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# Executive Summary

Who wins and who loses? The fate of most tax proposals often rests with how they stack up against the “fairness” test.

Because higher income taxpayers pay a disproportionate share of taxes, government forecasters almost always conclude that tax cuts benefit the “rich.” In a battle dominated by class warfare rhetoric, this dooms most tax cuts.

But what if the tax cut helps stimulate the economy? Higher economic growth is desirable because it raises incomes. But who benefits most?

Wages contribute at least 80 percent of the income for taxpayers with AGI between \$25,000 and \$100,000. Higher income taxpayers are less dependent on wages. Those between \$200,000 and \$1,000,000 receive over half their incomes from wages while those over a million receive only a third. The balance of non-wage income comes mostly from interest, dividends, capital gains, rents, royalties, and other business income.

According to Commerce Department data, workers receive the biggest share of an extra dollar of economic growth, 50 cents on average. The next largest slice, 32 cents, goes to government as taxes. Depreciation takes 10 cents. Owners of capital (or the “rich”) receive the smallest share, 8 cents. Future economic growth will be distributed in roughly the same manner, giving those lower income taxpayers who depend mainly on wages a greater percentage increase in income.

For instance, a 14 percent increase for a family with an income of \$15,000 (or \$2,100) improves their living standards relatively more than does a 7 percent increase for a family with an income of \$100,000, even though the second family has a larger real dollar increase.

Tax cuts with the potential to do the most economic good, and thus to raise workers’ incomes, are those that lower tax rates on the next dollar of income earned through work, saving and investment. These tax cuts are also the ones that government forecasting methods judge most harshly.

To illustrate how the economic effects can affect income distributions, this report examines two simple pro-growth tax policy changes. One is a 15 percent, across-the-board cut in individual income tax rates. The other is a 15 percent cut in corporate income tax rates.

Each proposal would create new jobs and increase the incomes of all taxpayers. But in both proposals, the bottom 20 percent of taxpayers experience the largest percentage increase in income, even larger than the “rich.” Also, if the tax cuts are tailored to have the same static revenue consequences, the corporate tax cut boosts the incomes of the lowest income taxpayers 40 percent more than the individual tax cut.

Tepid, 2.3 percent real growth over the past six years has widened the gap between rich and poor. The rich find opportunities in any economic climate, but lower income taxpayers who depend heavily on wages find fewer opportunities under slow growth.

Reductions in marginal tax rates on capital income deliver the most economic bang for the buck, and the lowest income taxpayers experience the largest relative gain in aftertax income. But enacting pro-growth tax policy will require abandoning class warfare rhetoric.

*“A 14 percent increase for a family with an income of \$15,000 (or \$2,100) improves their living standards relatively more than does a 7 percent increase for a family with an income of \$100,000.”*

*“In both proposals, the bottom 20 percent of taxpayers experience the largest percentage increase in income, even larger than the ‘rich’.”*

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# Tax Cuts: Who Wins? Who Loses?

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## Introduction

Who wins and who loses? Who gets the windfall from a proposed tax cut, and who gets the shaft? Would a particular proposal help “working people,” or would it be another “tax cut for the rich?” The fate of most tax proposals often rests with how they stack up against these questions. Failing the “fairness” test almost always eliminates a proposed tax cut from further consideration.

Unfortunately, grades meted out through traditional forecasting methods are usually wrong. Government revenue estimators use “static” methods to analyze distributional consequences of tax changes.<sup>1</sup> They simply apply the proposed change to the *existing* income distribution of taxpayers. Ignored are the effects on taxpayer income that might result from a change in economic activity caused by a change in tax policy.

*“How much new revenue would we raise,” the senator asked the Joint Committee on Taxation (JCT), “if the federal government taxed individuals with incomes over \$200,000 at 100 percent?”*

*The JCT, Congress’ official revenue estimating agency, ran the numbers through its tax model, and reported back to the senator: “Taxing all income above \$200,000 would raise \$204 billion in the first year and would **increase** to \$299 billion by the third year.”*

*In other words, government forecasters predict people who have 100 percent of their work effort confiscated by the government one year will work even harder the next.*

*A bad day for the government’s revenue estimators? No—this is a true account of government forecasters in action. They were just using their normal static forecasting methods—assuming that a change in the tax code would not cause a reaction in people’s behavior. Taken to this extreme, static forecasting assumed that you would keep working just as hard and just as long, even if the government took 100% of your earnings.*

*Static analysis assumes that economic activity will remain the same regardless of whether taxes are raised, lowered, or remain the same. Dynamic analysis, on the other hand, refers to forecasting methods that attempt to account for changes in taxpayer behavior that result from changes in tax policy. The recent experiment in New York City, where there was a one-week moratorium on sales taxes on clothing, demonstrates convincingly that people do in fact alter their behavior when tax policy changes. The issue is not whether changes occur, but how to quantify them, and how to forecast the effects of these behavioral changes on government revenue.*

*“...grades meted out through traditional forecasting methods are usually wrong.”*

Ignoring economic effects is misleading. As our previous studies have shown, tax changes do affect the economy and, therefore, the income received by workers, savers and investors.<sup>2</sup> The purpose of this study is to show how different conclusions can result from distributional analysis that incorporates economic effects. The next two sections look at the existing income distribution of taxpayers and how growth effects are distributed among workers, investors and government. The fourth section examines characteristics of pro-growth tax cuts while the fifth discusses the distributional effects from two such policy simulations.

Because static analysis relies so heavily on the status quo, we first look at what tax return data tell us about taxpayers today. In 1996, we estimate almost 121 million Americans will file federal income tax returns and report \$4.5 trillion in adjusted gross income (AGI). Of those filing returns, 105 million will have taxable income on which they will owe \$628 billion in taxes. [See Table 1.]

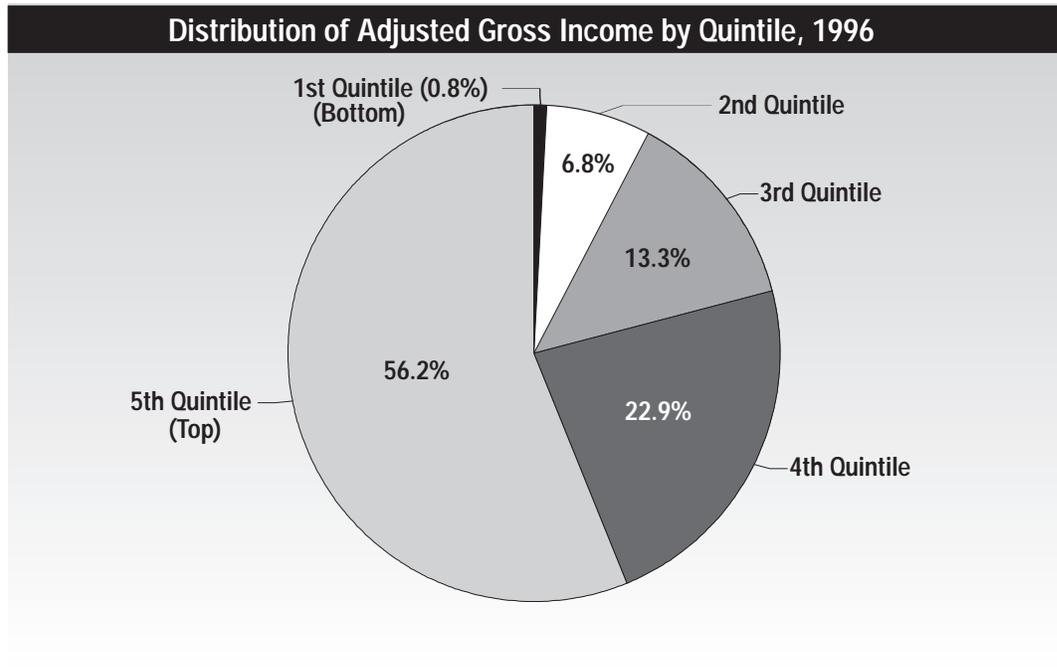
## Distribution of Taxpayers Today

Table 1  
Distribution of Adjusted Gross Income (AGI) and Tax, 1996

Source: Fiscal Associates, Inc. Tax Model. Extrapolations based on data from the Internal Revenue Service, Statistics of Income, 1992.

| Distribution of Adjusted Gross Income (AGI) and Tax, 1996 |                                     |                        |                        |
|---|-------------------------------------|------------------------|------------------------|
|   | Number of Returns<br>(in thousands) | AGI<br>(in \$millions) | Tax<br>(in \$millions) |
| All Returns   | 120,896                             | 4,467,876              | 627,788                |
| No adjusted gross income                                  | 982                                 | -65,473                | 0                      |
| \$1 under \$5,000   | 14,755                              | 38,096                 | 0                      |
| \$5,000 under \$10,000                                    | 14,163                              | 108,101                | 2,169                  |
| \$10,000 under \$15,000                                   | 13,063                              | 166,014                | 6,477                  |
| \$15,000 under \$20,000                                   | 10,809                              | 192,480                | 12,383                 |
| \$20,000 under \$25,000                                   | 9,283                               | 212,971                | 17,046                 |
| \$25,000 under \$30,000                                   | 7,224                               | 202,637                | 17,975                 |
| \$30,000 under \$40,000                                   | 14,195                              | 505,048                | 50,394                 |
| \$40,000 under \$50,000                                   | 9,928                               | 453,969                | 48,896                 |
| \$50,000 under \$75,000                                   | 16,003                              | 1,003,453              | 115,923                |
| \$75,000 under \$100,000                                  | 5,388                               | 478,125                | 70,056                 |
| \$100,000 under \$200,000                                 | 3,847                               | 525,650                | 97,826                 |
| \$200,000 under \$500,000                                 | 981                                 | 287,820                | 74,015                 |
| \$500,000 under \$1,000,000                               | 186                                 | 125,653                | 38,459                 |
| \$1,000,000 or more                                       | 89                                  | 233,332                | 76,169                 |
| Relative Distribution of AGI and Tax, 1996                |                                     |                        |                        |
|   | Number of Returns                   | AGI                    | Tax                    |
| All Returns   | 100.0%                              | 100.0%                 | 100.0%                 |
| No adjusted gross income                                  | 0.8%                                | -1.5%                  | 0.0%                   |
| \$1 under \$5,000   | 12.2%                               | 0.9%                   | 0.0%                   |
| \$5,000 under \$10,000                                    | 11.7%                               | 2.4%                   | 0.3%                   |
| \$10,000 under \$15,000                                   | 10.8%                               | 3.7%                   | 1.0%                   |
| \$15,000 under \$20,000                                   | 8.9%                                | 4.3%                   | 2.0%                   |
| \$20,000 under \$25,000                                   | 7.7%                                | 4.8%                   | 2.7%                   |
| \$25,000 under \$30,000                                   | 6.0%                                | 4.5%                   | 2.9%                   |
| \$30,000 under \$40,000                                   | 11.7%                               | 11.3%                  | 8.0%                   |
| \$40,000 under \$50,000                                   | 8.2%                                | 10.2%                  | 7.8%                   |
| \$50,000 under \$75,000                                   | 13.2%                               | 22.5%                  | 18.5%                  |
| \$75,000 under \$100,000                                  | 4.5%                                | 10.7%                  | 11.2%                  |
| \$100,000 under \$200,000                                 | 3.2%                                | 11.8%                  | 15.6%                  |
| \$200,000 under \$500,000                                 | 0.8%                                | 6.4%                   | 11.8%                  |
| \$500,000 under \$1,000,000                               | 0.2%                                | 2.8%                   | 6.1%                   |
| \$1,000,000 or more                                       | 0.1%                                | 5.2%                   | 12.1%                  |

Figure 1  
**Distribution of Adjusted Gross Income by Quintile, 1996**



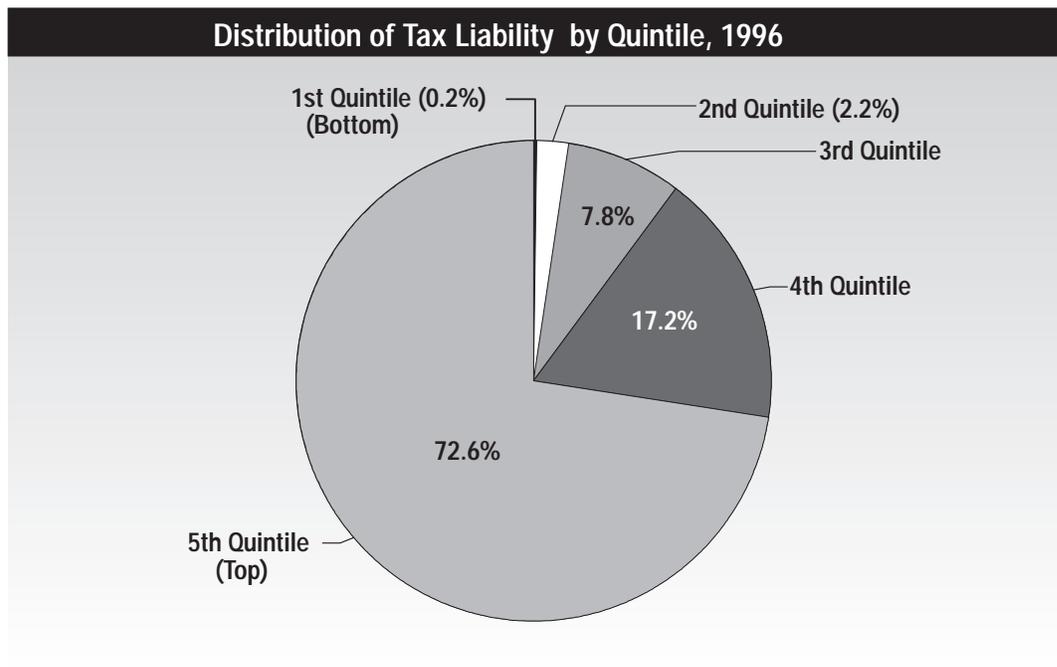
*“...73 percent of any across-the-board rate cut would go to the top fifth of taxpayers because they pay 73 percent of the tax.”*

Both AGI and taxes are heavily concentrated in the middle and upper ends of the income distribution. For example, the top fifth of taxpayers (which starts around \$50,000) account for 56.2 percent of AGI and pay 72.6 percent of federal income taxes. The bottom 40 percent (below \$17,500) account for 7.6 percent of AGI and pay 2.4 percent of income taxes. [See Figures 1 and 2.]

Because higher income taxpayers pay such a disproportionate share of taxes, static analysis will inevitably conclude that most tax cuts benefit only the “rich.” For example, 73 percent of any across-the-board rate cut would go to the top fifth of taxpayers because they pay 73 percent of the tax. In a battle dominated by class warfare rhetoric, this result is enough to doom many tax cuts—at least any that have the potential to affect the economy significantly.

But what if the tax cut helps stimulate the economy? Could careful consideration of the resulting benefits — namely higher incomes — be enough to change the verdict on a tax cut?

Figure 2  
**Distribution of Tax Liability by Quintile, 1996**



## Who Benefits Most from Economic Growth?

Higher economic growth is desirable because it raises incomes. But who benefits—the rich, investors, workers, average Americans? Answering this question requires incorporating estimates of the economic effects of tax changes into a distributional model.<sup>3</sup>

### What is a Quintile?

*Distribution models attempt to quantify how a change in tax policy would affect various groups of Americans. For this purpose, often taxpayers are broken down into quintiles, or 20% slices. The first, or bottom quintile, refers to the one-fifth of taxpayers with the lowest incomes; the second quintile refers to the next 20% of taxpayers, and so forth. The fifth, or top quintile, contains the 20% of taxpayers with the highest incomes. An average taxpayer, as measured by the median, would fall in the third, or middle quintile. The median marks the point at which half the taxpayers have lower incomes and half have higher incomes.*

Before taking up this subject directly, let us turn to data from the Commerce Dept.'s National Income and Product Accounts (NIPA) and from tax returns for a look at the composition of income and its relation to growth.

### Wage versus Nonwage Income

Wages form the bulk of U.S. income. Historically, two-thirds of *gross* national income goes to labor (workers) as compensation while the remaining one-third goes to capital.<sup>4</sup> Labor compensation includes money wages, fringe benefits and employer contributions for social insurance programs. Gross income to capital includes recovery of costs (depreciation), taxes and a return to investors. *Net* capital income, which is used for tax purposes, subtracts out tax depreciation.<sup>5</sup> Making that adjustment changes the split on national income to 75 percent for labor and 25 percent for capital.

### Distribution of Adjusted Gross Income between Wage and Nonwage Income

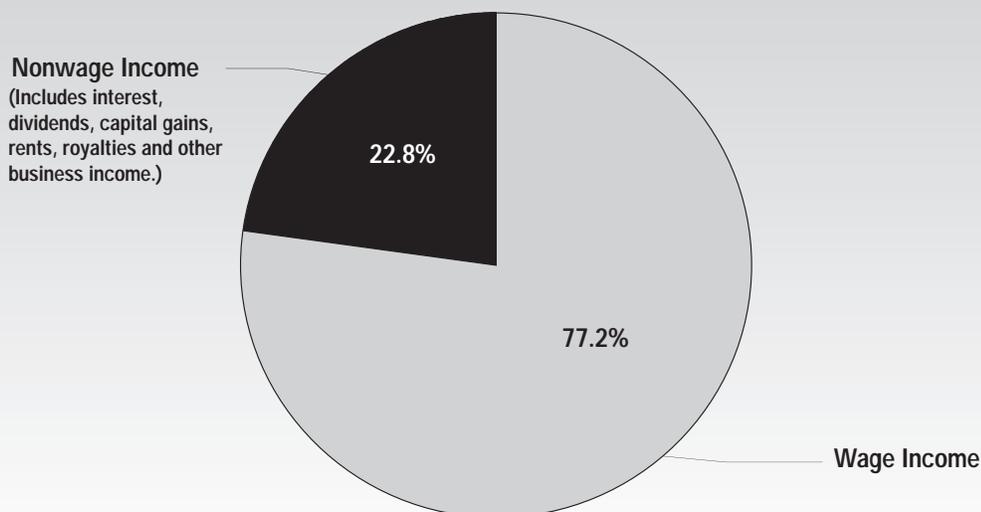


Figure 3  
Distribution of Adjusted Gross Income (AGI) between Wage and Nonwage Income

Similarly, taxpayers receive most of their adjusted gross income (AGI) from wages. Currently, wages account for 77 percent of AGI. Most of the remaining 23 percent comes from sources such as interest, dividends, capital gains, rents,

royalties and other business income. In other words, nonwage income is basically *net* returns to capital that result from saving, investing or operating a business. [See Figure 3.]

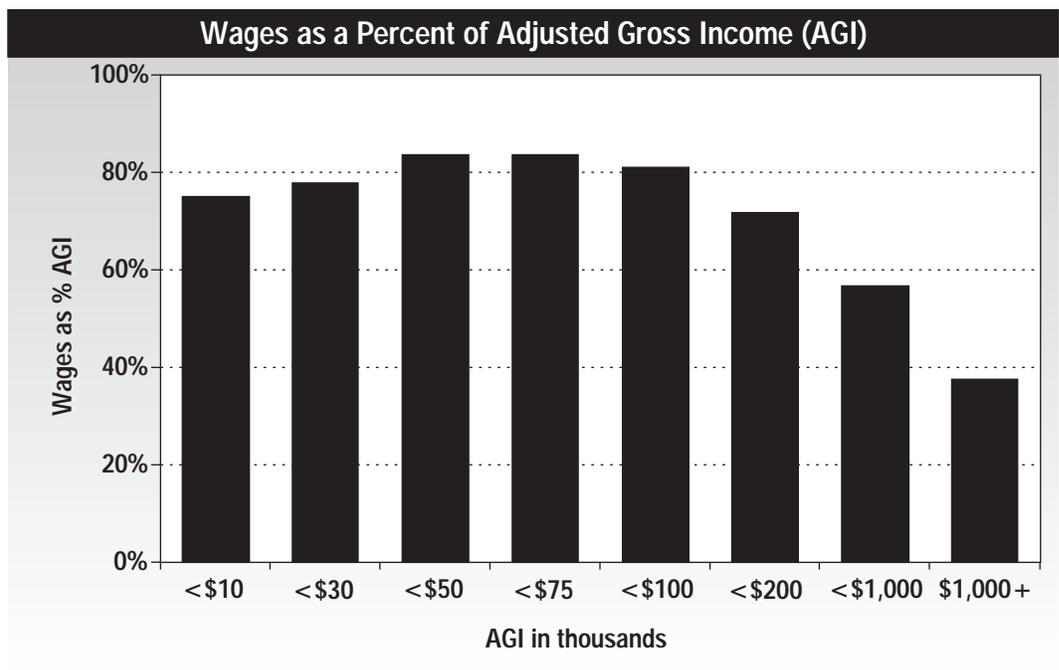
Wages are the most important income source for lower and middle income taxpayers. For example, wages contribute at least 80 percent of the income for taxpayers with AGI between \$25,000 and \$100,000. Higher income taxpayers are less dependent on wages. Those between \$200,000 and \$1,000,000 receive over half their incomes from wages while those over a million receive only a third. [See Table 2 and Figure 4.]

Table 2  
Average Wage and Nonwage Income by Adjusted Gross Income (AGI) Class, 1996

Source: Fiscal Associates, Inc. Tax Model. Extrapolations based on data from the Internal Revenue Service, Statistics of Income, 1992.

| Average Wage and Nonwage Income by Adjusted Gross Income (AGI) Class, 1996 |             |           |             |                |
|--|-------------|-----------|-------------|----------------|
|  | AGI         | Wages     | Other       | Wages as % AGI |
| All Returns  | \$36,956    | \$28,526  | \$8,430     | 77.2%          |
| No adjusted gross income   | -\$66,648   | \$9,295   | -\$75,943   | n.a.           |
| \$1 under \$5,000  | \$2,582     | \$2,203   | \$379       | 85.3%          |
| \$5,000 under \$10,000   | \$7,633     | \$5,453   | \$2,180     | 71.4%          |
| \$10,000 under \$15,000  | \$12,708    | \$9,215   | \$3,493     | 72.5%          |
| \$15,000 under \$20,000  | \$17,808    | \$13,630  | \$4,178     | 76.5%          |
| \$20,000 under \$25,000  | \$22,942    | \$18,203  | \$4,739     | 79.3%          |
| \$25,000 under \$30,000  | \$28,049    | \$22,966  | \$5,083     | 81.9%          |
| \$30,000 under \$40,000  | \$35,580    | \$29,665  | \$5,915     | 83.4%          |
| \$40,000 under \$50,000  | \$45,725    | \$38,345  | \$7,380     | 83.9%          |
| \$50,000 under \$75,000  | \$62,704    | \$52,421  | \$10,283    | 83.6%          |
| \$75,000 under \$100,000   | \$88,746    | \$71,935  | \$16,812    | 81.1%          |
| \$100,000 under \$200,000  | \$136,632   | \$98,014  | \$38,618    | 71.7%          |
| \$200,000 under \$500,000  | \$293,441   | \$171,456 | \$121,985   | 58.4%          |
| \$500,000 under \$1,000,000  | \$676,735   | \$356,196 | \$320,539   | 52.6%          |
| \$1,000,000 or more  | \$2,636,489 | \$989,827 | \$1,646,662 | 37.5%          |

Figure 4  
Wages as a Percent of Adjusted Gross Income (AGI)



Conversely, income from capital makes up one-quarter to one-fifth of the income received by taxpayers with AGI of less than \$100,000. The richest taxpayers (\$1 million and up) receive almost two-thirds of their income from net returns to

capital. This fact helps explain why tax changes that seemingly benefit only investors, such as a reduction in capital gains taxes, often flunk the static “fairness” test.

### Where Does Added Growth Go?

What happens to an extra dollar that the economy produces? Initially, that dollar goes to compensate the factors of production—labor and capital—that produced the added output. However, not all of that compensation ends up in the pockets of workers and owners of capital (i.e., investors, savers, business owners). Taxes take a chunk as does replenishment of the stock of capital (or depreciation).

Using Commerce Department data, we show how an extra dollar produced by the corporate sector is split among workers, stockholders, government and depreciation. While a more complicated procedure would be needed for the noncorporate sector, the results would be about the same.

The distribution of an extra dollar of corporate output has been remarkably stable over the period 1959 to 1995.<sup>6</sup> Workers received the biggest share, 50 cents on average. The next largest slice, 32 cents, went to government as taxes. Depreciation took up 10 cents. Owners of capital (stockholders here) receive the smallest share, 8 cents.<sup>7</sup> [See Figure 5.]

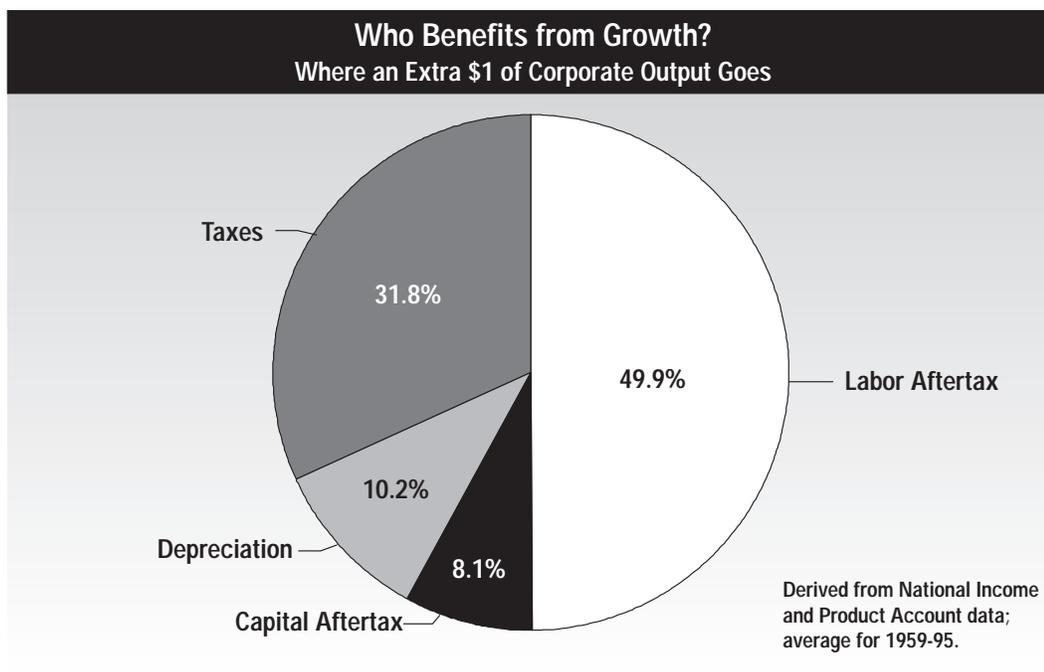


Figure 5  
**Who Benefits from Growth?**  
Where an Extra \$1 of Corporate Output Goes

Contrary to popular opinion, capital receives the smallest reward from growth. On average, over the last 37 years, for every extra \$1 that has gone to an owner of corporate capital:

- Workers received \$6.16,
- Government received \$3.92, and
- \$1.26 was needed to replenish the capital stock.

Using the past as a guide, additions to growth in the future will be distributed in roughly the same manner. Because static methods omit growth effects, the

*“Contrary to popular opinion, capital receives the smallest reward from growth.”*

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## Pro-Growth Tax Cuts and Static Distributional Analysis

*“Tax cuts with the potential to do the most economic good are those that lower tax rates on the next dollar of income...”*

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## Income Distribution Effects for Two Pro-growth Tax Changes

resulting distributional analysis of a tax change will be misleading. Further, tax cuts that have the most potential to help the economy often score the worst on static distributional analysis.

Tax cuts *do* affect the economy. However, some types of tax cuts will boost growth to a greater extent than other cuts. Similarly, some tax increases do more harm to the economy than others.

The following observation emerges from our recent survey of federal tax policy over the last four decades.<sup>8</sup> Tax bills, such as in 1962, 1964 and 1981 that reduced marginal tax rates on the next dollar of income from labor or capital, were followed by periods of robust growth. Tax bills, such as in 1969 and 1976, that aimed tax relief at the first, not the next, dollar of income through raising the personal exemption or standard deduction were followed by periods of slower growth or even recession.

In other words, tax cuts with the potential to do the most economic good are those that lower tax rates on the *next* dollar of income earned through work, saving and investment. *These tax cuts are also the ones that current static estimation practices will judge most harshly*, for two reasons. First, taxpayers that benefit most from reductions in marginal rates will be those who earned the most income. Second, the progressivity built into the current system assures that most of the tax cut will go to upper income taxpayers because, as we have just shown, *they are the ones who pay most of the tax*. Conversely, static analysis would judge more favorably the distributional effects of tax cuts that do little for economic growth.

For example, a 15 percent, across-the-board cut in individual income tax rates would cost almost \$100 billion in 1996 on a static basis.<sup>9</sup> Based on current distributions of who pays the tax, 46 percent of that cut would go to taxpayers with incomes of \$100,000 or more while 6 percent would go to those with incomes under \$25,000. If \$100 billion was used instead to increase the personal exemption by \$2,950, 17.4 percent would go to taxpayers with incomes under \$25,000 and less than one percent would go to those with incomes of at least \$200,000.<sup>10</sup> [See Table 1 and Figure 2.]

However, the 15 percent rate cut would help boost the economy, and, therefore, the incomes of workers, savers and investors, while the increase in the personal exemption would have little economic effect. The next section looks at how two hypothetical, pro-growth tax changes would affect the distribution of income.

To illustrate how the economic effects resulting from pro-growth tax changes can affect income distributions, we have chosen two simple policy changes. One is a 15 percent, across-the-board cut in *individual* income tax rates. The other is a 15 percent cut in *corporate* income tax rates. Because wages compose about three-fourths of AGI, the individual rate cut would reduce taxes on income from both labor and capital. The corporate rate cut initially affects only income from corporate capital.

Simulating the dynamic income distribution effects requires first estimating the economic effects of each tax change using the model described in our previous study.<sup>11</sup> The baseline, which makes a forecast about how the economy would perform absent any policy change, is similar to those currently being used by the Congressional Budget Office and the Office of Management and Budget. Over the next fourteen years, the U.S. economy is expected to grow at 2.5 percent a year after inflation. The annual increase in the stock of U.S. capital is assumed to be roughly 4.7 percent, employment about 1.6 percent and the average wage rate about one percent. [See Appendix Table A-2.]

The next step involves distributing the additional labor and capital income that would result from growth among taxpayers. Our model assumes that income gains will be distributed in proportion to the distributions of labor and capital income before the tax change. For example, a 10 percent increase in total wages and salaries would translate into a 10 percent increase in wages and salaries in each income class.<sup>12</sup> A similar process is used for capital income except distinctions are made between corporate and noncorporate.<sup>13</sup>

### 15% Cut in Individual Income Tax Rates

#### *Economic Effects*

Cutting individual income tax rates would increase the aftertax returns to workers, investors and savers. Letting workers keep more of what they earn would increase the supply of labor and reduce the cost of hiring. These changes in the labor market would lead to almost 2 million more jobs by the year 2000 and 3.2 million by 2010. [See Appendix Table A-3.]

Letting savers and investors keep more of what they earn would lead to greater capital formation. Initially, the economy-wide, aftertax return to capital would increase by over 10 percent, resulting in more investment than otherwise. Although the increase in capital would eventually drive the aftertax return back to its long-run level (about 3.4 percent economy-wide), the economy would reap the benefits of a true investment boom.<sup>14</sup> By 2000, the stock of U.S. capital would be \$1.2 trillion, or 5 percent, higher than the baseline. By 2010, it would be \$3.4 trillion higher (almost 9 percent).

The expansion of capital would increase worker productivity. That, along with increased job opportunities, would raise the average real wage by \$0.22 an hour. Coupled with the tax cut, the average American worker would take home \$0.71, or 6.3 percent, more an hour.<sup>15</sup>

Increases in capital, employment and productivity would initially boost the U.S. growth rate by about 0.5 percentage points. By 2005, real GDP would be \$405 billion, or 3.4 percent, higher than the baseline. Higher growth combined with the 15 percent cut in federal income taxes would increase real disposable private income by 4.1 percent. [See Figure 6.]

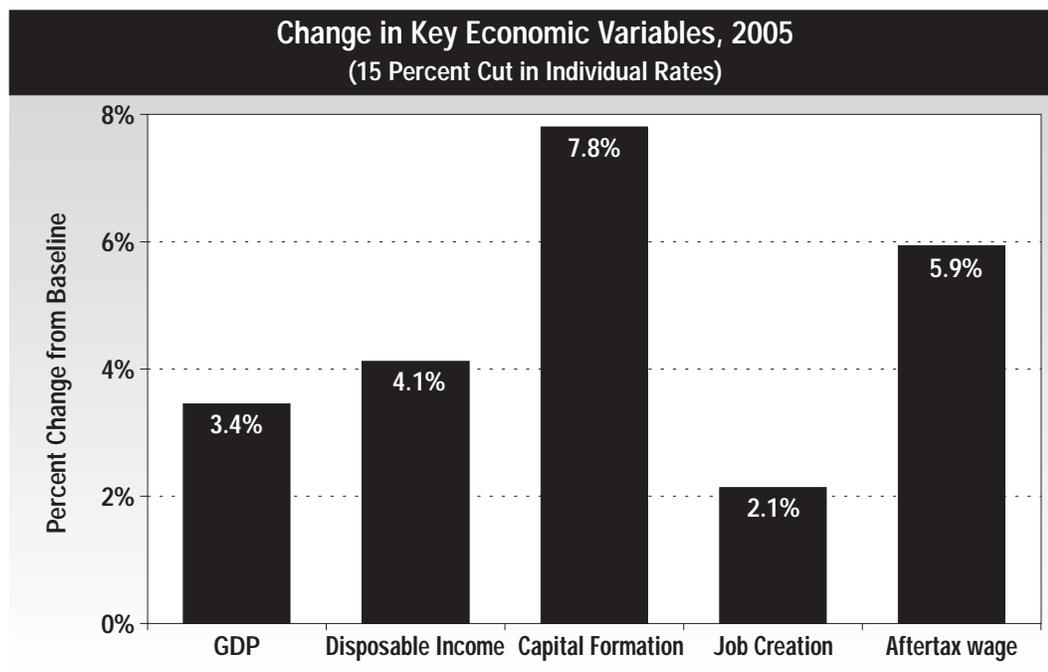


Figure 6  
Change in  
Key Economic  
Variables, 2005  
(15 Percent Cut in  
Individual Rates)

### Distribution Effects

Revenue estimates produced by static analysis would ignore these economic effects. They would project a 15 percent reduction in federal individual income taxes compared to the baseline. Static distributional analysis would show 87 percent of the benefits from the tax cut going to the top two quintiles (those with incomes above \$47,000). Despite the fact that those people pay the lion's share of federal individual income taxes, that result would be enough to subject the proposal to charges of "tax cut for the rich." [See Table 3.]

Table 3  
Distribution of Static and Dynamic Tax Changes, 2005  
(15 Percent Cut in Individual Rates)

Source: Fiscal Associates, Inc. Tax Model.

<sup>1</sup> See Appendix Table A-4 for aggregate amounts by quintile for tax years 2000, 2005 and 2010.

<sup>2</sup> The first quintile would pay more taxes because the tax cut's effects will have increased their incomes so much as to necessitate this. See Appendix Table A-4 for further detail.

| Distribution of Static and Dynamic Tax Changes, 2005 |   |          |                    |                    |
|--|---|----------|--------------------|--------------------|
| (15 Percent Cut in Individual Rates)                 |   |          |                    |                    |
| Change in Individual Income Taxes <sup>1</sup>       |   |          |                    |                    |
| Quintile   | Dollar Amounts<br>(Amounts in \$millions) |          | In percent         |                    |
|  | Static                                    | Dynamic  | Static             | Dynamic            |
| All  | -154,229                                  | -107,810 | -15.0%             | -10.5%             |
| First  | -112                                      | 112      | -15.0%             | 14.9% <sup>2</sup> |
| Second   | -4,609                                    | -2,677   | -15.0%             | -8.7%              |
| Third  | -14,923                                   | -10,508  | -15.0%             | -10.6%             |
| Fourth   | -28,124                                   | -20,598  | -15.0%             | -11.0%             |
| Fifth  | -106,460                                  | -74,138  | -15.0%             | -10.4%             |
| Distribution of Tax Change                           |   |          |                    |                    |
| Quintile   | Static                                    |          | Dynamic            |                    |
| All  | 100.0%                                    |          | 100.0%             |                    |
| First  | 0.1%                                      |          | -0.1% <sup>2</sup> |                    |
| Second   | 3.0%                                      |          | 2.5%               |                    |
| Third  | 9.7%                                      |          | 9.7%               |                    |
| Fourth   | 18.2%                                     |          | 19.1%              |                    |
| Fifth  | 69.0%                                     |          | 68.8%              |                    |

What should be of concern, however, is *the extent to which people are better off after the tax cut*, something that static analysis does not measure correctly. That is, what happens to people's incomes after tax?

Ignoring growth effects, a 15 percent cut in individual income taxes would increase aftertax income for the average taxpayer by \$1,101, or 2.5 percent. However, taxpayers also would benefit from the additional growth stimulated by the tax cut. Taking economic effects into account, aftertax income for the average taxpayer would increase by \$2,678, or 6.1 percent. [See Table 4.]

| Static & Dynamic Changes in Aftertax Income by Quintile, 2005<br>(15 Percent Cut in Individual Rates) |                   |           |             |         |
|---|-------------------|-----------|-------------|---------|
| Aftertax Income   |                   |           |             |         |
| Quintile  | Baseline          | Static    | Dynamic     |         |
| All   | \$43,704          | \$44,805  | \$46,381    |         |
| First   | \$1,638           | \$1,642   | \$1,821     |         |
| Second  | \$17,784          | \$17,949  | \$18,531    |         |
| Third   | \$34,471          | \$35,004  | \$36,150    |         |
| Fourth  | \$55,622          | \$56,626  | \$58,508    |         |
| Fifth   | \$109,002         | \$112,803 | \$116,896   |         |
| Increase in Aftertax Income   |                   |           |             |         |
| Quintile  | In Dollar Amounts |           | In percent: |         |
|   | Static            | Dynamic   | Static      | Dynamic |
| All   | \$1,101           | \$2,678   | 2.5%        | 6.1%    |
| First   | \$4               | \$183     | 0.2%        | 11.2%   |
| Second  | \$165             | \$747     | 0.9%        | 4.2%    |
| Third   | \$533             | \$1,679   | 1.5%        | 4.9%    |
| Fourth  | \$1,004           | \$2,886   | 1.8%        | 5.2%    |
| Fifth   | \$3,801           | \$7,894   | 3.5%        | 7.2%    |

Table 4  
**Static & Dynamic Changes in Aftertax Income by Quintile, 2005**  
 (15 Percent Cut in Individual Rates)

Source: Fiscal Associates, Inc. Tax Model.

Income resulting from added growth would be more evenly distributed. As discussed earlier, much of the benefits from growth accrue to workers through greater job opportunities and higher wages. And lower and middle income taxpayers rely more heavily on income from labor than income from capital.

On average, taxpayers in the middle of the income distribution would experience roughly a 5 percent increase in aftertax income. Those in the top fifth would see their aftertax incomes increase by 7.2 percent. *Taxpayers in the bottom fifth would experience the largest increase in aftertax income, 11.2 percent, because they pay little or no income tax and, therefore, keep more of their gains from growth.*

[See Figure 7.]

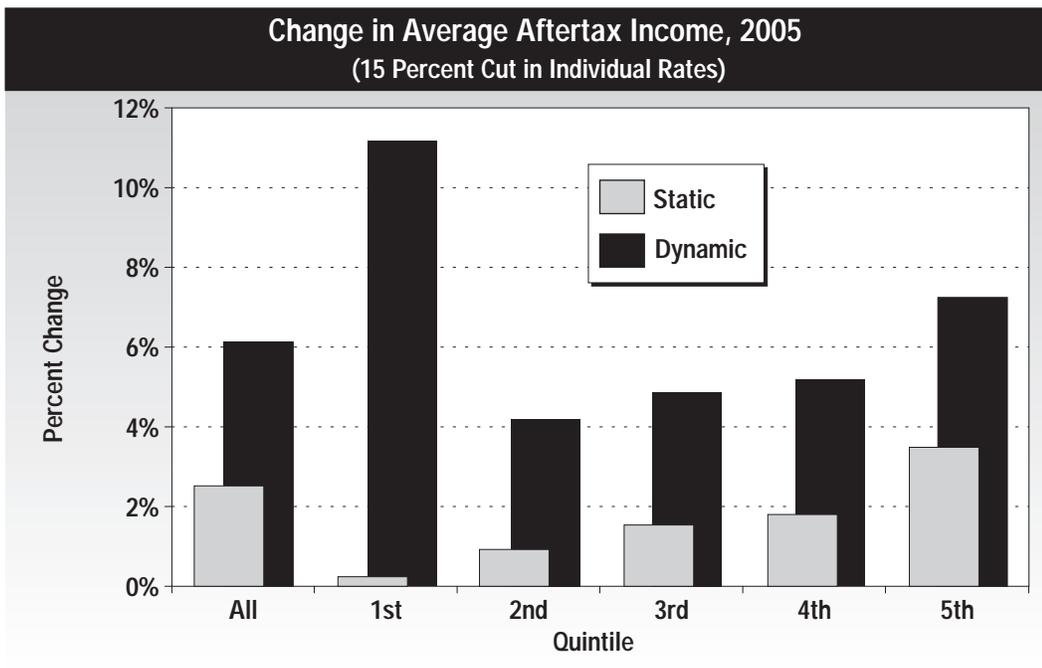


Figure 7  
**Change in Average Aftertax Income, 2005**  
 (15 Percent Cut in Individual Rates)

## 15% Cut in Corporate Income Tax Rates

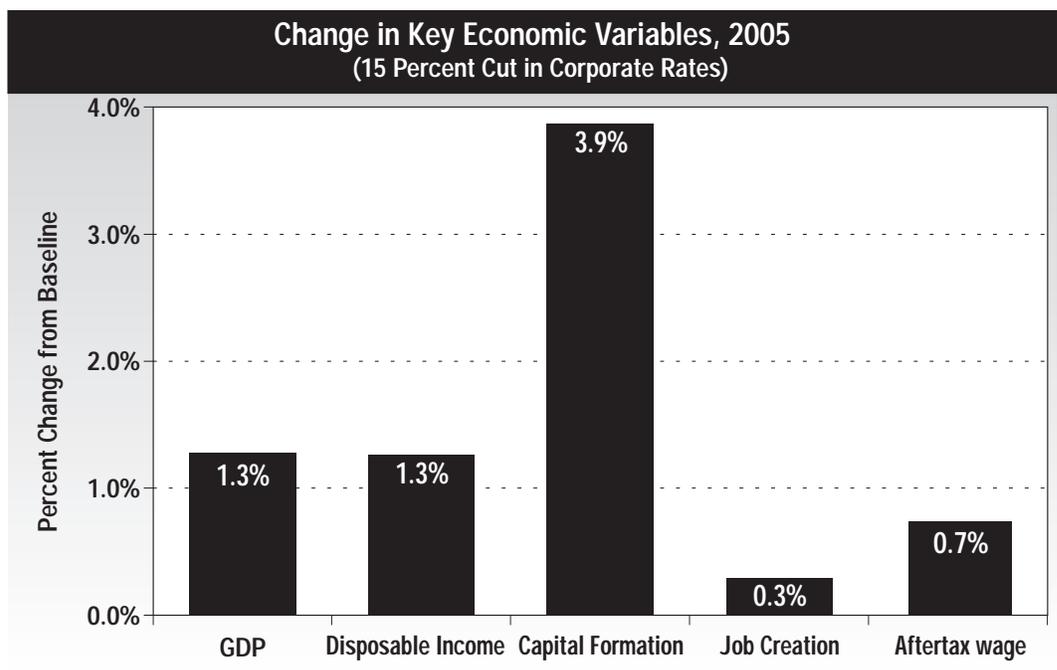
### *Economic Effects*

Reducing corporate income tax rates would increase the aftertax returns to investors and savers. Initially, the economy-wide, aftertax return to capital would increase by over 9 percent. Due to the resulting increase in investment, the stock of U.S. capital would be \$1.2 trillion larger, or 4 percent, higher than the baseline by 2005. [See Appendix Table A-5.]

The expansion of capital would increase job opportunities and worker productivity. By 2010, there would be almost half a million more jobs and the average, hourly real wage rate would increase by \$0.22.

Increases in capital, employment and productivity would initially boost the U.S. growth rate by about 0.2 percentage points. By 2005, annual real GDP would be \$151 billion, or 1.3 percent, higher than the baseline, as would real disposable private income. [See Figure 8.]

Figure 8  
Change in  
Key Economic  
Variables, 2005  
(15 Percent Cut in  
Corporate Rates)



These results are smaller than those for the individual rate cut because the size of the corporate tax cut is only one-fourth as large.<sup>16</sup> The Clinton administration projects that individual income tax receipts will amount to \$632.3 billion in fiscal year 1996 while corporate tax receipts will bring in \$167 billion.

*“...in terms of “bang for the buck” the corporate tax cut does as well or better than the individual rate cut.”*

However, in terms of “bang for the buck” the corporate tax cut does as well or better than the individual rate cut. Tailoring the rate cuts to have the same static revenue consequences would mean either scaling back the individual cut to 4 percent to match a 15 percent corporate cut or increasing the corporate cut to 50 percent to match a 15 percent individual cut.

Not surprisingly, the corporate cut would increase the stock of capital by up to 75 percent more than the individual rate cut. As a result, the corporate cut would yield up to a 27 percent greater increase in GDP than the individual cut. However, the increase in disposable income would be roughly the same under either tax change for two reasons. First, the higher rate of capital formation would mean increased depreciation.<sup>17</sup> Second, the corporate rate cut would have

a less dramatic effect on the labor market, yielding less than half as many new jobs and a smaller increase in the aftertax wage rate than the individual cut. [See Table 5.]

| <b>Comparison of Economic Effects of Across-the-Board Reductions in Individual and Corporate Tax Rates</b> |                   |                  |   |
|--|-------------------|------------------|---|
| <b>(Assuming the Same Static Revenue Consequences)</b>   |                   |                  |   |
| <b>4% Reduction in Individual Rates versus 15% Reduction in Corporate Rates<sup>1</sup></b>                |                   |                  |   |
| <b>Increase in 2005</b>  | <b>Individual</b> | <b>Corporate</b> | <b>Corporate/Individual<sup>3</sup></b> |
| Annual GDP (billions)  | \$118.1           | \$150.5          | 1.27                                    |
| Stock of Capital (billions)  | \$708.6           | \$1,236.4        | 1.74                                    |
| Increase in Jobs (thousands)   | 820               | 392              | 0.48                                    |
| Aftertax wage rate   | \$0.17            | \$0.08           | 0.46                                    |
| Disposable private income (billions)   | \$64.3            | \$69.9           | 1.09                                    |
| <b>15% Reduction in Individual Rates versus 50% Reduction in Corporate Rates<sup>2</sup></b>               |                   |                  |   |
| <b>Increase in 2005</b>  | <b>Individual</b> | <b>Corporate</b> | <b>Corporate/Individual<sup>3</sup></b> |
| Annual GDP (billions)  | \$404.6           | \$457.4          | 1.13                                    |
| Stock of Capital (billions)  | \$2,490           | \$4,067          | 1.63                                    |
| Increase in Jobs (thousands)   | 2,825             | 1,174            | 0.42                                    |
| Aftertax wage rate   | \$0.64            | \$0.27           | 0.41                                    |
| Disposable private income (billions)   | \$228.3           | \$217.6          | 0.95                                    |

Table 5  
**Comparison of Economic Effects of Across-the-Board Reductions in Individual and Corporate Tax Rates**  
 (Assuming the Same Static Revenue Consequences)

<sup>1</sup> The reduction in individual rates is simulated so that the static revenue loss equals that for the 15 percent reduction in corporate rates.

<sup>2</sup> The reduction in corporate rates is simulated so that the static revenue loss equals that for the 15 percent reduction in individual rates.

<sup>3</sup> The ratio of effects of the corporate tax cut to the individual tax cut. A value of 1.00 means the effects are the same; a value > 1.00 means the corporate rate cut has a stronger effect; a value < 1.00 means the individual rate cut has a stronger effect.

### ***Distributional Effects***

Distributional analysis of a cut in corporate taxes is more complicated because these taxes do not show up on individual returns. That means some method must be devised to analyze how a corporate tax change affects the income and tax burdens of individuals.

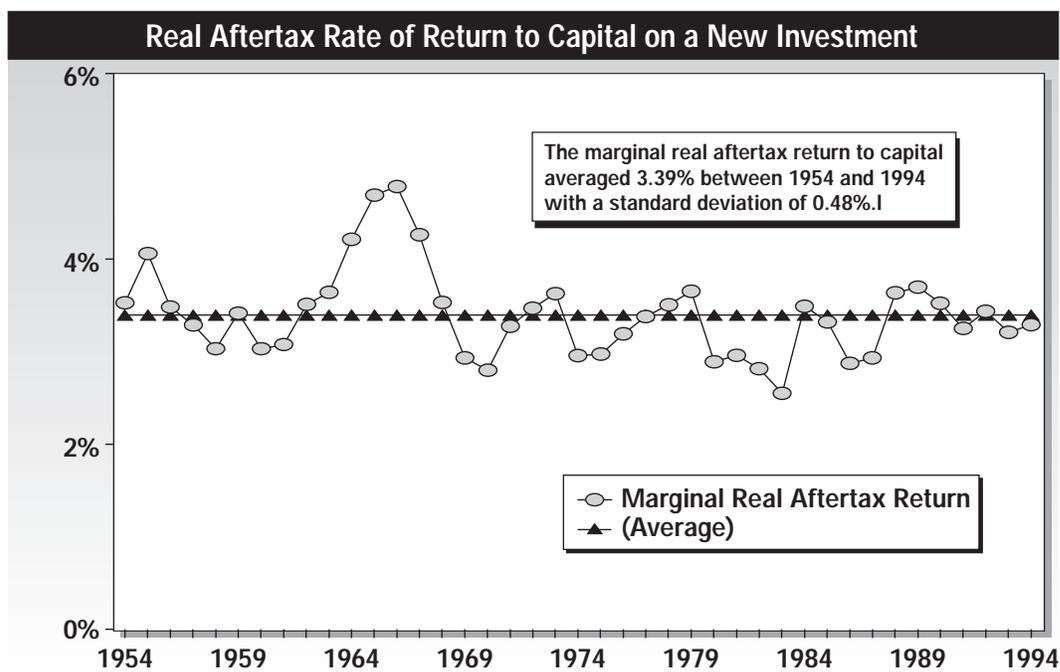
Some economists, including those with the Treasury department and the Joint Committee on Taxation (JCT), arbitrarily attribute corporate taxes to individuals. Their methods typically assume that corporate taxes are “shifted” from corporations, which write the tax check, either to consumers in the form of higher prices; to workers in the form of lower wages or shareholders in the form of lower returns.

Underlying any of these arbitrary shifting assumptions are statements about the dynamic adjustments that occur from a change in corporate taxes. For example, lower taxes on corporations will lead to more investment and output. These changes will lead to higher productivity and wages, more employment and lower prices. Higher output and more capital will result in a higher return to shareholders.

Ironically, some who use these shifting assumptions then maintain the contradictory position that a change in corporate taxes has no effect on aggregate output. In other words, arbitrary allocation methods are fundamentally flawed because without an output adjustment there can be no shifting of tax.

We believe using arbitrary rules-of-thumb to distribute the results of a corporate tax change is misleading. Instead, we adopt the convention of no initial static effect from the tax change and allow the model to determine the resulting dynamic effects. Our method relies on the empirical fact that the long-run, aftertax rate of return to capital is constant. [See Figure 9.]

Figure 9  
Real Aftertax Rate of Return to Capital on a New Investment



A cut in corporate income taxes, although temporarily raising the aftertax return, is met with an increase in the amount of corporate capital that eventually drives the return back down to its long-run level. More capital means more labor, and more capital and labor mean more output. As a result, owners of capital get a higher return, workers get higher wages and consumers get more output at a lower price. In other words, it is adjustment to the tax change that leads to an increase in aftertax incomes.

On average, a 15 percent corporate rate cut would increase aftertax incomes by \$703, or 1.6 percent. Taxpayers in the middle of the income distribution would experience roughly a 1.3 percent increase and those in the top fifth a 1.8 percent increase. As with the individual rate cut, taxpayers in the bottom fifth would experience the largest increase in aftertax income, 4.7 percent, because they pay little or no income tax and, therefore, keep more of their gains from growth. [See Figure 10 and Tables 6 and 7.]

Table 6  
Distribution of Static and Dynamic Tax Changes, 2005  
(15 Percent Cut in Corporate Rates)

Source: Fiscal Associates, Inc. Tax Model.

<sup>1</sup> See Appendix Table A-4 for aggregate amounts by quintile for tax years 2000, 2005 and 2010.

| Distribution of Static and Dynamic Tax Changes, 2005<br>(15 Percent Cut in Corporate Rates) |  |         |             |         |                            |         |
|---|--|---------|-------------|---------|----------------------------|---------|
| Change in Individual Income Taxes <sup>1</sup>  |  |         |             |         |                            |         |
| Quintile  | Dollar Amounts:<br>(Amounts in \$millions) |         | In percent: |         | Distribution of Tax Change |         |
|   | Static                                     | Dynamic | Static      | Dynamic | Static                     | Dynamic |
| All   | 0  | 27,832  | 0.0%        | 2.7%    | 0.0%                       | 100.0%  |
| First   | 0  | 78      | 0.0%        | 10.5%   | 0.0%                       | 0.3%    |
| Second  | 0  | 929     | 0.0%        | 3.0%    | 0.0%                       | 3.3%    |
| Third   | 0  | 2,150   | 0.0%        | 2.2%    | 0.0%                       | 7.7%    |
| Fourth  | 0  | 3,732   | 0.0%        | 2.0%    | 0.0%                       | 13.4%   |
| Fifth   | 0  | 20,943  | 0.0%        | 3.0%    | 0.0%                       | 75.2%   |

| Static & Dynamic Changes in Aftertax Income by Quintile, 2005<br>(15 Percent Cut in Corporate Rates) |                   |           |            |         |
|--|-------------------|-----------|------------|---------|
| Aftertax Income  |                   |           |            |         |
| Quintile   | Baseline          | Static    | Dynamic    |         |
| All  | \$43,704          | \$43,704  | \$44,407   |         |
| First  | \$1,638           | \$1,638   | \$1,714    |         |
| Second   | \$17,784          | \$17,784  | \$18,019   |         |
| Third  | \$34,471          | \$34,471  | \$34,931   |         |
| Fourth   | \$55,622          | \$55,622  | \$56,388   |         |
| Fifth  | \$109,002         | \$109,002 | \$110,982  |         |
| Increase in Aftertax Income  |                   |           |            |         |
| Quintile   | In Dollar Amounts |           | In percent |         |
|  | Static            | Dynamic   | Static     | Dynamic |
| All  | \$0               | \$703     | 0.0%       | 1.6%    |
| First  | \$0               | \$76      | 0.0%       | 4.7%    |
| Second   | \$0               | \$235     | 0.0%       | 1.3%    |
| Third  | \$0               | \$460     | 0.0%       | 1.3%    |
| Fourth   | \$0               | \$766     | 0.0%       | 1.4%    |
| Fifth  | \$0               | \$1,979   | 0.0%       | 1.8%    |

Table 7  
**Static & Dynamic Changes in Aftertax Income by Quintile, 2005**  
 (15 Percent Cut in Corporate Rates)

Source: Fiscal Associates, Inc. Tax Model

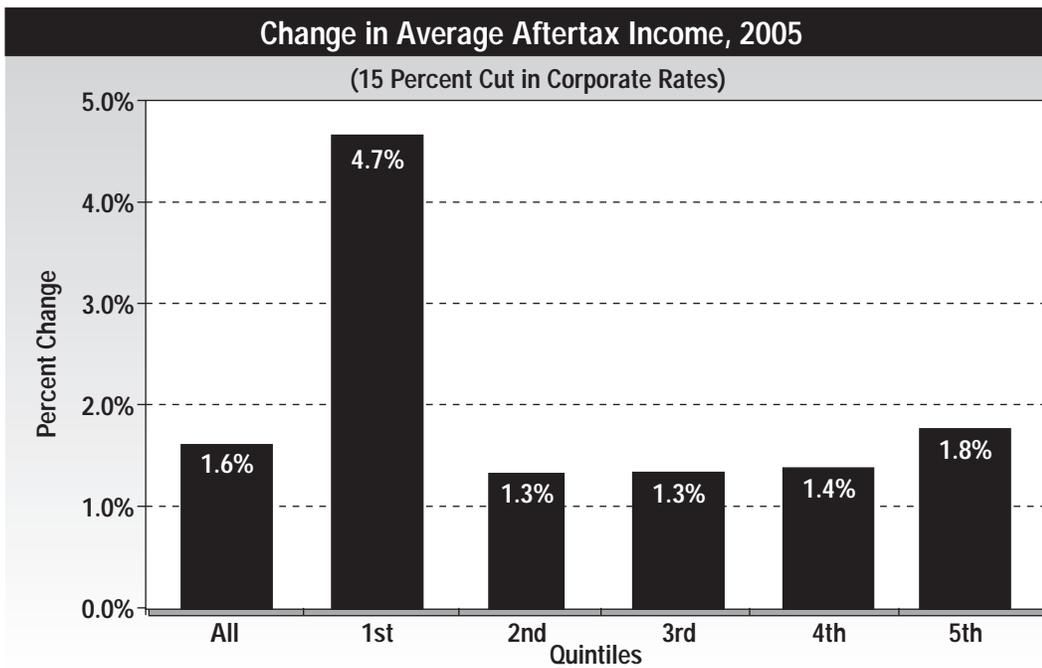


Figure 10  
**Change in Average Aftertax Income, 2005**  
 (15 Percent Cut in Corporate Rates)

Compared to the individual rate cut, the corporate cut does almost as well in terms of aftertax incomes. However, for those in the lowest quintiles, the corporate cut does better, increasing their aftertax incomes by up to 40 percent more than the individual rate cut. [See Table 8.]

One final note about the asymmetrical effects of tax changes. At first glance, one might think that the relative effects of scaling back an individual rate cut versus increasing a corporate cut should be the same. The results in Tables 5 and 8 show they are not, presenting yet one more argument against using arbitrary rules-of-thumb for either economic or distributional analysis.

Table 8  
**Comparison of Distributional Effects of Across-the-Board Reductions in Individual and Corporate Tax Rates**  
**(Assuming the Same Static Revenue Consequences)**

<sup>1</sup> The reduction in individual rates is simulated so that the static revenue loss equals that for the 15 percent reduction in corporate rates.  
<sup>2</sup> The reduction in corporate rates is simulated so that the static revenue loss equals that for the 15 percent reduction in individual rates.  
<sup>3</sup> The ratio of effects of the corporate tax cut to the individual tax cut. A value of 1.00 means the effects are the same; a value > 1.00 means the corporate rate cut has a stronger effect; a value < 1.00 means the individual rate cut has a stronger effect.

| Comparison of Distributional Effects of Across-the-Board Reductions in Individual and Corporate Tax Rates<br>(Assuming the Same Static Revenue Consequences) |            |           |                      |
|--|------------|-----------|----------------------|
| Increase in Aftertax Income, 2005  |            |           |                      |
| 4% Reduction in Individual Rates versus 15% Reduction in Corporate Rates <sup>1</sup>  |            |           |                      |
| Quintile   | Individual | Corporate | Corporate/Individual |
| All  | 1.7%       | 1.6%      | 0.92                 |
| First  | 3.3%       | 4.7%      | 1.40                 |
| Second   | 1.2%       | 1.3%      | 1.10                 |
| Third  | 1.4%       | 1.3%      | 0.96                 |
| Fourth   | 1.5%       | 1.4%      | 0.93                 |
| Fifth  | 2.0%       | 1.8%      | 0.89                 |
| 15% Reduction in Individual Rates versus 50% Reduction in Corporate Rates <sup>2</sup>   |            |           |                      |
| Quintile   | Individual | Corporate | Corporate/Individual |
| All  | 6.1%       | 4.9%      | 0.80                 |
| First  | 11.2%      | 14.1%     | 1.26                 |
| Second   | 4.2%       | 4.1%      | 0.97                 |
| Third  | 4.9%       | 4.1%      | 0.84                 |
| Fourth   | 5.2%       | 4.2%      | 0.82                 |
| Fifth  | 7.2%       | 5.4%      | 0.75                 |

## Conclusion

*“It is not surprising that a widening of the gap between the rich and poor has accompanied the tepid, 2.3 percent real growth of the last six years.”*

Static distributional analysis is biased against tax cuts that could help the economy. Because pro-growth tax cuts reduce marginal tax rates, static analysis will always show most of the tax cut going to higher-income taxpayers because they pay the bulk of taxes. Although reductions in marginal tax rates on capital income have the most economic bang for the buck, static analysis judges them the harshest because higher income taxpayers rely more heavily on income from saving and investment.

Incorporating economic effects into distributional analysis can change the verdict on pro-growth tax cuts. Because workers receive the bulk of benefits from growth, people in the lower and middle parts of the income distribution, who rely heavily on wages, experience sizable increases in their aftertax incomes. Those in the lowest quintiles receive the largest relative gain because they generally pay little or no tax and, therefore, get to keep most of the benefits from higher growth.

Slow growth is a cruel, hidden tax on those with lower incomes. While the rich will find opportunities in any economic climate, slow growth provides fewer opportunities for those toward the lower end of the income distribution. *It is not surprising that a widening of the gap between the rich and poor has accompanied the tepid, 2.3 percent real growth of the last six years.*

Reducing income disparity will require pro-growth tax policies. And, bringing those policies to fruition will require abandoning class warfare rhetoric and adopting estimation methods that take account of growth fairly and accurately.

- 1 For a discussion of the flaws in current government estimation practices see Gary and Aldona Robbins, *Cooking the Books: Exposing the Tax and Spend Bias of Government Forecasts*, Lewisville, TX: Institute for Policy Innovation, TaxAction Analysis, Policy Report No. 129, February 1995.
- 2 See Gary and Aldona Robbins, *Eating Out Our Substance: How Taxation Affects Saving*, Institute for Policy Innovation, TaxAction Analysis, Policy Report No. 131, August 1995; *Eating Out Our Substance (II): How Taxation Affects Investment*, Policy Report No. 134, November 1995 and *Accounting for Growth: Incorporating Dynamic Analysis into Revenue Estimation*, Policy Report No. 138, July 1996.
- 3 For a discussion of our dynamic economic model see Gary Robbins and Aldona Robbins, *Accounting for Growth: Incorporating Dynamic Analysis into Revenue Estimation*.
- 4 From 1954 through 1993, labor compensation averaged 66 percent of output, and labor's share was within 1.5 percent of that average more than two-thirds of the time.
- 5 Depreciation accounts for roughly one-third of gross capital income
- 6 For quarterly data between 1959 and 1995, the standard deviations on means using levels are as follows: 3.6% on labor; 3% on taxes; 12.7% on depreciation and 15% on capital. Virtually the same shares result using annual changes in each component. Appendix Table 1 shows how the components were derived from the National Income and Product Accounts.
- 7 Corporate aftertax profits are distributed either directly to stockholders as dividends or retained for corporate expansion. These retained earnings boost the value of the corporation's stock, generating capital gains for stockholders who sell their shares.
- 8 Gary and Aldona Robbins, *Looking Back to Move Forward: What Tax Policy Costs Americans and the Economy*, Institute for Policy Innovation, Tax Action Analysis, Policy Report No. 127, September 1994.
- 9 Fifteen percent of the \$628 billion in individual income taxes that would be collected under current law equals \$94.2 billion.
- 10 The main reason why so little would go to upper income taxpayers is the exemption phase-out under current law.
- 11 Gary and Aldona Robbins, *Accounting for Growth: Incorporating Dynamic Analysis into Revenue Estimation*.
- 12 This is the same as assuming that both relative productivity and proportion of hours worked are constant between income classes.
- 13 For example, all noncorporate business income shows up on individual tax returns whereas the only corporate income that shows up on individual returns are dividends and some realized capital gains.
- 14 For an explanation of the aftertax return to capital and its estimate, see Gary and Aldona Robbins, *Eating Out Our Substance (II): How Taxation Affects Investment*.
- 15 The wage rate refers to total labor compensation and includes money wages, fringe benefits and employer contributions for social insurance.
- 16 The Clinton administration projects that individual income tax receipts will amount to \$632.3 billion in fiscal year 1996 while corporate tax receipts will bring in \$167 billion.
- 17 National income is gross domestic product less depreciation and indirect business taxes.

# Appendix

Table A-1  
Where Another \$1 in Corporate GDP Goes, Selected Years

<sup>1</sup> U.S. Commerce Department, National Income and Product Accounts, Table 1.16.

<sup>2</sup> Difference between corporate GDP and indirect business taxes.

<sup>3</sup> Compensation divided by gross domestic factor income.

<sup>4</sup> Gross domestic factor income minus labor's share.

<sup>5</sup> Gross capital income less consumption of fixed capital.

<sup>6</sup> Internal Revenue Service, Statistics of Income.

<sup>7</sup> Fiscal Associates, Inc. Tax Model.

<sup>8</sup> Dividends in AGI times appropriate tax rate.

<sup>9</sup> Net pretax capital income minus taxes on profits and dividends.

<sup>10</sup> Compensation times the tax rate on labor income.

| Where Another \$1 in Corporate GDP Goes, Selected Years           |        |        |         |         |         |
|---|--------|--------|---------|---------|---------|
| (Amounts in \$billions)   |        |        |         |         |         |
| Title   | 1960   | 1970   | 1980    | 1990    | 1995    |
| GDP of corporate business <sup>1</sup>                            | 294.0  | 595.7  | 1,661.6 | 3,382.3 | 4,313.7 |
| Indirect business taxes <sup>1</sup>                              | 29.7   | 62.0   | 152.4   | 327.2   | 441.0   |
| Gross domestic factor income of corp. bus. <sup>2</sup>           | 264.3  | 533.7  | 1,509.2 | 3,055.1 | 3,872.7 |
| Compensation of employees <sup>1</sup>                            | 190.9  | 401.0  | 1,124.6 | 2,222.0 | 2,787.0 |
| Labor's share of factor income <sup>3</sup>                       | 72.23% | 75.14% | 74.52%  | 72.73%  | 71.97%  |
| Gross domestic capital income of corp. bus. <sup>4</sup>          | 73.4   | 132.7  | 384.6   | 833.1   | 1,085.7 |
| Consumption of fixed capital <sup>1</sup>                         | 27.8   | 53.3   | 196.1   | 377.9   | 454.0   |
| Net pretax capital income of corp. bus. <sup>5</sup>              | 45.6   | 79.4   | 188.5   | 455.2   | 631.7   |
| Profits tax liability <sup>1</sup>                                | 22.7   | 34.4   | 84.8    | 140.5   | 218.7   |
| Dividends <sup>1</sup>  | 11.4   | 19.8   | 42.6    | 130.9   | 205.6   |
| Dividend income in AGI <sup>6</sup>                               | 9.5    | 15.8   | 38.8    | 80.2    | 87.7    |
| Average tax rate on dividends <sup>7</sup>                        | 34.63% | 33.08% | 27.10%  | 18.71%  | 23.32%  |
| Marginal tax rate on dividends <sup>7</sup>                       | 48.27% | 44.86% | 40.92%  | 28.20%  | 32.83%  |
| Taxes on dividends <sup>8</sup>                                   |        |        |         |         |         |
| at average rate   | 3.3    | 5.2    | 10.5    | 15.0    | 20.5    |
| at marginal rate  | 4.6    | 7.1    | 15.9    | 22.6    | 28.8    |
| Net aftertax capital income of corp. bus. <sup>9</sup>            | 19.6   | 39.8   | 93.2    | 299.7   | 392.5   |
| as share of factor income   | 7.42%  | 7.45%  | 6.18%   | 9.81%   | 10.14%  |
| Tax rate on labor income <sup>7</sup>                             | 17.88% | 22.09% | 26.16%  | 26.61%  | 26.69%  |
| Taxes on labor income <sup>10</sup>                               | 34.1   | 88.6   | 294.2   | 591.3   | 743.8   |
| <b>GDP of corporate business by major source</b>                  |        |        |         |         |         |
| GDP of corporate business   | 294.0  | 595.7  | 1,661.6 | 3,382.3 | 4,313.7 |
| Aftertax labor income   | 156.8  | 312.4  | 830.4   | 1,630.7 | 2,043.2 |
| Aftertax capital income   | 19.6   | 39.8   | 93.2    | 299.7   | 392.5   |
| Consumption of fixed capital                                      | 27.8   | 53.3   | 196.1   | 377.9   | 454.0   |
| Taxes   | 89.8   | 190.2  | 541.9   | 1,074.0 | 1,424.0 |
| <b>As a % of corporate GDP</b>                                    |        |        |         |         |         |
| Aftertax labor income   | 53.3%  | 52.4%  | 50.0%   | 48.2%   | 47.4%   |
| Aftertax capital income   | 6.7%   | 6.7%   | 5.6%    | 8.9%    | 9.1%    |
| Consumption of fixed capital                                      | 9.5%   | 8.9%   | 11.8%   | 11.2%   | 10.5%   |
| Taxes   | 30.6%  | 31.9%  | 32.6%   | 31.8%   | 33.0%   |
| <b>Annual Change in GDP of corporate business by major source</b> |        |        |         |         |         |
| Gross domestic product of corporate business                      | 11.8   | 21.3   | 132.9   | 155.9   | 222.7   |
| Aftertax labor income   | 6.5    | 19.9   | 72.4    | 86.4    | 94.2    |
| Aftertax capital income   | -1.0   | -3.1   | -7.5    | 9.2     | 26.2    |
| Consumption of fixed capital                                      | 0.9    | 4.3    | 25.4    | 18.6    | 13.0    |
| Taxes   | 5.4    | 0.2    | 42.6    | 41.7    | 89.3    |
| <b>As a % of corporate GDP</b>                                    |        |        |         |         |         |
| Aftertax labor income   | 55.2%  | 93.4%  | 54.5%   | 55.4%   | 42.3%   |
| Aftertax capital income   | -8.5%  | -14.5% | -5.6%   | 5.9%    | 11.7%   |
| Consumption of fixed capital                                      | 7.6%   | 20.2%  | 19.1%   | 11.9%   | 5.8%    |
| Taxes   | 45.7%  | 0.9%   | 32.0%   | 26.7%   | 40.1%   |

| <b>Baseline Forecast For Key Economic Variables</b>                |          |          |          |          |
|--|----------|----------|----------|----------|
| (Amounts in \$billions)  | 1996     | 2000     | 2005     | 2010     |
| <b>OUTPUT</b>  |          |          |          |          |
| <b>GDP</b>   | 7,459.2  | 9,132.7  | 11,746.5 | 15,107.5 |
| Price Change <sup>1</sup>  | 2.6%     | 2.6%     | 2.6%     | 2.6%     |
| GDP (\$1987)   | 5,769.3  | 6,374.4  | 7,214.9  | 8,165.6  |
| Real Growth Rate   | 2.0%     | 2.5%     | 2.5%     | 2.5%     |
| <b>CAPITAL FORMATION</b>   |          |          |          |          |
| <b>Gross Investment</b>  | 1,205.4  | 1,478.0  | 1,848.4  | 2,335.2  |
| Net investment <sup>2</sup>  | 981.6    | 1,143.0  | 1,400.0  | 1,745.7  |
| Stock of capital   | 21,202.4 | 25,520.6 | 31,923.7 | 39,932.1 |
| % change   | 4.9%     | 4.7%     | 4.6%     | 4.6%     |
| Average aftertax return to capital <sup>3</sup>                    | 4.47%    | 4.50%    | 4.66%    | 4.82%    |
| Real aftertax rate of return to new corporate capital <sup>4</sup> | 3.52%    | 3.56%    | 3.60%    | 3.53%    |
| <b>EMPLOYMENT &amp; EARNINGS</b>                                   |          |          |          |          |
| <b>Jobs (Full-time Equivalent in millions)<sup>5</sup></b>         | 116.5    | 123.4    | 133.2    | 143.9    |
| % Change   | 1.2%     | 1.5%     | 1.5%     | 1.6%     |
| Average real wage rate   | \$16.22  | \$16.91  | \$17.77  | \$18.66  |
| % Change   | 0.7%     | 1.0%     | 1.0%     | 1.0%     |
| Average aftertax real wage rate                                    | \$9.49   | \$10.24  | \$10.81  | \$11.26  |
| % Change   | 0.7%     | 1.2%     | 0.8%     | 0.9%     |
| <b>CONSUMPTION, SAVING &amp; WEALTH</b>                            |          |          |          |          |
| <b>Personal consumption</b>  | 4,943.1  | 6,080.5  | 7,927.4  | 10,303.1 |
| Change in private domestic wealth <sup>6</sup>                     | 899.8    | 1,077.9  | 1,327.7  | 1,657.4  |
| Private domestic income <sup>7</sup>                               | 5,842.9  | 7,158.4  | 9,255.1  | 11,960.5 |
| Real disposable private income                                     | 4,341.8  | 4,816.8  | 5,541.8  | 6,357.6  |
| Real private savings   | 400.9    | 445.7    | 533.8    | 634.7    |
| Private savings rate <sup>8</sup>                                  | 9.2%     | 9.3%     | 9.6%     | 10.0%    |

Table A-2  
**Baseline Forecast For Key Economic Variables**

- <sup>1</sup> Percent change in the implicit deflator for private output.
- <sup>2</sup> Gross investment less depreciation.
- <sup>3</sup> Net aftertax income to capital divided by the stock of U.S. capital.
- <sup>4</sup> Return to an investor on a new investment in corporate capital less taxes, inflation and depreciation.
- <sup>5</sup> Hours worked divided by 1,960 hours, or 49, 40-hour weeks a year.
- <sup>6</sup> Change in the total stock of capital plus the change in net foreign investment.
- <sup>7</sup> Personal consumption plus the change in private domestic wealth. More comprehensive measure of income than Commerce's because it includes asset revaluation and the foreign sector.
- <sup>8</sup> Real private savings divided by real disposable private income.

| <b>Change In Key Economic Variables</b>                                  |       |         |         |         |
|--|-------|---------|---------|---------|
| <b>(Reduce Individual Marginal Tax Rates by 15%)</b>                     |       |         |         |         |
| (Amounts in \$billions)  | 1997  | 2000    | 2005    | 2010    |
| <b>OUTPUT</b>  |       |         |         |         |
| <b>Gross Domestic Product<sup>1</sup></b>                                |       |         |         |         |
| Difference from Baseline   | 68.4  | 214.5   | 404.6   | 542.4   |
| % Change from Baseline   | 0.9%  | 2.3%    | 3.4%    | 3.6%    |
| <b>Addition to Real Growth Rate</b>                                      | 0.9%  | 0.3%    | 0.2%    | 0.1%    |
| <b>CAPITAL FORMATION</b>   |       |         |         |         |
| <b>Gross Investment</b>  |       |         |         |         |
| Difference from Baseline   | -44.3 | -56.2   | 33.1    | 88.4    |
| % Change from Baseline   | -3.5% | -3.8%   | 1.8%    | 3.8%    |
| <b>Gross private domestic investment</b>                                 |       |         |         |         |
| Difference from Baseline   | 254.6 | 174.3   | 178.2   | 129.9   |
| % Change from Baseline   | 19.0% | 11.3%   | 9.3%    | 5.4%    |
| <b>Stock of capital<sup>2</sup></b>                                      |       |         |         |         |
| Difference from Baseline   | 328.5 | 1,245.8 | 2,490.0 | 3,424.4 |
| % Change from Baseline   | 1.5%  | 4.9%    | 7.8%    | 8.6%    |
| <b>Average aftertax return to capital<sup>3</sup></b>                    |       |         |         |         |
| Difference from Baseline   | 0.65% | 0.49%   | 0.10%   | -0.08%  |
| % Change from Baseline   | 14.4% | 11.0%   | 2.1%    | -1.7%   |
| <b>Real aftertax rate of return to new corporate capital<sup>4</sup></b> |       |         |         |         |
| Difference from Baseline   | 0.44% | 0.30%   | 0.10%   | 0.05%   |
| % Change from Baseline   | 12.6% | 8.3%    | 2.8%    | 1.5%    |

Table A-3  
**Change In Key Economic Variables (Reduce Individual Marginal Tax Rates by 15%)**

- <sup>1</sup> Change represents nominal and real dollars because simulation holds prices constant.
- <sup>2</sup> Includes revaluation of assets.
- <sup>3</sup> Net aftertax income to capital divided by the stock of U.S. capital.
- <sup>4</sup> Return to an investor on a new investment in corporate capital less taxes, inflation and depreciation.
- <sup>5</sup> Hours worked divided by 1,960 hours, or 49, 40-hour weeks a year.

(Table A-3 continues on page 19)

Table A-3 (Continued)

<sup>6</sup> Change in the total stock of capital plus the change in net foreign investment.

<sup>7</sup> Personal consumption plus the change in private domestic wealth. More comprehensive measure of income than Commerce's because it includes asset revaluation and the foreign sector.

<sup>8</sup> Real private savings divided by real disposable private income.

<sup>9</sup> On National Income and Product Account basis.

<sup>10</sup> Federal, state and local governments.

| Change In Key Economic Variables<br>(Reduce Individual Marginal Tax Rates by 15%) |        |        |        |        |
|---|--------|--------|--------|--------|
| (Amounts in \$billions)   | 1997   | 2000   | 2005   | 2010   |
| <b>EMPLOYMENT &amp; EARNINGS</b>  |        |        |        |        |
| <b>Jobs (Full-time Equivalent in thous.)<sup>5</sup></b>                          |        |        |        |        |
| Difference from Baseline  | 352    | 1,950  | 2,825  | 3,128  |
| % Change from Baseline  | 0.3%   | 1.6%   | 2.1%   | 2.2%   |
| <b>Average real wage rate</b>   |        |        |        |        |
| Difference from Baseline  | \$0.07 | \$0.10 | \$0.19 | \$0.22 |
| % Change from Baseline  | 0.5%   | 0.6%   | 1.1%   | 1.2%   |
| <b>Average aftertax real wage rate</b>  |        |        |        |        |
| Difference from Baseline  | \$0.57 | \$0.57 | \$0.64 | \$0.71 |
| % Change from Baseline  | 5.9%   | 5.6%   | 5.9%   | 6.3%   |
| <b>CONSUMPTION, SAVING &amp; WEALTH</b>   |        |        |        |        |
| <b>Personal consumption</b>   |        |        |        |        |
| Difference from Baseline  | 112.6  | 243.2  | 308.9  | 367.8  |
| % Change from Baseline  | 2.2%   | 4.0%   | 3.9%   | 3.6%   |
| <b>Change in private domestic wealth<sup>6</sup></b>                              |        |        |        |        |
| Difference from Baseline  | 29.6   | 74.1   | 115.6  | 145.4  |
| % Change from Baseline  | 3.1%   | 6.9%   | 8.7%   | 8.8%   |
| <b>Private domestic income<sup>7</sup></b>  |        |        |        |        |
| Difference from Baseline  | 142.3  | 317.3  | 424.4  | 513.2  |
| % Change from Baseline  | 2.3%   | 4.4%   | 4.6%   | 4.3%   |
| <b>Real disposable private income</b>   |        |        |        |        |
| Difference from Baseline  | 196.8  | 248.3  | 228.3  | 211.9  |
| % Change from Baseline  | 4.4%   | 5.2%   | 4.1%   | 3.3%   |
| <b>Real private savings</b>   |        |        |        |        |
| Difference from Baseline  | 80.0   | 74.4   | 33.5   | 9.7    |
| % Change from Baseline  | 19.4%  | 16.7%  | 6.3%   | 1.5%   |
| <b>Private savings rate<sup>8</sup></b>   |        |        |        |        |
| Difference from Baseline  | 1.3%   | 1.0%   | 0.2%   | -0.2%  |
| % Change from Baseline  | 14.4%  | 11.0%  | 2.1%   | -1.7%  |
| <b>GOVERNMENT ACCOUNTS</b>  |        |        |        |        |
| <b>Federal Receipts<sup>9</sup></b>   |        |        |        |        |
| Difference from Baseline  | -85.4  | -69.7  | -57.6  | -69.4  |
| % Change from Baseline  | -5.3%  | -3.7%  | -2.4%  | -2.2%  |
| <b>Federal Surplus or deficit (-)<sup>9</sup></b>                                 |        |        |        |        |
| Difference from Baseline  | -85.6  | -82.0  | -91.0  | -129.8 |
| % Change from Baseline  | 45.0%  | 37.0%  | 24.9%  | 23.8%  |
| <b>Government Surplus or deficit (-)<sup>9,10</sup></b>                           |        |        |        |        |
| Difference from Baseline  | -76.5  | -45.5  | -0.4   | 38.8   |
| % Change from Baseline  | 48.6%  | 23.7%  | 0.1%   | -7.7%  |

Table A-4  
**Static and Dynamic Distributional Effects**  
(Reduce Individual Marginal Tax Rates by 15%)

Source: Fiscal Associates, Inc. Tax Model

| Static and Dynamic Distributional Effects<br>(Reduce Individual Marginal Tax Rates by 15%) |                   |              |              |                      |                       |                       |                                   |
|--|-------------------|--------------|--------------|----------------------|-----------------------|-----------------------|-----------------------------------|
| (Total Change in millions of dollars)  |                   |              |              |                      |                       |                       |                                   |
| Year 2000  |                   |              |              |                      |                       |                       |                                   |
| Quintile   | Number of Returns | Baseline AGI | Baseline Tax | Static Change in Tax | Dynamic Change in AGI | Dynamic Change in Tax | Dynamic Change in Aftertax Income |
| All  | 129,189           | 5,562,445    | 795,593      | -119,339             | 147,102               | -92,479               | 239,581                           |
| First  | 25,838            | 35,192       | 921          | -138                 | 2,847                 | -11                   | 2,858                             |
| Second   | 25,838            | 379,126      | 17,880       | -2,682               | 9,038                 | -1,861                | 10,899                            |
| Third  | 25,838            | 783,142      | 69,821       | -10,473              | 18,444                | -8,076                | 26,520                            |
| Fourth   | 25,838            | 1,335,651    | 142,446      | -21,367              | 31,630                | -16,897               | 48,527                            |
| Fifth  | 25,838            | 3,029,334    | 564,526      | -84,679              | 85,144                | -65,634               | 150,777                           |

Table A-4 (Continued)

| Static and Dynamic Distributional Effects<br>(Reduce Individual Marginal Tax Rates by 15%) |                   |              |              |                      |                       |                       |                                   |
|--|-------------------|--------------|--------------|----------------------|-----------------------|-----------------------|-----------------------------------|
| (Total Change in millions of dollars)  |                   |              |              |                      |                       |                       |                                   |
| Year 2005  |                   |              |              |                      |                       |                       |                                   |
| Quintiles  | Number of Returns | Baseline AGI | Baseline Tax | Static Change in Tax | Dynamic Change in AGI | Dynamic Change in Tax | Dynamic Change in Aftertax Income |
| All  | 140,060           | 7,149,327    | 1,028,190    | -154,229             | 267,239               | -107,810              | 375,049                           |
| First  | 28,012            | 46,634       | 748          | -112                 | 5,233                 | 112                   | 5,122                             |
| Second   | 28,012            | 528,901      | 30,729       | -4,609               | 18,248                | -2,677                | 20,924                            |
| Third  | 28,012            | 1,065,101    | 99,488       | -14,923              | 36,516                | -10,508               | 47,025                            |
| Fourth   | 28,012            | 1,745,576    | 187,491      | -28,124              | 60,255                | -20,598               | 80,853                            |
| Fifth  | 28,012            | 3,763,116    | 709,734      | -106,460             | 146,987               | -74,138               | 221,126                           |
| Year 2010  |                   |              |              |                      |                       |                       |                                   |
| Quintiles  | Number of Returns | Baseline AGI | Baseline Tax | Static Change in Tax | Dynamic Change in AGI | Dynamic Change in Tax | Dynamic Change in Aftertax Income |
| All  | 151,728           | 9,191,174    | 1,330,857    | -199,628             | 352,321               | -139,263              | 491,584                           |
| First  | 30,346            | 78,061       | 1,508        | -226                 | 7,366                 | -39                   | 7,405                             |
| Second   | 30,346            | 833,708      | 61,949       | -9,292               | 29,667                | -5,978                | 35,645                            |
| Third  | 30,346            | 1,515,318    | 149,045      | -22,357              | 54,036                | -15,890               | 69,926                            |
| Fourth   | 30,346            | 2,062,719    | 220,507      | -33,076              | 73,807                | -24,150               | 97,957                            |
| Fifth  | 30,346            | 4,701,368    | 897,847      | -134,677             | 187,445               | -93,207               | 280,653                           |

Table A-5  
Change In Key Economic Variables  
(Reduce Corporate Marginal Tax Rates by 15%)

| Change In Key Economic Variables<br>(Reduce Corporate Marginal Tax Rates by 15%) |       |       |         |         |
|--|-------|-------|---------|---------|
| (Amounts in \$billions)  |       |       |         |         |
|  | 1997  | 2000  | 2005    | 2010    |
| <b>OUTPUT</b>  |       |       |         |         |
| <b>Gross Domestic Product<sup>1</sup></b>  |       |       |         |         |
| Difference from Baseline   | 26.0  | 73.7  | 150.5   | 207.1   |
| % Change from Baseline   | 0.3%  | 0.8%  | 1.3%    | 1.4%    |
| <b>Addition to Real Growth Rate</b>  | 0.3%  | 0.2%  | 0.1%    | 0.0%    |
| <b>CAPITAL FORMATION</b>   |       |       |         |         |
| <b>Gross Investment</b>  |       |       |         |         |
| Difference from Baseline   | -8.7  | -12.6 | 39.2    | 79.3    |
| % Change from Baseline   | -0.7% | -0.9% | 2.1%    | 3.4%    |
| <b>Gross private domestic investment</b>   |       |       |         |         |
| Difference from Baseline   | 112.8 | 91.8  | 86.1    | 69.3    |
| % Change from Baseline   | 8.4%  | 6.0%  | 4.5%    | 2.9%    |
| <b>Stock of capital<sup>2</sup></b>  |       |       |         |         |
| Difference from Baseline   | 165.1 | 638.1 | 1,236.4 | 1,689.4 |
| % Change from Baseline   | 0.7%  | 2.5%  | 3.9%    | 4.2%    |
| <b>Average aftertax return to capital<sup>3</sup></b>                            |       |       |         |         |
| Difference from Baseline   | 0.41% | 0.31% | 0.08%   | 0.00%   |
| % Change from Baseline   | 9.2%  | 6.9%  | 1.8%    | 0.0%    |
| <b>Real aftertax rate of return to new corporate capital<sup>4</sup></b>         |       |       |         |         |
| Difference from Baseline   | 0.25% | 0.16% | 0.05%   | 0.03%   |
| % Change from Baseline   | 7.2%  | 4.5%  | 1.5%    | 0.9%    |

<sup>1</sup> Change represents nominal and real dollars because simulation holds prices constant.

<sup>2</sup> Includes revaluation of assets.

<sup>3</sup> Net aftertax income to capital divided by the stock of U.S. capital.

<sup>4</sup> Return to an investor on a new investment in corporate capital less taxes, inflation and depreciation.

<sup>5</sup> Hours worked divided by 1,960 hours, or 49, 40-hour weeks a year.

<sup>6</sup> Change in the total stock of capital plus the change in net foreign investment.

(Table A-5 continues on page 21)

Table A-5 (Continued)

<sup>7</sup> Personal consumption plus the change in private domestic wealth. More comprehensive measure of income than Commerce's because it includes asset revaluation and the foreign sector.

<sup>8</sup> Real private savings divided by real disposable private income.

<sup>9</sup> On National Income and Product Account basis.

<sup>10</sup> Federal, state and local governments.

| <b>Change In Key Economic Variables</b><br>(Reduce Corporate Marginal Tax Rates by 15%) |         |        |        |        |
|---|---------|--------|--------|--------|
| (Amounts in \$billions)   |         |        |        |        |
|   | 1997    | 2000   | 2005   | 2010   |
| <b>EMPLOYMENT &amp; EARNINGS</b>  |         |        |        |        |
| <b>Jobs (Full-time Equivalent in thous.)<sup>5</sup></b>                                |         |        |        |        |
| Difference from Baseline  | -12     | 183    | 392    | 478    |
| % Change from Baseline  | -0.0%   | 0.1%   | 0.3%   | 0.3%   |
| <b>Average real wage rate</b>   |         |        |        |        |
| Difference from Baseline  | \$0.05  | \$0.10 | \$0.16 | \$0.18 |
| % Change from Baseline  | 0.3%    | 0.6%   | 0.9%   | 1.0%   |
| <b>Average aftertax real wage rate</b>  |         |        |        |        |
| Difference from Baseline  | -\$0.02 | \$0.06 | \$0.08 | \$0.10 |
| % Change from Baseline  | -0.2%   | 0.6%   | 0.7%   | 0.9%   |
| <b>CONSUMPTION, SAVING &amp; WEALTH</b>   |         |        |        |        |
| <b>Personal consumption</b>   |         |        |        |        |
| Difference from Baseline  | 34.7    | 74.7   | 85.8   | 96.7   |
| % Change from Baseline  | 0.7%    | 1.2%   | 1.1%   | 0.9%   |
| <b>Change in private domestic wealth<sup>6</sup></b>                                    |         |        |        |        |
| Difference from Baseline  | 43.6    | 60.3   | 81.8   | 110.5  |
| % Change from Baseline  | 4.6%    | 5.6%   | 6.2%   | 6.7%   |
| <b>Private domestic income<sup>7</sup></b>  |         |        |        |        |
| Difference from Baseline  | 78.3    | 134.9  | 167.7  | 207.2  |
| % Change from Baseline  | 1.3%    | 1.9%   | 1.8%   | 1.7%   |
| <b>Real disposable private income</b>   |         |        |        |        |
| Difference from Baseline  | 81.4    | 93.2   | 69.9   | 59.1   |
| % Change from Baseline  | 1.8%    | 1.9%   | 1.3%   | 0.9%   |
| <b>Real private savings</b>   |         |        |        |        |
| Difference from Baseline  | 46.2    | 40.1   | 16.3   | 6.0    |
| % Change from Baseline  | 11.2%   | 9.0%   | 3.1%   | 0.9%   |
| <b>Private savings rate<sup>8</sup></b>   |         |        |        |        |
| Difference from Baseline  | 0.9%    | 0.6%   | 0.2%   | 0.0%   |
| % Change from Baseline  | 9.2%    | 6.9%   | 1.8%   | 0.0%   |
| <b>GOVERNMENT ACCOUNTS</b>  |         |        |        |        |
| <b>Federal Receipts<sup>9</sup></b>   |         |        |        |        |
| Difference from Baseline  | -21.1   | -14.5  | -5.2   | -2.3   |
| % Change from Baseline  | -1.3%   | -0.8%  | -0.2%  | -0.1%  |
| <b>Federal Surplus or deficit (-)<sup>9</sup></b>                                       |         |        |        |        |
| Difference from Baseline  | -21.2   | -17.7  | -13.0  | -14.1  |
| % Change from Baseline  | 11.1%   | 8.0%   | 3.5%   | 2.6%   |
| <b>Government Surplus or deficit (-)<sup>9,10</sup></b>                                 |         |        |        |        |
| Difference from Baseline  | -17.5   | -3.3   | 24.0   | 55.3   |
| % Change from Baseline  | 11.1%   | 1.7%   | -7.2%  | -10.9% |

Table A-6  
**Static and Dynamic Distributional Effects**  
(Reduce Corporate Marginal Tax Rates by 15%)

Source: Fiscal Associates, Inc. Tax Model

| <b>Static and Dynamic Distributional Effects</b><br>(Reduce Corporate Marginal Tax Rates by 15%) |                   |              |              |                      |                       |                       |                                   |
|--|-------------------|--------------|--------------|----------------------|-----------------------|-----------------------|-----------------------------------|
| (Total Change in millions of dollars)  |                   |              |              |                      |                       |                       |                                   |
| Year 2000  |                   |              |              |                      |                       |                       |                                   |
| Quintile   | Number of Returns | Baseline AGI | Baseline Tax | Static Change in Tax | Dynamic Change in AGI | Dynamic Change in Tax | Dynamic Change in Aftertax Income |
| All  | 129,189           | 5,562,445    | 795,593      | 0                    | 72,037                | 17,058                | 54,978                            |
| First  | 25,838            | 35,192       | 921          | 0                    | 1,215                 | 63                    | 1,152                             |
| Second   | 25,838            | 379,126      | 17,880       | 0                    | 3,718                 | 382                   | 3,336                             |
| Third  | 25,838            | 783,142      | 69,821       | 0                    | 7,493                 | 1,144                 | 6,349                             |
| Fourth   | 25,838            | 1,335,651    | 142,446      | 0                    | 13,050                | 2,201                 | 10,850                            |
| Fifth  | 25,838            | 3,029,334    | 564,526      | 0                    | 46,561                | 13,268                | 33,292                            |

Table 6 (Continued)

| Static and Dynamic Distributional Effects<br>(Reduce Corporate Marginal Tax Rates by 15%)<br>(Total Change in millions of dollars) |                   |              |              |                      |                       |                       |                                   |
|--|-------------------|--------------|--------------|----------------------|-----------------------|-----------------------|-----------------------------------|
| Year 2005  |                   |              |              |                      |                       |                       |                                   |
| Quintile   | Number of Returns | Baseline AGI | Baseline Tax | Static Change in Tax | Dynamic Change in AGI | Dynamic Change in Tax | Dynamic Change in Aftertax Income |
| All  | 140,060           | 7,149,327    | 1,028,190    | 0                    | 126,353               | 27,832                | 98,521                            |
| First  | 28,012            | 46,634       | 748          | 0                    | 2,214                 | 78                    | 2,136                             |
| Second   | 28,012            | 528,901      | 30,729       | 0                    | 7,519                 | 929                   | 6,589                             |
| Third  | 28,012            | 1,065,101    | 99,488       | 0                    | 15,035                | 2,150                 | 12,885                            |
| Fourth   | 28,012            | 1,745,576    | 187,491      | 0                    | 25,198                | 3,732                 | 21,465                            |
| Fifth  | 28,012            | 3,763,116    | 709,734      | 0                    | 76,388                | 20,943                | 55,445                            |
| Year 2010  |                   |              |              |                      |                       |                       |                                   |
| Quintile   | Number of Returns | Baseline AGI | Baseline Tax | Static Change in Tax | Dynamic Change in AGI | Dynamic Change in Tax | Dynamic Change in Aftertax Income |
| All  | 151,728           | 9,191,174    | 1,330,857    | 0                    | 168,198               | 36,789                | 131,409                           |
| First  | 30,346            | 78,061       | 1,508        | 0                    | 3,131                 | 91                    | 3,040                             |
| Second   | 30,346            | 833,708      | 61,949       | 0                    | 12,331                | 1,624                 | 10,707                            |
| Third  | 30,346            | 1,515,318    | 149,045      | 0                    | 22,711                | 3,210                 | 19,501                            |
| Fourth   | 30,346            | 2,062,719    | 220,507      | 0                    | 31,289                | 4,482                 | 26,807                            |
| Fifth  | 30,346            | 4,701,368    | 897,847      | 0                    | 98,736                | 27,383                | 71,353                            |

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## About TaxAction Analysis

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