

TABLES RELATED TO PROPOSAL TO CAP
THE 1983 INCOME TAX RATE REDUCTION

(CONTAINED IN H.R. 1183)

SCHEDULED FOR A HEARING

by the

COMMITTEE ON FINANCE

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of the
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Description of Tables

Table 1 shows the joint return rate schedules under present law and the Ways and Means Committee bill for calendar year 1984. This includes the tax rate in each tax bracket and the tax paid by someone whose income is at the lower end of each bracket.

Table 2 shows the levels of income above which the tax cut cap in the Ways and Means Committee bill will apply, both for non-itemizers and for itemizers whose deductions are 23 percent of income. Twenty-three percent is the average itemized deductions claimed in 1981.

Table 3A shows the tax increase from the Ways and Means Committee bill for 1984, relative to present law, for typical taxpayers with various levels of income who do not itemize their personal deductions. These numbers are shown separately for single taxpayers, one-earner couples with zero and two dependents, and two-earner couples with zero and two dependents.

Table 3B is similar to table 3A except that it assumes that taxpayers have itemized deductions equal 23 percent of income.

Tables 4A-4C show the distribution of the effects of the Ways and Means Committee bill for various income classes and types of taxpayers (e.g., single, one-earner couple, two-earner couple). Table 4A shows the number of tax returns affected; table 4B shows the average tax change per return; and table 4C shows the aggregate tax change in millions of dollars.

Tables 5A and 5B compare the tax reductions for 1984 resulting from the 1981 tax cut (net of the tax increases in the 1982 act) with the tax increases from bracket creep and legislated social security tax increases. Three alternative starting dates are used to measure inflation and social security tax increases--January 1, 1980; January 1, 1981; and October 1, 1981. (The later starting date, of course, shows a smaller tax increase from bracket creep and social security tax changes, and hence a larger net tax reduction.) Table 5B also shows what the net tax change would be after the Ways and Means Committee bill.

Table 6 shows the marriage penalty under present law and the Ways and Means Committee bill.

Table 7 shows the aggregate revenue changes for fiscal years 1984-86 resulting from legislation enacted after 1980, as well as from bracket creep and from social security tax changes enacted in 1972 and 1977. The table is limited to

changes in individual income taxes, employment taxes and excise taxes. As with tables 5A and 5B, bracket creep and pre-1981 social security tax changes are measured under three alternative starting dates (with the later dates showing smaller tax increases). Also shown is the projected revenue gain from the Ways and Means Committee bill.

Table 1 - Tax Schedule under Present Law and Under the \$700 Cap Proposal for 1984 (Joint Returns)

| <u>Taxable income bracket</u> | <u>Tax rate</u> | | <u>Tax at beginning of bracket</u> | |
|-------------------------------|--------------------|------------------|------------------------------------|------------------|
| | <u>Present law</u> | <u>\$700 cap</u> | <u>Present law</u> | <u>\$700 cap</u> |
| 0 to \$3,400 | 0% | 0% | \$0 | \$0 |
| 3,400 to 5,500 | 11 | 11 | 0 | 0 |
| 5,500 to 7,600 | 12 | 12 | 231 | 232 |
| 7,600 to 11,900 | 14 | 14 | 483 | 483 |
| 11,900 to 16,000 | 16 | 16 | 1,085 | 1,085 |
| 16,000 to 20,200 | 18 | 18 | 1,741 | 1,741 |
| 20,200 to 24,600 | 22 | 22 | 2,497 | 2,497 |
| 24,600 to 29,900 | 25 | 25 | 3,465 | 3,465 |
| 29,900 to 35,200 | 28 | 28 | 4,790 | 4,790 |
| 35,200 to 45,800 | 33 | 37 | 6,274 | 6,274 |
| 45,800 to 60,000 | 38 | 42 | 9,772 | 10,196 |
| 60,000 to 85,600 | 42 | 46 | 15,168 | 16,160 |
| 85,600 to 109,400 | 45 | 50 | 25,920 | 27,936 |
| 109,400 to 162,400 | 49 | 50 | 36,630 | 39,836 |
| 162,400 and over | 50 | 50 | 62,600 | 66,336 |

Table 2.--Adjusted Gross Income Levels Above Which a \$700 Cap
Increases Tax for 1983 and Thereafter

| <u>Filing status</u> | <u>Non-itemizer</u> | <u>Itemizer*</u> |
|--|---------------------|------------------|
| Unmarried individual, no dependents | \$29,800 | \$35,714 |
| Joint return, no dependents | \$37,200 | \$43,896 |
| Joint return, two dependents | \$39,200 | \$46,494 |

* Itemized deductions assumed equal to 23 percent of
adjusted gross income.

Table 3A - Comparison of Federal Individual Income Tax Burdens for
Nonitemizers for 1984 Under Present Law and Under the \$700 Cap Proposal^{1/}

| Example # | 1 | | | 2 | | | 3 | | | 4 | | | 5 | | |
|---------------|----------------|--------------|--------|----------------|--------------|--------|----------------|--------------|--------|-----------------------------------|--------------|--------|-----------------------------------|--------------|--------|
| Filing status | Single | | | Joint | | | Joint | | | Joint Two-earner ^{2/} | | | Joint Two-earner ^{2/} | | |
| Dependents | None | | | None | | | Two | | | None | | | Two | | |
| Income | Tax Liability | | | | | | | | | | | | | | |
| | present law | pro- posl | change | present law | pro- posl | change | present law | pro- posl | change | present law | pro- posl | change | present law | pro- posl | change |
| 5000 | 193 | 193 | 0 | 0 | 0 | 0 | -500 | -500 | 0 | 0 | 0 | 0 | -500 | -500 | 0 |
| 10000 | 915 | 915 | 0 | 539 | 539 | 0 | 291 | 291 | 0 | 504 | 504 | 0 | 261 | 261 | 0 |
| 15000 | 1801 | 1801 | 0 | 1261 | 1261 | 0 | 959 | 959 | 0 | 1201 | 1201 | 0 | 907 | 907 | 0 |
| 20000 | 2945 | 2945 | 0 | 2101 | 2101 | 0 | 1741 | 1741 | 0 | 2011 | 2011 | 0 | 1661 | 1661 | 0 |
| 25000 | 4265 | 4265 | 0 | 3113 | 3113 | 0 | 2673 | 2673 | 0 | 2976 | 2976 | 0 | 2536 | 2536 | 0 |
| 30000 | 5773 | 5781 | 8 | 4315 | 4315 | 0 | 3815 | 3815 | 0 | 4128 | 4128 | 0 | 3628 | 3628 | 0 |
| 35000 | 7473 | 7681 | 208 | 5658 | 5658 | 0 | 5098 | 5098 | 0 | 5413 | 5413 | 0 | 4853 | 4853 | 0 |
| 40000 | 9369 | 9777 | 408 | 7198 | 7310 | 112 | 6538 | 6570 | 32 | 6868 | 6940 | 72 | 6218 | 6218 | 0 |
| 45000 | 11369 | 12002 | 633 | 8848 | 9160 | 312 | 8188 | 8420 | 232 | 8477 | 8744 | 267 | 7817 | 8004 | 187 |
| 50000 | 13469 | 14352 | 883 | 10608 | 11120 | 512 | 9848 | 10280 | 432 | 10133 | 10595 | 462 | 9426 | 9808 | 382 |
| 55000 | 15569 | 16702 | 1133 | 12508 | 13220 | 712 | 11748 | 12380 | 632 | 11986 | 12643 | 657 | 11226 | 11803 | 577 |
| 65000 | 20291 | 21663 | 1372 | 16428 | 17540 | 1112 | 15588 | 16620 | 1032 | 15746 | 16793 | 1047 | 14931 | 15898 | 967 |
| 75000 | 25091 | 26663 | 1572 | 20628 | 22140 | 1512 | 19788 | 21220 | 1432 | 19841 | 21278 | 1437 | 19001 | 20358 | 1357 |
| 85000 | 29935 | 31663 | 1728 | 24828 | 26740 | 1912 | 23988 | 25820 | 1832 | 23936 | 25763 | 1827 | 23096 | 24843 | 1747 |
| 95000 | 34935 | 36663 | 1728 | 29250 | 31636 | 2386 | 28350 | 30636 | 2286 | 28181 | 30449 | 2268 | 27281 | 29449 | 2168 |
| 100000 | 37435 | 39163 | 1728 | 31500 | 34136 | 2636 | 30600 | 33136 | 2536 | 30375 | 32886 | 2511 | 29475 | 31886 | 2411 |

^{1/} Computed without reference to the tax tables.

^{2/} Assumes 25 percent of the combined income is earned by the lesser-earning spouse.

Table 3B - Comparison of Federal Individual Income Tax Burdens for 1984 Under Present Law and Under the \$700 Cap Proposal^{1/}

| Example Filing status | 1 Single | | | 2 Joint | | | 3 Joint | | | 4 Joint Two-earner ^{2/} | | | 5 Joint Two-earner ^{2/} | | |
|-----------------------|---------------|-----------|--------|-------------|-----------|--------|-------------|-----------|--------|-------------------------------------|-----------|--------|-------------------------------------|-----------|--------|
| Dependents | None | | | None | | | Two | | | None | | | Two | | |
| Income | Tax Liability | | | | | | | | | | | | | | |
| | present law | pro-posal | change | present law | pro-posal | change | present law | pro-posal | change | present law | pro-posal | change | present law | pro-posal | change |
| 5000 | 193 | 193 | 0 | 0 | 0 | 0 | -500 | -500 | 0 | 0 | 0 | 0 | -500 | -500 | 0 |
| 10000 | 915 | 915 | 0 | 539 | 539 | 0 | 291 | 291 | 0 | 504 | 504 | 0 | 261 | 261 | 0 |
| 15000 | 1572 | 1572 | 0 | 1253 | 1253 | 0 | 952 | 952 | 0 | 1193 | 1193 | 0 | 900 | 900 | 0 |
| 20000 | 2392 | 2392 | 0 | 1885 | 1885 | 0 | 1549 | 1549 | 0 | 1795 | 1795 | 0 | 1469 | 1469 | 0 |
| 25000 | 3348 | 3348 | 0 | 2596 | 2596 | 0 | 2218 | 2218 | 0 | 2466 | 2466 | 0 | 2106 | 2106 | 0 |
| 30000 | 4385 | 4385 | 0 | 3443 | 3443 | 0 | 3003 | 3003 | 0 | 3278 | 3278 | 0 | 2838 | 2838 | 0 |
| 35000 | 5540 | 5540 | 0 | 4403 | 4403 | 0 | 3903 | 3903 | 0 | 4184 | 4184 | 0 | 3684 | 3684 | 0 |
| 40000 | 6827 | 6959 | 132 | 5434 | 5434 | 0 | 4874 | 4874 | 0 | 5154 | 5154 | 0 | 4615 | 4615 | 0 |
| 45000 | 8210 | 8496 | 286 | 6555 | 6589 | 34 | 5952 | 5952 | 0 | 6197 | 6197 | 0 | 5637 | 5637 | 0 |
| 50000 | 9673 | 10113 | 440 | 7825 | 8013 | 188 | 7165 | 7273 | 108 | 7413 | 7551 | 138 | 6753 | 6811 | 58 |
| 55000 | 11222 | 11838 | 616 | 9096 | 9438 | 342 | 8436 | 8698 | 262 | 8642 | 8929 | 287 | 7982 | 8189 | 207 |
| 65000 | 14456 | 15457 | 1001 | 11919 | 12569 | 650 | 11159 | 11729 | 570 | 11302 | 11887 | 585 | 10542 | 11047 | 505 |
| 75000 | 17915 | 19188 | 1273 | 14845 | 15803 | 958 | 14085 | 14963 | 878 | 14133 | 15016 | 883 | 13373 | 14176 | 803 |
| 85000 | 21611 | 23038 | 1427 | 18045 | 19311 | 1266 | 17205 | 18391 | 1186 | 17153 | 18334 | 1181 | 16313 | 17414 | 1101 |
| 95000 | 25307 | 26888 | 1581 | 21279 | 22853 | 1574 | 20439 | 21933 | 1494 | 20282 | 21761 | 1479 | 19442 | 20841 | 1399 |
| 100000 | 27155 | 28813 | 1658 | 22896 | 24624 | 1728 | 22056 | 23704 | 1648 | 21846 | 23474 | 1628 | 21006 | 22554 | 1548 |
| 200000 | 65585 | 67313 | 1728 | 59170 | 62836 | 3666 | 58190 | 61836 | 3646 | 57700 | 61336 | 3636 | 56720 | 60336 | 3616 |
| 300000 | 104085 | 105813 | 1728 | 97600 | 101336 | 3736 | 96600 | 100336 | 3736 | 96100 | 99836 | 3736 | 95100 | 98836 | 3736 |
| 500000 | 181085 | 182813 | 1728 | 174600 | 178336 | 3736 | 173600 | 177336 | 3736 | 173100 | 176836 | 3736 | 172100 | 175836 | 3736 |
| 1000000 | 373585 | 375313 | 1728 | 367100 | 370836 | 3736 | 366100 | 369836 | 3736 | 365600 | 369336 | 3736 | 364600 | 368336 | 3736 |

^{1/} Assumes itemized deductions are 23 percent of income.

Computed without reference to the tax tables.

^{2/} Assumes 25 percent of the combined income is earned by the lesser-earning spouse.

Table 4A - Distributional Effects of \$700 Cap Proposal Compared With
1984 Present Law by Filing Status--Returns With Tax Change

(1982 Income Levels; Number of Returns in Thousands)

| Expanded Income Class (\$000's) | Joint--Two-Earner | | Joint--Other | | Single & Head of Household | | Total ^{2/} | |
|--|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|
| | Number of returns with tax change ^{3/} | Percent of taxable returns |
| Under \$10 | -- | -- | -- | -- | -- | -- | -- | -- |
| 10 - 20 | -- | -- | -- | -- | -- | -- | 12 (0.1%) | ^{4/} |
| 20 - 30 | -- | -- | -- | -- | 3 (0.2%) | 0.1% | 141 (1.7) | 0.8% |
| 30 - 40 | 150 (3.8%) | 2.6% | 102 (3.9%) | 3.5% | 620 (45.8) | 52.2 | 904 (11.2) | 9.2 |
| 40 - 50 | 1,485 (37.9) | 54.3 | 786 (30.0) | 58.4 | 333 (24.6) | 81.8 | 2,610 (32.3) | 58.1 |
| 50 - 75 | 1,563 (39.9) | 92.2 | 1,054 (40.3) | 88.6 | 257 (19.0) | 90.8 | 2,880 (35.6) | 90.7 |
| 75 - 100 | 335 (8.6) | 94.4 | 307 (11.7) | 93.3 | 66 (4.9) | 85.7 | 711 (8.8) | 93.2 |
| 100 - 200 | 299 (7.6) | 93.1 | 287 (11.0) | 88.0 | 57 (4.2) | 81.4 | 643 (8.0) | 89.6 |
| 200 & over | 86 (2.2) | 85.1 | 79 (3.0) | 80.6 | 19 (1.4) | 70.4 | 184 (2.3) | 81.1 |
| Total | 3,917 (100.0%) | 17.4% | 2,616 (100.0%) | 13.6% | 1,354 (100.0%) | 3.9% | 8,085 (100.0%) | 10.4% |

^{1/} Expanded income equals adjusted gross income plus excluded capital gains and various other tax preference items less investment interest to the extent of investment income.

^{2/} Total includes married filing separate returns that are not listed elsewhere.

^{3/} Percentage distribution in parentheses. Number of returns in thousands.

^{4/} Less than 0.1%.

Table 4B - Distributional Effects of \$700 Cap Proposal Compared With
1984 Present Law by Filing Status--Average and Percentage Tax Change

(1982 Income Levels)

| Expanded Income Class ^{1/} (\$000's) | <u>Joint--Two-Earner</u> | | <u>Joint--Other</u> | | <u>Single & Head of Household</u> | | <u>Total ^{2/}</u> | |
|--|--|---|--|---|--|---|--|---|
| | <u>Average Tax Change for Returns Affected</u> | <u>Percent Tax Change ^{3/}</u> |
| Under \$10 | — | — | — | — | — | — | — | — |
| 10 - 20 | — | — | — | — | — | — | \$ 31 | <u>4/</u> |
| 20 - 30 | — | — | — | — | \$ 4 | <u>4/</u> | 135 | <u>4/</u> |
| 30 - 40 | \$ 43 | <u>4/</u> | \$ 45 | <u>4/</u> | 125 | 1.2% | 111 | 0.2% |
| 40 - 50 | 156 | 1.3% | 156 | 1.5% | 357 | 3.8 | 182 | 1.6 |
| 50 - 75 | 499 | 4.7 | 525 | 4.8 | 796 | 6.3 | 536 | 4.9 |
| 75 - 100 | 1,260 | 7.1 | 1,292 | 7.2 | 1,356 | 6.4 | 1,284 | 7.1 |
| 100 - 200 | 2,555 | 7.6 | 2,550 | 7.4 | 1,819 | 4.3 | 2,487 | 7.2 |
| 200 & over | 3,655 | 2.9 | 3,611 | 2.7 | 1,887 | 0.9 | 3,448 | 2.5 |
| Total | \$ 643 | 2.4% | \$ 800 | 2.8% | \$ 464 | 1.0% | \$ 654 | 2.2% |

^{1/} Expanded income equals adjusted gross income plus excluded capital gains and various other tax preference items less investment interest to the extent of investment income.

^{2/} Total includes married filing separate returns that are not listed elsewhere.

^{3/} Tax change as a percentage of total positive tax liability within each class.

^{4/} Less than 0.1%.

Table 4C - Distributional Effects of \$700 Cap Proposal Compared With
1984 Present Law by Filing Status--Amount of Tax Change

(1982 Income Levels, dollar aggregates in millions)

| Expanded Income Class ^{1/} (\$000's) | <u>Joint--Two-Earner</u> | | <u>Joint--Other</u> | | <u>Single & Head of Household</u> | | <u>Total ^{2/}</u> | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------------------|----------------------------|----------------------------|----------------------------|
| | Amount of Tax Change | Percentage Distribution | Amount of Tax Change | Percentage Distribution | Amount of Tax Change | Percentage Distribution | Amount of Tax Change | Percentage Distribution |
| Under \$10 | -- | -- | -- | -- | -- | -- | -- | -- |
| 10 - 20 | -- | -- | -- | -- | -- | -- | -- | -- |
| 20 - 30 | -- | -- | -- | -- | -- | -- | \$ 19 | 0.4% |
| 30 - 40 | \$ 6 | 0.2% | \$ 5 | 0.2% | \$ 77 | 12.2% | 100 | 1.9 |
| 40 - 50 | 231 | 9.2 | 123 | 5.9 | 118 | 18.8 | 475 | 9.0 |
| 50 - 75 | 780 | 31.0 | 553 | 26.4 | 205 | 32.6 | 1,544 | 29.2 |
| 75 - 100 | 422 | 16.8 | 397 | 19.0 | 89 | 14.1 | 912 | 17.2 |
| 100 - 200 | 764 | 30.3 | 732 | 35.0 | 103 | 16.4 | 1,600 | 30.3 |
| 200 & over | 314 | 12.5 | 284 | 13.6 | 36 | 5.7 | 635 | 12.0 |
| Total | 2,518 | 100.0 | 2,093 | 100.0 | 629 | 100.0 | 5,287 | 100.0 |

^{1/} Expanded income equals adjusted gross income plus excluded capital gains and various other tax preference items less investment interest to the extent of investment income.

^{2/} Total includes married filing separate returns that are not listed elsewhere.

Table 5A - Aggregate Change in Tax Liability by Income Class from Major Provisions of ERTA and TEFRA Compared to Changes Due to Inflation and Social Security Legislation. Changes Measured for Tax Year 1984. (1982 income levels, millions of dollars)

| Expanded income class (\$000's) ^{1/} | Combined inflation increases ^{2/} and changes in social security ^{3/} (prior to 1983 legislation) | | | Legislated income tax changes | | |
|---|---|--------------|---------------|-------------------------------|------------|---------------|
| | After 1979 | After 1980 | After 9/30/81 | ERTA 4/ | TEFRA 5/ | NET |
| | Under \$10 | \$5,184 | \$3,853 | \$1,735 | \$-1,961 | \$9 |
| 10 - 20 | 14,137 | 10,016 | 4,638 | -9,787 | 246 | -9,541 |
| 20 - 30 | 17,066 | 12,268 | 5,834 | -15,188 | 419 | -14,769 |
| 30 - 40 | 15,708 | 11,260 | 5,411 | -14,807 | 313 | -14,494 |
| 40 - 50 | 10,584 | 7,583 | 3,769 | -10,199 | 233 | -9,966 |
| 50 - 75 | 10,836 | 7,537 | 3,727 | -10,815 | 304 | -10,511 |
| 75 - 100 | 3,719 | 2,510 | 1,248 | -4,209 | 181 | -4,028 |
| 100 - 200 | 4,311 | 2,843 | 1,416 | -6,289 | 342 | -5,947 |
| <u>200 & over</u> | <u>1,728</u> | <u>1,115</u> | <u>552</u> | <u>-6,182</u> | <u>486</u> | <u>-5,696</u> |
| Total | \$83,274 | \$58,985 | \$28,328 | \$-79,437 | \$2,534 | \$-76,903 |

^{1/} Expanded Income is equal to Adjusted Gross Income plus excluded capital gains and other tax preference items less investment interest paid to the extent of investment income.

^{2/} Revenue gain from not adjusting personal exemption, zero bracket amount, and rate brackets by 46.0, 28.6, or 14.7 percent. These adjustments correspond to actual and forecasted rates of CPI-U inflation measured concurrently over periods beginning with the date shown and ending with 1984. Revenue gain evaluated against 1979 tax schedules.

^{3/} Additional employee and self-employed payroll tax from ad hoc increases in the wage base above what would have occurred under indexing (equivalent in 1982 to \$3,300 for the two increases that occurred after 1979 and to \$1,800 for the single increase that occurred after 1980), and from increases in rates for employees from 6.13 percent to 6.65 percent in 1981 and to 6.7 percent in 1982, and from increases in rates for the self-employed from 8.1 percent to 9.3 percent in 1981 and to 9.35 percent in 1982. Does not include

Table 5B.--Aggregate Tax Changes for 1984, by Income Class, Net of Tax Increases from Inflation and Social Security (Excluding 1983 Changes), Under Present Law and Under the \$700 Cap Proposal ^{1/}

(1982 income levels, dollars in millions)

| Expanded Income Class (\$000's) | Present law with no changes | | | | | | Cap the Third Year at \$700 | | | | | |
|--|-----------------------------|--------------|---------------|--------------|---------------|--------------|-----------------------------|--------------|---------------|--------------|---------------|--------------|
| | After 1979 | | After 1980 | | After 9/30/81 | | After 1979 | | After 1980 | | After 9/30/81 | |
| | | | | | | | | | | | | |
| Below \$10 | \$3,232 | (30%) | \$1,901 | (16%) | \$-217 | (-2%) | \$3,232 | (30%) | \$1,901 | (16%) | \$-217 | (-2%) |
| 10 - 20 | 4,596 | (10) | 475 | (1) | -4,903 | (-9) | 4,596 | (10) | 475 | (1) | -4,903 | (-9) |
| 20 - 30 | 2,297 | (3) | -2,501 | (-4) | -8,935 | (-12) | 2,316 | (4) | -2,482 | (-4) | -8,916 | (-12) |
| 30 - 40 | 1,214 | (2) | -3,234 | (-5) | -9,083 | (-13) | 1,318 | (2) | -3,130 | (-5) | -8,979 | (-13) |
| 40 - 50 | 618 | (2) | -2,383 | (-6) | -6,197 | (-14) | 1,096 | (3) | -1,905 | (-5) | -5,719 | (-13) |
| 50 - 75 | 325 | (1) | -2,974 | (-7) | -6,784 | (-15) | 1,872 | (5) | -1,427 | (-3) | -5,237 | (-12) |
| 75 - 100 | -309 | (-2) | -1,518 | (-9) | -2,780 | (-16) | 604 | (4) | -605 | (-4) | -1,867 | (-11) |
| 100 - 200 | -1,636 | (-6) | -3,104 | (-11) | -4,531 | (-16) | -35 | (0) | -1,503 | (-6) | -2,930 | (-10) |
| 200 & over | <u>-3,968</u> | <u>(-13)</u> | <u>-4,581</u> | <u>(-15)</u> | <u>-5,144</u> | <u>(-17)</u> | <u>-3,332</u> | <u>(-11)</u> | <u>-3,945</u> | <u>(-13)</u> | <u>-4,508</u> | <u>(-15)</u> |
| Total | \$6,371 | (2%) | \$-17,918 | (-6%) | \$-48,575 | (-16%) | \$11,668 | (5%) | \$-12,621 | (-5%) | \$-43,278 | (-14%) |

^{1/} These figures are the effects of the legislated tax changes shown in the last column of Table 5B minus the figures in one of the corresponding first three columns of that table. The amounts do not include the effects of the 1983 social security legislation. Figure in parentheses is this change as a percentage of net tax liability (tax liability net of inflation and social security increases occurring after the date shown).

Table 6 - Marriage Tax Penalty for Two-Earner Couples Under Present Law and Under the \$700 Cap for 1984

| Income of husband | Income of wife | | | | |
|-------------------|----------------|----------|----------|----------|-----------|
| | \$10,000 | \$20,000 | \$30,000 | \$50,000 | \$100,000 |
| <hr/> | | | | | |
| \$10,000 | | | | | |
| Present law..... | \$-121 | -84 | -146 | -512 | -2,360 |
| \$700 cap..... | -121 | -84 | -146 | -496 | -2,022 |
| \$20,000 | | | | | |
| Present law..... | -84 | 90 | 388 | 557 | -837 |
| \$700 cap..... | -84 | 90 | 496 | 841 | -169 |
| \$30,000 | | | | | |
| Present law..... | -146 | 388 | 606 | 1,110 | 185 |
| \$700 cap..... | -146 | 496 | 982 | 1,662 | 1,188 |
| \$50,000 | | | | | |
| Present law..... | -512 | 557 | 1,110 | 2,290 | 2,007 |
| \$700 cap..... | -496 | 841 | 1,662 | 3,018 | 3,160 |
| \$100,000 | | | | | |
| Present law..... | -2,360 | -837 | 185 | 2,007 | 3,390 |
| \$700 cap..... | -2,022 | -169 | 1,188 | 3,160 | 3,710 |

Notes:

The marriage bonus or penalty is the difference between the tax liability of a married couple and the sum of the tax liabilities of the two spouses had each been taxed as a single person. Marriage bonuses are negative in the table; marriage penalties are positive. It is assumed that all income is earned, that taxpayers have no dependents, and that deductible expenses are 23 percent of income and are allocated between spouses in proportion to income.

Table 7 - Aggregate Tax Changes Relating to Individual Income Taxes, Employment Taxes, and Excise Taxes from Legislation Enacted after 1980, Tax Increases from Inflation and Pre-1981 Social Security Legislation, and Tax Increases from the \$700 Cap Proposal^{1/}

(Billions of dollars)

| Tax Changes Relating to Individual Income Taxes, Employment Taxes, and Excise Taxes | Fiscal Year | | |
|---|-------------|--------|--------|
| | 1984 | 1985 | 1986 |
| I. ...from legislation enacted after 1980 | | | |
| 1. ERTA ^{2/} | \$-104.6 | -122.0 | -152.6 |
| 2. TEFRA ^{2/} | 19.5 | 20.0 | 20.0 |
| 3. Highway Revenue Act of 1982 ^{2/} | 3.8 | 3.9 | 3.9 |
| 4. 1983 Social Security Act ^{3/} | 5.5 | 7.3 | 7.0 |
| Total | -75.8 | -90.8 | -121.7 |
| II. ...from inflation ^{4/} and 1972 and 1977 social security legislation ^{5/} | | | |
| 1. starting after 1979 | 100.6 | 128.7 | 156.6 |
| 2. starting after 1980 | 72.4 | 98.3 | 123.8 |
| 3. starting after September 30, 1981 | 28.9 | 51.5 | 73.1 |
| III. ...from post-1980 legislation in excess of bracket creep and pre-1981 social security legislation (II minus I) | | | |
| 1. starting after 1979 | 24.8 | 37.9 | 34.9 |
| 2. starting after 1980 | -3.4 | 7.5 | 2.1 |
| 3. starting after September 30, 1981 | -46.9 | -39.3 | -48.6 |
| IV. ...from the \$700 cap proposal | 6.2 | 7.1 | 7.6 |

^{1/} The tax change estimates are made under different economic forecasts and should be considered preliminary.

^{2/} Consistent with 1984 U. S. Budget estimates.

^{3/} CBO estimates.

^{4/} Revenue gain from not adjusting the personal exemption, the zero bracket amount, and the rate brackets for concurrent CPI-U inflation. Revenue gain evaluated against 1979 tax schedules.

^{5/} Additional employment tax from ad hoc increases in the wage base above what would have occurred under indexing, and from increases in FICA and SECA rates. FICA amounts include both employee and employer shares.