

Table T06-0088
Conference Agreement on the Tax Increase Prevention and Reconciliation Act of 2005
Fully-Phased In Impact of Major Provisions at 2006 Income Levels
With Lump-Sum Financing
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	100.0	-8.2	n/a	453	208.7	0.4	0.6	7.9	11.7
10-20	0.1	99.9	-3.1	n/a	450	62.4	0.6	1.5	3.0	7.7
20-30	0.6	99.4	-2.0	n/a	443	17.6	0.5	3.1	1.8	11.8
30-40	1.2	98.8	-1.4	n/a	436	8.5	0.3	4.4	1.2	15.6
40-50	3.4	96.7	-1.1	n/a	406	5.3	0.3	4.9	0.9	17.7
50-75	7.8	92.2	-0.7	n/a	341	2.9	0.4	12.9	0.5	19.2
75-100	25.2	74.8	-0.1	n/a	47	0.3	0.0	11.4	0.1	20.4
100-200	62.9	37.0	0.9	n/a	-942	-3.0	-0.7	23.7	-0.7	22.5
200-500	89.4	10.6	1.9	n/a	-4,074	-5.3	-0.8	14.9	-1.4	25.0
500-1,000	71.0	29.0	1.0	n/a	-5,203	-2.7	-0.2	6.3	-0.8	26.7
More than 1,000	85.0	15.0	2.1	n/a	-42,313	-4.4	-0.7	16.1	-1.4	30.7
All	13.3	86.7	0.0	n/a	0	0.0	0.0	100.0	0.0	21.3

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	722	14,486	4.8	4.2	5.1	0.9
20-30	20,374	13.9	25,206	2,525	22,681	10.0	5.6	6.4	2.6
30-40	15,429	10.5	35,525	5,113	30,411	14.4	5.9	6.5	4.0
40-50	11,963	8.2	45,636	7,649	37,988	16.8	5.9	6.3	4.7
50-75	21,121	14.4	62,649	11,666	50,983	18.6	14.4	14.8	12.5
75-100	12,455	8.5	87,930	17,921	70,009	20.4	11.9	12.0	11.4
100-200	15,196	10.4	136,287	31,637	104,649	23.2	22.5	21.9	24.5
200-500	3,988	2.7	292,415	77,302	215,113	26.4	12.7	11.8	15.7
500-1,000	668	0.5	690,594	189,799	500,795	27.5	5.0	4.6	6.5
More than 1,000	345	0.2	2,994,463	960,596	2,033,867	32.1	11.2	9.7	16.9
All	146,417	100.0	62,970	13,418	49,552	21.3	100.0	100.0	100.0

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

(1) Calendar year. Provisions include: increase the individual alternative minimum tax (AMT) exemption to \$62,550 for married couples filing a joint return, \$42,500 for singles and heads of household, and \$31,275 for married individuals filing a separate return; allow personal non-refundable credits against the regular tax and AMT, regardless of tentative AMT; extend the reduction in the tax rate on qualifying dividends and long-term capital gains to 15 percent (the rate for individuals in the 10- and 15-percent brackets would be 0 percent); section 179 expensing provisions. Also includes the present value of the tax savings from the Roth IRA conversion provision. Because of the ability to convert non-deductible IRAs to Roths, we model the provision as effectively removing the income limitation on contributions to Roth IRAs. 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>. Baseline is current law without the provisions described above that are already in place for 2006. Assumes lump-sum financing of \$453 per tax unit.

(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.