



JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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Contact: Christopher Frenze
Executive Director
(202) 225-3923

TAX RELIEF SIMULATIONS
SHOW DISPERSION OF BENEFITS

-- Middle and Upper Middle-Income Taxpayers Generally Benefit Despite AMT --

WASHINGTON, D.C. – Simulations of income tax benefits provided under the new tax law (H.R. 1836) illustrate the magnitude of tax benefits for a wide variety of taxpayers, and are available through the tax calculators on the Internet. These calculators easily permit taxpayers to estimate for themselves current and future tax benefits under the new income tax relief recently enacted.

Such calculators provide convenient, accurate, and free estimates of tax benefits for taxpayers at given income levels and various levels of mortgage interest, state income taxes, local property taxes, and other deductions and adjustments. Such calculators can take into account the interplay of various tax provisions and the Alternative Minimum Tax (AMT). These calculators are also free of political bias, thus providing an objective source of information.

For example, the table below displays the projected tax benefits available to taxpayers at various income levels using different levels of basic deductions. The tax benefits available to taxpayers with 2001 incomes at \$50,000, \$100,000, \$150,000, and \$200,000 are displayed under alternative assumptions. These assumptions represent a wide range and are fully disclosed to reflect the lack of selectivity. However, taxpayers and the press are encouraged to visit easy-to-use unbiased websites such as Quicken.com and others to plug in their own assumptions and evaluate the results for themselves.

Any reduction in income taxes relative to previous law will tend to push more taxpayers into the AMT. However, although the AMT reduces the tax benefits taxpayers would otherwise receive, it generally does not eliminate them. Of course, a taxpayer already subject to the AMT previously will not benefit from a reduction in income tax rates that do not apply to his or her situation. In the most recent year for which there is data (1998), 274,000, or 4.4 percent, of the 6.3 million taxpayers in the \$100,000-\$200,000 income group were subject to the AMT. Although the proportion of AMT taxpayers in this income range has undoubtedly increased since 1998, they would still be a relatively small minority and not representative of the typical upper middle-income taxpayer. The on-line tax calculators can account for the effects of the AMT in calculating the benefits of the 2001 tax legislation on middle and upper middle-income households.

For example, the tax benefits for a family of four with \$200,000 of income are displayed below under various levels of state and local taxes; deductions of these items can be limited by the AMT. However, tax benefits are still significant over a wide range of state and local tax payments covering a broad spectrum of taxpayers in this income group. Multiple examples are provided to avoid presentation of misleading and atypical results. Since tax liability even at the same income level varies so much depending on deduction levels and other factors, Internet tax calculators are especially useful in accounting for the great variety of taxpayer characteristics.

Table with 6 columns: Income in 2001 Dollars, Standard Deduction, Mortgage Interest and Charitable Contributions, Property, State and Local Tax Deductions, Tax Saved In Year (2001, 2010). Rows show various income levels and deduction scenarios.

Notes: Joint Economic Committee Calculations using Quicken.com tax simulation calculator. Estimated benefits under the Tax Relief Reconciliation Act of 2001 can vary by filing characteristics, even for taxpayers with similar incomes. To run your own simulations visit Quicken.com online at: http://www.quicken.com/taxes/taxrelief/estimator/ Married Filing Jointly with income split evenly between earners and 2 children under age 17. Income has been adjusted for inflation using an annual rate of 3% and rounded to nearest \$10 in 2010. 2010 Income in 2001 dollars: \$65,240 (\$50K); \$130,480 (\$100K); \$195,720 (\$150K) \$260,950 (\$200K). At \$150,000 Mortgage Interest equals \$11,000 and Charitable Contributions equals \$3,000. At \$200,000 Mortgage Interest equals \$14,000 and Charitable Contributions equals \$4,000.