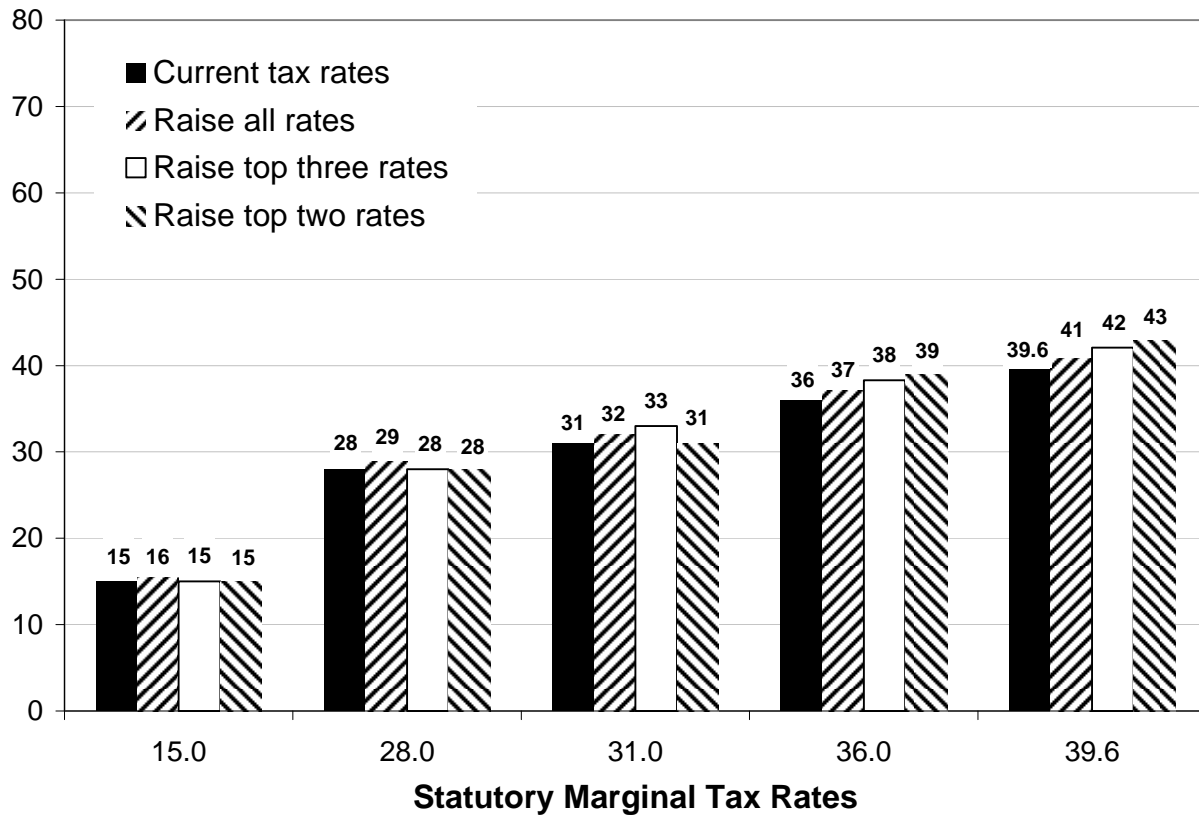


Handout for “Desperately Seeking Revenue”
Urban Institute *First Tuesday* Forum
Rosanne Altshuler
March 2, 2010

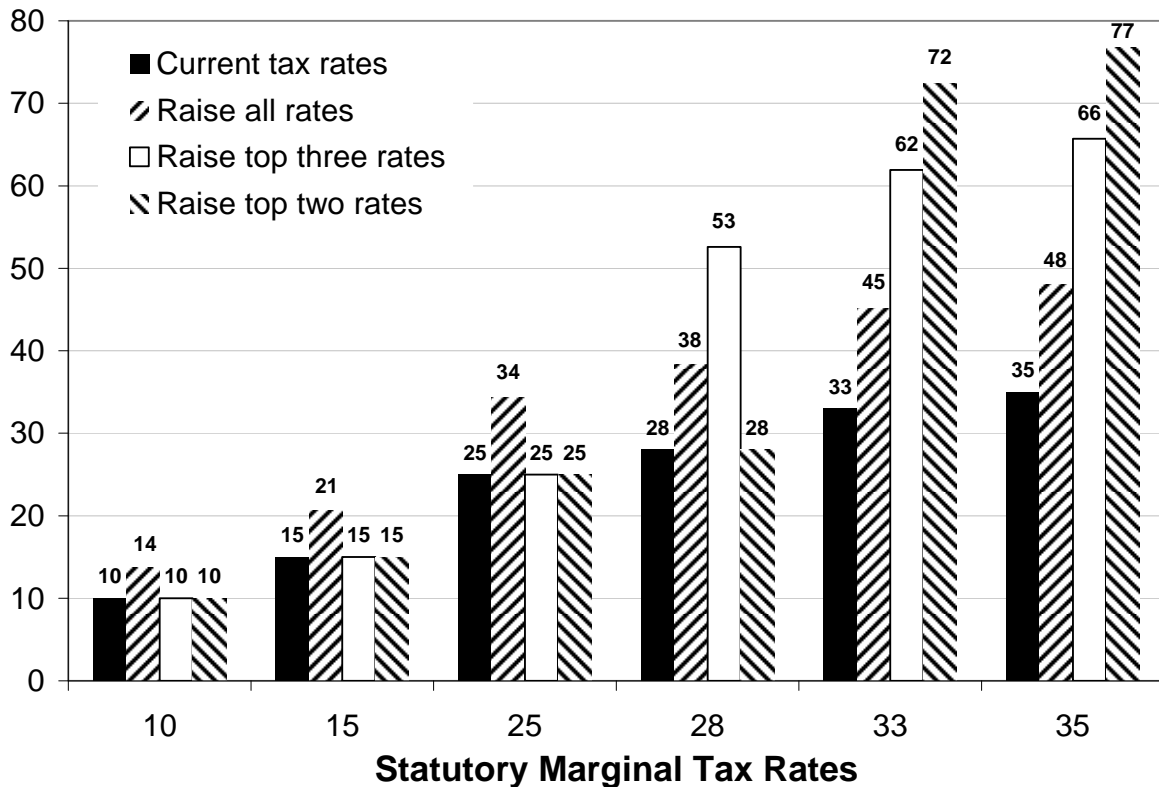
Individual Income Tax Rates Required to Reduce Deficit
to 3% of GDP under Current Law, 2019



Source: “Desperately Seeking Revenue,” by Rosanne Altshuler, Katherine Lim, and Roberton Williams.
http://www.taxpolicycenter.org/UploadedPDF/412018_seeking_revenue.pdf

Notes: Estimates from Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-4). Estimates do not take behavioral change into account. The tax rates shown in the chart would reduce the average deficit over 2015-2019 to 3% of GDP under current law. Current law assumes the 2001 and 2003 tax cuts sunset as scheduled in 2010 and Congress stops “patching” the alternative minimum tax.

Individual Income Tax Rates Required to Reduce Deficit to 3% of GDP under Administration Baseline, 2019



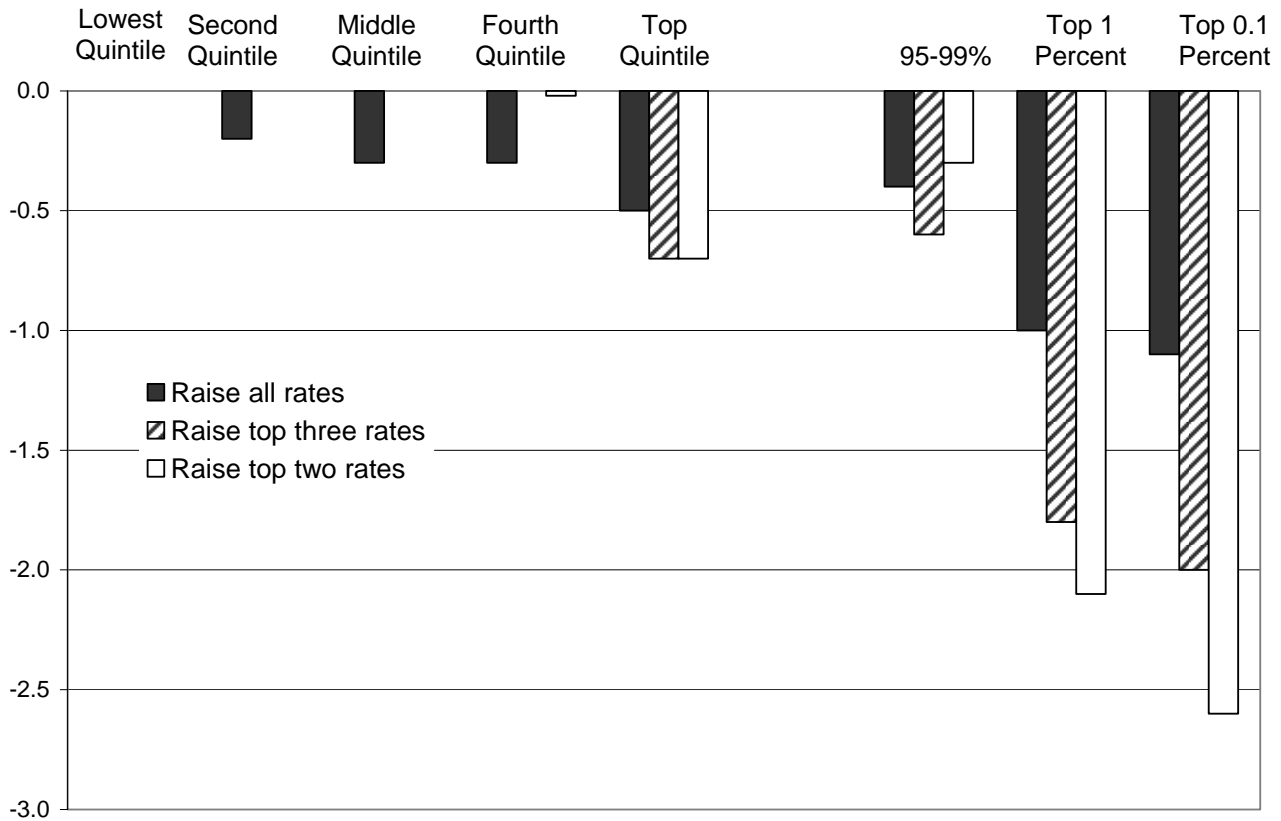
Source: “Desperately Seeking Revenue,” by Rosanne Altshuler, Katherine Lim, and Robertson Williams.

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Notes: Estimates from Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-4).

Estimates do not take behavioral change into account. The tax rates shown in the chart would reduce the average deficit over 2015-2019 to 3% of GDP under the administration baseline. The administration baseline assumes the 2001 and 2003 tax cuts are extended, the estate tax is maintained at 2009 parameters, the 2009 AMT patch is extended, and the AMT exemption, rate bracket threshold and phase-out exemption thresholds are indexed for inflation.

Percent Change in After-Tax Income from Raising Tax Rates
to Reach “3% of GDP” Revenue Target, 2019
Current Law Baseline

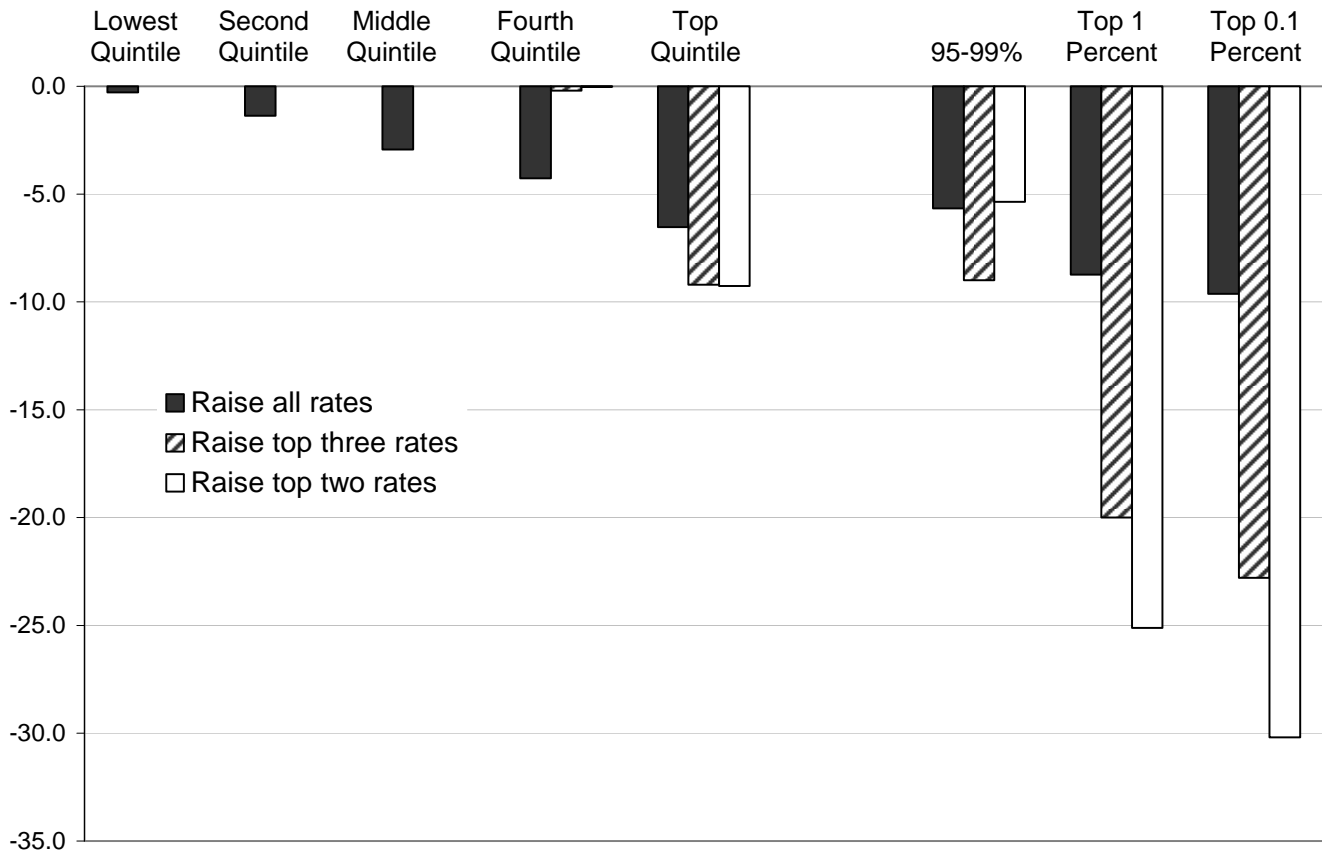


Source: “Desperately Seeking Revenue,” by Rosanne Altshuler, Katherine Lim, and Robertson Williams.

http://www.taxpolicycenter.org/UploadedPDF/412018_seeking_revenue.pdf

Notes: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-4). Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>. The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2009 dollars): 20%, \$21,024; 40%, \$39,958; 60%, \$72,320; 80%, \$127,029; 90%, \$185,589; 95%, \$260,396; 99%, \$665,719; 99.9%, \$3,053,478. After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.

**Percent Change in After-Tax Income from Raising Tax Rates
to Reach “3% of GDP” Revenue Target, 2019
Administration Baseline**



Source: “Desperately Seeking Revenue,” by Rosanne Altshuler, Katherine Lim, and Roberton Williams.

http://www.taxpolicycenter.org/UploadedPDF/412018_seeking_revenue.pdf

Notes: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-4). Tax units with negative cash income are excluded from the lowest income class but are included in the totals. For a description of cash income, see <http://www.taxpolicycenter.org/TaxModel/income.cfm>. The cash income percentile classes used in this table are based on the income distribution for the entire population and contain an equal number of people, not tax units. The breaks are (in 2009 dollars): 20%, \$21,024; 40%, \$39,958; 60%, \$72,320; 80%, \$127,029; 90%, \$185,589; 95%, \$260,396; 99%, \$665,719; 99.9%, \$3,053,478. After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax. Administration baseline extends all of the individual income tax provisions included in 2001 EGTRRA and 2003 JGTRRA; maintains the estate tax at its 2009 parameters; extends the 2009 AMT patch; and indexes the AMT exemption, rate bracket threshold, and phase-out exemption threshold for inflation.

Revenue Effects of Limiting or Eliminating Itemized Deductions^a

	Current Law Baseline	Administration Baseline ^b
	Eliminate All Itemized Deductions	
Additional revenue (billions \$)	346	296
Percentage of needed revenue to reduce deficit to 3% of GDP ^c	805	51
	Limit Itemized Deduction to 15 Percent	
Additional revenue (billions \$)	194	165
Percentage of needed revenue to reduce deficit to 3% of GDP ^c	451	28

Source: “Desperately Seeking Revenue,” by Rosanne Altshuler, Katherine Lim, and Roberton Williams. http://www.taxpolicycenter.org/UploadedPDF/412018_seeking_revenue.pdf

Notes: Urban-Brookings Tax Policy Center Microsimulation Model (version 0509-4)

a. These static revenue estimates do not account for behavioral change.

b. Administration baseline extends all of the individual income tax provisions included in 2001 EGTRRA and 2003 JGTRRA; maintains the estate tax at its 2009 parameters; extends the 2009 AMT patch; and indexes the AMT exemption, rate bracket threshold, and phase-out exemption threshold for inflation.

c. Revenue required in 2019 to reduce deficit to 3 percent of GDP: current law—\$43 billion; administration baseline—\$579 billion.