



# tax facts

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## Future Income Tax Cuts From the 2001 Tax Legislation

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The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 back-loaded many of its provisions. For example, EGTRRA reduces the top income tax rate from 38.6 percent currently to 37.6 percent in 2004 and 35 percent in 2006.

The future income tax cuts scheduled under EGTRRA have different distributional implications from those in place as of 2003. (The future estate tax cuts also have different distributional implications from the changes enacted so far but all of the data here focus on the income tax changes.) Filers with adjusted gross income (AGI) of \$1 million or more will receive

an average total income tax cut in 2010 of \$131,398. Of this total, \$23,991 reflects cuts in effect as of 2003 and \$107,407 reflects provisions that have not yet taken effect. Filers in this income group receive 39 percent of the aggregate income tax cuts in 2010 from provisions not yet in effect. By contrast, these tax filers receive only 7 percent of the 2010 income tax cuts that reflect provisions already in effect. The scheduled future income tax cuts interact with the individual alternative minimum tax (AMT). The average income tax cut in 2010 from provisions scheduled for the future is basically zero for tax filers between \$100,000 and \$200,000 in AGI. More than 90 percent of these filers will be on the AMT and thus have their income tax cuts curtailed or eliminated. Indeed, many people in this income group will face a tax increase because the temporary increase in the AMT exemption will expire after 2004. (Modifying the AMT would therefore also affect the distribution of future tax cuts under EGTRRA.)

**Comparison of Benefits From EGTRRA Under Current Law and Frozen at 2003 Levels:  
Distribution of Income Tax Change by AGI Class, 2010**

AGI Class (thousands of 2001 dollars)	Full Income Tax Cut		Income Tax Cut in Place <sup>2</sup>		Income Tax Cut Still to Come	
	Share of Cut (%)	Average Cut (current \$)	Share of Cut (%)	Average Cut (current \$)	Share of Cut (%)	Average Cut (current \$)
Less than 10 <sup>1</sup>	0.6	\$35	1.0	\$32	0.1	\$3
10-20	6.8	\$441	8.5	\$307	4.7	\$134
20-30	8.6	\$734	9.7	\$462	7.2	\$271
30-40	7.2	\$828	7.8	\$501	6.5	\$327
40-50	6.5	\$983	7.2	\$605	5.7	\$378
50-75	13.3	\$1,218	16.9	\$863	8.8	\$355
75-100	10.8	\$1,577	14.3	\$1,166	6.4	\$412
100-200	9.6	\$1,152	17.4	\$1,160	-0.2	-\$9
200-500	6.3	\$3,312	6.8	\$1,993	5.7	\$1,318
500-1,000	9.0	\$28,072	3.5	\$6,125	15.9	\$21,947
More than 1,000	21.2	\$131,398	6.9	\$23,991	39.2	\$107,407
All	100.0	\$1,126	100.0	\$629	100.0	\$497

<sup>1</sup>Filers with negative AGI are not included in this category but are included in totals.

<sup>2</sup>These columns show the effects of maintaining the top four statutory income tax rates at 27, 30, 35, and 38.6 percent; the child tax credit at \$600 with a refundability rate of 10 percent; an expanded EITC plateau for married couples of \$1,000; IRA contribution limits of \$3,000 per person; the retention of Pease/PEP; no expansion in the 15 percent bracket for joint filers; and nonindexing of the 10 percent bracket and EITC plateau expansion. The AMT exemption and the child and dependent care credit would remain at their 2003 levels. This excludes estate tax changes.

Source: Urban-Brookings Tax Policy Center Microsimulation Model.



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