

**DISTRIBUTIONAL EFFECTS OF THE
"TAXPAYER RELIEF ACT OF 1998"**

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION

September 15, 1998

JCX-63-98

**DISTRIBUTIONAL EFFECTS OF
THE "TAXPAYER RELIEF ACT OF 1998" (1)**

Calendar Year 1998

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$0	0.0%	\$4	0.3%	\$4	0.3%	5.1%	5.1%
10,000 to 20,000.....	0	0.0%	29	2.2%	29	2.2%	7.7%	7.7%
20,000 to 30,000.....	-2	(5)	68	5.3%	68	5.3%	13.4%	13.4%
30,000 to 40,000.....	-11	(5)	90	6.9%	90	6.9%	15.9%	15.9%
40,000 to 50,000.....	-19	(5)	97	7.5%	97	7.5%	17.4%	17.4%
50,000 to 75,000.....	-128	-0.1%	232	18.0%	232	18.0%	19.6%	19.6%
75,000 to 100,000.....	-210	-0.1%	193	14.9%	192	14.9%	22.4%	22.4%
100,000 to 200,000.....	-97	(5)	269	20.8%	269	20.8%	24.6%	24.6%
200,000 and over.....	-9	(5)	311	24.1%	311	24.1%	28.7%	28.7%
Total, All Taxpayers....	-\$475	(5)	\$1,293	100.0%	\$1,292	100.0%	20.5%	20.5%

Source: Joint Committee on Taxation

Details may not add to totals due to rounding.

-
- (1) Includes standard deduction increase, self-employed health deduction, interest and dividend exclusion, and credits under the AMT.
- (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 1998 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), 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.
- (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
- (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF
THE "TAXPAYER RELIEF ACT OF 1998" (1)**

Calendar Year 1999

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$26	-0.5%	\$5	0.4%	\$5	0.4%	5.7%	5.7%
10,000 to 20,000.....	-218	-0.7%	30	2.2%	30	2.2%	7.9%	7.8%
20,000 to 30,000.....	-606	-0.9%	70	5.2%	69	5.2%	13.5%	13.4%
30,000 to 40,000.....	-1,097	-1.2%	95	7.0%	94	7.0%	16.1%	15.9%
40,000 to 50,000.....	-1,411	-1.4%	101	7.5%	100	7.5%	17.5%	17.2%
50,000 to 75,000.....	-3,291	-1.4%	242	17.9%	238	17.8%	19.7%	19.4%
75,000 to 100,000.....	-2,399	-1.2%	203	15.1%	201	15.0%	22.5%	22.2%
100,000 to 200,000.....	-1,684	-0.6%	283	21.0%	282	21.1%	24.8%	24.6%
200,000 and over.....	-718	-0.2%	319	23.7%	319	23.8%	29.0%	28.9%
Total, All Taxpayers....	-\$11,449	-0.8%	\$1,348	100.0%	\$1,337	100.0%	20.6%	20.5%

Source: Joint Committee on Taxation

Details may not add to totals due to rounding.

-
- (1) Includes standard deduction increase, self-employed health deduction, interest and dividend exclusion, and credits under the AMT.
- (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 1998 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), 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.
- (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
- (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF
THE "TAXPAYER RELIEF ACT OF 1998" (1)**

Calendar Year 2000

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$20	-0.4%	\$5	0.4%	\$5	0.4%	6.0%	6.0%
10,000 to 20,000.....	-214	-0.7%	30	2.2%	30	2.2%	7.7%	7.7%
20,000 to 30,000.....	-614	-0.9%	72	5.1%	71	5.1%	13.4%	13.3%
30,000 to 40,000.....	-1,092	-1.1%	98	7.0%	97	7.0%	16.1%	15.9%
40,000 to 50,000.....	-1,416	-1.3%	106	7.6%	105	7.5%	17.5%	17.3%
50,000 to 75,000.....	-3,473	-1.4%	250	17.8%	247	17.7%	19.6%	19.3%
75,000 to 100,000.....	-2,539	-1.2%	213	15.2%	211	15.1%	22.5%	22.2%
100,000 to 200,000.....	-1,757	-0.6%	298	21.2%	297	21.3%	24.8%	24.7%
200,000 and over.....	-716	-0.2%	332	23.6%	331	23.8%	29.1%	29.0%
Total, All Taxpayers....	-\$11,843	-0.8%	\$1,406	100.0%	\$1,394	100.0%	20.7%	20.5%

Source: Joint Committee on Taxation

Details may not add to totals due to rounding.

-
- (1) Includes standard deduction increase, self-employed health deduction, interest and dividend exclusion, and credits under the AMT.
- (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 1998 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), 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.
- (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
- (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF
THE "TAXPAYER RELIEF ACT OF 1998" (1)**

Calendar Year 2001

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$18	-0.3%	\$5	0.4%	\$5	0.4%	6.3%	6.3%
10,000 to 20,000.....	-224	-0.7%	31	2.1%	31	2.1%	7.6%	7.5%
20,000 to 30,000.....	-643	-0.9%	74	5.0%	73	5.0%	13.4%	13.2%
30,000 to 40,000.....	-1,143	-1.1%	103	7.0%	102	7.0%	16.1%	15.9%
40,000 to 50,000.....	-1,454	-1.3%	111	7.6%	109	7.5%	17.5%	17.3%
50,000 to 75,000.....	-3,657	-1.4%	259	17.6%	255	17.5%	19.6%	19.3%
75,000 to 100,000.....	-2,764	-1.2%	224	15.2%	221	15.2%	22.5%	22.3%
100,000 to 200,000.....	-1,852	-0.6%	315	21.5%	313	21.5%	24.9%	24.7%
200,000 and over.....	-749	-0.2%	347	23.6%	346	23.8%	29.2%	29.1%
Total, All Taxpayers....	-\$12,504	-0.9%	\$1,468	100.0%	\$1,456	100.0%	20.7%	20.6%

Source: Joint Committee on Taxation

Details may not add to totals due to rounding.

-
- (1) Includes standard deduction increase, self-employed health deduction, interest and dividend exclusion, and credits under the AMT.
- (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 1998 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), 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.
- (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
- (5) Less than 0.05%.

DISTRIBUTIONAL EFFECTS OF
THE "TAXPAYER RELIEF ACT OF 1998" (1)

Calendar Year 2002

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$19	-0.3%	\$5	0.4%	\$5	0.4%	6.6%	6.6%
10,000 to 20,000.....	-211	-0.7%	31	2.0%	31	2.0%	7.5%	7.5%
20,000 to 30,000.....	-648	-0.9%	76	4.9%	75	4.9%	13.3%	13.2%
30,000 to 40,000.....	-1,158	-1.1%	108	7.0%	107	7.0%	16.1%	16.0%
40,000 to 50,000.....	-1,506	-1.3%	116	7.5%	114	7.5%	17.6%	17.3%
50,000 to 75,000.....	-3,890	-1.5%	267	17.4%	263	17.3%	19.5%	19.2%
75,000 to 100,000.....	-3,081	-1.3%	238	15.5%	235	15.5%	22.5%	22.2%
100,000 to 200,000.....	-1,938	-0.6%	332	21.6%	330	21.7%	24.9%	24.8%
200,000 and over.....	-718	-0.2%	363	23.6%	362	23.8%	29.3%	29.2%
Total, All Taxpayers....	-\$13,169	-0.9%	\$1,536	100.0%	\$1,523	100.0%	20.8%	20.6%

Source: Joint Committee on Taxation

Details may not add to totals due to rounding.

-
- (1) Includes standard deduction increase, self-employed health deduction, interest and dividend exclusion, and credits under the AMT.
 - (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 1998 levels.
 - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), 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.
 - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
 - (5) Less than 0.05%.

DISTRIBUTIONAL EFFECTS OF
THE "TAXPAYER RELIEF ACT OF 1998" (1)

Calendar Year 2003

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$18	-0.3%	\$6	0.4%	\$6	0.4%	6.9%	6.9%
10,000 to 20,000.....	-192	-0.6%	32	2.0%	32	2.0%	7.5%	7.5%
20,000 to 30,000.....	-622	-0.8%	78	4.8%	77	4.8%	13.2%	13.1%
30,000 to 40,000.....	-1,135	-1.0%	114	7.1%	113	7.0%	16.2%	16.0%
40,000 to 50,000.....	-1,484	-1.2%	120	7.4%	118	7.4%	17.6%	17.4%
50,000 to 75,000.....	-4,032	-1.4%	280	17.3%	276	17.2%	19.5%	19.2%
75,000 to 100,000.....	-3,397	-1.3%	252	15.6%	248	15.5%	22.6%	22.3%
100,000 to 200,000.....	-1,959	-0.6%	351	21.7%	349	21.8%	24.9%	24.8%
200,000 and over.....	-599	-0.2%	383	23.7%	383	23.9%	29.3%	29.3%
Total, All Taxpayers....	-\$13,438	-0.8%	\$1,614	100.0%	\$1,601	100.0%	20.8%	20.7%

Source: Joint Committee on Taxation

Details may not add to totals due to rounding.

-
- (1) Includes standard deduction increase, self-employed health deduction, interest and dividend exclusion, and credits under the AMT.
- (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 1998 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), 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.
- (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
- (5) Less than 0.05%.