

**DISTRIBUTIONAL EFFECTS OF THE PRESIDENT'S
FISCAL YEAR 2002 BUDGET PROPOSAL**

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



May 4, 2001

JCX-32-01

**DISTRIBUTIONAL EFFECTS OF THE PRESIDENT'S
FISCAL YEAR 2002 BUDGET PROPOSAL (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)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than \$10,000.....	-\$1,597	-21.4%	\$7	0.4%	\$6	0.3%	9.2%	7.2%
10,000 to 20,000.....	-1,838	-6.8%	27	1.5%	25	1.4%	7.6%	7.1%
20,000 to 30,000.....	-2,197	-3.5%	63	3.4%	61	3.4%	13.5%	13.0%
30,000 to 40,000.....	-2,361	-2.6%	91	4.9%	88	4.9%	16.1%	15.6%
40,000 to 50,000.....	-2,390	-2.2%	106	5.8%	104	5.8%	17.5%	17.1%
50,000 to 75,000.....	-5,542	-2.1%	267	14.5%	262	14.6%	19.0%	18.6%
75,000 to 100,000.....	-5,880	-2.3%	255	13.9%	249	13.9%	21.7%	21.2%
100,000 to 200,000.....	-10,182	-2.3%	442	24.1%	432	24.1%	24.2%	23.7%
200,000 and over.....	-13,222	-2.3%	578	31.5%	565	31.6%	27.9%	27.3%
Total, All Taxpayers....	-\$45,209	-2.5%	\$1,836	100.0%	\$1,791	100.0%	21.5%	20.9%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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- (1) Includes provisions affecting the child credit, individual marginal rates, a 10% bracket, a second earner deduction, a charitable deduction for non-itemizers, a refundable health tax credit and the AMT limitation of nonrefundable credits.
 - (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 2001 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 and estate and gift taxes are not included due to uncertainty concerning the incidence of these taxes. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
 - (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.

**DISTRIBUTIONAL EFFECTS OF THE PRESIDENT'S
FISCAL YEAR 2002 BUDGET PROPOSAL (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)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than \$10,000.....	-\$1,508	-19.5%	\$8	0.4%	\$6	0.3%	9.7%	7.8%
10,000 to 20,000.....	-2,163	-8.0%	27	1.4%	25	1.3%	7.6%	7.0%
20,000 to 30,000.....	-3,159	-4.9%	65	3.3%	62	3.3%	13.6%	12.9%
30,000 to 40,000.....	-3,886	-4.2%	93	4.8%	89	4.8%	16.0%	15.3%
40,000 to 50,000.....	-3,982	-3.7%	108	5.6%	104	5.6%	17.4%	16.8%
50,000 to 75,000.....	-9,273	-3.3%	279	14.4%	270	14.5%	18.9%	18.2%
75,000 to 100,000.....	-8,542	-3.2%	265	13.7%	257	13.8%	21.7%	21.0%
100,000 to 200,000.....	-15,618	-3.3%	479	24.8%	464	24.9%	24.2%	23.4%
200,000 and over.....	-20,618	-3.4%	609	31.5%	588	31.5%	28.1%	27.1%
Total, All Taxpayers....	-\$68,748	-3.6%	\$1,933	100.0%	\$1,864	100.0%	21.5%	20.8%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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- (1) Includes provisions affecting the child credit, individual marginal rates, a 10% bracket, a second earner deduction, a charitable deduction for non-itemizers, a refundable health tax credit and the AMT limitation of nonrefundable credits.
 - (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 2001 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 and estate and gift taxes are not included due to uncertainty concerning the incidence of these taxes. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
 - (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.

**DISTRIBUTIONAL EFFECTS OF THE PRESIDENT'S
FISCAL YEAR 2002 BUDGET PROPOSAL (1)**

Calendar Year 2004

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.....	-\$2,688	-34.1%	\$8	0.4%	\$5	0.3%	10.0%	6.6%
10,000 to 20,000.....	-3,498	-12.8%	27	1.3%	24	1.2%	7.6%	6.6%
20,000 to 30,000.....	-4,837	-7.3%	66	3.3%	61	3.2%	13.6%	12.6%
30,000 to 40,000.....	-5,802	-6.1%	96	4.7%	90	4.7%	16.0%	15.0%
40,000 to 50,000.....	-5,926	-5.4%	110	5.4%	104	5.4%	17.4%	16.4%
50,000 to 75,000.....	-14,465	-5.0%	288	14.2%	274	14.3%	18.7%	17.8%
75,000 to 100,000.....	-13,728	-4.9%	279	13.8%	265	13.8%	21.5%	20.5%
100,000 to 200,000.....	-26,001	-5.1%	512	25.2%	486	25.3%	24.1%	22.8%
200,000 and over.....	-31,284	-4.9%	642	31.6%	610	31.8%	28.2%	26.8%
Total, All Taxpayers....	-\$108,229	-5.3%	\$2,028	100.0%	\$1,919	100.0%	21.6%	20.4%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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- (1) Includes provisions affecting the child credit, individual marginal rates, a 10% bracket, a second earner deduction, a charitable deduction for non-itemizers, a refundable health tax credit and the AMT limitation of nonrefundable credits.
 - (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 2001 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 and estate and gift taxes are not included due to uncertainty concerning the incidence of these taxes. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
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FISCAL YEAR 2002 BUDGET PROPOSAL (1)**

Calendar Year 2005

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
							Present Law	Proposal
	Millions	Percent	Billions	Percent	Billions	Percent	Percent	Percent
Less than \$10,000.....	-\$2,555	-32.3%	\$8	0.4%	\$5	0.3%	10.1%	6.8%
10,000 to 20,000.....	-3,759	-13.6%	28	1.3%	24	1.2%	7.6%	6.6%
20,000 to 30,000.....	-5,734	-8.4%	68	3.2%	62	3.1%	13.7%	12.6%
30,000 to 40,000.....	-7,188	-7.4%	98	4.6%	91	4.5%	16.0%	14.8%
40,000 to 50,000.....	-7,420	-6.6%	112	5.3%	105	5.2%	17.2%	16.1%
50,000 to 75,000.....	-18,656	-6.2%	303	14.2%	284	14.2%	18.7%	17.5%
75,000 to 100,000.....	-17,092	-5.9%	287	13.5%	270	13.5%	21.4%	20.1%
100,000 to 200,000.....	-31,825	-5.8%	547	25.7%	515	25.8%	24.0%	22.6%
200,000 and over.....	-38,871	-5.7%	678	31.9%	639	32.0%	28.3%	26.7%
Total, All Taxpayers....	-\$133,099	-6.3%	\$2,129	100.0%	\$1,996	100.0%	21.6%	20.3%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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- (1) Includes provisions affecting the child credit, individual marginal rates, a 10% bracket, a second earner deduction, a charitable deduction for non-itemizers, a refundable health tax credit and the AMT limitation of nonrefundable credits.
 - (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 2001 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 and estate and gift taxes are not included due to uncertainty concerning the incidence of these taxes. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis. Does not include indirect effects.
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Calendar Year 2006

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.....	-\$2,469	-30.4%	\$8	0.4%	\$6	0.3%	10.4%	7.3%
10,000 to 20,000.....	-4,033	-14.5%	28	1.2%	24	1.2%	7.6%	6.5%
20,000 to 30,000.....	-6,549	-9.5%	69	3.1%	63	3.0%	13.7%	12.4%
30,000 to 40,000.....	-8,389	-8.4%	99	4.4%	91	4.4%	16.0%	14.6%
40,000 to 50,000.....	-9,321	-8.0%	116	5.2%	107	5.2%	17.2%	15.8%
50,000 to 75,000.....	-23,591	-7.5%	313	14.0%	290	14.0%	18.6%	17.2%
75,000 to 100,000.....	-21,832	-7.4%	297	13.3%	275	13.3%	21.3%	19.7%
100,000 to 200,000.....	-41,274	-7.0%	588	26.3%	547	26.5%	23.9%	22.2%
200,000 and over.....	-54,836	-7.6%	719	32.1%	664	32.2%	28.3%	26.2%
Total, All Taxpayers....	-\$172,292	-7.7%	\$2,238	100.0%	\$2,066	100.0%	21.7%	20.0%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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