

## SENATE

## HOUSE

MAX BAUCUS, MONTANA,  
CHAIRMAN  
JOHN D. ROCKEFELLER IV, WEST VIRGINIA  
KENT CONRAD, NORTH DAKOTA  
ORRIN G. HATCH, UTAH  
CHUCK GRASSLEY, IOWA

DAVE CAMP, MICHIGAN,  
VICE CHAIRMAN  
WALLY HERGER, CALIFORNIA  
SAM JOHNSON, TEXAS  
SANDER M. LEVIN, MICHIGAN  
CHARLES B. RANGEL, NEW YORK

## Congress of the United States

JOINT COMMITTEE ON TAXATION

1625 LONGWORTH HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6453

(202) 225-3621

<http://www.jct.gov>

OCT 11 2012

Honorable Max Baucus  
United States Senate  
SH-511  
Washington, DC 20510

Honorable Orrin G. Hatch  
United States Senate  
Sh-104  
Washington, DC 20510

Dear Chairman Baucus and Senator Hatch:

On September 19, 2012, Chairman Baucus convened a meeting of the members of the Senate Committee on Finance to discuss the alternative minimum tax and provisions of the Internal Revenue Code that have either expired over the past year or are about to expire. During that meeting, Chairman Baucus asked what could be said about the concept of repealing all tax expenditures and using all or part of the revenues to reduce statutory marginal tax rates. I reported the preliminary results of an experiment that I had designed as a preliminary first step towards answering such a question. I promised the Committee members that after my colleagues and I had double checked our work I would provide a written description of the experiment and the results to all of the members of the Committee.

The general approach of the experiment was to assume the repeal of a number of the largest tax expenditures under the individual income tax as identified in our publication, *Estimates of Federal Tax Expenditures for Fiscal Years 2011-2015*, (JCS-1-12), and use the resulting revenue raised to reduce the statutory rates of the individual income tax while also repealing the individual alternative minimum tax and the PEP and Pease limitations. The result was to be approximately revenue neutral over the 10-year budget period, 2013-2022.

The experiment would make several changes to present law. These changes include: (a) repealing the individual alternative minimum tax; (b) repealing the overall limitation on itemized deductions and personal exemptions for certain taxpayers; (c) repealing all itemized deductions; (d) taxing capital gains (and dividends) as ordinary income; and (e) repealing the interest exclusion on State and local bonds issued after December 31, 2012. No transition relief would be provided under any repeal.

The itemized deductions, taxing income from capital gain realizations at preferential rates, and the interest exclusion on State and local bonds each are large tax expenditure provisions. Other large tax expenditure provisions that I did not include in this experiment

# Congress of the United States

JOINT COMMITTEE ON TAXATION

Washington, DC 20515-6453

Honorable Max Baucus  
Honorable Orrin G. Hatch  
United States Senate

Page 2

include the earned income tax credit, the child credit, the exclusion of employer provided and self-employed health benefits, and the present law treatment of various forms of retirement income and pension plans. I did not include health and retirement because of the complexity of the analysis modifying such provisions would require and in the interest of keeping the experiment somewhat simple. Regarding the earned income tax credit and the child credit, for the experiment I assumed that the provisions of EGTRRA and ARRA that modify the earned income tax credit and the child tax credit would be made permanent. There are a significant number of other identified individual income tax expenditures or other possible base broadening policies that I did not include in this experiment.

The Joint Committee staff estimated these changes relative to the present-law baseline. That is, the tax rates for the individual income tax in 2013 and beyond are: 15 percent, 28 percent, 31 percent, 36 percent, and 39.6 percent. There is no “AMT patch” under the present-law baseline and the PEP and Pease provisions are part of the present law baseline. The Joint Committee staff used its conventional modeling to estimate the provisions described above and used the resulting net revenues gained over the budget period to estimate an equal percentage decrease for all tax rates on ordinary income that would make the package roughly revenue neutral for the fiscal year 2013-2022 period. The revenue-neutral tax reform package outlined above would permit a four-percent decrease in all ordinary income tax rates. Under the proposal, the individual income tax rates would be: 14.4 percent, 26.88 percent, 29.76 percent, 34.56 percent, and 38.02 percent.

I enclose table #12-2 155 which provides the estimated revenue effects of the different components of the experiment. I also enclose a distributional analysis of this proposal (table #D-12-15). As is the case for the revenue analysis, the distributional analysis compares the policy of the experiment to that of the present-law baseline.

Congress of the United States

JOINT COMMITTEE ON TAXATION

Washington, DC 20515-6453

Honorable Max Baucus  
Honorable Orrin G. Hatch  
United States Senate

Page 3

I hope this information is useful. I would be pleased to discuss this material further with you.

Sincerely,

A handwritten signature in black ink that reads "Thomas A. Barthold". The signature is written in a cursive style with a large, prominent initial "T".

Thomas A. Barthold

Enclosures: Tables #12-2 155 and #D-12-15

cc: Honorable Jeff Bingaman, Honorable Richard Burr, Honorable Maria Cantwell, Honorable Benjamin L. Cardin, Honorable Thomas R. Carper, Honorable Tom Coburn, Honorable Kent Conrad, Honorable John Cornyn, Honorable Mike Crapo, Honorable Michael B. Enzi, Honorable Chuck Grassley, Honorable John F. Kerry, Honorable Jon Kyl, Honorable Robert Menendez, Honorable Bill Nelson, Honorable Pat Roberts, Honorable John D. Rockefeller IV, Honorable Charles E. Schumer, Honorable Olympia J. Snowe, Honorable Debbie Stabenow, Honorable John Thune, and Honorable Ron Wyden, Russ Sullivan, Lily Batchelder, Chris Campbell, Mark Prater

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

Calendar Year 2013

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law Percent	Proposal Percent
Less than \$10,000.....	-\$1,239	-19.0%	\$7	0.3%	\$5	0.2%	8.5%	7.1%
\$10,000 to \$20,000.....	-\$6,511	-61.4%	\$11	0.4%	\$4	0.2%	4.0%	1.6%
\$20,000 to \$30,000.....	-\$7,249	-18.7%	\$31	1.6%	\$31	1.3%	8.1%	6.6%
\$30,000 to \$40,000.....	-\$6,858	-10.5%	\$65	2.7%	\$58	2.4%	11.3%	10.2%
\$40,000 to \$50,000.....	-\$5,390	-6.4%	\$84	3.5%	\$79	3.3%	12.8%	12.2%
\$50,000 to \$75,000.....	-\$4,986	-2.0%	\$254	10.6%	\$249	10.3%	15.1%	15.0%
\$75,000 to \$100,000.....	-\$1,343	-0.5%	\$264	11.0%	\$262	10.9%	17.3%	17.4%
\$100,000 to \$200,000.....	\$11,705	1.6%	\$729	30.5%	\$741	30.7%	22.4%	23.1%
\$200,000 to \$500,000.....	\$9,652	2.3%	\$421	17.6%	\$430	17.8%	27.8%	29.0%
\$500,000 to \$1,000,000..	\$4,590	2.9%	\$159	6.7%	\$164	6.8%	31.7%	33.6%
\$1,000,000 and over.....	\$25,566	7.1%	\$362	15.1%	\$388	16.1%	31.4%	36.9%
<b>Total, All Taxpayers.....</b>	<b>\$17,836</b>	<b>0.7%</b>	<b>\$2,394</b>	<b>100.0%</b>	<b>\$2,412</b>	<b>100.0%</b>	<b>20.5%</b>	<b>21.1%</b>

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

Calendar Year 2015

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law Percent	Proposal Percent
	Less than \$10,000.....	-\$1,441	-24.5%	\$6	0.2%	\$4	0.2%	7.4%
\$10,000 to \$20,000.....	-\$6,729	-89.8%	\$7	0.3%	\$1	(5)	2.6%	0.3%
\$20,000 to \$30,000.....	-\$7,669	-23.5%	\$33	1.2%	\$25	0.9%	6.5%	5.0%
\$30,000 to \$40,000.....	-\$7,163	-10.7%	\$67	2.4%	\$60	2.2%	10.5%	9.4%
\$40,000 to \$50,000.....	-\$5,449	-5.9%	\$93	3.4%	\$87	3.2%	12.7%	12.1%
\$50,000 to \$75,000.....	-\$5,301	-1.8%	\$291	10.6%	\$286	10.3%	15.3%	15.2%
\$75,000 to \$100,000.....	-\$2,488	-0.8%	\$307	11.2%	\$305	11.0%	17.8%	17.9%
\$100,000 to \$200,000.....	\$7,131	0.9%	\$826	30.0%	\$833	30.2%	22.8%	23.4%
\$200,000 to \$500,000.....	\$4,821	1.0%	\$486	17.6%	\$491	17.8%	28.3%	29.3%
\$500,000 to \$1,000,000.....	\$4,081	2.2%	\$185	6.7%	\$189	6.9%	31.8%	33.8%
\$1,000,000 and over.....	\$25,670	5.7%	\$454	16.5%	\$480	17.4%	31.2%	37.0%
<b>Total, All Taxpayers.....</b>	<b>\$5,464</b>	<b>0.2%</b>	<b>\$2,754</b>	<b>100.0%</b>	<b>\$2,759</b>	<b>100.0%</b>	<b>20.8%</b>	<b>21.4%</b>

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

Calendar Year 2017

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$1,666	-32.2%	\$5	0.2%	\$4	0.1%	6.1%	4.3%
\$10,000 to \$20,000.....	-\$7,170	-101.4%	\$7	0.2%	\$0	0.0%	2.3%	0.0%
\$20,000 to \$30,000.....	-\$7,797	-24.1%	\$32	1.0%	\$25	0.8%	6.0%	4.6%
\$30,000 to \$40,000.....	-\$7,478	-9.8%	\$76	2.4%	\$69	2.1%	10.5%	9.5%
\$40,000 to \$50,000.....	-\$5,811	-5.4%	\$107	3.4%	\$102	3.2%	13.2%	12.5%
\$50,000 to \$75,000.....	-\$7,089	-2.1%	\$333	10.4%	\$326	10.2%	15.7%	15.5%
\$75,000 to \$100,000.....	-\$4,820	-1.3%	\$358	11.2%	\$353	11.0%	18.4%	18.4%
\$100,000 to \$200,000.....	\$3,436	0.4%	\$934	29.2%	\$937	29.3%	23.3%	23.7%
\$200,000 to \$500,000.....	\$1,592	0.3%	\$574	18.0%	\$576	18.0%	28.9%	29.7%
\$500,000 to \$1,000,000..	\$5,211	2.3%	\$224	7.0%	\$229	7.2%	32.0%	34.1%
\$1,000,000 and over.....	\$28,202	5.1%	\$548	17.1%	\$576	18.0%	31.8%	37.4%
<b>Total, All Taxpayers.....</b>	<b>-\$3,390</b>	<b>-0.1%</b>	<b>\$3,198</b>	<b>100.0%</b>	<b>\$3,195</b>	<b>100.0%</b>	<b>21.4%</b>	<b>21.9%</b>

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTTRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$1,785	-36.4%	\$5	0.1%	\$3	0.1%	5.6%	3.7%
\$10,000 to \$20,000.....	-\$7,502	-107.5%	\$7	0.2%	-\$1	0.0%	2.1%	-0.2%
\$20,000 to \$30,000.....	-\$8,165	-23.7%	\$34	0.9%	\$26	0.7%	5.9%	4.5%
\$30,000 to \$40,000.....	-\$8,213	-9.6%	\$86	2.4%	\$78	2.1%	10.6%	9.7%
\$40,000 to \$50,000.....	-\$6,345	-5.1%	\$124	3.4%	\$117	3.2%	13.5%	12.9%
\$50,000 to \$75,000.....	-\$8,975	-2.4%	\$382	10.5%	\$373	10.3%	16.1%	15.8%
\$75,000 to \$100,000.....	-\$7,898	-1.9%	\$410	11.3%	\$402	11.1%	18.9%	18.7%
\$100,000 to \$200,000.....	-\$3,540	-0.3%	\$1,042	28.6%	\$1,039	28.7%	23.9%	24.2%
\$200,000 to \$500,000.....	-\$2,346	-0.4%	\$661	18.2%	\$658	18.2%	29.6%	30.3%
\$500,000 to \$1,000,000..	\$6,074	2.4%	\$257	7.0%	\$263	7.2%	32.4%	34.5%
\$1,000,000 and over.....	\$30,574	4.8%	\$634	17.4%	\$664	18.3%	32.2%	37.6%
<b>Total, All Taxpayers.....</b>	<b>-\$18,222</b>	<b>-0.5%</b>	<b>\$3,640</b>	<b>100.0%</b>	<b>\$3,622</b>	<b>100.0%</b>	<b>21.9%</b>	<b>22.4%</b>

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

Calendar Year 2021

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law Percent	Proposal Percent
	Less than \$10,000.....	-\$1,871	-42.6%	\$4	0.1%	\$3	0.1%	4.9%
\$10,000 to \$20,000.....	-\$7,658	-124.0%	\$6	0.2%	-\$1	0.0%	1.8%	-0.4%
\$20,000 to \$30,000.....	-\$8,490	-24.3%	\$35	0.9%	\$26	0.7%	5.6%	4.2%
\$30,000 to \$40,000.....	-\$9,070	-9.6%	\$95	2.3%	\$86	2.1%	10.7%	9.7%
\$40,000 to \$50,000.....	-\$7,183	-5.2%	\$137	3.4%	\$130	3.2%	13.6%	12.9%
\$50,000 to \$75,000.....	-\$11,337	-2.6%	\$428	10.5%	\$417	10.3%	16.1%	15.8%
\$75,000 to \$100,000.....	-\$11,465	-2.5%	\$462	11.4%	\$451	11.2%	18.9%	18.6%
\$100,000 to \$200,000.....	-\$14,023	-1.2%	\$1,148	28.2%	\$1,134	28.1%	24.3%	24.3%
\$200,000 to \$500,000.....	-\$7,455	-1.0%	\$747	18.4%	\$739	18.4%	30.2%	30.6%
\$500,000 to \$1,000,000.....	\$6,301	2.2%	\$286	7.0%	\$292	7.3%	32.7%	34.7%
\$1,000,000 and over.....	\$32,775	4.6%	\$720	17.7%	\$753	18.7%	32.5%	37.7%
<b>Total, All Taxpayers.....</b>	<b>-\$39,576</b>	<b>-1.0%</b>	<b>\$4,068</b>	<b>100.0%</b>	<b>\$4,029</b>	<b>100.0%</b>	<b>22.2%</b>	<b>22.5%</b>

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
- (4) The average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).



**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

[Returns in Thousands; Dollars in Millions]

Calendar Year 2013

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)									
	All Returns		Single Filers		Joint Filers		Head of Household			
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	2,319	-\$1,239	634	-\$220	299	-\$254	1,386	-\$765	1,386	-\$765
\$10,000 to \$20,000.....	10,173	-\$6,511	5,521	-\$1,077	1,104	-\$1,208	3,549	-\$4,225	3,549	-\$4,225
\$20,000 to \$30,000.....	12,010	-\$7,249	6,508	-\$791	1,830	-\$2,513	3,671	-\$3,945	3,671	-\$3,945
\$30,000 to \$40,000.....	12,763	-\$6,858	7,107	-\$580	2,418	-\$3,151	3,238	-\$3,127	3,238	-\$3,127
\$40,000 to \$50,000.....	12,706	-\$5,390	7,189	\$53	2,890	-\$3,273	2,628	-\$2,170	2,628	-\$2,170
\$50,000 to \$75,000.....	24,163	-\$4,986	10,540	\$2,796	10,101	-\$5,064	3,522	-\$2,717	3,522	-\$2,717
\$75,000 to \$100,000.....	16,715	-\$1,344	3,968	\$3,356	11,364	-\$3,484	1,384	-\$1,216	1,384	-\$1,216
\$100,000 to \$200,000.....	23,270	\$11,704	3,143	\$6,648	19,237	\$4,650	889	\$406	889	\$406
\$200,000 to \$500,000.....	5,284	\$9,653	575	\$2,202	4,605	\$7,299	104	\$152	104	\$152
\$500,000 to \$1,000,000.....	730	\$4,590	92	\$988	622	\$3,460	15	\$142	15	\$142
\$1,000,000 and over.....	377	\$25,566	47	\$4,508	322	\$20,618	8	\$441	8	\$441
<b>Total, All Taxpayers.....</b>	<b>120,512</b>	<b>\$17,836</b>	<b>45,324</b>	<b>\$17,881</b>	<b>54,793</b>	<b>\$17,081</b>	<b>20,395</b>	<b>-\$17,024</b>	<b>20,395</b>	<b>-\$17,024</b>

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

[Returns in Thousands; Dollars in Millions]

Calendar Year 2015

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)										
	All Returns			Single Filers			Joint Filers			Head of Household	
	Returns	Dollars		Returns	Dollars		Returns	Dollars		Returns	Dollars
Less than \$10,000.....	2,434	-\$1,441		693	-\$258		313	-\$303		1,428	-\$880
\$10,000 to \$20,000.....	10,490	-\$6,729		5,799	-\$1,063		1,112	-\$1,265		3,579	-\$4,401
\$20,000 to \$30,000.....	12,378	-\$7,669		6,612	-\$915		1,852	-\$2,608		3,913	-\$4,145
\$30,000 to \$40,000.....	13,760	-\$7,163		7,729	-\$584		2,546	-\$3,316		3,484	-\$3,263
\$40,000 to \$50,000.....	13,396	-\$5,449		7,603	\$183		2,990	-\$3,160		2,802	-\$2,472
\$50,000 to \$75,000.....	25,944	-\$5,302		11,266	\$3,429		10,966	-\$5,045		3,712	-\$3,686
\$75,000 to \$100,000.....	17,714	-\$2,488		4,350	\$3,907		11,895	-\$4,694		1,469	-\$1,701
\$100,000 to \$200,000.....	24,083	\$7,132		3,363	\$7,006		19,766	\$167		954	-\$42
\$200,000 to \$500,000.....	5,599	\$4,821		613	\$2,105		4,882	\$2,641		105	\$75
\$500,000 to \$1,000,000.....	784	\$4,081		100	\$946		669	\$2,992		16	\$143
\$1,000,000 and over.....	423	\$25,671		54	\$4,711		360	\$20,537		9	\$422
<b>Total, All Taxpayers.....</b>	<b>127,005</b>	<b>\$5,464</b>		<b>48,183</b>	<b>\$19,468</b>		<b>57,351</b>	<b>\$5,945</b>		<b>21,472</b>	<b>-\$19,949</b>

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

[Returns in Thousands; Dollars in Millions]

Calendar Year 2017

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)									
	All Returns		Single Filers		Joint Filers		Head of Household			
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	2,756	-\$1,666	947	-\$375	333	-\$262	1,476	-\$1,029	1,476	-\$1,029
\$10,000 to \$20,000.....	10,927	-\$7,170	6,105	-\$1,122	1,139	-\$1,401	3,683	-\$4,647	3,683	-\$4,647
\$20,000 to \$30,000.....	12,987	-\$7,797	6,845	-\$880	1,917	-\$2,687	4,224	-\$4,230	4,224	-\$4,230
\$30,000 to \$40,000.....	14,815	-\$7,478	8,378	-\$543	2,672	-\$3,386	3,764	-\$3,549	3,764	-\$3,549
\$40,000 to \$50,000.....	13,990	-\$5,811	7,826	\$227	3,200	-\$3,042	2,964	-\$2,996	2,964	-\$2,996
\$50,000 to \$75,000.....	26,871	-\$7,089	11,199	\$3,427	11,845	-\$5,427	3,827	-\$5,090	3,827	-\$5,090
\$75,000 to \$100,000.....	18,325	-\$4,820	4,461	\$4,315	12,338	-\$7,109	1,526	-\$2,026	1,526	-\$2,026
\$100,000 to \$200,000.....	24,467	\$3,436	3,414	\$7,226	20,091	-\$3,368	962	-\$422	962	-\$422
\$200,000 to \$500,000.....	5,915	\$1,592	661	\$2,759	5,144	-\$1,211	110	\$44	110	\$44
\$500,000 to \$1,000,000.....	863	\$5,211	112	\$1,264	733	\$3,770	17	\$178	17	\$178
\$1,000,000 and over.....	432	\$28,202	56	\$5,451	367	\$22,280	10	\$472	10	\$472
<b>Total, All Taxpayers.....</b>	<b>132,346</b>	<b>-\$3,390</b>	<b>50,004</b>	<b>\$21,749</b>	<b>59,779</b>	<b>-\$1,845</b>	<b>22,563</b>	<b>-\$23,294</b>	<b>22,563</b>	<b>-\$23,294</b>

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

[Returns in Thousands; Dollars in Millions]

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)									
	All Returns		Single Filers		Joint Filers		Head of Household			
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	2,866	-\$1,785	1,097	-\$408	340	-\$286	1,429	-\$1,092	1,429	-\$1,092
\$10,000 to \$20,000.....	11,088	-\$7,502	6,181	-\$1,185	1,177	-\$1,541	3,731	-\$4,775	3,731	-\$4,775
\$20,000 to \$30,000.....	13,425	-\$8,165	6,988	-\$923	1,977	-\$2,844	4,460	-\$4,400	4,460	-\$4,400
\$30,000 to \$40,000.....	15,675	-\$8,213	8,862	-\$515	2,811	-\$3,581	4,002	-\$4,117	4,002	-\$4,117
\$40,000 to \$50,000.....	14,600	-\$6,345	8,193	\$369	3,323	-\$3,023	3,084	-\$3,689	3,084	-\$3,689
\$50,000 to \$75,000.....	28,146	-\$8,975	11,563	\$3,969	12,666	-\$6,372	3,917	-\$6,572	3,917	-\$6,572
\$75,000 to \$100,000.....	19,002	-\$7,898	4,697	\$5,075	12,733	-\$10,517	1,571	-\$2,456	1,571	-\$2,456
\$100,000 to \$200,000.....	24,629	-\$3,536	3,493	\$7,158	20,146	-\$9,687	990	-\$1,007	990	-\$1,007
\$200,000 to \$500,000.....	6,148	-\$2,352	693	\$3,249	5,334	-\$5,585	121	-\$16	121	-\$16
\$500,000 to \$1,000,000.....	907	\$6,074	117	\$1,564	771	\$4,320	18	\$191	18	\$191
\$1,000,000 and over.....	445	\$30,574	57	\$5,929	378	\$24,134	10	\$510	10	\$510
<b>Total, All Taxpayers.....</b>	<b>136,931</b>	<b>-\$18,222</b>	<b>51,941</b>	<b>\$24,282</b>	<b>61,657</b>	<b>-\$14,982</b>	<b>23,333</b>	<b>-\$27,421</b>	<b>23,333</b>	<b>-\$27,421</b>

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

- (1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.
- (2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

**DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO  
REPEAL THE INDIVIDUAL AMT, ELIMINATE CERTAIN DEDUCTIONS,  
TAX CAPITAL GAINS AS ORDINARY INCOME, AND REDUCE  
MARGINAL INCOME TAX RATES BY FOUR PERCENT (1)**

[Returns in Thousands; Dollars in Millions]

Calendar Year 2021

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)										
	All Returns			Single Filers			Joint Filers			Head of Household	
	Returns	Dollars	Dollars	Returns	Dollars	Dollars	Returns	Dollars	Returns	Dollars	
Less than \$10,000.....	2,909	-\$1,871	-\$440	1,191	-\$440	-\$318	345	-\$318	1,374	-\$1,113	
\$10,000 to \$20,000.....	11,017	-\$7,658	-\$1,237	6,073	-\$1,237	-\$1,572	1,161	-\$1,572	3,783	-\$4,848	
\$20,000 to \$30,000.....	13,630	-\$8,490	-\$909	6,905	-\$909	-\$2,964	2,045	-\$2,964	4,681	-\$4,617	
\$30,000 to \$40,000.....	16,217	-\$9,069	-\$491	9,147	-\$491	-\$3,783	2,914	-\$3,783	4,157	-\$4,795	
\$40,000 to \$50,000.....	15,186	-\$7,183	\$579	8,576	\$579	-\$3,190	3,425	-\$3,190	3,184	-\$4,571	
\$50,000 to \$75,000.....	29,472	-\$11,336	\$4,624	12,142	\$4,624	-\$7,779	13,279	-\$7,779	4,051	-\$8,182	
\$75,000 to \$100,000.....	19,924	-\$11,465	\$6,704	5,008	\$6,704	-\$14,039	13,257	-\$14,039	1,659	-\$3,130	
\$100,000 to \$200,000.....	24,890	-\$14,023	\$6,962	3,602	\$6,962	-\$19,204	20,258	-\$19,204	1,030	-\$1,781	
\$200,000 to \$500,000.....	6,383	-\$7,455	\$3,528	715	\$3,528	-\$10,905	5,543	-\$10,905	125	-\$78	
\$500,000 to \$1,000,000.....	935	\$6,301	\$1,700	120	\$1,700	\$4,417	796	\$4,417	19	\$184	
\$1,000,000 and over.....	467	\$32,775	\$6,444	59	\$6,444	\$25,790	397	\$25,790	11	\$542	
<b>Total, All Taxpayers.....</b>	<b>141,033</b>	<b>-\$39,576</b>	<b>\$26,462</b>	<b>53,538</b>	<b>\$26,462</b>	<b>-\$33,548</b>	<b>63,420</b>	<b>-\$33,548</b>	<b>24,075</b>	<b>-\$32,391</b>	

Source: Joint Committee on Taxation  
Detail may not add to total due to rounding.

(1) The proposal would: (a) repeal the individual AMT; (b) the eliminate the phase out of personal exemptions for certain individuals; (c) permanently extend the EGTRRA and ARRA provisions related to the EITC and the child tax credit; (d) repeal all itemized deductions; (e) repeal the interest exclusion for new issues of State and local bonds; (f) tax capital gains as ordinary income; and (g) reduce all individual income tax rates by four percent. Under the proposal, the marginal income tax rates for individuals would be: 14.40%, 26.88%, 29.76%, 34.56%, and 38.02%.

(2) The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] worker's compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] alternative minimum tax preference items, and [8] excluded income of U.S. citizens living abroad. Categories are measured at 2011 levels.

(3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.

**ESTIMATED REVENUE EFFECTS OF A POSSIBLE INDIVIDUAL TAX REFORM PACKAGE**

Fiscal Years 2013 - 2022

[Billions of Dollars]

Provision	Effective	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-17	2013-22
1. Repeal the individual AMT.....	tyba 12/31/12	-5.8	-72.0	-68.4	-77.3	-88.6	-102.0	-116.9	-132.5	-150.8	-171.4	-312.2	-985.8
2. Repeal overall limitation on itemized deductions and the personal exemption phaseout for certain taxpayers.....	tyba 12/31/12	-13.2	-27.8	-30.7	-33.9	-37.4	-41.0	-44.2	-47.1	-50.1	-53.3	-143.0	-378.6
3. Extend the EITC [1].....	tyba 12/31/12	-0.1	-6.2	-6.1	-6.1	-6	-6.1	-6.1	-6.2	-6.4	-6.5	-24.6	-55.9
4. Extend the child tax credit [1].....	tyba 12/31/12	-2.8	-38	-38.2	-38.3	-38.1	-38.2	-38.1	-38	-37.9	-37.9	-155.4	-345.6
5. Repeal itemized deductions.....	tyba 12/31/12	134.4	205.8	215.0	230.1	244.4	258.2	271.7	284.8	298.2	312.1	1,029.6	2,454.6
6. Repeal interest exclusion for new issues of State and local bonds.....	bia 12/31/12	0.4	1.8	4.0	6.5	9.6	13.1	16.7	20.5	24.3	27.6	22.3	124.4
7. Tax capital gains (and dividends) as ordinary income and decrease all tax rates by four percent.....	tyba 12/31/12	-42.3	-65.4	-71.5	-77.8	-84.0	-90.4	-96.3	-101.9	-107.6	-113.4	-341.0	-850.5
<b>NET TOTAL</b> .....		<b>70.6</b>	<b>-1.8</b>	<b>4.1</b>	<b>3.2</b>	<b>-0.1</b>	<b>-6.4</b>	<b>-13.2</b>	<b>-20.4</b>	<b>-30.3</b>	<b>-42.8</b>	<b>75.6</b>	<b>-37.4</b>

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. The date of enactment is assumed to be December 31, 2012.

Legend for "Effective" column:  
 tyba = taxable years beginning after  
 bia = bonds issued after

[1] Estimate includes the following outlay effects:

Extend the EITC.....	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-17	2013-22	
Extend the child tax credit.....	---	4.8	4.8	4.8	4.7	4.7	4.8	4.8	4.8	4.9	5	19.0	43.1
	---	23.7	23.5	23.1	22.5	22.4	22.2	22	22	21.9	21.9	92.8	203.1