

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT
IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX)
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION



May 16, 2000

JCX-50-00

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX (1))
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

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.....	-\$39	-0.6%	\$7	0.4%	\$7	0.4%	8.3%	8.3%
10,000 to 20,000.....	-74	-0.3%	26	1.6%	26	1.6%	7.2%	7.2%
20,000 to 30,000.....	-73	-0.1%	61	3.8%	61	3.8%	12.6%	12.6%
30,000 to 40,000.....	-68	(5)	92	5.8%	92	5.8%	16.3%	16.2%
40,000 to 50,000.....	-59	(5)	104	6.5%	104	6.5%	17.7%	17.7%
50,000 to 75,000.....	-110	(5)	266	16.7%	266	16.7%	20.2%	20.2%
75,000 to 100,000.....	-63	(5)	234	14.7%	233	14.7%	22.7%	22.7%
100,000 to 200,000.....	-50	(5)	365	22.9%	365	23.0%	25.0%	25.0%
200,000 and over.....	-44	(5)	438	27.5%	438	27.5%	28.2%	28.2%
Total, All Taxpayers....	-\$581	(5)	\$1,592	100.0%	\$1,592	100.0%	21.4%	21.4%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

-
- (1) The repeal of the Federal communications excise tax is phased in for amounts paid with respect to bills first rendered as follows: 2% for 30 days after enactment through 9/30/01; 1% for 10/1/01 through 9/30/02; and no tax for 10/1/02 and thereafter.
 - (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 2000 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. 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.
 - (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX (1))
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

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.....	-\$122	-1.7%	\$7	0.4%	\$7	0.4%	8.6%	8.4%
10,000 to 20,000.....	-233	-0.9%	26	1.5%	25	1.5%	7.2%	7.1%
20,000 to 30,000.....	-229	-0.4%	62	3.7%	62	3.7%	12.5%	12.4%
30,000 to 40,000.....	-215	-0.2%	95	5.7%	94	5.7%	16.2%	16.1%
40,000 to 50,000.....	-184	-0.2%	105	6.3%	104	6.3%	17.5%	17.5%
50,000 to 75,000.....	-346	-0.1%	276	16.6%	276	16.6%	20.1%	20.1%
75,000 to 100,000.....	-199	-0.1%	246	14.8%	246	14.8%	22.6%	22.6%
100,000 to 200,000.....	-158	(5)	393	23.6%	393	23.6%	25.0%	25.0%
200,000 and over.....	-139	(5)	457	27.4%	456	27.4%	28.4%	28.4%
Total, All Taxpayers....	-\$1,825	-0.1%	\$1,665	100.0%	\$1,663	100.0%	21.5%	21.4%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

-
- (1) The repeal of the Federal communications excise tax is phased in for amounts paid with respect to bills first rendered as follows: 2% for 30 days after enactment through 9/30/01; 1% for 10/1/01 through 9/30/02; and no tax for 10/1/02 and thereafter.
 - (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 2000 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. 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.
 - (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX (1))
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

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.....	-\$231	-3.2%	\$7	0.4%	\$7	0.4%	9.0%	8.8%
10,000 to 20,000.....	-443	-1.7%	26	1.5%	26	1.5%	7.3%	7.1%
20,000 to 30,000.....	-434	-0.7%	63	3.6%	63	3.6%	12.4%	12.3%
30,000 to 40,000.....	-408	-0.4%	97	5.6%	96	5.6%	16.1%	16.0%
40,000 to 50,000.....	-349	-0.3%	109	6.3%	109	6.3%	17.6%	17.5%
50,000 to 75,000.....	-656	-0.2%	287	16.5%	286	16.5%	20.0%	19.9%
75,000 to 100,000.....	-378	-0.1%	257	14.8%	257	14.8%	22.5%	22.5%
100,000 to 200,000.....	-300	-0.1%	417	24.0%	417	24.0%	25.1%	25.0%
200,000 and over.....	-265	-0.1%	474	27.3%	474	27.3%	28.5%	28.5%
Total, All Taxpayers....	-\$3,464	-0.2%	\$1,738	100.0%	\$1,734	100.0%	21.5%	21.5%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

-
- (1) The repeal of the Federal communications excise tax is phased in for amounts paid with respect to bills first rendered as follows: 2% for 30 days after enactment through 9/30/01; 1% for 10/1/01 through 9/30/02; and no tax for 10/1/02 and thereafter.
 - (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 2000 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. 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.
 - (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX (1))
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

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.....	-\$324	-4.3%	\$7	0.4%	\$7	0.4%	9.3%	8.9%
10,000 to 20,000.....	-621	-2.3%	27	1.5%	26	1.4%	7.4%	7.2%
20,000 to 30,000.....	-608	-0.9%	65	3.6%	64	3.5%	12.4%	12.3%
30,000 to 40,000.....	-572	-0.6%	100	5.5%	100	5.5%	16.0%	16.0%
40,000 to 50,000.....	-490	-0.4%	111	6.1%	111	6.1%	17.4%	17.3%
50,000 to 75,000.....	-920	-0.3%	299	16.5%	298	16.5%	19.9%	19.9%
75,000 to 100,000.....	-531	-0.2%	270	14.9%	270	14.9%	22.4%	22.3%
100,000 to 200,000.....	-421	-0.1%	441	24.3%	441	24.4%	25.1%	25.1%
200,000 and over.....	-371	-0.1%	493	27.2%	493	27.3%	28.6%	28.6%
Total, All Taxpayers....	-\$4,858	-0.3%	\$1,813	100.0%	\$1,809	100.0%	21.5%	21.5%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

-
- (1) The repeal of the Federal communications excise tax is phased in for amounts paid with respect to bills first rendered as follows: 2% for 30 days after enactment through 9/30/01; 1% for 10/1/01 through 9/30/02; and no tax for 10/1/02 and thereafter.
 - (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 2000 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. 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.
 - (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX (1))
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

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.....	-\$340	-4.5%	\$8	0.4%	\$7	0.4%	9.5%	9.1%
10,000 to 20,000.....	-653	-2.4%	27	1.4%	26	1.4%	7.3%	7.2%
20,000 to 30,000.....	-639	-1.0%	67	3.5%	66	3.5%	12.4%	12.3%
30,000 to 40,000.....	-601	-0.6%	102	5.4%	102	5.4%	15.9%	15.8%
40,000 to 50,000.....	-515	-0.5%	113	6.0%	113	6.0%	17.3%	17.2%
50,000 to 75,000.....	-967	-0.3%	312	16.5%	311	16.5%	19.8%	19.8%
75,000 to 100,000.....	-557	-0.2%	280	14.8%	279	14.8%	22.2%	22.1%
100,000 to 200,000.....	-443	-0.1%	468	24.7%	467	24.8%	25.1%	25.1%
200,000 and over.....	-390	-0.1%	517	27.3%	517	27.4%	28.8%	28.7%
Total, All Taxpayers....	-\$5,104	-0.3%	\$1,893	100.0%	\$1,888	100.0%	21.6%	21.5%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

-
- (1) The repeal of the Federal communications excise tax is phased in for amounts paid with respect to bills first rendered as follows: 2% for 30 days after enactment through 9/30/01; 1% for 10/1/01 through 9/30/02; and no tax for 10/1/02 and thereafter.
 - (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 2000 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. 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.
 - (5) Less than 0.05%.

**DISTRIBUTIONAL EFFECTS OF THE CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3916
(REPEAL OF THE FEDERAL COMMUNICATIONS EXCISE TAX (1))
FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON MAY 17, 2000**

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)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$358	-4.6%	\$8	0.4%	\$7	0.4%	9.8%	9.4%
10,000 to 20,000.....	-687	-2.5%	27	1.4%	26	1.3%	7.4%	7.3%
20,000 to 30,000.....	-672	-1.0%	67	3.4%	66	3.4%	12.2%	12.0%
30,000 to 40,000.....	-632	-0.6%	105	5.3%	104	5.3%	15.9%	15.8%
40,000 to 50,000.....	-541	-0.5%	119	6.0%	119	6.0%	17.3%	17.2%
50,000 to 75,000.....	-1,017	-0.3%	320	16.2%	319	16.2%	19.7%	19.6%
75,000 to 100,000.....	-586	-0.2%	294	14.8%	293	14.8%	22.1%	22.1%
100,000 to 200,000.....	-465	-0.1%	497	25.1%	497	25.2%	25.0%	25.0%
200,000 and over.....	-410	-0.1%	543	27.4%	542	27.5%	28.9%	28.8%
Total, All Taxpayers....	-\$5,368	-0.3%	\$1,980	100.0%	\$1,975	100.0%	21.6%	21.5%

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

-
- (1) The repeal of the Federal communications excise tax is phased in for amounts paid with respect to bills first rendered as follows: 2% for 30 days after enactment through 9/30/01; 1% for 10/1/01 through 9/30/02; and no tax for 10/1/02 and thereafter.
 - (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 2000 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. 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.
 - (5) Less than 0.05%.