

**Table 4. Extending the Reduction in Rates for Long-Term Capital Gains and Qualifying Dividends:
Distribution of Federal Tax Change by Cash Income Percentile, 2010¹**

| Cash Income Percentile 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 |
| Lowest Quintile | 0.8 | 0.0 | 0.0 | 0.1 | -1 | -0.2 | 0.0 | 0.5 | 0.0 | 3.9 |
| Second Quintile | 6.0 | 0.0 | 0.1 | 1.2 | -12 | -0.6 | 0.0 | 2.6 | -0.1 | 8.7 |
| Middle Quintile | 11.0 | 0.0 | 0.1 | 2.4 | -25 | -0.4 | 0.1 | 8.1 | -0.1 | 15.3 |
| Fourth Quintile | 23.2 | 0.0 | 0.1 | 7.7 | -80 | -0.6 | 0.1 | 17.9 | -0.1 | 19.6 |
| Top Quintile | 44.5 | 0.0 | 0.6 | 88.7 | -928 | -1.6 | -0.2 | 70.8 | -0.4 | 25.3 |
| All | 17.1 | 0.0 | 0.4 | 100.0 | -209 | -1.3 | 0.0 | 100.0 | -0.3 | 21.6 |
| Addendum | | | | | | | | | | |
| Top 10 Percent | 56.3 | 0.0 | 0.7 | 81.3 | -1,702 | -1.9 | -0.4 | 54.7 | -0.5 | 26.4 |
| Top 5 Percent | 65.3 | 0.0 | 0.9 | 74.4 | -3,115 | -2.3 | -0.4 | 42.1 | -0.6 | 27.1 |
| Top 1 Percent | 72.8 | 0.0 | 1.3 | 58.1 | -12,162 | -3.1 | -0.5 | 23.7 | -0.9 | 27.9 |
| Top 0.5 Percent | 73.9 | 0.0 | 1.5 | 51.8 | -21,680 | -3.5 | -0.4 | 18.9 | -1.0 | 28.4 |
| Top 0.1 Percent | 81.1 | 0.0 | 1.9 | 38.5 | -80,589 | -4.3 | -0.4 | 11.3 | -1.3 | 29.7 |

**Baseline Distribution of Income and Federal Taxes
by Cash Income Percentile, 2010¹**

| Cash Income Percentile ² | Tax Units ³ | | Average Income (Dollars) | Average Federal Tax Burden (Dollars) | Average After-Tax Income ³ (Dollars) | Average Federal Tax Rate ⁴ | Share of Pre- | Share of Post- | Share of |
|--|------------------------|---------------------|--------------------------------|---|--|---|-----------------------------------|-----------------------------------|--------------------------------------|
| | Number (thousands) | Percent of Total | | | | | Tax Income Percent of Total | Tax Income Percent of Total | Federal Taxes Percent of Total |
| Lowest Quintile | 30,240 | 19.6 | 9,537 | 371 | 9,166 | 3.9 | 2.5 | 3.1 | 0.5 |
| Second Quintile | 30,835 | 20.0 | 23,976 | 2,088 | 21,888 | 8.7 | 6.5 | 7.6 | 2.6 |
| Middle Quintile | 30,835 | 20.0 | 42,047 | 6,462 | 35,585 | 15.4 | 11.4 | 12.4 | 8.0 |
| Fourth Quintile | 30,831 | 20.0 | 72,549 | 14,305 | 58,243 | 19.7 | 19.7 | 20.2 | 17.8 |
| Top Quintile | 30,835 | 20.0 | 221,837 | 57,124 | 164,712 | 25.8 | 60.2 | 57.2 | 71.0 |
| All | 154,170 | 100.0 | 73,696 | 16,091 | 57,605 | 21.8 | 100.0 | 100.0 | 100.0 |
| Addendum | | | | | | | | | |
| Top 10 Percent | 15,417 | 10.0 | 328,475 | 88,525 | 239,950 | 27.0 | 44.6 | 41.7 | 55.0 |
| Top 5 Percent | 7,708 | 5.0 | 492,486 | 136,732 | 355,754 | 27.8 | 33.4 | 30.9 | 42.5 |
| Top 1 Percent | 1,542 | 1.0 | 1,348,695 | 388,346 | 960,349 | 28.8 | 18.3 | 16.7 | 24.1 |
| Top 0.5 Percent | 771 | 0.5 | 2,117,197 | 623,274 | 1,493,923 | 29.4 | 14.4 | 13.0 | 19.4 |
| Top 0.1 Percent | 154 | 0.1 | 6,060,561 | 1,878,012 | 4,182,549 | 31.0 | 8.2 | 7.3 | 11.7 |

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

(1) Baseline is current law. Provisions include: reduce 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 is 0 percent).

(2) Tax units with negative cash income are excluded from the lowest quintile 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.