	0	4.3	4.3
Second Quintile	5.3	-0.1	2.7	12	5.1	5.1
Middle Quintile	6.8	-0.1	6.2	21	11.4	11.4
Fourth Quintile	5.6	-0.1	8.6	27	17.7	17.7
Top Quintile	13.9	-0.1	82.4	169	25.3	25.4
All	7.9	-0.1	100.0	67	22.4	22.5
Addendum						
Top 10 Percent	17.9	-0.1	70.0	237	26.2	26.3
Top 5 Percent	25.1	-0.1	56.8	350	26.9	27.0
Top 1 Percent	41.2	-0.1	18.9	650	27.4	27.5
Top 0.5 Percent	40.8	-0.1	9.6	719	27.6	27.7
Top 0.1 Percent	43.8	0.0	2.3	872	28.9	28.9

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

(1) Calendar year. Baseline is current law plus Savers' Credit extended plus the Administration's FY2005 Budget Proposal to extend provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) affecting the following: marginal tax rates; the 10-percent bracket; the child tax credit; the child and dependent care credit; the limitation on itemized deductions (Pease); the personal exemption phaseout (PEP); the standard deduction, 15-percent bracket, and EITC for married couples; the AMT; pension and IRA provisions; estate tax repeal; 15 percent tax rate on qualified dividends and capital gains (0 percent for lower-income taxpayers). Proposal: Repeal Savers' Credit; lower the limit on traditional and Roth IRA contributions from \$5,000 to \$2,000 plus disallow the additional \$1,000 catch-up contribution; lower the annual addition limitation for DC plans from \$40,000 to \$30,000, disallow the additional \$5,000 catch-up contribution, and lower compensation limitation from 100% to 25% of compensation; lower the limitation on exclusion for elective deferrals from \$15,000 to \$10,500.

(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) 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.