

**DISTRIBUTIONAL EFFECTS OF H.R. 2488,  
THE “FINANCIAL FREEDOM ACT OF 1999,”  
AS PASSED BY THE HOUSE OF REPRESENTATIVES**

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

July 22, 1999

JCX-54-99

**DISTRIBUTIONAL EFFECTS OF  
H.R. 2488, THE "FINANCIAL FREEDOM ACT OF 1999"  
AS PASSED BY THE HOUSE OF REPRESENTATIVES  
Calendar Year 2000**

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	(5)	(6)	\$6	0.4%	\$6	0.4%	6.5%	6.5%
10,000 to 20,000.....	-\$55	-0.2%	32	2.1%	32	2.1%	8.1%	8.1%
20,000 to 30,000.....	-163	-0.2%	81	5.3%	80	5.3%	15.4%	15.4%
30,000 to 40,000.....	-242	-0.2%	102	6.7%	102	6.7%	17.8%	17.8%
40,000 to 50,000.....	-254	-0.2%	120	7.9%	119	7.9%	19.6%	19.5%
50,000 to 75,000.....	-664	-0.2%	270	17.8%	269	17.8%	21.6%	21.4%
75,000 to 100,000.....	-686	-0.3%	221	14.5%	220	14.6%	24.2%	23.9%
100,000 to 200,000.....	-996	-0.3%	304	20.1%	303	20.1%	26.3%	25.8%
200,000 and over.....	-2,915	-0.8%	382	25.2%	379	25.1%	29.0%	26.9%
<b>Total, All Taxpayers....</b>	<b>-\$5,976</b>	<b>-0.4%</b>	<b>\$1,518</b>	<b>100.0%</b>	<b>\$1,512</b>	<b>100.0%</b>	<b>22.2%</b>	<b>21.7%</b>

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

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- (1) Includes: individual rate reduction, standard deduction for married couples, student loan interest deduction, interest and dividend exclusion, individual capital gains, elderly caretaker exemption, self-employed health insurance deduction, and individual AMT.
  - (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 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
  - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
  - (5) Less than \$500,000.
  - (6) Less than .05%.

**DISTRIBUTIONAL EFFECTS OF  
H.R. 2488, THE "FINANCIAL FREEDOM ACT OF 1999"  
AS PASSED BY THE HOUSE OF REPRESENTATIVES  
Calendar Year 2001**

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$8	-0.1%	\$7	0.4%	\$7	0.4%	6.8%	6.8%
10,000 to 20,000.....	-178	-0.5%	33	2.1%	33	2.1%	8.0%	7.9%
20,000 to 30,000.....	-575	-0.7%	82	5.2%	82	5.3%	15.4%	15.2%
30,000 to 40,000.....	-893	-0.9%	105	6.7%	104	6.7%	17.8%	17.6%
40,000 to 50,000.....	-1,049	-0.9%	121	7.7%	120	7.7%	19.4%	19.2%
50,000 to 75,000.....	-2,598	-0.9%	280	17.8%	277	17.9%	21.5%	21.2%
75,000 to 100,000.....	-2,260	-1.0%	232	14.8%	230	14.8%	24.1%	23.8%
100,000 to 200,000.....	-3,081	-1.0%	319	20.3%	316	20.4%	26.3%	25.8%
200,000 and over.....	-6,786	-1.7%	392	25.0%	385	24.8%	29.1%	27.6%
<b>Total, All Taxpayers....</b>	<b>-\$17,428</b>	<b>-1.1%</b>	<b>\$1,571</b>	<b>100.0%</b>	<b>\$1,554</b>	<b>100.0%</b>	<b>22.2%</b>	<b>21.7%</b>

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- 
- (1) Includes: individual rate reduction, standard deduction for married couples, student loan interest deduction, interest and dividend exclusion, individual capital gains, elderly caretaker exemption, self-employed health insurance deduction, and individual AMT.
  - (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 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
  - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
  - (5) Less than \$500,000.
  - (6) Less than .05%.

**DISTRIBUTIONAL EFFECTS OF  
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Calendar Year 2002**

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$12	-0.2%	\$7	0.4%	\$7	0.4%	7.0%	7.0%
10,000 to 20,000.....	-267	-0.8%	34	2.1%	33	2.1%	8.1%	8.0%
20,000 to 30,000.....	-916	-1.1%	85	5.2%	84	5.2%	15.4%	15.2%
30,000 to 40,000.....	-1,422	-1.3%	109	6.6%	107	6.7%	17.7%	17.5%
40,000 to 50,000.....	-1,704	-1.4%	123	7.5%	121	7.5%	19.3%	19.0%
50,000 to 75,000.....	-4,114	-1.4%	290	17.8%	286	17.8%	21.4%	21.0%
75,000 to 100,000.....	-3,400	-1.4%	241	14.7%	237	14.7%	24.0%	23.6%
100,000 to 200,000.....	-4,148	-1.2%	339	20.8%	335	20.8%	26.3%	25.8%
200,000 and over.....	-7,721	-1.9%	408	24.9%	400	24.8%	29.1%	27.8%
<b>Total, All Taxpayers....</b>	<b>-\$23,706</b>	<b>-1.4%</b>	<b>\$1,635</b>	<b>100.0%</b>	<b>\$1,611</b>	<b>100.0%</b>	<b>22.2%</b>	<b>21.7%</b>

Source: Joint Committee on Taxation

Detail may not add to total due to rounding.

- 
- (1) Includes: individual rate reduction, standard deduction for married couples, student loan interest deduction, interest and dividend exclusion, individual capital gains, elderly caretaker exemption, self-employed health insurance deduction, and individual AMT.
  - (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 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
  - (4) The effective tax rate is equal to Federal taxes described in footnote (3) divided by: income described in footnote (2) plus additional income attributable to the proposal.
  - (5) Less than \$500,000.
  - (6) Less than .05%.

**DISTRIBUTIONAL EFFECTS OF  
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Calendar Year 2003**

INCOME CATEGORY (2)	CHANGE IN FEDERAL TAXES (3)		FEDERAL TAXES (3) UNDER PRESENT LAW		FEDERAL TAXES (3) UNDER PROPOSAL		Effective Tax Rate (4)	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$15	-0.2%	\$7	0.4%	\$7	0.4%	7.2%	7.2%
10,000 to 20,000.....	-289	-0.8%	34	2.0%	34	2.0%	8.1%	8.0%
20,000 to 30,000.....	-1,052	-1.2%	88	5.1%	87	5.2%	15.3%	15.1%
30,000 to 40,000.....	-1,741	-1.5%	113	6.6%	111	6.6%	17.6%	17.4%
40,000 to 50,000.....	-2,091	-1.7%	127	7.4%	124	7.4%	19.3%	18.9%
50,000 to 75,000.....	-5,080	-1.7%	301	17.7%	296	17.7%	21.3%	20.9%
75,000 to 100,000.....	-4,281	-1.7%	254	14.9%	250	14.9%	23.9%	23.5%
100,000 to 200,000.....	-4,455	-1.2%	356	20.9%	352	21.0%	26.3%	25.8%
200,000 and over.....	-7,694	-1.8%	423	24.8%	415	24.8%	29.2%	27.9%
<b>Total, All Taxpayers....</b>	<b>-\$26,698</b>	<b>-1.6%</b>	<b>\$1,703</b>	<b>100.0%</b>	<b>\$1,676</b>	<b>100.0%</b>	<b>22.2%</b>	<b>21.7%</b>

Source: Joint Committee on Taxation

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- (1) Includes: individual rate reduction, standard deduction for married couples, student loan interest deduction, interest and dividend exclusion, individual capital gains, elderly caretaker exemption, self-employed health insurance deduction, and individual AMT.
  - (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 1999 levels.
  - (3) Federal taxes are equal to individual income tax (including the outlay portion of the EIC), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.
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**DISTRIBUTIONAL EFFECTS OF  
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Calendar Year 2004**

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	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000.....	-\$15	-0.2%	\$7	0.4%	\$7	0.4%	7.1%	7.1%
10,000 to 20,000.....	-347	-1.0%	35	2.0%	35	2.0%	8.1%	8.0%
20,000 to 30,000.....	-1,281	-1.4%	90	5.0%	89	5.1%	15.2%	15.0%
30,000 to 40,000.....	-2,069	-1.8%	116	6.5%	114	6.5%	17.6%	17.3%
40,000 to 50,000.....	-2,603	-2.0%	130	7.3%	128	7.3%	19.3%	18.9%
50,000 to 75,000.....	-6,773	-2.2%	314	17.6%	308	17.6%	21.2%	20.7%
75,000 to 100,000.....	-6,057	-2.3%	269	15.1%	263	15.1%	23.9%	23.3%
100,000 to 200,000.....	-7,286	-1.9%	377	21.1%	370	21.2%	26.2%	25.5%
200,000 and over.....	-12,264	-2.8%	445	25.0%	433	24.8%	29.2%	27.7%
<b>Total, All Taxpayers....</b>	<b>-\$38,695</b>	<b>-2.2%</b>	<b>\$1,784</b>	<b>100.0%</b>	<b>\$1,745</b>	<b>100.0%</b>	<b>22.2%</b>	<b>21.6%</b>

Source: Joint Committee on Taxation

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