

Major Individual Income Tax Provisions of the President's Tax Proposal¹

(2000 Income Levels)

Cash Income Class ²	Distribution of Proposed Changes in Individual Income Taxes (%)	Distribution of Total Individual Income Taxes ³		Average Individual Income Taxes With Proposed Changes (\$)	Percent Change in Individual Income Taxes (%)
		Current Law (%)	With Proposed Changes ⁴ (%)		
		0 - 30	9.3		
30 - 40	6.5	2.5	1.8	993	-38.3
40 - 50	7.8	4.1	3.4	2,210	-28.0
50 - 75	17.2	12.2	11.3	4,279	-20.8
75 - 100	13.6	12.2	12.0	7,848	-16.3
100 - 200	19.8	27.1	28.3	16,625	-10.7
200 & over	25.4	42.9	45.9	103,931	-8.7
Total ⁵	100.0	100.0	100.0	6,322	-14.6

Department of the Treasury
Office of Tax Analysis

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¹ The major individual income tax provisions are: i) lower individual income tax rates (lower 39.6 and 36 percent rates to 33 percent, lower 31 and 28 percent rates to 25 percent, and introduce a new 10 percent rate bracket for taxable income (in 2006) under \$6,000 for single filers, \$10,000 for head of household filers, and \$12,000 for joint filers); ii) increase the child credit to \$1,000, raise the income level at which it phases out, and allow the child credit against the AMT; iii) allow a 10% deduction for the earnings of the lower earning spouse (up to \$30,000) in two-earner families; iv) allow taxpayers who do not itemize to deduct charitable contributions up to the amount of the taxpayer's standard deduction; and v) provide a refundable tax credit for individually-purchased health insurance.

² Cash Income consists of wages and salaries, net income from a business or farm, taxable and tax-exempt interest, dividends, rental income, realized capital gains, cash transfers from the government, and retirement benefits. Employer contributions for payroll taxes and the federal corporate income tax are added to place cash on a pre-tax basis. Cash income is shown on a family rather than on a tax return basis. The cash incomes of all members of a family are added to arrive at a family's cash income used in the distributions.

³ The refundable portions of the earned income tax credit (EITC) and the child credit are included in the individual income tax. Federal taxes are estimated at 2000 income levels but assuming fully phased in law and, therefore, exclude provisions that expire prior to the end of the Budget period and are adjusted for the effects of unindexed parameters.

⁴ The change in Federal taxes is estimated at 2000 income levels assuming fully phased in law.

⁵ Families with negative incomes are excluded from the lowest income class but included in the total line.