

Congress of the United States

JOINT COMMITTEE ON TAXATION

Washington, DC 20515-6453

JUN 29 2011

MEMORANDUM

TO:

FROM: Thomas A. Barthold

T.A.B.

SUBJECT: Revenue Estimate and Distributional Analysis

This memorandum is in response to your request of June 22, 2011, for a revenue estimate and distributional analysis of your proposal to use an alternate inflation adjustment for purposes of the individual income tax.

Your proposal would change the cost-of-living adjustment under Section 1(f)(3) of the Internal Revenue Code (the "Code"). The proposal would substitute the initial Chained CPI for the CPI-U in the calculation of the cost-of-living adjustment for purposes of the Code. The revenue analysis below includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit. This proposal would be effective for taxable years beginning after December 31, 2012.

We estimate that your proposals would have the following effect on Federal fiscal year budget receipts:

Item	Fiscal Years [Billions of Dollars]											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-16	2012-21
Use an alternative CPI measure to index the Code provisions.....	---	0.6	1.9	4.1	5.7	6.6	7.7	9.5	11.3	12.4	12.2	59.6

NOTE: Details do not add to totals due to rounding.

Attachment: Table #D-11-09

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

Calendar Year 2013

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$4	0.1%	\$7	0.3%	\$7	0.3%	8.3%	8.3%
\$10,000 to \$20,000.....	\$51	0.5%	\$11	0.4%	\$11	0.4%	4.4%	4.5%
\$20,000 to \$30,000.....	\$74	0.2%	\$40	1.6%	\$40	1.6%	8.1%	8.1%
\$30,000 to \$40,000.....	\$76	0.1%	\$67	2.6%	\$67	2.6%	11.7%	11.7%
\$40,000 to \$50,000.....	\$51	0.1%	\$88	3.5%	\$88	3.5%	13.3%	13.3%
\$50,000 to \$75,000.....	\$76	(5)	\$272	10.8%	\$272	10.7%	15.8%	15.8%
\$75,000 to \$100,000.....	\$56	(5)	\$287	11.3%	\$287	11.3%	17.9%	17.9%
\$100,000 to \$200,000.....	\$230	(5)	\$786	31.0%	\$786	31.0%	23.1%	23.1%
\$200,000 to \$500,000.....	\$94	(5)	\$449	17.7%	\$449	17.7%	28.3%	28.3%
\$500,000 to \$1,000,000..	\$57	(5)	\$162	6.4%	\$162	6.4%	32.0%	32.1%
\$1,000,000 and over.....	\$30	(5)	\$363	14.3%	\$363	14.3%	31.3%	31.3%
Total, All Taxpayers.....	\$800	(5)	\$2,531	100.0%	\$2,532	100.0%	21.0%	21.0%

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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 average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) Less than 0.05%

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

Calendar Year 2015

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$16	0.3%	\$6	0.2%	\$6	0.2%	7.3%	7.3%
\$10,000 to \$20,000.....	\$233	3.0%	\$8	0.3%	\$8	0.3%	2.8%	2.9%
\$20,000 to \$30,000.....	\$400	1.1%	\$35	1.2%	\$35	1.2%	6.6%	6.7%
\$30,000 to \$40,000.....	\$440	0.6%	\$69	2.4%	\$69	2.4%	10.8%	10.8%
\$40,000 to \$50,000.....	\$376	0.4%	\$95	3.3%	\$95	3.3%	12.7%	12.8%
\$50,000 to \$75,000.....	\$922	0.3%	\$300	10.4%	\$301	10.4%	15.5%	15.5%
\$75,000 to \$100,000.....	\$627	0.2%	\$323	11.2%	\$323	11.2%	17.9%	18.0%
\$100,000 to \$200,000.....	\$1,181	0.1%	\$864	29.9%	\$865	29.9%	23.1%	23.1%
\$200,000 to \$500,000.....	\$327	0.1%	\$518	17.9%	\$518	17.9%	28.6%	28.6%
\$500,000 to \$1,000,000..	\$208	0.1%	\$194	6.7%	\$194	6.7%	32.1%	32.1%
\$1,000,000 and over.....	\$110	(5)	\$476	16.5%	\$476	16.5%	31.4%	31.4%
Total, All Taxpayers.....	\$4,842	0.2%	\$2,886	100.0%	\$2,891	100.0%	21.1%	21.1%

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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 average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) Less than 0.05%

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

Calendar Year 2017

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$31	0.5%	\$6	0.2%	\$6	0.2%	6.1%	6.1%
\$10,000 to \$20,000.....	\$386	5.5%	\$7	0.2%	\$7	0.2%	2.2%	2.4%
\$20,000 to \$30,000.....	\$649	1.9%	\$35	1.1%	\$36	1.1%	6.1%	6.2%
\$30,000 to \$40,000.....	\$685	0.9%	\$75	2.3%	\$75	2.3%	10.4%	10.5%
\$40,000 to \$50,000.....	\$519	0.5%	\$105	3.3%	\$106	3.3%	12.7%	12.8%
\$50,000 to \$75,000.....	\$1,210	0.4%	\$331	10.2%	\$332	10.3%	15.5%	15.5%
\$75,000 to \$100,000.....	\$751	0.2%	\$358	11.1%	\$359	11.1%	18.0%	18.0%
\$100,000 to \$200,000.....	\$1,396	0.1%	\$942	29.2%	\$944	29.2%	23.1%	23.2%
\$200,000 to \$500,000.....	\$521	0.1%	\$590	18.3%	\$590	18.2%	28.9%	28.9%
\$500,000 to \$1,000,000..	\$382	0.2%	\$224	6.9%	\$224	6.9%	32.1%	32.1%
\$1,000,000 and over.....	\$195	(5)	\$557	17.3%	\$557	17.2%	31.8%	31.8%
Total, All Taxpayers.....	\$6,725	0.2%	\$3,229	100.0%	\$3,236	100.0%	21.2%	21.3%

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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 average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) Less than 0.05%

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$62	1.1%	\$6	0.2%	\$6	0.2%	5.6%	5.6%
\$10,000 to \$20,000.....	\$655	9.7%	\$7	0.2%	\$7	0.2%	2.0%	2.2%
\$20,000 to \$30,000.....	\$1,044	2.7%	\$39	1.1%	\$40	1.1%	6.2%	6.4%
\$30,000 to \$40,000.....	\$1,020	1.2%	\$84	2.3%	\$85	2.3%	10.6%	10.7%
\$40,000 to \$50,000.....	\$819	0.7%	\$118	3.3%	\$119	3.3%	12.8%	12.9%
\$50,000 to \$75,000.....	\$1,942	0.5%	\$373	10.3%	\$375	10.3%	15.7%	15.8%
\$75,000 to \$100,000.....	\$1,115	0.3%	\$406	11.1%	\$407	11.1%	18.2%	18.3%
\$100,000 to \$200,000.....	\$1,667	0.2%	\$1,050	28.9%	\$1,052	28.8%	23.5%	23.6%
\$200,000 to \$500,000.....	\$816	0.1%	\$676	18.6%	\$676	18.5%	29.5%	29.5%
\$500,000 to \$1,000,000..	\$597	0.2%	\$257	7.0%	\$257	7.0%	32.4%	32.5%
\$1,000,000 and over.....	\$291	(5)	\$625	17.2%	\$625	17.1%	32.0%	32.1%
Total, All Taxpayers.....	\$10,026	0.3%	\$3,640	100.0%	\$3,650	100.0%	21.6%	21.6%

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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 average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) Less than 0.05%

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

Calendar Year 2021

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Average Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	\$98	1.8%	\$5	0.1%	\$5	0.1%	4.8%	4.9%
\$10,000 to \$20,000.....	\$910	14.5%	\$6	0.2%	\$7	0.2%	1.7%	2.0%
\$20,000 to \$30,000.....	\$1,431	3.5%	\$41	1.0%	\$42	1.0%	6.1%	6.3%
\$30,000 to \$40,000.....	\$1,290	1.4%	\$93	2.3%	\$94	2.3%	10.6%	10.7%
\$40,000 to \$50,000.....	\$1,078	0.8%	\$132	3.3%	\$133	3.3%	12.9%	13.1%
\$50,000 to \$75,000.....	\$2,480	0.6%	\$418	10.3%	\$420	10.3%	15.8%	15.9%
\$75,000 to \$100,000.....	\$1,352	0.3%	\$458	11.3%	\$459	11.3%	18.3%	18.4%
\$100,000 to \$200,000.....	\$1,500	0.1%	\$1,156	28.5%	\$1,158	28.5%	23.9%	23.9%
\$200,000 to \$500,000.....	\$1,156	0.2%	\$753	18.6%	\$754	18.5%	30.1%	30.1%
\$500,000 to \$1,000,000..	\$827	0.3%	\$284	7.0%	\$285	7.0%	32.7%	32.8%
\$1,000,000 and over.....	\$408	0.1%	\$705	17.4%	\$706	17.4%	32.2%	32.2%
Total, All Taxpayers.....	\$12,530	0.3%	\$4,052	100.0%	\$4,065	100.0%	21.8%	21.9%

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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 average tax rate is equal to Federal taxes described in footnote (3) divided by income described in footnote (2).
- (5) Less than 0.05%

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

[Returns in Thousands; Dollars in Millions]

Calendar Year 2013

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	1,004	\$4	820	\$2	76	\$1	108	\$1
\$10,000 to \$20,000.....	5,218	\$51	2,236	\$11	568	\$11	2,413	\$30
\$20,000 to \$30,000.....	4,440	\$74	627	\$7	873	\$16	2,941	\$51
\$30,000 to \$40,000.....	3,941	\$76	349	\$5	1,033	\$24	2,559	\$47
\$40,000 to \$50,000.....	2,761	\$51	429	\$3	886	\$19	1,446	\$28
\$50,000 to \$75,000.....	8,215	\$75	6,694	\$43	971	\$21	550	\$11
\$75,000 to \$100,000.....	5,591	\$56	4,076	\$26	1,300	\$25	216	\$4
\$100,000 to \$200,000.....	13,206	\$230	3,001	\$31	9,968	\$195	237	\$5
\$200,000 to \$500,000.....	1,916	\$94	367	\$14	1,520	\$78	29	\$2
\$500,000 to \$1,000,000...	641	\$57	79	\$5	550	\$51	12	\$1
\$1,000,000 and over.....	342	\$30	43	\$3	292	\$27	7	\$1
Total, All Taxpayers.....	47,274	\$799	18,719	\$152	18,037	\$468	10,518	\$180

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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.

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

[Returns in Thousands; Dollars in Millions]

Calendar Year 2015

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	1,348	\$16	1,113	\$11	101	\$2	133	\$3
\$10,000 to \$20,000.....	9,349	\$233	5,995	\$108	795	\$27	2,558	\$98
\$20,000 to \$30,000.....	11,600	\$400	6,539	\$120	1,475	\$69	3,585	\$210
\$30,000 to \$40,000.....	12,452	\$440	7,053	\$118	2,114	\$111	3,284	\$211
\$40,000 to \$50,000.....	12,359	\$376	7,410	\$132	2,555	\$120	2,394	\$125
\$50,000 to \$75,000.....	22,800	\$922	11,412	\$527	9,146	\$324	2,242	\$71
\$75,000 to \$100,000.....	14,534	\$627	4,454	\$256	9,647	\$354	433	\$18
\$100,000 to \$200,000.....	14,041	\$1,181	2,963	\$210	10,899	\$960	179	\$12
\$200,000 to \$500,000.....	1,722	\$327	368	\$56	1,323	\$266	30	\$6
\$500,000 to \$1,000,000..	714	\$208	89	\$21	611	\$184	13	\$4
\$1,000,000 and over.....	384	\$110	48	\$11	328	\$97	8	\$2
Total, All Taxpayers.....	101,301	\$4,842	47,447	\$1,568	38,994	\$2,513	14,861	\$761

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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.

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

[Returns in Thousands; Dollars in Millions]

Calendar Year 2017

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	1,678	\$31	1,397	\$20	102	\$4	178	\$7
\$10,000 to \$20,000.....	9,936	\$386	6,298	\$139	842	\$49	2,797	\$197
\$20,000 to \$30,000.....	11,973	\$649	6,741	\$158	1,482	\$113	3,750	\$377
\$30,000 to \$40,000.....	13,212	\$685	7,544	\$161	2,226	\$182	3,442	\$342
\$40,000 to \$50,000.....	12,600	\$519	7,793	\$202	2,592	\$155	2,215	\$162
\$50,000 to \$75,000.....	22,594	\$1,210	11,463	\$744	9,203	\$381	1,928	\$85
\$75,000 to \$100,000.....	13,596	\$751	4,434	\$348	8,815	\$382	347	\$20
\$100,000 to \$200,000.....	11,989	\$1,396	2,803	\$292	9,043	\$1,092	143	\$13
\$200,000 to \$500,000.....	1,567	\$521	372	\$96	1,161	\$413	34	\$11
\$500,000 to \$1,000,000..	768	\$382	98	\$39	656	\$336	14	\$7
\$1,000,000 and over.....	397	\$195	50	\$20	338	\$171	9	\$4
Total, All Taxpayers.....	100,310	\$6,725	48,993	\$2,220	36,461	\$3,279	14,856	\$1,225

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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.

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

[Returns in Thousands; Dollars in Millions]

Calendar Year 2019

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	1,960	\$62	1,657	\$43	97	\$6	207	\$12
\$10,000 to \$20,000.....	10,396	\$655	6,559	\$263	849	\$74	2,987	\$317
\$20,000 to \$30,000.....	12,265	\$1,044	6,830	\$273	1,491	\$165	3,944	\$605
\$30,000 to \$40,000.....	13,615	\$1,020	7,862	\$265	2,246	\$258	3,507	\$497
\$40,000 to \$50,000.....	12,694	\$819	8,160	\$386	2,519	\$218	2,015	\$215
\$50,000 to \$75,000.....	22,532	\$1,942	11,861	\$1,317	9,063	\$523	1,608	\$101
\$75,000 to \$100,000.....	12,677	\$1,115	4,594	\$596	7,826	\$496	256	\$23
\$100,000 to \$200,000.....	9,633	\$1,666	2,628	\$441	6,915	\$1,212	90	\$13
\$200,000 to \$500,000.....	1,596	\$816	398	\$155	1,162	\$642	36	\$18
\$500,000 to \$1,000,000..	821	\$597	106	\$63	700	\$524	15	\$10
\$1,000,000 and over.....	406	\$291	52	\$30	346	\$254	9	\$6
Total, All Taxpayers.....	98,596	\$10,026	50,707	\$3,834	33,213	\$4,372	14,675	\$1,820

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
- (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 2011 levels.
- (3) Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), 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.

DISTRIBUTIONAL EFFECTS OF A PROPOSAL TO SUBSTITUTE
THE CHAINED CPI FOR THE CPI-U FOR PURPOSE OF
INDEXING THE INDIVIDUAL INCOME TAX (1)

[Returns in Thousands; Dollars in Millions]

Calendar Year 2021

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000.....	2,263	\$98	1,911	\$69	102	\$9	250	\$20
\$10,000 to \$20,000.....	10,549	\$910	6,672	\$350	863	\$104	3,014	\$456
\$20,000 to \$30,000.....	12,447	\$1,431	6,818	\$351	1,512	\$228	4,116	\$852
\$30,000 to \$40,000.....	13,832	\$1,290	8,115	\$344	2,344	\$336	3,372	\$610
\$40,000 to \$50,000.....	12,729	\$1,078	8,496	\$589	2,435	\$254	1,797	\$235
\$50,000 to \$75,000.....	22,323	\$2,480	12,243	\$1,766	8,795	\$614	1,286	\$100
\$75,000 to \$100,000.....	11,673	\$1,352	4,688	\$775	6,829	\$560	156	\$17
\$100,000 to \$200,000.....	7,382	\$1,499	2,300	\$498	5,038	\$994	45	\$7
\$200,000 to \$500,000.....	1,641	\$1,156	424	\$226	1,177	\$902	40	\$27
\$500,000 to \$1,000,000..	850	\$827	111	\$89	722	\$723	16	\$15
\$1,000,000 and over.....	426	\$408	54	\$43	362	\$357	10	\$9
Total, All Taxpayers.....	96,115	\$12,530	51,834	\$5,100	30,178	\$5,082	14,102	\$2,348

Source: Joint Committee on Taxation
Detail may not add to total due to rounding.

- (1) The proposal would be effective for tax years beginning after December 31, 2012. This analysis includes the following individual income tax provisions affected by the proposal: (1) the regular income tax brackets; (2) the basic standard deduction; (3) the additional standard deduction for aged and blind; (4) the personal exemption amount; (5) the overall limitation on itemized deductions and the personal exemption phase-out; (6) the earned income credit; (7) IRA contribution limits and deduction; (8) the refundable child credit; and (9) the saver's credit.
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