



## Middle-Class Savings and Investment Act: Budgetary and Distributional Effects

Published on June 22, 2022

<https://budgetmodel.wharton.upenn.edu/estimates/2022/6/22/middle-class-savings-and-investment-act>

Summary: On June 14th 2022, Senator Chuck Grassley (R-IA) introduced legislation (text\*, summary\*\*) that would make five changes to the tax code starting in tax year 2022:

1. Expand the 0 percent capital gains bracket. The proposal expands the taxable income range over which capital gains are taxed at 0 percent from \$41,675 (\$83,350 married) to \$89,075 (\$178,150).
2. Raise the Net Investment Income Tax (NIIT) threshold. The proposal raises the NIIT threshold for married filers from \$250,000 to \$400,000, keeping the threshold for single filers at \$200,000. The threshold would be indexed to inflation going forward.
3. Create an exclusion for interest income. The proposal allows single filers to exclude up to \$300 (\$600 married) of interest income from gross income.
4. Expand the Saver's Credit. The "Saver's Credit" is a nonrefundable credit that matches up to 50 percent of retirement contributions of certain filers. Under the proposal, the maximum credit value is increased from \$1,000 to \$1,250 (\$2,000 to \$2,500 married) and the phaseout range is expanded such that the maximum qualifying AGI rises from \$34,000 to \$42,500 (\$68,000 to \$85,000) with a more gradual phaseout rate.
5. Extend the limitation on the deduction for state and local taxes (SALT). The proposal extends the sunset date for the \$10,000 cap on SALT deductions from end-of-year 2025 to 2028.

Table 1 contains conventional revenue estimates. We estimate the proposal would raise a net \$122 billion over the budget window (2023-2032). The tax cut provisions considered alone would cost \$278 billion. Tables 2 and 3 display projected distributional effects in tax years 2023 and 2026, respectively.

\* <https://www.grassley.senate.gov/imo/media/doc/117s-middle-class-savings-and-investment-act-textpdf.pdf>

\*\* <https://www.grassley.senate.gov/imo/media/doc/117smiddleclassavingsandinvestmentactsummary.pdf>

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**Table 1. Revenue Estimates, FY 2023-2032**

*Billions of Dollars, Change from Current-Law Baseline*

<b>Provision</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>Budget window</b>
Create an exclusion for interest income	-3.4	-2.0	-2.0	-2.2	-2.3	-2.4	-2.4	-2.5	-2.5	-2.6	-24.3
Expand the 0 percent capital gains bracket	-25.5	-15.3	-15.8	-17.2	-18.1	-18.4	-18.7	-19.2	-20.0	-20.3	-188.5
Raise the NIIT threshold	-4.8	-3.4	-3.8	-4.0	-4.5	-4.9	-5.3	-5.7	-6.2	-6.6	-49.3
Expand the Saver's Credit	-3.0	-1.6	-1.6	-1.6	-1.6	-1.5	-1.5	-1.4	-1.3	-1.3	-16.4
Extend the limitation on the deduction for SALT	0.0	0.0	0.0	97.5	131.6	139.1	32.5	0.0	0.0	0.0	400.7
<b>Total</b>	<b>-36.7</b>	<b>-22.3</b>	<b>-23.2</b>	<b>72.5</b>	<b>105.1</b>	<b>112</b>	<b>4.6</b>	<b>-28.9</b>	<b>-30.1</b>	<b>-30.7</b>	<b>122.2</b>



**Table 2. Distributional Estimates, Tax Year 2023**

Income group	Average tax	Share with tax	Average tax	Share with tax	Average tax	Percent	Share of tax	Change in
	change	cut	cut	increase	increase	change in after-	change	share of
						tax income		federal taxes
								paid
Bottom quintile	\$0	0.4%	-\$25	0.0%	\$0	0.0%	0.0%	0.0%
Second quintile	-\$20	13.0%	-\$155	0.0%	\$0	0.1%	3.2%	0.0%
Middle quintile	-\$55	23.7%	-\$230	0.0%	\$0	0.1%	8.6%	0.0%
Fourth quintile	-\$140	32.2%	-\$435	0.0%	\$0	0.2%	19.4%	0.0%
80-90%	-\$420	49.5%	-\$850	0.0%	\$0	0.3%	24.4%	-0.1%
90-95%	-\$690	63.4%	-\$1,090	0.0%	\$0	0.3%	19.3%	0.0%
95-99%	-\$980	75.9%	-\$1,290	0.0%	\$0	0.3%	21.2%	0.0%
99-99.9%	-\$660	87.9%	-\$750	0.0%	\$0	0.1%	3.2%	0.1%
Top 0.1%	-\$935	96.7%	-\$965	0.0%	\$0	0.0%	0.5%	0.1%



**Table 3. Distributional Estimates, Tax Year 2026**

Income group	Average tax	Share with tax	Average tax	Share with tax	Average tax	Percent	Share of tax	Change in
	change	cut	cut	increase	increase	change in after-	change	share of
						tax income		federal taxes
								paid
Bottom quintile	\$0	0.4%	-\$25	0.0%	\$150	0.0%	0.0%	0.0%
Second quintile	-\$15	13.0%	-\$145	0.4%	\$465	0.1%	-0.7%	-0.1%
Middle quintile	-\$30	22.8%	-\$225	2.8%	\$675	0.1%	-1.2%	-0.3%
Fourth quintile	\$15	26.7%	-\$480	16.7%	\$850	0.0%	0.4%	-0.4%
80-90%	\$480	25.3%	-\$1,270	49.9%	\$1,605	-0.3%	6.5%	-0.2%
90-95%	\$1,085	25.7%	-\$2,500	64.0%	\$2,705	-0.5%	7.1%	-0.1%
95-99%	\$2,125	27.7%	-\$3,125	65.4%	\$4,565	-0.6%	10.9%	-0.1%
99-99.9%	\$33,385	15.4%	-\$3,300	82.4%	\$41,130	-3.3%	38.4%	0.6%
Top 0.1%	\$283,120	13.1%	-\$3,705	85.7%	\$331,060	-3.3%	38.6%	0.6%