

Table T06-0071
IRA Conversion Provision
Fully-Phased In Impact at 2006 Income Levels
Distribution of Federal Tax Change by Cash Income Class ¹

Cash Income Class (thousands of 2005 dollars) ²	Percent of Tax Units ³		Percent Change in After-Tax Income ⁴	Share of Total Federal Tax Change	Average Federal Tax Change		Share of Federal Taxes		Average Federal Tax Rate ⁵	
	With Tax Cut	With Tax Increase			Dollars	Percent	Change (% Points)	Under the Proposal	Change (% Points)	Under the Proposal
Less than 10	0.0	0.0	0.0	0.0	0	0.0	0.0	0.2	0.0	3.8
10-20	0.0	0.0	0.0	0.0	0	0.0	0.0	1.0	0.0	4.7
20-30	0.0	0.0	0.0	0.0	0	0.0	0.0	2.7	0.0	10.0
30-40	0.0	0.0	0.0	0.0	0	0.0	0.0	4.1	0.0	14.4
40-50	0.0	0.0	0.0	0.0	0	0.0	0.0	4.7	0.0	16.7
50-75	0.0	0.0	0.0	0.0	0	0.0	0.0	12.7	0.0	18.6
75-100	0.0	0.0	0.0	0.1	0	0.0	0.0	11.5	0.0	20.3
100-200	3.0	0.0	0.0	24.9	-25	-0.1	0.0	24.6	0.0	23.0
200-500	6.0	0.0	0.0	24.8	-96	-0.1	0.0	15.7	0.0	26.1
500-1,000	9.5	0.0	0.1	15.6	-361	-0.2	0.0	6.4	-0.1	26.9
More than 1,000	15.6	0.0	0.1	34.7	-1,554	-0.2	0.0	16.4	-0.1	30.7
All	0.6	0.0	0.0	100.0	-11	-0.1	0.0	100.0	0.0	21.0

Baseline Distribution of Income and Federal Taxes
by Cash Income Class, 2006 ¹

Cash Income Class (thousands of 2005 dollars) ²	Tax Units ³		Average Income (Dollars)	Average Federal Tax Burden (Dollars)	Average After-Tax Income ⁴ (Dollars)	Average Federal Tax Rate ⁵	Share of Pre-	Share of Post-	Share of
	Number (thousands)	Percent of Total					Pre-Tax Income Percent of Total	Post-Tax Income Percent of Total	Federal Taxes Percent of Total
Less than 10	18,886	12.9	5,743	217	5,527	3.8	1.2	1.4	0.2
10-20	25,413	17.4	15,208	721	14,487	4.7	4.2	5.1	1.0
20-30	20,374	13.9	25,206	2,521	22,686	10.0	5.6	6.4	2.7
30-40	15,429	10.5	35,525	5,106	30,418	14.4	5.9	6.5	4.1
40-50	11,963	8.2	45,636	7,630	38,007	16.7	5.9	6.3	4.7
50-75	21,121	14.4	62,649	11,628	51,021	18.6	14.4	14.8	12.7
75-100	12,455	8.5	87,930	17,852	70,078	20.3	11.9	12.0	11.5
100-200	15,196	10.4	136,287	31,431	104,855	23.1	22.5	21.9	24.6
200-500	3,988	2.7	292,415	76,262	216,152	26.1	12.7	11.8	15.7
500-1,000	668	0.5	690,594	185,952	504,641	26.9	5.0	4.6	6.4
More than 1,000	345	0.2	2,994,463	921,837	2,072,626	30.8	11.2	9.8	16.4
All	146,417	100.0	62,970	13,245	49,725	21.0	100.0	100.0	100.0

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

(1) Calendar year. Provisions include: eliminate the income limitation on Roth IRA conversions, with four-year averaging. The amount of conversion activity has been calibrated to match the revenue estimate from the Joint Committee on Taxation dated March 1, 2006 and published at <http://www.cbpp.org/4-25-06tax.htm>.

(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 (includes individual and corporate income tax, payroll taxes for Social Security and Medicare, and the estate tax) as a percentage of average cash income.