

### Appendix Table 1. Revenue Cost of Comprehensive Saver's Credit Reforms

Billions of dollars

Year	Extend and make refundable	Extend, index, and make refundable	Extend, index, make refundable, and extend 50 percent credit rate up to indicated AGI (for joint filers)		
			\$50,000	\$60,000	\$70,000
2006	1.1	1.2	3.9	5.7	7.5
2007	3.8	4.0	11.8	16.8	22.1
2008	4.8	5.2	13.0	18.0	23.2
2009	4.7	5.3	13.0	18.0	23.2
2010	4.5	5.4	13.0	18.0	23.1
2011	4.3	5.3	12.8	17.8	22.9
2012	4.1	5.3	12.7	17.6	22.7
2013	4.0	5.4	12.7	17.4	22.5
2014	3.8	5.4	12.7	17.3	22.3
2015	3.7	5.5	12.8	17.2	22.2
Total, 2006-15	38.8	48.0	118.5	163.9	211.8

Source: Authors' calculations using Urban-Brookings Tax Policy Center Microsimulation Model.

The income cut-offs for single filers and heads of households would remain in the same proportion to the joint filer thresholds as under the current Saver's Credit

### Appendix Table 2. Revenue Effect from Extending Credit, Indexing It, Making It Refundable, and Expanding 50 Percent Credit to \$50,000 for Joint Filers

Billions of dollars

Year	Extend, Index, Make Refundable	Extend, Index, Make Refundable and Increase 50 Percent Credit Rate for Joint Filers to \$50,000
2007	4.0	11.8
2008	5.2	13.0
2009	5.3	13.0
2010	5.4	13.0
2011	5.3	12.8
2012	5.3	12.7
2013	5.4	12.7
2014	5.4	12.7
2015	5.5	12.8
Total, 2006-2015	48.0	118.5

Source: Authors' calculations using Urban-Brookings Tax Policy Center Microsimulation Model.

**Appendix Table 3. Distributional Effect from Extending Credit, Indexing It, Making It Refundable, and Expanding 50 Percent Credit to \$50,000 for Joint Filers<sup>1</sup>**  
Distribution of Income Tax Change by Cash Income Class, 2005

Cash Income Class (thousands of 2003 Dollars) <sup>2</sup>	Tax Units <sup>3</sup>			Percent Change in After-Tax Income <sup>4</sup>	Percent of Total Income Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
	Number (thousands)	Percent of Total	Percent with Tax Cut				Current Law	Proposal
Less than 10	20,301	14.0	3.8	0.2	2.5	-14	3.3	3.1
10-20	26,357	18.1	9.8	0.3	10.6	-45	5.4	5.1
20-30	20,537	14.1	16.6	0.5	21.6	-117	10.8	10.4
30-40	15,633	10.8	16.8	0.4	16.8	-119	14.9	14.6
40-50	11,543	7.9	17.7	0.4	16.9	-163	17.0	16.6
50-75	20,112	13.8	17.8	0.3	29.1	-161	18.9	18.7
75-100	11,773	8.1	1.2	0.0	1.2	-11	20.4	20.4
100-200	14,039	9.7	0.6	0.0	0.8	-7	22.6	22.6
200-500	3,588	2.5	0.4	0.0	0.1	-3	25.6	25.6
500-1,000	593	0.4	0.2	0.0	0.0	-2	27.6	27.6
More than 1,000	284	0.2	0.1	0.0	0.0	-2	31.1	31.1
All	145,321	100.0	10.5	0.2	100.00	-76	20.7	20.6

Source: Authors' calculations of Urban-Brookings Tax Policy Center Microsimulation Model.

- (1) Baseline is current law. Reform includes making the credit refundable, increasing the AGI limit for married couples filing jointly to \$50,000, and phasing out the limit over \$10,000.
- (2) Returns with negative cash income are excluded from the lowest income class but are included in the totals.
- (3) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.
- (4) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.
- (5) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Appendix Table 4. Revenue Effect from Extending Credit, Indexing It, Making It Refundable, and Expanding 50 Percent Credit to \$60,000 for Joint Filers**

Billions of dollars

	Extend, Index, Make Refundable	Extend, Index, Make Refundable and Increase 50 Percent Credit Rate for Joint Filers to \$60,000
2006	1.2	5.7
2007	4.0	16.8
2008	5.2	18.0
2009	5.3	18.0
2010	5.4	18.0
2011	5.3	17.8
2012	5.3	17.6
2013	5.4	17.4
2014	5.4	17.3
2015	5.5	17.2
Total, 2006-2015	48.0	163.9

Source: Authors' calculations using Urban-Brookings Tax Policy Center Microsimulation Model.

**Appendix Table 5. Distributional Effect from Extending Credit, Indexing It, Making It Refundable, and Expanding 50 Percent Credit to \$60,000 for Joint Filers<sup>1</sup>**  
Distribution of Income Tax Change by Cash Income Class, 2005

Cash Income Class (thousands of 2003 Dollars) <sup>2</sup>	Number (thousands)	Tax Units <sup>3</sup>		Percent Change in After-Tax Income <sup>4</sup>	Percent of Total Income Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
		Percent of Total	Percent with Tax Cut				Current Law	Proposal
Less than 10	20,301	14.0	3.8	0.2	1.7	-14	3.3	3.1
10-20	26,357	18.1	9.8	0.3	7.3	-45	5.4	5.1
20-30	20,537	14.1	16.6	0.5	15.2	-120	10.8	10.3
30-40	15,633	10.8	22.9	0.6	17.5	-181	14.9	14.4
40-50	11,543	7.9	18.5	0.5	12.9	-182	17.0	16.6
50-75	20,112	13.8	27.9	0.6	40.9	-329	18.9	18.4
75-100	11,773	8.1	7.1	0.1	3.4	-46	20.4	20.4
100-200	14,039	9.7	0.9	0.0	0.8	-9	22.6	22.6
200-500	3,588	2.5	0.6	0.0	0.1	-6	25.6	25.6
500-1,000	593	0.4	0.2	0.0	0.0	-2	27.6	27.6
More than 1,000	284	0.2	0.2	0.0	0.0	-2	31.1	31.1
All	145,321	100.0	13.2	0.2	100.00	-111	20.7	20.5

Source: Authors' calculations of Urban-Brookings Tax Policy Center Microsimulation Model.

- (1) Baseline is current law. Reform includes making the credit refundable, increasing the AGI limit for married couples filing jointly to \$60,000, and phasing out the limit over \$10,000.
- (2) Returns with negative cash income are excluded from the lowest income class but are included in the totals.
- (3) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.
- (4) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.
- (5) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

**Appendix Table 6. Revenue Effect from Extending Credit, Indexing It, Making It Refundable, and Expanding 50 Percent Credit to \$70,000 for Joint Filers**

Billions of dollars

	Extend, Index, Make Refundable	Extend, Index, Make Refundable and Increase 50 Percent Credit Rate for Joint Filers to \$70,000
2006	1.2	7.5
2007	4.0	22.1
2008	5.2	23.2
2009	5.3	23.2
2010	5.4	23.1
2011	5.3	22.9
2012	5.3	22.7
2013	5.4	22.5
2014	5.4	22.3
2015	5.5	22.2
Total, 2006-2015	48.0	211.8

Source: Authors' calculations using Urban-Brookings Tax Policy Center Microsimulation Model.

**Appendix Table 7. Distributional Effect from Extending Credit, Indexing It, Making It Refundable, and Expanding 50 Percent Credit to \$70,000 for Joint Filers<sup>1</sup>**  
**Distribution of Income Tax Change by Cash Income Class, 2005**

Cash Income Class (thousands of 2003 Dollars) <sup>2</sup>	Tax Units <sup>3</sup> Number (thousands)	Percent of		Percent Change in After-Tax Income <sup>4</sup>	Percent of Total Income Tax Change	Average Tax Change (\$)	Average Federal Tax Rate <sup>5</sup>	
		Total	Percent with Tax Cut				Current Law	Proposal
Less than 10	20,301	14.0	3.8	0.2	1.3	-14	3.3	3.1
10-20	26,357	18.1	9.8	0.3	5.5	-45	5.4	5.1
20-30	20,537	14.1	16.6	0.5	11.5	-120	10.8	10.3
30-40	15,633	10.8	24.0	0.7	15.7	-216	14.9	14.3
40-50	11,543	7.9	24.7	0.6	11.4	-212	17.0	16.5
50-75	20,112	13.8	29.2	0.8	37.0	-395	18.9	18.3
75-100	11,773	8.1	26.5	0.4	16.1	-293	20.4	20.1
100-200	14,039	9.7	1.6	0.0	1.1	-17	22.6	22.6
200-500	3,588	2.5	0.7	0.0	0.1	-8	25.6	25.6
500-1,000	593	0.4	0.3	0.0	0.0	-4	27.6	27.6
More than 1,000	284	0.2	0.2	0.0	0.0	-3	31.1	31.1
All	145,321	100.0	15.6	0.3	100.00	-148	20.7	20.5

Source: Authors' calculations using Urban-Brookings Tax Policy Center Microsimulation Model.

- (1) Baseline is current law. Reform includes making the credit refundable, increasing the AGI limit for married couples filing jointly to \$70,000, and phasing out the limit over \$10,000.
- (2) Returns with negative cash income are excluded from the lowest income class but are included in the totals.
- (3) Includes both filing and non-filing units. Tax units that are dependents of other taxpayers are excluded from the analysis.
- (4) After-tax income is cash income less: individual income tax net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax.
- (5) Average federal tax (individual income tax, net of refundable credits; corporate income tax; payroll taxes (Social Security and Medicare); and estate tax) as a percentage of average cash income.

## Footnotes

<sup>1</sup> For a broader discussion of these issues, see William G. Gale and Peter R. Orszag, "Private Pensions: Issues and Options," in *Agenda for the Nation*, edited by Henry J. Aaron, James M. Lindsay, and Pietro S. Nivola (Brookings, 2003); Peter R. Orszag, "Progressivity and Saving: Fixing the Nation's Upside-Down Incentives for Saving," Testimony before the House Committee on Education and the Workforce, February 25, 2004, and J. Mark Iwry, Testimony before the House Committee on Education and the Workforce, Subcommittee on Employer-Employee Relations, June 4, 2003. These and related publications are available on The Retirement Security Project website ([www.retirementsecurityproject.org](http://www.retirementsecurityproject.org)).

<sup>2</sup> Technically, the lifetime subsidy from such accounts comes from two sources: the difference (if any) between the tax rate at the time of contribution and that at the time of withdrawal, and the tax-free accumulation of funds. See Leonard E. Burman, William G. Gale, and David Weiner, "The Taxation of Retirement Saving: Choosing between Front-Loaded and Back-Loaded Options," *National Tax Journal* 54, no. 3 (September 2001), and Eric M. Engen, John Karl Scholz, and William G. Gale, "Do Saving Incentives Work?" *Brookings Papers on Economic Activity*, no. 1 (1994), pp. 85-151. In practice, however, these items are often correlated with the tax rate at the time of the contribution, and casual evidence suggests that the up-front deductibility of most of these plans (such as 401(k)s and traditional IRAs, which provide the tax advantage at the time of contribution rather than distribution) is an important determinant of whether people make contributions.

<sup>3</sup> See, for example, Eric M. Engen, William G. Gale, and Cori E. Uccello, "The Adequacy of Household Saving," *Brookings Papers on Economic Activity*, no. 2 (1999): pp. 65-165.

<sup>4</sup> *Ibid.*

<sup>5</sup> Retirement saving for these workers is promoted – or designed to be promoted – indirectly by nondiscrimination and certain other provisions of the Internal Revenue Code of 1986 (IRC) and the Employee Retirement Income Security Act of 1974 (ERISA). Those provisions, which are subject to exten-

sive exceptions, are intended to impose some constraint on the degree to which tax-favored benefits accrue to a limited number of owners and executives rather than the large majority of workers. The IRC and ERISA also protect and regulate the accumulation and preservation of retirement benefits. For additional discussion of these issues by the Treasury Department, see Donald C. Lubick, Assistant Secretary (Tax Policy), U.S. Department of the Treasury, Testimony before the House Committee on Ways and Means, Subcommittee on Oversight, March 23, 1999.

<sup>6</sup> Michael Wyand, "Savings Effort to Continue Based on RSA Plus Savers Credit, Not LSA, Portman Says," BNA, March 16, 2004.

<sup>7</sup> Section 25B of the IRC of 1986 was added by section 618 of EGTRRA, Public Law 107-16, 115 Stat. 38. See also IRS Announcement 2001-106, 2001-44 I.R.B. (October 29, 2001), and IRS News Release IR 2001-107, 2001-44 I.R.B. (November 7, 2001). The credit was officially titled "Elective Deferrals and IRA Contributions By Certain Individuals." Although now generally referred to as the "Saver's Credit," that term actually appears nowhere in the law. "Saver's Credit" was first used in IRS/Treasury administrative guidance at the suggestion of one of the authors in mid-2001 with a view to facilitating the "public marketing" of the provision. See IRS Announcement 2001-106, 2001-44 I.R.B. (October 29, 2001); IRS News Release IR 2001-107, 2001-44 I.R.B. (November 7, 2001).

<sup>8</sup> The only exceptions are relatively minor: the credit may not be used by individuals who have not reached age 18 by the end of the taxable year, are full-time students, or are claimed as dependents on another return. IRC section 151(c)(4) and IRS Announcement 2001-106 elaborate on the definition of "student" for this purpose.

<sup>9</sup> The Saver's Credit can be used to offset regular income tax liability as well as alternative minimum tax liability (IRC section 25B(g)(1)), although the latter generally is not a concern for the eligible income group.

<sup>10</sup> Office of Management and Budget, *Fiscal Year 2005 Analytical Perspectives*, table 18-2.