High Income Tax Returns for 1984

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Each year, a small number of individual income tax returns report income of $200,000 or more but do not show any income tax liability. Although such returns represent only a tiny fraction of all Federal income tax returns with high incomes, they generate a great deal of interest. Interest focuses on the features of the income tax system that seem to permit some high-income people to completely avoid Federal income tax at the same time that other taxpayers, most of whom have much lower incomes, have tax liabilities amounting to significant shares of their incomes. Information on the reasons for nontaxability may provide a basis for discussing whether such features are necessary and appropriate in a broad-based income tax system.

Two different income concepts are used in determining whether a tax return falls into the high-income category. For 1984, each of these definitions shows a different pattern of change from 1983. As measured by "adjusted gross income" (AGI), the number of nontaxable, high-income returns increased for 1984. As measured by "expanded income," nontaxable, high-income returns declined significantly. No reasons are offered in this article for these different patterns.

The number of nontaxable, high "adjusted gross income" returns increased for 1984, continuing the dramatic rise which occurred for 1983. By this income measure, nontaxable, high-income returns as a share of all high-income returns reached a level not seen since before the enactment of the Tax Reform Act of 1976. For 1984, 471 high-AGI returns (out of a total of 243,760 high-AGI returns) had no tax liability either to the United States or to a foreign government, an increase of 47 percent from the 1983 level. From 1983 to 1984, the proportion of high-AGI returns which were nontaxable increased by 19 percent from 0.162 percent to 0.193 percent of all high-AGI returns.

However, the "expanded income" definition of income — the one deemed to be a "better" definition of income — indicates that the number of nontaxable, high-income returns declined significantly for 1984 both in absolute numbers and as a proportion of all high expanded-income returns. By this measure, the share of nontaxable, high-income returns returned to about the level typical of the period from 1977 through 1982. As measured by expanded income, the number of high-income returns not showing any income tax liability to either the United States or a foreign government decreased by 38 percent, from 437 for 1983 to 271 for 1984 (out of a total of 310,042 high expanded-income returns for 1984). From 1983 to 1984, the proportion of high-income returns that was nontaxable fell by one-half from 0.175 percent to 0.087 percent of all high expanded-income returns.

The Tax Reform Act of 1976 required annual publication of data on individuals with high incomes including the number of such individuals who did not pay any income tax and the importance of various tax provisions in making those individuals nontaxable [1]. The 1976 Act specified that the tax return data be tabulated using four different concepts of income [2]. The Deficit Reduction Act of 1984 eliminated the requirement for publishing data for the two lesser-used income concepts [3].

This article is part of a continuing series of reports summarizing the characteristics of high-income returns and the numbers of nontaxable, high-income returns since 1974. Reports covering 1974 through 1976, including the basic data and analyses of their implications, have been published by the U.S. Department of the Treasury's Office of Tax Analysis [4]. To make high-income data available to a wider audience, since 1979 selected data for high-income individuals, taxable as well as nontaxable, have been published, without analysis, by the Internal Revenue Service in separate chapters of each year's *Statistics of Income—Individual Income Tax Returns* [5]. Data for 1983, including a discussion of the data and of the implications of certain changes, have been published in a previous issue of the SOI Bulletin [6]. The basic data for 1984 which are included in Tables 1 through 12 and the material included in the appendices have been published previously in the *Statistics of Income* volume for 1984 [7].

This article consists of brief descriptions of twelve tables of data mainly from high-income tax returns for 1984. It also includes selected observations about the 1984 data, and a summary of how the numbers of high-income returns and, especially, nontaxable, high-income returns have changed since 1977. At the end of the article are two appendices which include outlines of the definitions and concepts which are crucial to an understanding of high-income tax returns in general and nontaxable, high-income returns in particular. Appendix A, "Income Concepts: A Primer," describes and explains the differences between the two major and two minor concepts used to measure income. Appendix B, "Measurement of Taxes," discusses the proper measure-

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ment of income tax burdens, explains the different treatment of the foreign tax credit, outlines the methodology used to equate the importance of exclusions and deductions as compared with tax credits, and reviews certain limitations in the data underlying this article.

This article includes twelve basic tables with data representing 1984 income tax returns, mainly those with incomes of $200,000 or more under one or more concepts of income. For comparability with data for earlier years, some of the data are shown for all four income concepts, including the two no longer required by statute. Most of the data are shown for taxable and nontaxable returns both separately and combined.

The tables show:

- The numbers of total and high-income returns (taxable, nontaxable, and combined) under each of the four income concepts (Tables 1 and 2);
- The distributions of taxable income as a percentage of total income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationships among all four income concepts used in this article (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income taxes (Tables 7 and 8);
- The frequencies with which various itemized deductions and tax credits occur as certain percentages of income (Tables 9 and 10); and
- The distributions of effective tax rates, i.e., income tax as a percentage of income (Tables 11 and 12).

In addition to the data on high-income returns, the tables distribute all 1984 returns by broad income classes and cross-tabulate numbers of returns in each income class by the various income concepts. For purposes of comparison, the tables with distributions of returns by their effective tax rates include distributions for returns other than high-income returns.

Tables 1, 3, 5, 7, 9, and 11 contain data with foreign tax credits treated as items which reduce U.S. income taxes; this is the treatment on tax returns. Tables 2, 4, 6, 8, 10, and 12 are similar to the first set of tables but treat foreign tax credits as part of the individual's income tax liability. In these tables, tax is referred to as "modified total income tax." This different treatment is explained in more detail under the heading "Foreign Tax Credits" in Appendix B.

The article also includes five text tables (Figures A, B, C, D, and I) and four charts (Figures E through H) which either summarize the frequency of total or nontaxable, high-income returns over time, from 1977 through 1984, or show the changes between 1983 and 1984.

NUMBERS OF HIGH-INCOME TAX RETURNS

For 1984, the numbers of tax returns with incomes of at least $200,000 ranged from 229,809 to 325,269, depending on the income concept. These numbers represent from 0.23 percent to 0.31 percent of all tax returns filed (Tables 1 and 2).

Over time, the number of returns with incomes of $200,000 or more has been increasing more rapidly than the total number of returns. This pattern is true regardless of income concept. Thus, each year high-income returns have been a larger share of all returns than in the preceding years (Figure A). For each of the four income concepts, the *share* of returns with incomes of at least $200,000 more than quadrupled from 1977 to 1984. For example, for 1977, there were under 68 thousand high expanded-income re-

Figure A.—Comparison of All Returns and Returns with Income of $200,000 or more by Income Concept, 1977–1984

Income concept	1977	1978	1979	1980	1981	1982	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of Returns								
All returns	88,634,640	89,771,551	92,694,302	93,902,459	96,396,123	95,337,432	96,321,310	99,438,708
Returns with income $200,000 or more by income concept:								
Adjusted gross income (AGI)	53,403	68,506	93,731	117,250	138,136	169,367	198,608	243,760
Expanded income	67,580	85,137	122,231	149,826	175,092	207,291	249,319	310,042
AGI plus excluded preferences	70,941	90,266	129,437	158,836	186,890	220,060	262,453	325,269
AGI less investment interest	50,166	64,192	87,612	109,253	127,768	158,760	187,321	229,809
Percentage of All Returns								
All returns	100%	100%	100%	100%	100%	100%	100%	100%
Returns with income $200,000 or more by income concept:								
Adjusted gross income (AGI)	.060	.076	.101	.125	.143	.178	.206	.245
Expanded income	.076	.095	.132	.160	.182	.217	.259	.312
AGI plus excluded preferences	.080	.101	.140	.169	.194	.231	.272	.327
AGI less investment interest	.057	.072	.095	.116	.133	.167	.194	.231

turns, representing 0.076 percent of all returns filed. By 1984, there were more than 310 thousand such returns, representing 0.312 percent of all returns. Between 1977 and 1984, as real incomes (income adjusted for inflation) increased and as inflation raised the number of people with higher money incomes, the number of income tax returns showing incomes of at least $200,000 grew at an annual rate of more than 22 percent compared with an average annual increase of under 1.7 percent for the total number of income tax returns filed (Figure B).

NONTAXABLE, HIGH-INCOME RETURNS

For 1984, there were 310,042 income tax returns with expanded income of $200,000 or more. Of these, 325 or 0.105 percent, had no U.S. income tax liability, and only 271, or 0.087 percent, showed no worldwide income tax liability (Figure C). If U.S. tax liability on worldwide income is considered, these 1984 levels represent a 44 percent decline in the number and a 55 percent decline in the share of nontaxable, high expanded-income returns from 1983 (Fig-

Figure B.—Percentage Change in All Returns and Returns with Income $200,000 or more by Income Concept, 1978–1984

Income concepts	Percentage change from preceding year						
	1978	1979	1980	1981	1982	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All returns	1.3%	3.3%	1.3%	2.7%	–1.1%	1.0%	3.2%
Returns with income $200,000 or more by income concept:							
Adjusted gross income (AGI)	28.3	36.8	25.1	17.8	22.6	17.3	22.7
Expanded income	26.0	43.6	22.6	16.9	18.4	20.3	24.4
AGI plus excluded preferences	27.2	43.4	22.7	17.7	17.7	19.3	23.9
AGI less investment interest	28.0	36.5	24.7	16.9	24.3	18.0	22.7

Figure C.—Returns with Income $200,000 or more: Comparison of Nontaxable Returns and All Returns by Income and Tax Concept, 1977–1984

Income and tax concept	1977	1978	1979	1980	1981	1982	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of Nontaxable Returns with Income $200,000 or more								
Returns with no total income tax by income concept:								
Adjusted gross income (AGI)	60	98	70	143	226	262	447	532
Expanded income	85	105	114	198	304	299	579	325
AGI plus excluded preferences	95	113	127	242	363	385	810	673
AGI less investment interest	52	90	56	120	188	223	229	205
Returns with no modified total income tax by income concept:								
Adjusted gross income (AGI)	37	60	28	56	79	109	321	471
Expanded income	64	67	64	114	114	153	437	271
AGI plus excluded preferences	72	75	74	154	156	232	663	612
AGI less investment interest	31	52	18	36	54	78	108	152
Percentage of All Returns with Income $200,000 or more								
Returns with no total income tax by income concept:								
Adjusted gross income (AGI)	.112%	.143%	.075%	.122%	.164%	.155%	.225%	.218%
Expanded income	.126	.123	.093	.132	.174	.144	.232	.105
AGI plus excluded preferences	.134	.125	.098	.152	.194	.175	.309	.207
AGI less investment interest	.104	.140	.064	.110	.147	.140	.122	.089
Returns with no modified total income tax by income concept:								
Adjusted gross income (AGI)	.069	.088	.030	.048	.057	.064	.162	.193
Expanded income	.095	.079	.052	.076	.065	.074	.175	.087
AGI plus excluded preferences	.101	.083	.057	.097	.083	.105	.253	.188
AGI less investment interest	.062	.081	.021	.033	.042	.049	.058	.066

[1] Percent of all returns with income $200,000 or more, for each concept.

ure D). The share of 1984 nontaxable returns is lower than any year except 1983. The pattern of change is similar if worldwide tax liability on worldwide income is used as the yardstick. The number of nontaxable returns declined by 37 percent between 1983 and 1984, and the share of nontaxable returns declined by 50 percent to a level only slightly higher than the years before 1983.

Of the 243,760 tax returns for 1984 with AGI of $200,000 or more, 532 or 0.218 percent, reported no U.S. income tax, and 471, or 0.193 percent, had no worldwide tax liability (Figure C). These numbers for nontaxable, high-AGI returns represent a significantly different pattern of change than that shown for nontaxable, high expanded-income returns. If only U.S. tax liability is considered, the number of nontaxable, high-AGI returns increased by 19 percent from their 1983 level to a new post-1976 high (Figure D). Their share of all returns declined by a modest 3 percent, remaining very close to their post-1976 peak. If worldwide tax liability is considered, both the number and percentage of nontaxable, high-AGI returns reached new highs. The number of returns increased by 47 percent to 471; the share of nontaxable returns reached 0.193 percent or almost one out of every 500 high-income returns. A high-AGI return was 6.4 times more likely to be nontaxable for 1984 than for 1979.

The patterns of year-to-year percentage change for the actual numbers of high-income returns for each income concept as measured by both U.S. and worldwide nontaxability are summarized in Figure D for each of the years 1978 through 1984. The 1984 data are unique in that the direction of change between AGI and expanded income is more markedly different than prior years.

Figures E through H illustrate how the numbers of nontaxable, high-income returns and their proportion of all high-income returns varied between 1977 and 1984. Figure E is for high-AGI returns with no U.S tax. Figure F is for high expanded-income returns with no U.S. tax. Figure G is for high-AGI returns with no worldwide tax and Figure H is for high expanded-income returns with no worldwide tax.

For returns which were nontaxable in the United States as the result of foreign tax payments, the declines as percentages of all high-income returns were even larger, both from 1982 to 1983 and from 1983 to 1984. Thus, the fact that a high-income return was nontaxable for 1984 is far less likely to be attributable to the existence of a foreign tax credit than at anytime since 1977. By 1984, fewer than one out of six

Figure D.—Percentage Change in Nontaxable Returns with Income $200,000 or more, 1978–1984

Income and tax concept	Percentage change from preceding year						
	1978	1979	1980	1981	1982	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Returns without total income tax by income concept:							
Adjusted gross income (AGI)	63.3%	-28.6%	104.3%	58.0%	15.9%	70.6%	19.0%
Expanded income	23.5	8.6	73.7	53.5	-1.6	93.6	-43.9
AGI plus excluded preferences	18.9	12.4	90.6	50.0	6.1	110.4	-16.9
AGI less investment interest	73.1	-37.8	114.3	56.7	18.6	2.7	-10.5
Returns without modified total income tax by income concept:							
Adjusted gross income (AGI)	62.2	-53.3	100.0	41.1	38.0	194.5	46.7
Expanded income	4.7	-4.5	78.1	.0	34.2	185.6	-38.0
AGI plus excluded preferences	4.2	-1.3	108.1	1.3	48.7	185.8	-7.7
AGI less investment interest	67.7	-65.4	100.0	50.0	44.4	38.5	40.7

Figure E.
Number and Percentage of Returns with Adjusted Gross Income of $200,000 or More Without Total Income Tax, 1977-1984

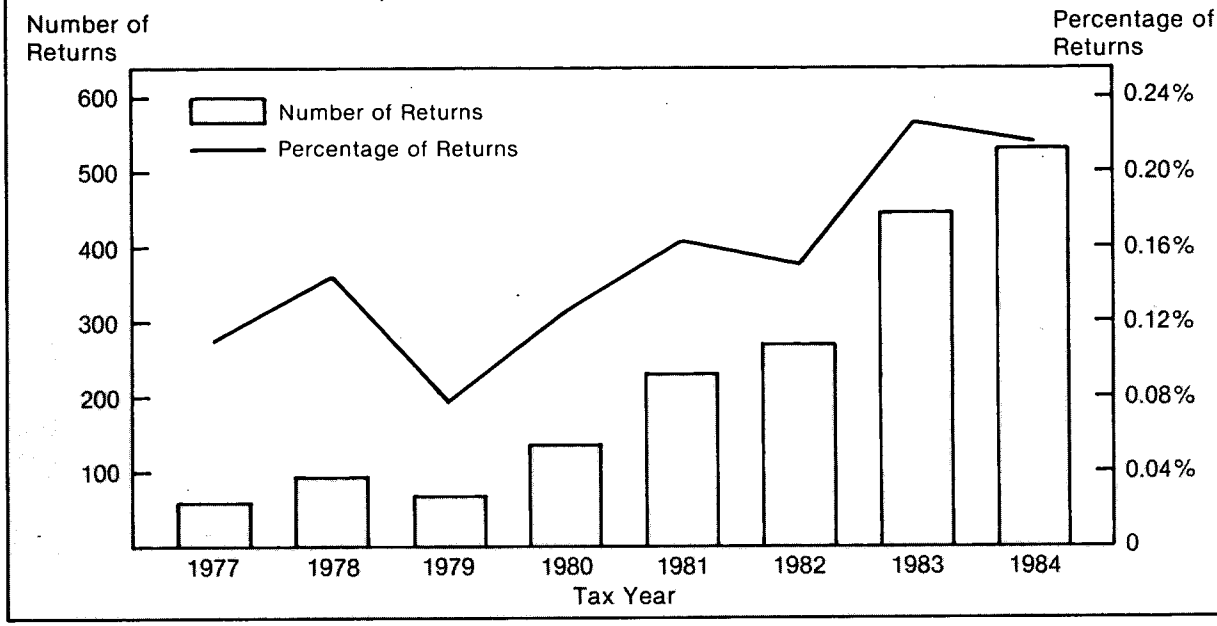


Figure F.
Number and Percentage of Returns with Adjusted Gross Income of $200,000 or More Without Total Income Tax as Modified for the Foreign Tax Credit, 1977-1984

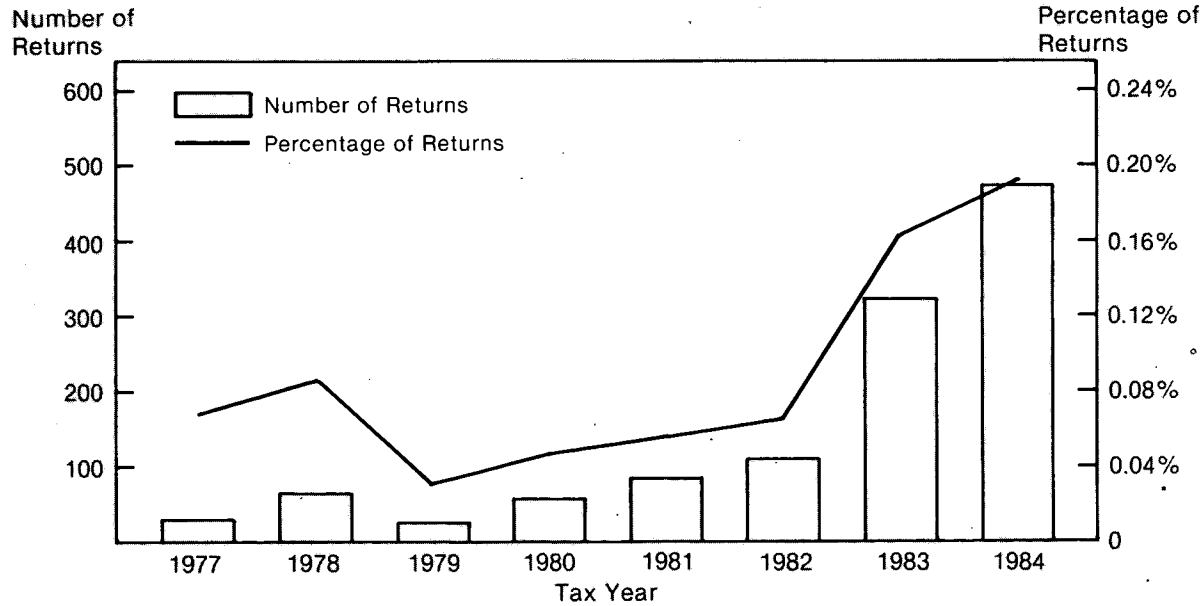


Figure G.
Number and Percentage of Returns with Expanded Income of $200,000 or More Without Total Income Tax, 1977-1984

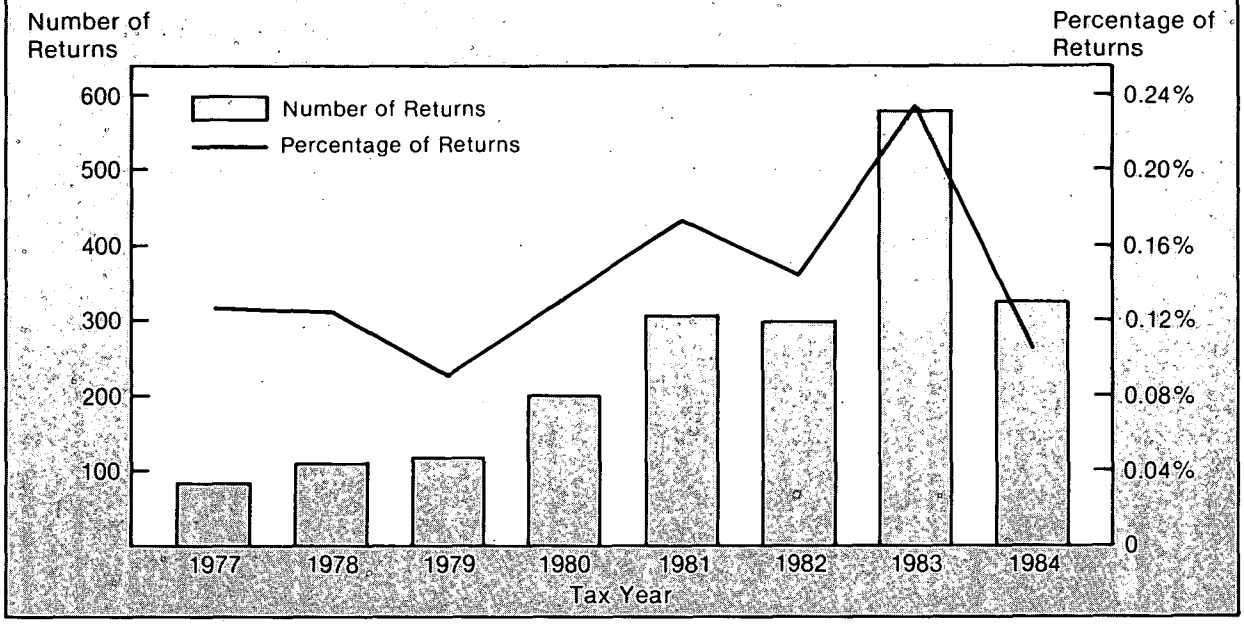
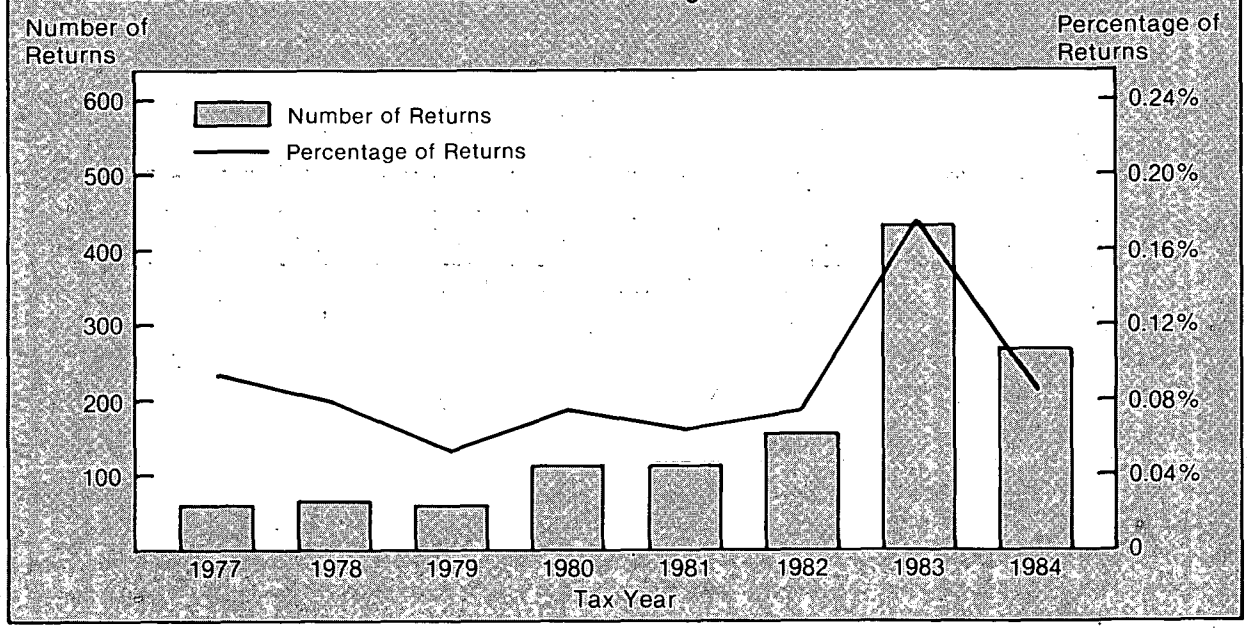


Figure H.
Number and Percentage of Returns with Expanded Income of $200,000 or More Without Total Income Tax as Modified for the Foreign Tax Credit, 1977-1984



FOREIGN INCOME TAX PAYMENTS

Data in Figure C can be used to calculate the numbers of nontaxable returns due primarily to foreign income tax payments, as evidenced by foreign tax credits shown on U.S. income tax returns. The results of these calculations which indicate the number of returns that would not have been nontaxable in the United States except for foreign tax payments are shown in Figure I. Between 1983 and 1984, the number of such returns actually declined by more than one-half, no matter which income concept is considered. This sharp decline followed a marked, but more modest, decline between 1982 and 1983.

nontaxable, high-income returns were nontaxable in the United States because the U.S. tax liability was wiped out by a foreign tax credit. This decline in the importance of the foreign tax credit in completely eliminating taxability does not seem to be the result of legislated change. At this point, the author cannot offer a reason for this apparently significant change.

DISTRIBUTION OF TAX LEVELS

Tables 3 and 4 show the distributions of high-income returns by the ratios of taxable income (as adjusted to reflect tax credits and special tax computations) to total income on the returns [8]. The tables illustrate three important facts

Figure I.—Nontaxable Returns With Income of $200,000 or More: Number and Change in Number Because of the Foreign Tax Credit, 1977–1984

Income concept	1977		1978		1979		1980	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
Returns nontaxable due to foreign tax credits by income concept:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Adjusted gross income (AGI)	23	.043%	38	.055%	42	.045%	87	.074%
Expanded income	21	.031	38	.045	50	.041	84	.056
AGI plus excluded preferences	23	.032	38	.042	53	.041	88	.055
AGI less investment interest	21	.042	38	.059	38	.043	84	.077
	Change	Percentage change from prior year	Change	Percentage change from prior year	Change	Percentage change from prior year	Change	Percentage change from prior year
Change from previous year in returns nontaxable due to foreign tax credits:	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Adjusted gross income (AGI)	(1)	(1)	15	65.2%	4	10.5%	45	107.1%
Expanded income	(1)	(1)	17	81.0	12	31.6	34	68.0
AGI plus excluded preferences	(1)	(1)	15	65.2	15	39.5	35	66.0
AGI less investment interest	(1)	(1)	17	81.0	—	—	46	121.1

Income concept	1981		1982		1983		1984	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
Returns nontaxable due to foreign tax credits by income concept:	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Adjusted gross income (AGI)	147	.106%	153	.090%	126	.063%	61	.025%
Expanded income	190	.109	146	.070	142	.057	54	.017
AGI plus excluded preferences	207	.111	153	.070	147	.056	61	.019
AGI less investment interest	134	.105	145	.091	121	.065	53	.023
	Change	Percentage change from prior year	Change	Percentage change from prior year	Change	Percentage change from prior year	Change	Percentage change from prior year
Change from previous year in returns nontaxable due to foreign tax credits:	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Adjusted gross income (AGI)	60	69.0%	6	4.1%	−27	−17.6%	−65	−51.6%
Expanded income	106	126.2	−44	−23.2	−4	−2.7	−88	−62.0
AGI plus excluded preferences	119	135.2	−54	−26.1	−6	−3.9	−86	−58.5
AGI less investment interest	50	59.5	11	8.2	−24	−16.6	68	−56.2

[1] Not computed.

about high-income tax returns. (The examples in the paragraphs below are drawn from the "expanded income" column in Table 4).

1. As already described, only a small proportion of high-income taxpayers were able to escape all income taxes (0.087 percent).

2. Another group of high-income taxpayers—still a small group but larger than the nontaxable group—was able to offset half or more of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of his or her income, perhaps a smaller share of income than that of a typical median-income family. Such taxpayers may be called "nearly nontaxables." (About 0.7 percent of high expanded-income taxpayers were able to reduce their taxable income to less than 25 percent of their expanded income.)

   Legitimate questions can be raised about whether this nearly nontaxable group is paying its "fair share" of the aggregate income tax. Despite the small amount of tax payable by the nearly nontaxables, they have escaped the notoriety accorded to high-income tax returns which show absolutely no tax liability.

3. Overall, a large portion of high-income taxpayers were subject to tax on a large share of their income and reported very substantial amounts of tax. (About 27 per cent had taxable income exceeding 80 percent of expanded income. Over 63 percent had taxable income of more than 50 percent of expanded income.)

Tables 11 and 12 represent another way of showing the distributions of tax returns by tax burden. These two tables classify all tax returns by both the size of income and the effective tax rate, i.e., income tax as a percentage of income.

1. These tables illustrate the distribution of effective tax rates for high-income returns as compared with the distribution for returns with lower income levels: under $50,000; $50,000 to $100,000; and $100,000 to $200,000. On the average, high-income taxpayers do have higher effective tax rates.

2. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. While 1.2 percent of high expanded-income returns showed either no worldwide tax liability or tax liability of less than 10 percent of expanded income, 1.0 percent had effective tax rates of 45 percent to 50 percent of income, and approximately 0.2 percent reportedly paid income tax equal to more than one-half of their expanded income. More than 91 percent had average tax rates ranging from 15 percent to 45 percent of income, with over 55 percent of high-income taxpayers having effective tax rates between 20 percent and 40 percent of income (see Table 12).

CHARACTERISTICS OF TAX RETURNS

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income; the items of tax preference; and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, the ratios of both partnership income to total income and partnership losses to total income were far higher on nontaxable returns.

REASONS FOR NONTAXABILITY

Tables 7 and 8 classify tax returns by the items that had the largest and second largest effects in reducing or eliminating income tax. For the returns on which each primary item was most important, the tables show the distributions of the second most important items. For example, on taxable returns with expanded incomes of at least $200,000, the most important item in reducing the amount of tax reported on 44 percent of the returns was the itemized deduction of State and local taxes (Table 8). For returns on which taxes were the largest item, the itemized deduction for interest payments was the second most important item 42 percent of the time and charitable contributions were the second most important item 38 percent of the time. Conversely, on nontaxable returns (with no worldwide tax), the interest-paid deduction was the most important item 64 percent of the time. Where interest paid was the primary item, there was no secondary item 34 percent of the time and charitable contributions and the deduction for taxes paid were each the second most important item 24 percent of the time.

Tables 9 and 10 represent another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables show data only for nontaxable returns. For returns without any income tax, these tables show the number of times that various items reduced income by different fractions of income. The items shown are the various categories of itemized deductions, total tax preferences excluded from income, and the deduction equivalents of three different types of tax credits. For example, for high expanded-income returns with no worldwide tax, the itemized deduction for casualty losses exceeded 100 percent of expanded income on 16 of the 271 returns but there was no casualty loss deduction on 239 returns. The deduction equivalent of the investment credit was between 50 percent and 100 percent of expanded income on three returns, and the total interest-paid deduction exceeded total expanded income on 49 returns.

CONCLUSION

Tax return data for 1984 represent the impact of the third and final installment of the 23 percent overall reduction in tax rates enacted as part of the Economic Recovery Tax Act of 1981 (ERTA). Most of the structural changes included in ERTA — including a reduction in the maximum marginal tax rate to 50 percent and significant changes in the minimum and alternative minimum taxes — took effect before 1984 [9]. Thus, it is difficult to attribute the changes in nontaxable, high-income returns directly to ERTA. It is, however, possible, that the 1984 data represent a return to more nearly normal levels following abnormal, transitory effects due to anticipation of, and initial reaction to, the changes made by ERTA.

Even allowing for the fact that 1982 and 1983 data may have included some transitory changes due to the enactment of ERTA, the differing trends in nontaxable, high-AGI returns versus high expanded-income returns for 1984 remain somewhat puzzling. Nontaxable, high expanded-income returns as a share of all high expanded-income returns appear to be approximately in line with prior data for other than 1983. The higher absolute number of such returns can be attributed to the secular growth in the total number of high-income returns. However, this pattern for nontaxable, high expanded-income returns is not consistent with the continual, substantial growth of nontaxable, high-AGI returns.

NOTES AND REFERENCES

[1] Section 2123, 90 Stat. at 1915.

[2] The concepts are: adjusted gross income (AGI); expanded income; AGI plus excluded preferences; and AGI less investment interest not in excess of investment income. See Appendix A for a full discussion of these concepts.

[3] Section 441 (90 Stat. at 815) eliminated the requirement of using AGI plus excluded preferences and AGI less investment interest not in excess of investment income. Despite section 441, for purposes of historical comparison, this report includes summary data on the numbers of total, taxable, and nontaxable returns for these two income concepts.

[4] Lerman, Allen H., *High Income Tax Returns: 1974 and 1975, A Report on High Income Taxpayers Emphasizing Tax Returns with Little or No Tax Liability,* U.S. Department of the Treasury, Office of Tax Analysis, March 1977, and *High Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns,* U.S. Department of the Treasury, Office of Tax Analysis, August 1978.

High-income taxpayer data for 1977 and 1978 have been tabulated but not published, except for the actual number of nontaxable, high-AGI returns. However, data for 1977 and 1978 may be published in the future.

[5] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income—Individual Income Tax Returns,* reports for 1979, 1980, 1981, and 1982.

[6] Lerman, Allen H., "High Income Tax Returns, 1983", *Statistics of Income Bulletin,* Spring 1986, Volume 5, Number 4, pp. 31-61.

[7] Lerman, Allen H., "High Income Returns, Taxable and Nontaxable", *Individual Income Tax Returns, 1984,* U.S. Department of the Treasury, Internal Revenue Service, pp. 103–122.

Note that the percentage columns in Tables 11 and 12 accompanying this article have been revised from similarly numbered tables in the 1984 *Statistics of Income* report. In the previously published tables, the percentages in each row added to 100 percent. In the current tables, the percentages add vertically to 100 percent.

[8] See "Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations," in Appendix B.

[9] See footnote 7, above, for a discussion of the changes in minimum taxation, which generally became effective in 1983, due to ERTA, and their possible effects on the number of nontaxable, high-income returns.

APPENDIX A

INCOME CONCEPTS: A PRIMER

This appendix explains the differences between the two major and two minor concepts of income which are used in this article. It outlines how the various concepts differ from the ideal economic concept of income. It reviews the two major conceptual differences between the income measures used, and it defines the exact relationships between the various concepts.

Economic Income, the Ideal Measure

Economists generally agree that for analyzing the impact of taxes, the ideal measure of income over a particular period of time, say a year, is the value of what the individual or family consumed over that period plus the change, if any, in its net worth [A1]. For example, if during a year a family spent $10,000 and saved $2,000, economists would say the family had an income of $12,000. Similarly, if the family spent $10,000 but owned an asset such as an automobile that decreased in value by $1,000, economists would say that the family has an income of only $9,000. A brief exami-

nation of the differences between income as defined by economists, often called economic income, and the adjusted gross income (AGI) concept, currently used for Federal income tax administration, illustrates some of the problems of measuring income, especially for high-income individuals.

Adjusted Gross Income

The concept of adjusted gross income was developed for tax administration. It was never meant to be an accurate measure of so-called economic income. Indeed, it is well recognized that AGI is deficient as a measure of economic income. For Tax Year 1984, AGI excluded certain types of income, such as interest from tax-exempt State and local Government bonds, most social security benefits, imputed rent on owner-occupied housing, and the value of many employee fringe benefits. Also, while not strictly excluded from AGI, income from other activities is deferred to a later year, or indefinitely, for income tax purposes. Depreciation deductions allowed for income tax purposes that exceed the decrease in the economic value of an asset often reduce AGI below economic income early in an asset's life. The resulting lower depreciation deductions in later years may raise AGI above economic income. The net effect, however, of accelerated depreciation is to postpone taxes, perhaps indefinitely [A2].

Adjusted gross income excludes most changes in net worth, such as the 60 percent of realized long-term capital gains that was excluded for 1984 and all accrued, but unrealized, capital gains [A3].

Even though some types of income are excluded, AGI may overstate economic income because some expenses incurred in the production of income are not deductible in the computation of AGI. Most of these expenses, however, are deductible *from* AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions. Expenses falling into this category include certain expenses incurred by employees (such as union dues and expenditures for items used on-the-job but not reimbursed by the employer) and expenses attributable to a taxpayer's investments (as opposed to active operation of a trade or business), including, but not limited to, interest expense incurred in connection with investments in securities. Although net capital losses reduce economic income, only the first $3,000 of net realized capital losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years. Moreover, for 1984, only 50 percent of realized, net long-term capital losses were deductible in computing AGI.

Redefining Income

Ideally, the impact of all taxes should be measured relative to economic income. However, no accurate, detailed data on such a broadly-defined income measure are available from income tax returns (or from any other source) for a cross-section of American taxpayers. As a practical matter, any broad income measure must be calculated from data already available from Federal individual income tax returns. Thus, a more comprehensive income measure must start from AGI and, to the extent that data are available, must make adjustments for omitted income items and expenses that ought to be deductible in calculating economic income [A4].

Omitted Income and Accelerated Deductions

Tax returns contain information about only a portion of the income included in economic income but excluded from AGI. The omitted income that could be identified on 1984 income tax returns consisted of the excluded portion of long-term capital gains (and current-year losses in excess of currently deductible amounts), the dividend exclusion of up to $100 per tax return (up to $200 on joint returns), payments to self-employed retirement (Keogh) and Individual Retirement Arrangement (IRA) pension savings plans, and income from sources considered to be tax preferences for purposes of the alternative minimum tax. Even if no alternative minimum tax is due, such preferences are generally supposed to be reported on Form 6251, Alternative Minimum Tax Computation, which is supposed to accompany the person's income tax return [A5].

Even after including preference income which was not in AGI but which was identifiable on 1984 tax returns, several major sources of income for high-income taxpayers were still omitted:

- Interest on tax-exempt State and local Government bonds;
- All accrued but unrealized income, primarily unrealized capital gains;
- Certain agricultural expenses deducted when paid, even though related income items are not includable in income until a later year;
- Imputed rental income from owner-occupied housing and from consumer durables;
- Straight-line depreciation deductions on real estate to the extent that they exceeded economic depreciation;
- Income "sheltered" from taxation — primarily partnership income — through deferral of the recognition of income for tax purposes and/or the acceleration of deduction items; and
- The value of employee fringe benefits [A6].

For real estate, the combination of a shorter life for tax

purposes than the true economic life of the property and the use of accelerated depreciation methods may produce tax depreciation deductions exceeding economic depreciation, especially in the early years of ownership. Subsequently, income may be correspondingly higher, but in the meantime, the taxpayer has the interest-free use of the deferred taxes. Also, if taxed in the future, the income could be converted into a long-term capital gain, which through Tax Year 1987 would be taxed at a lower rate than ordinary income.

Conceptual differences between income subject to ordinary tax and income benefitting from tax-preferred treatment may also lead to some understatement of income. Because of tax benefits, individuals may be willing to accept lower rates of return on investments yielding tax-preferred income. If one views that reduction in potential income as an "implicit tax" on that income (paid in lieu of ordinary tax), then the reporting of fully taxable and tax-preferred income is not consistent. Fully taxable income is being reported on a pre-tax basis, whereas a tax-preferred income is being shown on an after-tax basis. See "Implicit Tax" in Appendix B for further discussion of this concept.

Because income sources not identifiable from tax return data were excluded, all income measures used in the data for this article may understate economic income. As a consequence, some individuals with high economic incomes may have been omitted completely from the high-income group covered by this report. Moreover, the income of some individuals who are included may have been understated, and tax as a percentage of income (i.e., the effective tax rate) may have been overstated.

Investment Expenses

In measuring economic income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments. Since economic income would include all investment income, including accrued capital gains and losses, it would be proper to deduct all investment expenses without limit. Investment expenses in excess of income would then represent net economic losses, roughly akin to "net operating losses" from a trade or business. However, such a liberal deduction for investment-related expenses is not necessarily correct when all income items have not been included currently.

If all income has not been included currently, full deduction of investment expenses might represent a mismatching of receipts and expenses and might result in *understating* income. For example, if a taxpayer borrowed funds to purchase securities, net income would be understated if the taxpayer deducted all interest payments on the loan but did not include as income any accrued gains on the securities. A similar mismatching of income and expenses would occur if investment expenses that should properly be capitalized were deducted when paid. In these instances, a more accurate measure of income might be obtained by postponing the deduction of the expense until such time as the income were recognized for tax purposes.

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and non-income-producing assets, such as a vacation home or yacht. It is not possible to determine what portion of the interest expense should be attributed to taxable income-producing assets and, therefore, ought to be deductible against the gross receipts from such taxable assets.

As a result of these problems, it has been necessary to set arbitrary limits on the amount of investment expenses which are deductible in calculating a broader measure of income.

Investment expenses that have not been deducted in determining AGI generally appear on a Federal individual income tax return in two places. Investment interest appears as part of the itemized deduction for interest; other investment expenses such as management fees are included in the miscellaneous category of itemized deductions [A7]. To determine expenses that should be deductible in calculating an approximation of economic income, investment expenses have been *defined* as the entire interest deduction other than the interest paid on a home mortgage. Other investment expenses could not be determined since they could not be separated from the remainder of "miscellaneous" deductions. Hence, they have not been used in the adjustment for investment expenses.

To the extent that interest expenses do *not* exceed investment income, they have been allowed as a deduction in the computation of a broader measure of income. One consequence of this definition is that investment expenses can never turn positive investment income into investment losses. Generally, allowing investment expenses to offset all investment income is generous and tends to understate broadly-measured income. However, in some instances, limiting investment expenses to investment income may *overstate* income by disallowing genuine investment losses. This arbitrary procedure has been selected because, especially with the omission of accrued capital gains from measured income, allowing all investment expenses to be deducted would represent a mismatching of income and expenses.

The amount of investment income against which investment interest can be offset depends on the amount of investment income included in the income measure under consideration. Investment income consists of interest, dividends, and net capital gains (or losses). However, if only a portion of capital gains is included in the income concept, as is the case with AGI for 1984, then only that portion is considered to be investment income. A similar adjustment

was also made for the dividend exclusion of up to $100 per tax return ($200 on a joint return).

Expanded Income

The Congress has asked for high-income data to be tabulated on the basis of a measure closely approximating economic income but using only data available on tax returns. This measure is called "expanded income."

Expanded income is defined as adjusted gross income (AGI) *plus* items of tax preference income excluded from AGI *less* investment expenses to the extent that they do not exceed investment income [A8]. Tax preferences considered for 1984 were the $100-per-tax-return exclusion for qualifying dividends ($200 on a joint return), the excluded portion of net long-term capital gains, and, where the taxpayer filed a Form 6251, Alternative Minimum Tax Computation, all other excluded income preferences subject to the minimum tax [A9]. For individuals, the only preference income items of significance other than the excluded portion of capital gains are the excess of accelerated depreciation over straight-line depreciation on real property and on personal property subject to a lease, the excess of percentage depletion over the cost of the property, and deductions for intangible drilling costs in excess of the amounts deductible if these costs had been amortized. Because expanded income is based on tax return data, it excludes items such as interest on tax-exempt State and local Government bonds, accrued but unrealized capital gains, straight-line depreciation on real estate in excess of economic depreciation, most employee fringe benefits, and other items mentioned above, under "Omitted Income and Accelerated Deductions."

Four Income Measures

Current law requires high-income tax return data to be selected and classified on the basis of two different definitions of income: expanded income and adjusted gross income. For comparability with data for earlier years, this section also includes a limited amount of data using two other, previously required, income definitions. Each of the two additional income measures embodies only one of the two major differences between expanded income and AGI. "Adjusted gross income plus excluded tax preferences" is AGI *plus* the amount of tax preference income excluded from AGI. "Adjusted gross income less investment interest" is AGI *less* the amount of investment interest to the extent that it does not exceed investment income.

When ranked according to size of income, AGI plus excluded tax preferences is largest, AGI less investment interest is smallest, and AGI and expanded income fall in the middle. For any given taxpayer, AGI can be larger or smaller than expanded income depending on whether preferences are larger or smaller than investment interest.

The four income concepts are related in the following manner [A10]:

Expanded income
= Adjusted gross income + preferences
− investment interest

Adjusted gross income
= Expanded income − preferences
+ investment interest

Adjusted gross income plus excluded tax preferences
= Adjusted gross Income + preferences

or = Expanded income + investment interest

Adjusted gross income less investment interest
= Adjusted gross income − investment interest

or = Expanded income − preferences

Expanded income is the measure which most closely approximates economic income.

NOTES TO APPENDIX A

[A1] This is the Haig-Simons definition of income.

[A2] For Tax Year 1984, the Internal Revenue Code defined adjusted gross income as all gross income not specifically excluded or reduced by statutory adjustments. Among the exclusions were trade or business deductions (including some deductions by employees) and depreciation deductions allowable for tax purposes, the deduction for 60 percent of net long-term capital gains, limited deductions for losses from the sale or exchange of property, deductions attributable to rents and royalty income, the moving expenses adjustment, and deductions for contributions to individual retirement arrangements (IRA's) and self-employed retirement (Keogh) plans.

[A3] Gross income includes only income that has been "realized." Thus, for Federal income tax purposes, accrued increases or decreases in the value of assets are generally not included in income until any gain or loss is realized by a sale or exchange. In addition, gross income does not include the value of the services received from the use of durable goods, such as imputed net rent from owner-occupied homes or from consumer durables. Finally, gross income and, hence, adjusted gross income, do not include interest on most types of State and local Government debt, most social security benefits, workers' compensation benefits, and most types of welfare benefits.

[A4] There have been attempts to create microdata files that include approximations of economic income. Tax return data files have been "statistically merged", i.e., merged with information for persons having similar characteristics, with other files such as the Current Population Survey (CPS) of the Bureau of the Census. After the merge, certain additional data items that were not on either file have been "imputed" to each record of the merged file. Although such statistically-merged files have proven useful for many purposes, they have only limited use—and must be used with great caution—for high-income individuals and families, each of which is likely to have more unique financial and income characteristics that are not likely to be duplicated accurately through imputations and statistical merges.

[A5] The tax preferences excluded from adjusted gross income, as tabulated in Tables 5 and 6, included the following items: the dividend exclusion; the "all-savers" interest exclusion; the excluded portion of long-term capital gains; the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease; the excess of rapid amortization allowable on certain capital expenditures (such as pollution control facilities) over depreciation otherwise allowable; the excess of percentage depletion over the "adjusted basis" of the property; unrealized gain on the exercise of stock options; and certain intangible drilling costs to the extent that they exceeded the otherwise allowable amortization deduction. Any preferences from itemized deductions did not represent omitted income; hence, they were not counted as preference items in calculating a broader measure of income.

[A6] Omission of social security benefits and certain other items is relatively unimportant for high-income taxpayers.

[A7] In addition, income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from certain small business corporations, only the net amounts of which are included in adjusted gross income.

[A8] For the sake of brevity, "investment interest to the extent that it does not exceed investment income" is called "investment interest." "Investment interest in excess of investment income" is called "excess investment interest."

[A9] See footnote [A5].

[A10] The borderline between excess and non-excess investment interest depends on the income items actually included under each income concept. Hence, the investment interest adjustment differs depending on which income definition is used.

APPENDIX B

MEASUREMENT OF TAXES

This appendix discusses the proper measurement of income tax borders. It explains two different treatments of the foreign tax credit: as a tax on income; or as an item of tax preference. It discusses the concept of implicit tax on tax preference income. It outlines the methodology which was used in the development of the basic tabulations of 1984 tax return data to equate the importance of exclusions and deductions from the income base subject to tax with tax credits. Finally, certain limitations in the underlying tax return data are summarized.

Foreign Tax Credits: Worldwide Taxes on Worldwide Income

Just as income must be measured properly, so must income taxes.

U.S. income taxes are based on global (worldwide) income. Thus, U.S. citizens and residents generally must include income on their U.S. income tax returns regardless of whether it has been generated in the United States or in a foreign country. However, when a taxpayer has foreign source income, the U.S. income tax computed on global income may often be reduced dollar-for-dollar by the amount of foreign income taxes that has been paid on that foreign income. These offsets for foreign income taxes are called "foreign tax credits" [B1].

Statistics of Income (SOI) data collected as a by-product of tax administration include global income as reported on U.S. income tax returns. The SOI data, however, usually include as taxes only U.S. income taxes net of the foreign tax credits that represent offsets for foreign income tax payments. Where taxpayers have income from foreign sources, this procedure understates their worldwide tax liabilities and their effective tax rates. Since worldwide income is reported on U.S. tax returns, a more accurate measure of the tax burden imposed on that income would be obtained if all income taxes—U.S. as well as foreign—were considered. Analysis of high-income tax returns indicates that a substantial portion of the so-called nontaxable, high-incomes have large shares of their income from non-U.S. sources and have paid substantial amounts of foreign income taxes on that income. Thus, it does not seem appropriate to classify these individuals as nontaxable or to classify their foreign tax credits as special tax benefits.

In order to present a more realistic picture of the number of nontaxable, high-income tax returns and the reasons

they were nontaxable, several tables in this article have been prepared by redefining income tax liability to consist of the total amount of U.S. income taxes (income taxes after credits plus the alternative minimum tax) plus the amount of foreign tax credits. Because information on foreign tax liabilities is not readily available in tabulations from U.S. income tax returns, foreign tax credits as shown on U.S. income tax returns were selected as a proxy for foreign tax liabilities. Where foreign tax rates exceed U.S. rates, and in certain other instances, foreign tax credits actually will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign taxes understates global income tax liability. In cases in which foreign tax credits are for taxes paid on income from earlier years, use of foreign tax credits may either overstate *or* understate global taxes on the current year's income.

Tables redefining tax liability to include the foreign tax credit attempt to present an approximation of the true worldwide (global) income tax burden on worldwide income. For the vast majority of taxpayers—with high incomes or otherwise—this adjustment is irrelevant, for they have little or no foreign-source income. However, for the small proportion of taxpayers with substantial foreign income, this adjustment is important. The policy implications of a person with a very large amount of income not paying U.S. income tax certainly would be different if U.S. nontaxability were the result of the person's living and working abroad and paying substantial amounts of foreign tax than if all income were from U.S. sources and the person paid no income tax to either the U.S. Government or any other government.

In order to be consistent with data from earlier years, all tables showing nontaxability or the amount of taxability on the basis of worldwide tax liability have been duplicated by other tables with tax liability defined in the more traditional way used for tax administration purposes: U.S. income tax liability after subtracting the value of any foreign tax credits. Tables 1, 3, 5, 7, 9, and 11 and Figures E and G contain data with foreign tax credits treated as items which reduce U.S. income tax liabilities. In Tables 2, 4, 6, 8, 10, and 12 and Figures F and H, foreign tax credits are treated as part of the individual's income tax liability.

Implicit Tax

Income from certain tax-preferred sources is either not subject to any Federal individual income tax or benefits from reduced tax rates or the deferral of taxation, or both. However, to the extent that the income from such sources has been reduced because of the existence of tax preferences, the stated tax on such income understates the amount of tax effectively paid by the recipient of that income. In addition to any income tax actually paid, there is an "implicit tax" equal to the amount by which the income from that source has been reduced because of the tax preferences. Thus, the benefit to the recipient of tax-preferred income is less than the stated tax preference to the extent that the gross income from that source already anticipates the tax preference. As a result, an individual may be indifferent between a lower-yield, nontaxable income source and a higher-yield taxable source.

Tax-exempt income from State and local Government bonds provides the clearest example of an "implicit tax." Because of the tax exemption, the interest rate on tax-exempt bonds is generally lower than the interest on taxable bonds with equivalent risk. The yields between tax-exempt and taxable bonds generally differ by an amount such that the yield on the tax-exempt bonds will be about the same or slightly more than the after-tax yield on an equivalent taxable bond. In reality, the holders of tax-exempt bonds are paying an "implicit tax" which is equal to the spread between the interest rates on the tax-free bond and the equivalent taxable bond.

The main difference between implicit tax and ordinary Federal income tax is the recipient of the tax revenue. The general fund of the Federal Government receives the ordinary Federal income tax revenue whereas the implicit-tax revenue is usually divided between the payer and the recipient of the tax-preferred income. The government entity issuing a tax-exempt bond receives part of the implicit tax in the form of reduced rates on interest paid on those bonds. For other assets producing tax-preferred income, some of the implicit tax is received by the seller of the asset in the form of a higher price reflecting the capitalized value of some of the stream of tax benefits.

No attempts have been made in this article to measure implicit taxes. Accordingly, taxes paid and tax rates have not been adjusted to reflect implicit taxes on tax preference income.

Adjusting Income for Implicit Tax

It should also be noted that compared with income from other sources, the gross income from tax-preferred sources is understated by the amount by which that income has been reduced by the portion of the above-mentioned "implicit tax" which benefits the recipient of the income. Thus, in theory, when measuring income, it would be appropriate to "gross up" the amount of tax-preferred income received by the portion of the implicit tax on that income which has actually benefitted the recipient of the income. Since no attempt has been made to measure implicit taxes for this article, incomes have not been increased to reflect the value of implicit taxes.

Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations

In order to compare the importance of various exclusions, deductions, tax credits, and special tax computations (such

as the alternative minimum tax on tax preferences and the income averaging tax computation), the different types of items must be put on the same basis. One way of doing so is to calculate the size of the deduction that would reduce (or increase) income tax by the same amount as a tax credit. This amount is called the "deduction equivalent" of the tax credit.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using ordinary tax rate schedules, would yield the actual tax before the provision in question is considered and the actual tax after the provision. For example, the "deduction equivalent of all tax credits" is equal to the difference between "taxable income which would yield tax before credits" and "taxable income which would yield tax after credits."

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated affects the value of their deduction equivalents. Because the tax rate schedules are progressive with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first.

The deduction equivalents of tax credits shown in the accompanying tables were computed by assuming that deductions and exclusions reduced taxes before tax credits. As a result, the deduction equivalent of tax credits is biased upwards.

Share of Income Subject to Tax

The total impact of various deductions, exclusions, tax credits, and special tax computations can be measured only if the aggregate value of all of, or groups of, these items in reducing, or increasing, income taxes is put on a comparable basis. Two often-used measures of the value of deductions and exclusions are (1) the share of income that has been excluded from tax and (2) the share of income that remains subject to tax. The latter measure can also include the impact of tax credits and special tax computations if the deduction equivalent of these items is added to taxable income defined in the ordinary manner. Doing so yields what the tables accompanying this article call "taxable income which would yield income tax before credits," "taxable income which would yield income tax after credits," and "taxable income which would yield total income tax." These measures could be computed directly from taxable income and from the deduction equivalents of the appropriate items. However, these measures have been computed by using the tax rate schedules to calculate the amounts of taxable income that would have been necessary (when subject to tax under the appropriate, ordinary tax rate schedule) to yield the given amounts of tax.

Unaudited Data

Tax return data used in the Statistics of Income program have been tabulated as they have been reported on tax returns filed with the Internal Revenue Service. Certain obvious arithmetic errors have been corrected, and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not reflect any changes that may have been made or that are likely to be made in the future as a result of IRS audits. While this is true of data throughout the entire SOI program, it is of particular relevance for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

The fact that the data have been drawn from unaudited returns is of even greater importance for those high-income returns that are nontaxable. Almost any audit changes would make such returns taxable. Even where the tax consequences were minor, such returns would be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

NOTE TO APPENDIX B

[B1] Certain amounts of income earned abroad are excluded from adjusted gross income by statute. Any foreign taxes paid on such income are not creditable against U.S. income taxes. The tables in this article do not reflect either the amounts of income excluded or the foreign tax payments on them.

Table 1 — Returns With and Without Total Income Tax: Number of Returns Classified by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Size of income under alternative concepts	Size of adjusted gross income				
	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All Returns					
Total	99,438,708	92,726,609	5,707,146	761,193	243,760
Size of expanded income					
Under $50,000	92,513,608	92,368,741	144,217	453	197
$50,000 under $100,000	5,752,243	340,326	5,387,936	23,500	481
$100,000 under $200,000	862,815	11,711	167,337	678,280	5,487
$200,000 or more	310,042	5,831	7,656	58,960	237,595
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	92,310,798	92,310,798	—	—	—
$50,000 under $100,000	5,906,925	397,512	5,509,413	—	—
$100,000 under $200,000	895,716	12,320	189,598	693,798	—
$200,000 or more	325,269	5,979	8,135	67,395	243,760
Size of adjusted gross income less investment interest					
Under $50,000	92,918,667	92,726,609	190,178	1,399	481
$50,000 under $100,000	5,570,965	—	5,516,968	53,314	683
$100,000 under $200,000	719,267	—	—	706,480	12,787
$200,000 or more	229,809	—	—	—	229,809
Returns With Total Income Tax					
Total	82,928,899	76,242,929	5,683,177	759,565	243,228
Size of expanded income					
Under $50,000	76,031,156	75,890,903	140,114	*121	18
$50,000 under $100,000	5,727,429	334,611	5,369,135	23,253	430
$100,000 under $200,000	860,597	11,675	166,273	677,237	5,412
$200,000 or more	309,717	5,740	7,655	58,954	237,368
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	75,836,642	75,836,642	—	—	—
$50,000 under $100,000	5,875,272	388,301	5,486,971	—	—
$100,000 under $200,000	892,389	12,110	188,088	692,191	—
$200,000 or more	324,596	5,876	8,118	67,374	243,228
Size of adjusted gross income less investment interest					
Under $50,000	76,429,929	76,242,929	185,761	958	281
$50,000 under $100,000	5,551,122	—	5,497,416	53,070	636
$100,000 under $200,000	718,244	—	—	705,537	12,707
$200,000 or more	229,604	—	—	—	229,604
Returns Without Total Income Tax					
Total	16,509,809	16,483,680	23,969	1,628	532
Size of expanded income					
Under $50,000	16,482,452	16,477,838	4,103	332	179
$50,000 under $100,000	24,814	5,715	18,801	247	51
$100,000 under $200,000	2,218	36	*1,064	1,043	75
$200,000 or more	325	91	1	*6	227
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	16,474,156	16,474,156	—	—	—
$50,000 under $100,000	31,653	9,211	22,442	—	—
$100,000 under $200,000	3,327	210	1,510	1,607	—
$200,000 or more	673	103	*17	21	532
Size of adjusted gross income less investment interest					
Under $50,000	16,488,738	16,483,680	4,417	441	200
$50,000 under $100,000	19,843	—	19,552	244	47
$100,000 under $200,000	1,023	—	—	943	80
$200,000 or more	205	—	—	—	205

*Estimate should be used with caution because of the small number of sample returns on which it is based.

Table 2 — Returns With and Without Modified Total Income Tax: Number of Returns Classified by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Size of income under alternative concepts	Size of adjusted gross income				
	Total	Under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All Returns					
Total	99,438,708	92,726,609	5,707,146	761,193	243,760
Size of expanded income					
Under $50,000	92,513,608	92,368,741	144,217	453	197
$50,000 under $100,000	5,752,243	340,326	5,387,936	23,500	481
$100,000 under $200,000	862,815	11,711	167,337	678,280	5,487
$200,000 or more	310,042	5,831	7,656	58,960	237,595
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	92,310,798	92,310,798	—	—	—
$50,000 under $100,000	5,906,925	397,512	5,509,413	—	—
$100,000 under $200,000	895,716	12,320	189,598	693,798	—
$200,000 or more	325,269	5,979	8,135	67,395	243,760
Size of adjusted gross income less investment interest					
Under $50,000	92,918,667	92,726,609	190,178	1,399	481
$50,000 under $100,000	5,570,965	—	5,516,968	53,314	683
$100,000 under $200,000	719,267	—	—	706,480	12,787
$200,000 or more	229,809	—	—	—	229,809
Returns With Modified Total Income Tax					
Total	82,964,351	76,270,465	5,691,030	759,567	243,289
Size of expanded income					
Under $50,000	76,058,692	75,918,439	140,114	*121	18
$50,000 under $100,000	5,735,283	334,611	5,376,988	23,253	431
$100,000 under $200,000	860,605	11,675	166,273	677,239	5,418
$200,000 or more	309,771	5,740	7,655	58,954	237,422
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	75,864,178	75,864,178	—	—	—
$50,000 under $100,000	5,883,125	388,301	5,494,824	—	—
$100,000 under $200,000	892,391	12,110	188,088	692,193	—
$200,000 or more	324,657	5,876	8,118	67,374	243,289
Size of adjusted gross income less investment interest					
Under $50,000	76,457,466	76,270,465	185,761	958	282
$50,000 under $100,000	5,558,975	—	5,505,269	53,070	636
$100,000 under $200,000	718,253	—	—	705,539	12,714
$200,000 or more	229,657	—	—	—	229,657
Returns Without Modified Total Income Tax					
Total	16,474,357	16,456,144	16,116	1,626	471
Size of expanded income					
Under $50,000	16,454,916	16,450,302	4,103	332	179
$50,000 under $100,000	16,960	5,715	10,948	247	50
$100,000 under $200,000	2,210	36	*1,064	1,041	69
$200,000 or more	271	91	1	*6	173
Size of adjusted gross income plus excluded tax preferences					
Under $50,000	16,446,620	16,446,620	—	—	—
$50,000 under $100,000	23,800	9,211	14,589	—	—
$100,000 under $200,000	3,325	210	1,510	1,605	—
$200,000 or more	612	103	*17	21	471
Size of adjusted gross income less investment interest					
Under $50,000	16,461,201	16,456,144	4,417	441	199
$50,000 under $100,000	11,990	—	11,699	244	47
$100,000 under $200,000	1,014	—	—	941	73
$200,000 or more	152	—	—	—	152

*Estimate should be used with caution because of the small number of sample returns on which it is based.

Table 3 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Taxable Income to Specified Alternative Income

(All figures are estimates based on samples)

Specified items	Adjusted gross income			Expanded income			Adjusted gross income plus excluded tax preferences			Adjusted gross income less investment interest		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	**243,760**	**100.0**	—	**310,042**	**100.0**	—	**325,269**	**100.0**	—	**229,809**	**100.0**	—
Returns without total income tax	532	0.2	—	325	0.1	—	673	0.2	—	205	0.1	—
Returns with total income tax:												
Total	243,228	99.8	100.0	309,717	99.9	100.0	324,596	99.8	100.0	229,604	99.9	100.0
Ratio of taxable income to alternative income:												
Under 5 percent	225	0.1	0.1	99	( )	( )	306	0.1	0.1	72	( )	( )
5 under 10 percent	442	0.2	0.3	184	0.1	0.1	749	0.2	0.3	133	0.1	0.1
10 under 15 percent	268	0.1	0.4	331	0.1	0.2	792	0.2	0.6	80	( )	0.1
15 under 20 percent	612	0.3	0.6	270	0.1	0.3	928	0.3	0.9	230	0.1	0.2
20 under 25 percent	646	0.3	0.9	1,324	0.4	0.7	2,513	0.8	1.6	371	0.2	0.4
25 under 30 percent	1,123	0.5	1.4	6,998	2.3	3.0	8,823	2.7	4.3	498	0.2	0.6
30 under 35 percent	1,403	0.6	1.9	4,095	1.3	4.3	7,056	2.2	6.5	954	0.4	1.0
35 under 40 percent	2,654	1.1	3.0	11,664	3.8	8.1	25,941	8.0	14.5	1,536	0.7	1.7
40 under 45 percent	9,760	4.0	7.0	54,110	17.5	25.5	52,640	16.2	30.7	8,534	3.7	5.4
45 under 50 percent	5,127	2.1	9.2	35,546	11.5	37.0	27,593	8.5	39.2	3,738	1.6	7.0
50 under 60 percent	18,403	7.6	16.7	32,125	10.4	47.4	34,136	10.5	49.7	9,143	4.0	11.0
60 under 70 percent	23,988	9.9	26.6	33,394	10.8	58.2	36,949	11.4	61.1	23,020	10.0	21.0
70 under 80 percent	50,239	20.7	47.2	46,470	15.0	73.2	48,955	15.1	76.2	43,357	18.9	39.9
80 percent or more	128,338	52.8	100.0	83,107	26.8	100.0	77,215	23.8	100.0	137,938	60.1	100.0

( )Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.

Table 4 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Taxable Income to Specified Alternative Income

(All figures are estimates based on samples)

Specified items	Adjusted gross income			Expanded income			Adjusted gross income plus excluded tax preferences			Adjusted gross income less investment interest		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	**243,760**	**100.0**	—	**310,042**	**100.0**	—	**325,269**	**100.0**	—	**229,809**	**100.0**	—
Returns without modified total income tax	471	0.2	—	271	0.1	—	612	0.2	—	152	0.1	—
Returns with modified total income tax:												
Total	243,289	99.8	100.0	309,771	99.9	100.0	324,657	99.8	100.0	229,657	99.9	100.0
Ratio of taxable income to alternative income:												
Under 5 percent	215	0.1	0.1	85	( )	( )	294	0.1	0.1	60	( )	( )
5 under 10 percent	434	0.2	0.3	177	0.1	0.1	742	0.2	0.3	124	0.1	0.1
10 under 15 percent	259	0.1	0.4	321	0.1	0.2	774	0.2	0.6	77	( )	0.1
15 under 20 percent	560	0.2	0.6	217	0.1	0.3	877	0.3	0.8	183	0.1	0.2
20 under 25 percent	635	0.3	0.9	1,308	0.4	0.7	2,500	0.8	1.6	358	0.2	0.3
25 under 30 percent	1,118	0.5	1.3	6,986	2.3	2.9	8,811	2.7	4.3	489	0.2	0.6
30 under 35 percent	1,392	0.6	1.9	4,074	1.3	4.3	7,038	2.2	6.5	945	0.4	1.0
35 under 40 percent	2,686	1.1	3.0	11,648	3.8	8.0	25,942	8.0	14.5	1,566	0.7	1.7
40 under 45 percent	9,749	4.0	7.0	54,161	17.5	25.5	52,685	16.2	30.7	8,524	3.7	5.4
45 under 50 percent	5,123	2.1	9.1	35,548	11.5	37.0	27,597	8.5	39.2	3,732	1.6	7.0
50 under 60 percent	18,389	7.6	16.7	32,136	10.4	47.3	34,141	10.5	49.7	9,122	4.0	11.0
60 under 70 percent	23,977	9.9	26.5	33,398	10.8	58.1	36,950	11.4	61.1	23,004	10.0	21.0
70 under 80 percent	50,225	20.6	47.2	46,477	15.0	73.1	48,967	15.1	76.2	43,325	18.9	39.8
80 percent or more	128,527	52.8	100.0	83,235	26.9	100.0	77,339	23.8	100.0	138,148	60.2	100.0

( ) Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.

Table 5 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with total income tax		Returns without total income tax		Total		Returns with total income tax		Returns without total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Salaries and wages	197,368	50,123,473	197,019	50,051,572	349	71,901	237,835	53,034,123	237,645	52,984,607	190	49,517
Business or profession:												
Net income	50,726	5,477,645	50,616	5,463,129	110	14,516	64,299	5,983,308	64,238	5,973,523	61	9,785
Net loss	24,397	1,242,050	24,267	1,220,853	130	21,197	34,578	1,718,649	34,514	1,689,324	64	29,325
Farm:												
Net income	4,510	281,885	4,498	280,384	12	1,500	6,392	324,644	6,388	323,990	4	654
Net loss	15,163	993,565	15,102	978,975	61	14,589	19,874	1,391,829	19,836	1,384,613	38	7,216
Partnership:												
Net income	69,957	7,865,379	69,802	7,831,574	155	33,805	84,110	8,264,775	84,036	8,237,040	74	27,735
Net loss	107,156	9,539,004	106,912	9,470,815	244	68,190	134,020	12,161,604	133,854	12,085,300	166	76,304
Small Business Corporation:												
Net income	32,602	8,519,063	32,550	8,508,360	52	10,702	37,804	8,781,591	37,768	8,771,591	36	9,999
Net loss	22,958	1,386,149	22,811	1,353,685	147	32,464	29,339	1,905,468	29,269	1,874,196	70	31,272
Sales of capital assets:												
Net gain	165,263	24,997,924	164,984	24,941,214	279	56,710	231,655	30,985,718	231,461	30,915,364	194	70,354
Net loss	38,982	90,609	38,926	90,461	56	147	38,535	89,816	38,509	89,747	26	70
Sales of property other than capital assets:												
Net gain	19,772	558,314	19,689	550,662	83	7,652	26,798	710,538	26,756	705,648	42	4,890
Net loss	29,408	260,859	29,339	258,264	69	2,595	33,033	318,127	32,997	314,981	36	3,146
Interest received	240,114	12,377,544	239,608	12,252,526	506	125,018	305,301	13,984,678	305,001	13,941,288	300	43,390
Dividends in adjusted gross income	197,971	10,360,838	197,586	10,300,328	385	60,509	247,541	11,034,024	247,314	11,019,450	227	14,574
Pensions and annuities in adjusted gross income	42,232	1,060,081	42,177	1,057,179	55	2,902	54,051	1,217,968	54,027	1,216,485	24	1,483
Rent:												
Net income	51,898	2,083,430	51,778	2,072,482	120	10,948	64,922	2,283,708	64,870	2,278,576	52	5,133
Net loss	68,581	1,841,069	68,383	1,824,048	198	17,021	89,796	2,419,663	89,688	2,401,793	108	17,870
Royalty:												
Net income	25,175	1,868,510	25,088	1,863,485	87	5,025	31,347	2,132,705	31,310	2,129,948	37	2,757
Net loss	2,442	41,414	2,433	41,358	9	56	3,378	69,042	3,376	69,036	2	6
Estate or trust:												
Net income	38,139	1,743,600	38,068	1,731,517	71	12,083	46,354	1,875,841	46,317	1,865,431	37	10,410
Net loss	3,210	73,298	3,201	72,393	9	905	4,446	101,729	4,442	101,106	4	623
State income tax refunds	103,376	499,023	103,254	498,079	122	943	124,560	543,760	124,492	543,153	68	608
Windfall profit tax refunds	13,048	28,345	13,026	28,283	22	63	14,866	31,051	14,856	31,024	10	27
Windfall profit tax withheld	50,497	227,934	50,376	226,891	121	1,043	58,799	254,256	58,741	253,836	58	421
Alimony received	603	15,909	600	15,753	3	156	723	18,044	722	17,985	1	59
Social security benefits in adjusted gross income	47,093	292,379	47,027	292,043	66	336	67,454	388,067	67,433	387,969	21	98
Unemployment compensation in adjusted gross income	635	1,329	635	1,329	—	—	1,501	3,767	1,501	3,767	—	—
Other income	52,355	1,544,764	52,218	1,534,751	137	10,012	61,799	1,667,875	61,737	1,661,259	62	6,615
Other loss	5,086	406,774	5,012	385,383	74	21,391	11,322	1,770,655	11,259	1,742,283	63	28,372
Total statutory adjustments	183,566	1,826,587	183,354	1,822,926	212	3,661	218,728	2,047,752	218,595	2,045,566	133	2,186
Expanded income	243,759	149,231,797	243,228	149,147,284	531	84,513	310,042	168,646,170	309,717	168,519,970	325	126,200
Adjusted gross income plus excluded tax preferences	243,760	154,463,231	243,228	154,182,493	532	280,738	310,042	173,749,226	309,717	173,588,830	325	160,397
Adjusted gross income less investment interest	243,759	106,840,338	243,228	106,786,395	531	53,943	310,040	114,190,539	309,715	114,161,703	325	28,835
Investment interest per adjusted gross income concept	184,796	5,086,341	184,317	4,898,624	479	187,717	226,143	4,980,634	225,960	4,948,120	183	32,513
Investment interest per alternative income concept	184,796	5,086,341	184,317	4,898,624	479	187,717	226,314	5,103,056	226,131	5,068,859	183	34,197
Tax preferences excluded from adjusted gross income:												
Total	223,140	42,536,552	222,699	42,497,474	441	39,078	290,158	54,578,054	289,900	54,479,006	258	99,048
Excluded long-term capital gains	159,884	34,555,420	159,635	34,524,245	249	31,174	226,279	43,302,466	226,097	43,224,054	182	78,412
Dividend exclusion	195,726	33,270	195,366	33,209	360	61	246,085	41,243	245,880	41,207	205	36
All other	110,419	7,947,862	110,214	7,940,019	205	7,843	146,763	11,234,345	146,661	11,213,745	102	20,600
Adjusted gross income	243,760	111,926,679	243,228	111,685,019	532	241,660	310,040	119,171,172	309,715	119,109,823	325	61,349

Footnote(s) at end of table.

Table 5 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status — Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with total income tax		Returns without total income tax		Total		Returns with total income tax		Returns without total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Exemption amount	243,760	828,394	243,228	826,594	532	1,800	310,042	1,033,973	309,717	1,032,856	325	1,117
Itemized deductions:												
Total per adjusted gross income concept	241,031	24,193,796	240,517	23,869,892	514	323,904	299,778	25,474,374	299,560	25,351,854	218	122,520
Total per expanded income concept	241,031	24,193,796	240,517	23,869,892	514	323,904	299,777	20,371,318	299,559	20,282,995	218	88,323
Contributions deduction	235,442	5,639,553	234,973	5,616,982	469	22,572	291,885	6,004,218	291,692	5,992,050	193	12,168
Interest paid deduction:												
Total per adjusted gross income concept	215,862	8,173,405	215,362	7,918,413	500	254,992	264,641	8,284,818	264,437	8,210,211	204	74,607
Total per expanded income concept	215,862	8,173,405	215,362	7,918,413	500	254,992	210,853	3,181,762	210,670	3,141,351	183	40,411
Total home mortgage interest	153,104	1,980,720	152,748	1,956,000	356	24,720	185,537	2,238,315	185,385	2,220,539	152	17,776
Investment interest exceeding investment income per adjusted gross income concept	107,955	1,106,344	107,623	1,063,790	332	42,555	129,076	1,065,870	128,943	1,041,552	133	24,318
Investment interest exceeding investment income per alternative income concept	107,955	1,106,344	107,623	1,063,790	332	42,555	127,244	943,447	127,113	920,812	131	22,635
Medical and dental expense deduction	6,749	191,594	6,729	189,228	20	2,366	12,534	234,070	12,520	232,174	14	1,897
Net casualty or theft loss deduction	526	38,694	491	19,361	35	19,333	691	42,398	659	23,734	32	18,665
Taxes paid deduction	240,988	8,681,694	240,482	8,668,435	506	13,259	299,737	9,288,778	299,524	9,282,587	213	6,190
Miscellaneous deductions	205,693	1,468,856	205,297	1,457,473	396	11,383	254,886	1,620,091	254,727	1,611,099	159	8,993
Excess itemized deductions	241,008	23,413,886	240,494	23,091,604	514	322,282	299,575	24,509,415	299,357	24,387,577	218	121,838
Zero bracket amount	243,760	788,446	243,228	786,769	532	1,677	310,042	997,509	309,717	996,474	325	1,035
Excess of exemptions and deductions over adjusted gross income	1,704	253,199	1,267	146,684	437	106,515	7,384	1,322,340	7,133	1,238,363	251	83,977
Taxable income:												
As computed under current law	242,226	87,932,416	242,106	87,909,661	120	22,755	303,440	94,928,309	303,349	94,906,712	91	21,596
As computed under prior law	242,056	87,149,084	241,961	87,126,669	95	22,415	302,658	93,952,798	302,584	93,931,462	74	21,335
Tax at normal rates	242,056	39,730,316	241,961	39,720,216	95	10,100	302,658	42,252,480	302,584	42,242,762	74	9,718
Tax savings	56,286	273,031	56,278	272,937	8	94	86,343	396,899	86,337	396,825	6	73
Income tax before credits	242,067	39,598,461	241,971	39,588,451	96	10,010	302,686	42,053,623	302,612	42,043,979	74	9,644
Tax credits:												
Total	188,243	1,307,097	188,147	1,297,088	96	10,010	223,975	1,402,968	223,901	1,393,323	74	9,644
Personal credits	122,798	18,458	122,779	18,456	19	3	144,683	21,330	144,672	21,329	11	2
Non personal credits	143,701	1,288,639	143,606	1,278,632	95	10,007	168,953	1,381,637	168,880	1,371,995	73	9,643
Foreign tax credit	20,782	107,198	20,721	97,394	61	9,803	20,804	106,913	20,750	97,422	54	9,491
Business credit	134,377	1,111,357	134,346	1,111,234	31	123	159,051	1,203,562	159,034	1,203,483	17	79
Investment credit	136,638	1,025,762	136,348	1,021,150	290	4,613	163,465	1,150,728	163,319	1,148,019	146	2,710
Alcohol fuel credit	410	6,390	†	†	†	†	407	6,380	407	6,380	—	—
Alternative minimum tax reported on Form 1040	41,072	2,124,088	41,072	2,124,088	—	—	79,274	3,273,848	79,274	3,273,848	—	—
Total income tax:												
Taxes paid to the U.S.	243,228	40,422,211	243,228	40,422,211	—	—	309,717	43,933,396	309,717	43,933,396	—	—
Foreign taxes paid	—	—	—	—	—	—	—	—	—	—	—	—
Taxable income which would yield:												
Income tax before credits	242,067	86,916,720	241,971	86,894,420	96	22,300	302,686	93,571,328	302,612	93,550,094	74	21,234
Income tax after credits	241,403	84,251,792	241,403	84,251,792	—	—	300,697	90,662,062	300,697	90,662,062	—	—
Total income tax	243,228	88,610,457	243,228	88,610,457	—	—	309,717	97,665,170	309,717	97,665,170	—	—

†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 6 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with modified total income tax		Returns without modified total income tax		Total		Returns with modified total income tax		Returns without modified total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Salaries and wages	197,368	50,123,473	197,069	50,064,794	299	58,678	237,835	53,034,123	237,691	52,997,019	144	37,104
Business or profession:												
Net income	50,726	5,477,645	50,625	5,463,493	101	14,151	64,299	5,983,308	64,245	5,973,758	54	9,550
Net loss	24,397	1,242,050	24,270	1,221,658	127	20,391	34,578	1,718,649	34,517	1,690,129	61	28,519
Farm:												
Net income	4,510	281,885	4,498	280,384	12	1,500	6,392	324,644	6,388	323,990	4	654
Net loss	15,163	993,565	15,103	979,084	60	14,480	19,874	1,391,829	19,837	1,384,722	37	7,107
Partnership:												
Net income	69,957	7,865,379	69,813	7,840,728	144	24,650	84,110	8,264,775	84,045	8,245,925	65	18,850
Net loss	107,156	9,539,004	106,927	9,471,335	229	67,669	134,020	12,161,604	133,869	12,085,820	151	75,784
Small Business Corporation:												
Net income	32,602	8,519,063	32,552	8,509,740	50	9,323	37,804	8,781,591	37,770	8,772,971	34	8,620
Net loss	22,958	1,386,149	22,815	1,354,123	143	32,026	29,339	1,905,468	29,272	1,874,584	67	30,884
Sales of capital assets:												
Net gain	165,263	24,997,924	165,006	24,942,867	257	55,056	231,655	30,985,718	231,482	30,916,978	173	68,740
Net loss	38,982	90,609	38,939	90,492	43	116	38,535	89,816	38,519	89,771	16	45
Sales of property other than capital assets:												
Net gain	19,772	558,314	19,692	550,690	80	7,624	26,798	710,538	26,758	705,656	40	4,882
Net loss	29,408	260,859	29,344	258,354	64	2,505	33,033	318,127	33,002	315,071	31	3,056
Interest received	240,114	12,377,544	239,662	12,254,148	452	123,395	305,301	13,984,678	305,048	13,942,416	253	42,263
Dividends in adjusted gross income	197,971	10,360,838	197,623	10,302,033	348	58,804	247,541	11,034,024	247,347	11,021,092	194	12,932
Pensions and annuities in adjusted gross income	42,232	1,060,081	42,181	1,057,206	51	2,875	54,051	1,217,968	54,031	1,216,511	20	1,456
Rent:												
Net income	51,898	2,083,430	51,779	2,072,483	119	10,947	64,922	2,283,708	64,871	2,278,577	51	5,132
Net loss	68,581	1,841,069	68,416	1,824,939	165	16,130	89,796	2,419,663	89,719	2,402,617	77	17,046
Royalty:												
Net income	25,175	1,868,510	25,090	1,863,522	85	4,988	31,347	2,132,705	31,312	2,129,985	35	2,720
Net loss	2,442	41,414	2,434	41,359	8	55	3,378	69,042	3,377	69,037	1	5
Estate or trust:												
Net income	38,139	1,743,600	38,071	1,731,911	68	11,689	46,354	1,875,841	46,320	1,865,824	34	10,017
Net loss	3,210	73,298	3,202	72,986	8	312	4,446	101,729	4,443	101,699	3	30
State income tax refunds	103,376	499,023	103,260	498,173	116	850	124,560	543,760	124,498	543,247	62	514
Windfall profit tax refunds	13,048	28,345	13,026	28,283	22	63	14,866	31,051	14,856	31,024	10	27
Windfall profit tax withheld	50,497	227,934	50,382	226,927	115	1,008	58,799	254,256	58,747	253,871	52	385
Alimony received	603	15,909	†	†	†	†	723	18,044	723	18,044	—	—
Social security benefits in adjusted gross income	47,093	292,379	47,028	292,052	65	326	67,454	388,067	67,434	387,979	20	89
Unemployment compensation in adjusted gross income	635	1,329	635	1,329	—	—	1,501	3,767	1,501	3,767	—	—
Other income	52,355	1,544,764	52,230	1,535,965	125	8,799	61,799	1,667,875	61,746	1,662,460	53	5,415
Other loss	5,086	406,774	5,035	387,469	51	19,305	11,322	1,770,655	11,282	1,744,370	40	26,285
Total statutory adjustments	183,566	1,826,587	183,385	1,823,184	181	3,403	218,728	2,047,752	218,623	2,045,790	105	1,962
Expanded income	243,759	149,231,797	243,289	149,174,128	470	57,670	310,042	168,646,170	309,771	168,545,616	271	100,554
Adjusted gross income plus excluded tax preferences	243,760	154,463,231	243,289	154,210,322	471	252,909	310,042	173,749,226	309,771	173,614,916	271	134,310
Adjusted gross income less investment interest	243,759	106,840,338	243,289	106,810,594	470	29,744	310,040	114,190,539	309,769	114,184,764	271	5,775
Investment interest per adjusted gross income concept	184,796	5,086,341	184,355	4,899,601	441	186,740	226,143	4,980,634	225,991	4,948,553	152	32,081
Investment interest per alternative income concept	184,796	5,086,341	184,355	4,899,601	441	186,740	226,314	5,103,056	226,162	5,069,299	152	33,757
Tax preferences excluded from adjusted gross income:												
Total	223,140	42,536,552	222,735	42,500,126	405	36,426	290,158	54,578,054	289,933	54,481,599	225	96,455
Excluded long-term capital gains	159,884	34,555,420	159,655	34,526,601	229	28,819	226,279	43,302,466	226,116	43,226,351	163	76,115
Dividend exclusion	195,726	33,270	195,395	33,214	331	56	246,085	41,243	245,907	41,211	178	31
All other	110,419	7,947,862	110,226	7,940,311	193	7,551	146,763	11,234,345	146,673	11,214,037	90	20,308
Adjusted gross income	243,760	111,926,679	243,289	111,710,195	471	216,483	310,040	119,171,172	309,769	119,133,317	271	37,856

Footnote(s) at end of table.

Table 6 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax, Classified by Tax Status — Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Returns with adjusted gross income $200,000 or more						Returns with expanded income $200,000 or more					
	Total		Returns with modified total income tax		Returns without modified total income tax		Total		Returns with modified total income tax		Returns without modified total income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Exemption amount	243,760	828,394	243,289	826,808	471	1,586	310,042	1,033,973	309,771	1,033,042	271	931
Itemized deductions:												
Total per adjusted gross income concept	241,031	24,193,796	240,560	23,873,281	471	320,515	299,778	25,474,374	299,596	25,354,388	182	119,986
Total per expanded income concept	241,031	24,193,796	240,560	23,873,281	471	320,515	299,777	20,371,318	299,595	20,285,089	182	86,229
Contributions deduction	235,442	5,639,553	235,010	5,617,348	432	22,205	291,885	6,004,218	291,724	5,992,386	161	11,832
Interest paid deduction:												
Total per adjusted gross income concept	215,862	8,173,405	215,403	7,920,543	459	252,862	264,641	8,284,818	264,471	8,211,556	170	73,262
Total per expanded income concept	215,862	8,173,405	215,403	7,920,543	459	252,862	210,853	3,181,762	210,698	3,142,256	155	39,506
Total home mortgage interest	153,104	1,980,720	152,775	1,956,756	329	23,964	185,537	2,238,315	185,407	2,221,173	130	17,142
Investment interest exceeding investment income per adjusted gross income concept	107,955	1,106,344	107,645	1,064,186	310	42,158	129,076	1,065,870	128,960	1,041,830	116	24,040
Investment interest exceeding investment income per alternative income concept	107,955	1,106,344	107,645	1,064,186	310	42,158	127,244	943,447	127,130	921,084	114	22,364
Medical and dental expense deduction	6,749	191,594	6,729	189,228	20	2,366	12,534	234,070	12,520	232,174	14	1,897
Net casualty or theft loss deduction	526	38,694	491	19,361	35	19,333	691	42,398	659	23,734	32	18,665
Taxes paid deduction	240,988	8,681,694	240,521	8,669,180	467	12,514	299,737	9,288,778	299,557	9,283,299	180	5,479
Miscellaneous deductions	205,693	1,468,856	205,328	1,457,621	365	11,234	254,886	1,620,091	254,754	1,611,240	132	8,852
Excess itemized deductions	241,008	23,413,886	240,537	23,094,854	471	319,032	299,575	24,509,415	299,393	24,389,996	182	119,420
Zero bracket amount	243,760	788,446	243,289	786,963	471	1,483	310,042	997,509	309,771	996,644	271	864
Excess of exemptions and deductions over adjusted gross income	1,704	253,199	1,267	146,684	437	106,515	7,384	1,322,340	7,133	1,238,363	251	83,977
Taxable income:												
As computed under current law	242,226	87,932,416	242,167	87,931,373	59	1,043	303,440	94,928,309	303,403	94,927,601	37	707
As computed under prior law	242,056	87,149,084	242,022	87,148,186	34	898	302,658	93,952,798	302,638	93,952,180	20	618
Tax at normal rates	242,056	39,730,316	242,022	39,730,069	34	247	302,658	42,252,480	302,638	42,252,295	20	186
Tax savings	56,286	273,031	56,283	272,983	3	48	86,343	396,899	86,341	396,863	2	35
Income tax before credits	242,067	39,598,461	242,032	39,598,258	35	204	302,686	42,053,623	302,666	42,053,473	20	150
Tax credits:												
Total	187,815	1,199,900	187,780	1,199,696	35	204	223,550	1,296,054	223,530	1,295,904	20	150
Personal credits	122,798	18,458	122,786	18,456	12	2	144,683	21,330	144,679	21,329	4	1
Non personal credits	143,701	1,288,639	143,667	1,288,437	34	201	168,953	1,381,637	168,934	1,381,488	19	149
Foreign tax credit	—	—	—	—	—	—	—	—	—	—	—	—
Business credit	134,377	1,111,357	134,349	1,111,236	28	121	159,051	1,203,562	159,036	1,203,485	15	76
Investment credit	136,638	1,025,762	136,361	1,022,293	277	3,470	163,465	1,150,728	163,331	1,149,162	134	1,567
Alcohol fuel credit	410	6,390	†	†	†	†	407	6,380	407	6,380	—	—
Alternative minimum tax reported on Form 1040	41,072	2,124,088	41,072	2,124,088	—	—	79,274	3,273,848	79,274	3,273,848	—	—
Total income tax:												
Taxes paid to the U.S.	243,289	40,529,409	243,289	40,529,409	—	—	309,771	44,040,310	309,771	44,040,310	—	—
Foreign taxes paid	20,782	107,198	20,782	107,198	—	—	20,804	106,913	20,804	106,913	—	—
Taxable income which would yield:												
Income tax before credits	242,067	86,916,720	242,032	86,915,879	35	841	302,686	93,571,328	302,666	93,570,760	20	568
Income tax after credits	241,545	84,470,077	241,545	84,470,077	—	—	300,839	90,879,672	300,839	90,879,672	—	—
Total income tax	243,289	88,827,387	243,289	88,827,387	—	—	309,771	97,881,365	309,771	97,881,365	—	—

†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 7 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect: Total		Interest paid deduction		Taxes paid deduction		Contributions deduction		Medical and dental expense deduction	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Returns With Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**243,228**	**100.0**	**76,786**	**31.6**	**111,867**	**46.0**	**32,271**	**13.3**	**2,485**	**1.0**
Interest paid deduction	61,105	25.1	—	—	48,911	43.7	5,851	18.1	185	7.4
Taxes paid deduction	86,949	35.7	54,103	70.5	—	—	21,972	68.1	1,711	68.9
Contributions deduction	49,255	20.3	10,274	13.4	36,144	32.3	—	—	201	8.1
Medical and dental expense deduction	1,313	0.5	133	0.2	644	0.6	257	0.8	—	—
Net casualty or theft loss deduction	60	( )	9	( )	49	( )	†	†	—	—
Miscellaneous deductions	18,597	7.6	4,654	6.1	11,377	10.2	1,902	5.9	380	15.3
Foreign tax credit	5,811	2.4	29	( )	5,737	5.1	27	0.1	—	—
Investment credit	16,549	6.8	5,558	7.2	8,566	7.7	2,234	6.9	8	0.3
No second largest item	3,287	1.4	1,945	2.5	322	0.3	—	—	—	—
Returns with expanded income $200,000 or more										
Total	**309,717**	**100.0**	**99,188**	**32.0**	**135,688**	**43.8**	**40,984**	**13.2**	**3,632**	**1.2**
Interest paid deduction	74,088	23.9	—	—	57,049	42.0	7,514	18.3	265	7.3
Taxes paid deduction	110,116	35.6	67,502	68.1	—	—	27,470	67.0	2,558	70.4
Contributions deduction	62,669	20.2	12,328	12.4	46,339	34.2	—	—	201	5.5
Medical and dental expense deduction	2,614	0.8	710	0.7	1,029	0.8	426	1.0	—	—
Net casualty or theft loss deduction	137	( )	46	( )	89	0.1	1	( )	—	—
Miscellaneous deductions	24,645	8.0	5,599	5.6	15,554	11.5	2,592	6.3	600	16.5
Foreign tax credit	5,802	1.9	17	( )	5,737	4.2	27	0.1	—	—
Investment credit	17,524	5.7	5,022	5.1	9,452	7.0	2,741	6.7	8	0.2
No second largest item	11,775	3.8	7,905	8.0	322	0.2	181	0.4	—	—
Returns Without Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**532**	**100.0**	**409**	**76.9**	**4**	**0.8**	**10**	**1.9**	**5**	**0.9**
Interest paid deduction	59	11.1	—	—	†	†	6	60.0	—	—
Taxes paid deduction	157	29.5	143	35.0	—	—	—	—	†	†
Contributions deduction	148	27.8	131	32.0	†	†	—	—	†	†
Medical and dental expense deduction	8	1.5	4	1.0	—	—	4	40.0	—	—
Net casualty or theft loss deduction	†	†	†	†	—	—	—	—	—	—
Miscellaneous deductions	50	9.4	48	11.7	—	—	—	—	†	†
Foreign tax credit	†	†	†	†	—	—	—	—	—	—
Investment credit	85	16.0	79	19.3	—	—	—	—	—	—
No second largest item	20	3.8	†	†	—	—	—	—	—	—
Returns with expanded income $200,000 or more										
Total	**325**	**100.0**	**174**	**53.5**	**4**	**1.2**	**8**	**2.5**	**5**	**1.5**
Interest paid deduction	47	14.5	—	—	2	50.0	4	50.0	—	—
Taxes paid deduction	62	19.1	43	24.7	—	—	—	—	1	20.0
Contributions deduction	58	17.8	42	24.1	1	25.0	—	—	2	40.0
Medical and dental expense deduction	6	1.8	1	0.6	1	25.0	4	50.0	—	—
Net casualty or theft loss deduction	2	0.6	1	0.6	—	—	—	—	—	—
Miscellaneous deductions	13	4.0	11	6.3	—	—	—	—	2	40.0
Foreign tax credit	1	0.3	—	—	—	—	—	—	—	—
Investment credit	26	8.0	18	10.3	—	—	—	—	—	—
No second largest item	108	33.2	58	33.3	—	—	—	—	—	—

Footnote(s) at end of table.

Table 7 — Returns With and Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect — Continued

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect — Continued							
	Net casualty or theft loss deduction		Miscellaneous deductions		Foreign tax credit		Investment credit	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Returns With Total Income Tax								
Returns with adjusted gross income $200,000 or more								
Total	**118**	( )	**5,795**	**2.4**	**161**	**0.1**	**13,505**	**5.6**
Interest paid deduction	18	15.3	1,528	26.4	52	32.3	4,429	32.8
Taxes paid deduction	88	74.6	2,976	51.4	51	31.7	6,020	44.6
Contributions deduction	6	5.1	878	15.2	26	16.1	1,675	12.4
Medical and dental expense deduction	—	—	268	4.6	—	—	11	0.1
Net casualty or theft loss deduction	—	—	—	—	†	†	—	—
Miscellaneous deductions	†	†	—	—	†	†	278	2.1
Foreign tax credit	—	—	6	0.1	—	—	12	0.1
Investment credit	†	†	136	2.3	17	10.6	—	—
No second largest item	†	†	3	0.1	9	5.6	1,003	7.4
Returns with expanded income $200,000 or more								
Total	**158**	**0.1**	**7,757**	**2.5**	**176**	**0.1**	**21,816**	**7.0**
Interest paid deduction	58	36.7	1,618	20.9	58	33.0	7,419	34.0
Taxes paid deduction	88	55.7	3,859	49.7	51	29.0	8,560	39.2
Contributions deduction	6	3.8	1,688	21.8	26	14.8	2,030	9.3
Medical and dental expense deduction	—	—	437	5.6	—	—	12	0.1
Net casualty or theft loss deduction	—	—	—	—	1	0.6	—	—
Miscellaneous deductions	1	0.6	—	—	5	2.8	294	1.3
Foreign tax credit	—	—	6	0.1	—	—	15	0.1
Investment credit	4	2.5	146	1.9	23	13.1	—	—
No second largest item	1	0.6	3	( )	12	6.8	3,347	15.3
Returns Without Total Income Tax								
Returns with adjusted gross income $200,000 or more								
Total	**30**	**5.6**	**13**	**2.4**	**56**	**10.5**	**5**	**0.9**
Interest paid deduction	17	56.7	†	†	27	48.2	†	†
Taxes paid deduction	†	†	7	53.8	†	†	†	†
Contributions deduction	8	26.7	—	—	6	10.7	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	†	†	—	—	—	—
Miscellaneous deductions	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	†	†
Investment credit	†	†	†	†	†	†	—	—
No second largest item	—	—	†	†	18	32.1	—	—
Returns with expanded income $200,000 or more								
Total	**29**	**8.9**	**17**	**5.2**	**52**	**16.0**	**34**	**10.5**
Interest paid deduction	16	55.2	2	11.8	22	42.3	1	2.9
Taxes paid deduction	2	6.9	12	70.6	3	5.8	1	2.9
Contributions deduction	8	27.6	—	—	5	9.6	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	1	5.9	—	—	—	—
Miscellaneous deductions	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	1	2.9
Investment credit	3	10.3	1	5.9	2	3.8	—	—
No second largest item	—	—	1	5.9	20	38.5	29	85.3

( )Less than 0.05 percent.
†Data deleted to avoid disclosure of information of specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 8 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect									
	Total		Interest paid deduction		Taxes paid deduction		Contributions deduction		Medical and dental expense deduction	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Returns With Modified Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**243,289**	**100.0**	**76,896**	**31.6**	**111,921**	**46.0**	**32,303**	**13.3**	**2,485**	**1.0**
Interest paid deduction	61,122	25.1	—	—	48,959	43.7	5,865	18.2	185	7.4
Taxes paid deduction	86,995	35.8	54,164	70.4	—	—	21,990	68.1	1,711	68.9
Contributions deduction	54,894	22.6	10,290	13.4	41,787	37.3	—	—	201	8.1
Medical and dental expense deduction	1,314	0.5	134	0.2	644	0.6	257	0.8	—	—
Net casualty or theft loss deduction	59	( )	9	( )	49	( )	†	†	—	—
Miscellaneous deductions	18,700	7.7	4,672	6.1	11,445	10.2	1,921	5.9	380	15.3
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	16,582	6.8	5,569	7.2	8,596	7.7	2,241	6.9	8	0.3
No second largest item	3,320	1.4	1,977	2.6	323	0.3	†	†	—	—
Returns with expanded income $200,000 or more										
Total	**309,771**	**100.0**	**99,301**	**32.1**	**135,742**	**43.8**	**41,015**	**13.2**	**3,632**	**1.2**
Interest paid deduction	74,106	23.9	—	—	57,097	42.1	7,527	18.4	265	7.3
Taxes paid deduction	110,159	35.6	67,560	68.0	—	—	27,488	67.0	2,558	70.4
Contributions deduction	68,305	22.1	12,341	12.4	51,982	38.3	—	—	201	5.5
Medical and dental expense deduction	2,615	0.8	711	0.7	1,029	0.8	426	1.0	—	—
Net casualty or theft loss deduction	136	( )	46	( )	89	0.1	1	( )	—	—
Miscellaneous deductions	24,747	8.0	5,616	5.7	15,622	11.5	2,611	6.4	600	16.5
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	17,547	5.7	5,029	5.1	9,482	7.0	2,748	6.7	8	0.2
No second largest item	11,808	3.8	7,939	8.0	323	0.2	182	0.4	—	—
Returns Without Modified Total Income Tax										
Returns with adjusted gross income $200,000 or more										
Total	**471**	**100.0**	**405**	**86.0**	**4**	**0.8**	**10**	**2.1**	**5**	**1.1**
Interest paid deduction	32	6.8	—	—	†	†	6	60.0	—	—
Taxes paid deduction	151	32.1	140	34.6	—	—	—	—	†	†
Contributions deduction	142	30.1	131	32.3	†	†	—	—	†	†
Medical and dental expense deduction	8	1.7	4	1.0	—	—	4	40.0	—	—
Net casualty or theft loss deduction	†	†	†	†	—	—	—	—	—	—
Miscellaneous deductions	50	10.6	48	11.9	—	—	—	—	†	†
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	83	17.6	79	19.5	—	—	—	—	—	—
No second largest item	†	†	†	†	—	—	—	—	—	—
Returns with expanded income $200,000 or more										
Total	**271**	**100.0**	**173**	**63.8**	**4**	**1.5**	**8**	**3.0**	**5**	**1.8**
Interest paid deduction	25	9.2	—	—	2	50.0	4	50.0	—	—
Taxes paid deduction	58	21.4	42	24.3	—	—	—	—	1	20.0
Contributions deduction	53	19.6	42	24.3	1	25.0	—	—	2	40.0
Medical and dental expense deduction	6	2.2	1	0.6	1	25.0	4	50.0	—	—
Net casualty or theft loss deduction	2	0.7	1	0.6	—	—	—	—	—	—
Miscellaneous deductions	13	4.8	11	6.4	—	—	—	—	2	40.0
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	24	8.9	18	10.4	—	—	—	—	—	—
No second largest item	88	32.5	58	33.5	—	—	—	—	—	—

Footnote(s) at end of table.

Table 8 — Returns With and Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect — Continued

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect — Continued							
	Net casualty or theft loss deduction		Miscellaneous deductions		Foreign tax credit		Investment credit	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Returns With Modified Total Income Tax								
Returns with adjusted gross income $200,000 or more								
Total	**119**	( )	**5,800**	**2.4**	—	—	**13,525**	**5.6**
Interest paid deduction	18	15.1	1,529	26.4	—	—	4,435	32.8
Taxes paid deduction	89	74.8	2,981	51.4	—	—	6,032	44.6
Contributions deduction	6	5.0	881	15.2	—	—	1,678	12.4
Medical and dental expense deduction	—	—	268	4.6	—	—	11	0.1
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—
Miscellaneous deductions	†	†	—	—	—	—	281	2.1
Foreign tax credit	—	—	—	—	—	—	—	—
Investment credit	†	†	138	2.4	—	—	—	—
No second largest item	†	†	3	0.1	—	—	1,011	7.5
Returns with expanded income $200,000 or more								
Total	**159**	**0.1**	**7,762**	**2.5**	—	—	**21,842**	**7.1**
Interest paid deduction	58	36.5	1,619	20.9	—	—	7,433	34.0
Taxes paid deduction	89	56.0	3,864	49.8	—	—	8,572	39.2
Contributions deduction	6	3.8	1,691	21.8	—	—	2,033	9.3
Medical and dental expense deduction	—	—	437	5.6	—	—	12	0.1
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—
Miscellaneous deductions	1	0.6	—	—	—	—	297	1.4
Foreign tax credit	—	—	—	—	—	—	—	—
Investment credit	4	2.5	148	1.9	—	—	—	—
No second largest item	1	0.6	3	( )	—	—	3,356	15.4
Returns Without Modified Total Income Tax								
Returns with adjusted gross income $200,000 or more								
Total	**30**	**6.4**	**13**	**2.8**	—	—	**4**	**0.8**
Interest paid deduction	17	56.7	†	†	—	—	†	†
Taxes paid deduction	†	†	7	53.8	—	—	†	†
Contributions deduction	8	26.7	—	—	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	†	†	—	—	—	—
Miscellaneous deductions	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—
Investment credit	†	†	†	†	—	—	—	—
No second largest item	—	—	†	†	—	—	—	—
Returns with expanded income $200,000 or more								
Total	**29**	**10.7**	**17**	**6.3**	—	—	**33**	**12.2**
Interest paid deduction	16	55.2	2	11.8	—	—	1	3.0
Taxes paid deduction	2	6.9	12	70.6	—	—	1	3.0
Contributions deduction	8	27.6	—	—	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	1	5.9	—	—	—	—
Miscellaneous deductions	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—
Investment credit	3	10.3	1	5.9	—	—	—	—
No second largest item	—	—	1	5.9	—	—	29	87.9

( )Less than 0.05 percent.
†Data deleted to avoid disclosure of information of specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 9 — Returns Without Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Itemized Deductions as a Percent of Income

(All figures are estimates based on samples)

Type of deduction or credit	Returns with adjusted gross income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total itemized deductions	532	18	26	7	3	2	—	2	3	53	418
Interest paid deduction:											
Total	532	32	58	9	11	5	7	7	12	152	239
Investment interest per income concept	532	53	105	31	22	22	23	14	19	131	112
Investment interest exceeding investment income per concept	532	200	172	33	24	14	13	11	10	32	23
Taxes paid deduction	532	26	415	64	8	9	—	—	†	6	†
Contributions deduction	532	63	338	41	21	28	21	20	—	—	—
Medical and dental expenses deduction	532	512	5	†	†	—	4	†	†	—	4
Net casualty or theft loss deduction	532	497	†	†	†	†	—	—	4	7	18
Miscellaneous deductions	532	136	339	28	7	6	†	†	—	9	4
Deduction equivalent of:											
Total credits	532	436	28	5	4	†	—	†	—	55	—
Foreign tax credit	532	471	3	—	—	†	—	†	—	54	—
Investment credit	532	485	27	9	†	†	—	†	†	—	4
Tax preferences excluded from adjusted gross income	532	327	179	18	4	—	†	—	—	†	†

Type of deduction or credit	Returns with expanded income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Total itemized deductions	325	110	27	4	2	3	—	3	1	40	135
Interest paid deduction:											
Total	325	143	61	8	3	5	5	5	3	43	49
Investment interest per income concept	325	145	102	22	12	4	7	5	1	6	21
Investment interest exceeding investment income per concept	325	195	58	7	6	5	3	4	3	20	24
Taxes paid deduction	325	114	169	25	4	3	4	1	1	2	2
Contributions deduction	325	135	125	14	12	9	7	8	2	7	6
Medical and dental expenses deduction	325	312	3	1	—	—	4	—	1	—	4
Net casualty or theft loss deduction	325	293	—	2	1	1	—	—	3	9	16
Miscellaneous deductions	325	168	123	7	5	1	—	—	—	9	12
Deduction equivalent of:											
Total credits	325	251	11	7	1	3	3	—	3	46	—
Foreign tax credit	325	271	1	—	—	2	3	—	3	45	—
Investment credit	325	294	18	5	2	—	1	1	1	—	3
Tax preferences excluded from adjusted gross income	325	223	68	11	3	3	—	—	1	3	13

†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in totals.

Table 10 — Returns Without Modified Total Income Tax and With Income $200,000 or More Under Alternative Concepts: Itemized Deductions as a Percent of Income

(All figures are estimates based on samples)

Type of deduction or credit	Returns with adjusted gross income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total itemized deductions	471	—	—	—	—	†	—	†	†	50	418
Interest paid deduction:											
Total	471	12	27	6	10	3	7	6	12	149	239
Investment interest per income concept	471	30	71	30	22	21	22	14	19	130	112
Investment interest exceeding investment income per concept	471	161	153	32	23	13	13	11	10	32	23
Taxes paid deduction	471	4	378	62	8	9	—	—	†	6	†
Contributions deduction	471	39	303	41	19	28	21	20	—	—	—
Medical and dental expenses deduction	471	451	5	†	†	—	4	†	†	—	4
Net casualty or theft loss deduction	471	436	†	†	†	†	—	—	4	7	18
Miscellaneous deductions	471	106	308	28	7	6	†	†	—	9	4
Deduction equivalent of:											
Total credits	471	436	25	5	†	—	—	—	—	†	—
Foreign tax credit	471	471	—	—	—	—	—	—	—	—	—
Investment credit	471	437	16	8	†	3	—	†	†	—	3
Tax preferences excluded from adjusted gross income	471	278	168	17	4	—	†	—	—	†	†

Type of deduction or credit	Returns with expanded income $200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Total itemized deductions	271	90	1	1	1	2	—	1	1	39	135
Interest paid deduction:											
Total	271	116	39	6	2	4	5	5	3	42	49
Investment interest per income concept	271	120	74	21	12	4	7	5	1	6	21
Investment interest exceeding investment income per concept	271	157	44	6	6	4	3	4	3	20	24
Taxes paid deduction	271	92	139	23	4	3	4	1	1	2	2
Contributions deduction	271	111	98	13	10	9	7	8	2	7	6
Medical and dental expenses deduction	271	258	3	1	—	—	4	—	1	—	4
Net casualty or theft loss deduction	271	239	—	2	1	1	—	—	3	9	16
Miscellaneous deductions	271	139	98	7	5	1	—	—	—	9	12
Deduction equivalent of:											
Total credits	271	251	10	7	1	1	—	—	—	1	—
Foreign tax credit	271	271	—	—	—	—	—	—	—	—	—
Investment credit	271	252	8	4	2	—	1	1	1	—	2
Tax preferences excluded from adjusted gross income	271	181	57	10	3	3	—	—	1	3	13

†Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in totals.

Table 11.—Returns With and Without Total Income Tax: Number of Returns and Percents Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Effective tax rate	Total		Size of adjusted gross income							
	Number of returns	Percent of total	Under $50,000 [1]		$50,000 under $100,000		$100,000 under $200,000		$200,000 or more	
			Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	**99,438,708**	**100.0**	**92,726,609**	**100.0**	**5,707,146**	**100.0**	**761,193**	**100.0**	**243,760**	**100.0**
Returns without total income tax	16,509,809	16.6	16,483,680	17.8	23,969	0.4	1,628	0.2	532	0.2
Returns with total income tax	82,928,899	83.4	76,242,929	82.2	5,683,177	99.6	759,565	99.8	243,228	99.8
Effective tax rate:										
Under 5 percent	15,677,858	15.8	15,603,244	16.8	68,911	1.2	4,447	0.6	1,256	0.5
5 under 10 percent	28,442,793	28.6	28,126,428	30.3	295,219	5.2	19,436	2.6	1,710	0.7
10 under 15 percent	25,673,947	25.8	24,458,231	26.4	1,172,810	20.6	38,147	5.0	4,759	2.0
15 under 20 percent	9,734,040	9.8	7,282,986	7.9	2,341,132	41.0	94,292	12.4	15,630	6.4
20 under 25 percent	2,256,197	2.3	669,505	0.7	1,381,083	24.2	185,490	24.4	20,119	8.3
25 under 30 percent	637,143	0.6	54,177	0.1	328,085	5.7	226,025	29.7	28,856	11.8
30 under 35 percent	287,376	0.3	19,412	()	71,040	1.2	145,502	19.1	51,422	21.1
35 under 40 percent	118,442	0.1	1,097	()	12,780	0.2	34,825	4.6	69,740	28.6
40 under 45 percent	47,584	()	3,558	()	3,428	0.1	4,950	0.7	35,648	14.6
45 under 50 percent	26,365	()	14,152	()	1,799	()	1,307	0.2	9,107	3.7
50 under 60 percent	11,716	()	4,495	()	2,782	()	2,107	0.3	2,332	1.0
60 under 70 percent	6,191	()	634	()	2,317	()	1,793	0.2	1,447	0.6
70 under 80 percent	2,314	()	871	()	431	()	219	()	793	0.3
80 percent or more	6,933	()	4,139	()	1,360	()	1,025	0.1	409	0.2

Effective tax rate	Total		Size of expanded income							
	Number of returns	Percent of total	Under $50,000 [1]		$50,000 under $100,000		$100,000 under $200,000		$200,000 or more	
			Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All returns	**99,438,708**	**100.0**	**92,513,608**	**100.0**	**5,752,243**	**100.0**	**862,815**	**100.0**	**310,042**	**100.0**
Returns without total income tax	16,509,809	16.6	16,482,452	17.8	24,814	0.4	2,218	0.3	325	0.1
Returns with total income tax	82,928,899	83.4	76,031,156	82.2	5,727,429	99.6	860,597	99.7	309,717	99.9
Effective tax rate:										
Under 5 percent	15,852,525	15.9	15,753,344	17.0	92,214	1.6	6,152	0.7	815	0.3
5 under 10 percent	28,550,758	28.7	28,123,774	30.4	393,972	6.8	30,222	3.5	2,790	0.9
10 under 15 percent	25,603,035	25.7	24,229,810	26.2	1,245,603	21.7	108,384	12.6	19,238	6.2
15 under 20 percent	9,825,287	9.9	7,232,867	7.8	2,349,295	40.8	154,496	17.9	88,629	28.6
20 under 25 percent	2,219,118	2.2	630,108	0.7	1,330,254	23.1	222,475	25.8	36,281	11.7
25 under 30 percent	543,021	0.5	36,399	()	263,820	4.6	205,630	23.8	37,172	12.0
30 under 35 percent	217,396	0.2	12,541	()	45,331	0.8	109,750	12.7	49,774	16.1
35 under 40 percent	76,295	0.1	677	()	2,601	()	20,860	2.4	52,157	16.8
40 under 45 percent	28,572	()	6,451	()	1,522	()	1,314	0.2	19,285	6.2
45 under 50 percent	7,570	()	4,018	()	—	—	542	0.1	3,010	1.0
50 under 60 percent	2,846	()	1	()	2,089	()	518	0.1	238	0.1
60 under 70 percent	581	()	40	()	227	()	—	—	314	0.1
70 under 80 percent	4	()	—	—	—	—	1	()	3	()
80 percent or more	1,891	()	1,126	()	501	()	253	()	11	()

( )Less than 0.05 percent.
[1] Includes returns with no adjusted gross income.
NOTE: Detail may not add to total because of rounding.

Table 12.—Returns With and Without Modified Total Income Tax: Number of Returns and Percents Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Effective tax rate	Total		Size of adjusted gross income							
	Number of returns	Percent of total	Under $50,000 [1]		$50,000 under $100,000		$100,000 under $200,000		$200,000 or more	
			Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	**99,438,708**	**100.0**	**92,726,609**	**100.0**	**5,707,146**	**100.0**	**761,193**	**100.0**	**243,760**	**100.0**
Returns without modified total income tax	16,474,357	16.6	16,456,144	17.7	16,116	0.3	1,626	0.2	471	0.2
Returns with modified total income tax	82,964,351	83.4	76,270,465	82.3	5,691,030	99.7	759,567	99.8	243,289	99.8
Effective tax rate:										
Under 5 percent	15,650,880	15.7	15,581,935	16.8	63,307	1.1	4,446	0.6	1,192	0.5
5 under 10 percent	28,444,974	28.6	28,140,987	30.3	287,367	5.0	14,936	2.0	1,684	0.7
10 under 15 percent	25,708,261	25.9	24,492,517	26.4	1,172,810	20.6	38,146	5.0	4,788	2.0
15 under 20 percent	9,739,624	9.8	7,282,986	7.9	2,346,735	41.1	94,291	12.4	15,612	6.4
20 under 25 percent	2,266,279	2.3	669,505	0.7	1,391,186	24.4	185,490	24.4	20,098	8.2
25 under 30 percent	642,740	0.6	54,177	0.1	333,688	5.8	226,026	29.7	28,849	11.8
30 under 35 percent	289,630	0.3	19,412	()	71,040	1.2	147,753	19.4	51,425	21.1
35 under 40 percent	120,694	0.1	1,097	()	12,780	0.2	37,076	4.9	69,741	28.6
40 under 45 percent	47,657	()	3,558	()	3,428	0.1	4,951	0.7	35,720	14.7
45 under 50 percent	26,443	()	14,152	()	1,799	()	1,307	0.2	9,185	3.8
50 under 60 percent	11,726	()	4,494	()	2,782	()	2,108	0.3	2,342	1.0
60 under 70 percent	6,194	()	635	()	2,317	()	1,793	0.2	1,449	0.6
70 under 80 percent	2,316	()	871	()	431	()	219	()	795	0.3
80 percent or more	6,933	()	4,139	()	1,360	()	1,025	0.1	409	0.2

Effective tax rate	Total		Size of expanded income							
	Number of returns	Percent of total	Under $50,000 [1]		$50,000 under $100,000		$100,000 under $200,000		$200,000 or more	
			Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All returns	**99,438,708**	**100.0**	**92,513,608**	**100.0**	**5,752,243**	**100.0**	**862,815**	**100.0**	**310,042**	**100.0**
Returns without modified total income tax	16,474,357	16.6	16,454,916	17.8	16,960	0.3	2,210	0.3	271	0.1
Returns with modified total income tax	82,964,351	83.4	76,058,692	82.2	5,735,283	99.7	860,605	99.7	309,771	99.9
Effective tax rate:										
Under 5 percent	15,823,297	15.9	15,729,785	17.0	86,611	1.5	6,152	0.7	749	0.2
5 under 10 percent	28,560,787	28.7	28,146,186	30.4	386,120	6.7	25,721	3.0	2,760	0.9
10 under 15 percent	25,626,125	25.8	24,252,890	26.2	1,245,603	21.7	108,383	12.6	19,249	6.2
15 under 20 percent	9,836,457	9.9	7,238,470	7.8	2,354,898	40.9	154,496	17.9	88,593	28.6
20 under 25 percent	2,229,249	2.2	630,108	0.7	1,340,357	23.3	222,478	25.8	36,306	11.7
25 under 30 percent	548,637	0.6	36,399	()	269,423	4.7	205,630	23.8	37,185	12.0
30 under 35 percent	219,650	0.2	12,541	()	45,331	0.8	112,001	13.0	49,777	16.1
35 under 40 percent	78,578	0.1	677	()	2,601	()	23,114	2.7	52,186	16.8
40 under 45 percent	28,632	()	6,451	()	1,522	()	1,315	0.2	19,344	6.2
45 under 50 percent	7,615	()	4,018	()	—	—	542	0.1	3,055	1.0
50 under 60 percent	2,847	()	1	()	2,089	()	519	0.1	238	0.1
60 under 70 percent	582	()	40	()	227	()	—	—	315	0.1
70 under 80 percent	4	()	—	—	—	—	1	()	3	()
80 percent or more	1,891	()	1,126	()	501	()	253	()	11	()

( )Less than 0.05 percent.
[1] Includes returns with no adjusted gross income.
NOTE: Detail may not add to total because of rounding.