Notes to Selected Historical and Other Data Tables

General notations and statements

N/A - Not applicable.

n.a. - Not available.

p - Preliminary.

r - Revised.

* - Estimate should be used with caution because of the small number of sample returns on which it is based. See "Appendix—SOI Sampling Methodology and Data Limitations.'"

** - Not shown to avoid disclosure of information about specific taxpayers. However, the data are included in the appropriate totals.

Detail may not add to totals because of rounding. All amounts are in current dollars. Percentages shown in some of the tables are based on dollar amounts rounded to the units indicated in the specific table heading. Therefore, they may not be as precise as percentages based on the fuller dollar amounts found in tables contained in the source publications or articles, which underlie the historical tables presented in this section of the *Bulletin*.

In the data sources listed at the end of the footnotes to those tables which cite a Statistics of Income publication or unpublished table as the source, it should be noted that the data are subject to sampling error; that tax law and tax form changes affect the year-to-year comparability of the data; and that the specific Statistics of Income reports cited include more complete discussions of sampling error and of other changes affecting comparability of the data over time.

See, also, the appendix to the *Bulletin* for a general description of "SOI Sampling Methodology and Data Limitations."

Footnotes

Table 1

[1] Year-to-year comparability of the "all returns" total is affected by changes in dollar income filing thresholds, while year-to-year comparability of the number of returns by type of tax form used is affected by changes in the specific filing requirements, including adjustments for inflation, for each form. In general, the filing of "short forms" (mostly Form 1040A; then Form 1040EZ, starting with 1977; and Form 1040-T, for 1995 only) has been encouraged by IRS to simplify both the taxpayer filing requirements and IRS processing. Filing requirements for each of the short forms have gradually been liberalized to facilitate (and encourage) their use. Increases in the number of short forms by type of form have mostly been at the expense of "long form" 1040 usage (and increases in the number of each of the short forms have often been at the expense of one short form over the other). While the number of 1040 (paper) returns has, therefore, increased over the time period shown, the rate of increase has been reduced by the growing use of the short forms and, later, by the introduction of Form 1040PC and of electronic filing options (see below). For additional information about the return filing requirements, see the annual reports, *Statistics of Income—Individual Income Tax Returns.*

Forms 1040, 1040A, and 1040EZ include "standard" electronically-filed (ELF) returns starting with 1985, and Form 1040EZ returns filed electronically by telephone ("TeleFile") after Tax Year 1990. Prior to 1994, data for these forms also include computer-generated "paper" returns (Form 1040PC) that were reclassified as Form 1040, 1040A, or 1040EZ returns for Statistics of Income, depending on the filing characteristics of each return. For 1990, the total number of ELF and Form 1040PC returns is also presented separately as additional information. Because Form 1040PC returns were not reclassified for Statistics of Income after 1993, data for Forms 1040, 1040A, and 1040EZ for these years are not comparable with the preceding years.

Included in the "all returns" total for 1995, but not shown separately, are returns filed on Form 1040-T, a "short form" lending itself to IRS optical scanning, which was used for this one year only, on an experimental basis.

[2] Starting with 1993, taxpayers could elect to assign $3 of the income tax reported on their income tax returns ($6 on a joint return, if both spouses contributed) to help pay for the cost of Presidential election campaigns. To do so, a taxpayer had to check a box on the tax return. Before 1993, this tax offset was limited to $1 (or $2) per return. The relationship between (a) the number of returns and boxes checked and (b) the dollar amounts shown is only approximate because the frequencies and the amounts were obtained from different sources, the frequencies from Statistics of Income tax return data and the dollar amounts from IRS monthly tax collections, aggregated by calendar year.

[3] Less deficit. Starting with 1987, data are not comparable with earlier years because of major changes in the law, many of which are referred to in other footnotes.

[4] Not included in AGI. Represents interest on State and local Government obligations, including tax-exempt interest dividends from Regulated Investment Companies.

[5] Starting with 1987, represents total dividends; previously, represented total dividends after statutory exclusion.

[6] Starting with 1987, losses are after "passive loss" limitation.

[7] Starting with 1987, represents total capital gains; previously, represented total capital gains after statutory exclusion. For all years, total includes capital gain distributions from a Regulated Investment Company. For other changes affecting capital gains, see *Statistics of Income—Individual Income Tax Returns*, various years.

[8] Before 1980 and starting again after 1987, excludes Individual Retirement Arrangement (IRA) distributions; for intervening years, pensions and IRA distributions in AGI were reported together on the tax return. Effective during 1986, the more liberal of the two methods of computing the nontaxable portion of pensions and annuities (representing taxpayer contributions to certain pension plans) was repealed.

[9] Starting with 1987, represents total unemployment compensation; previously, all or part was excludable under certain conditions.

[10] Starting with 1994, up to 85 percent of Social Security benefits were taxable; previously, the maximum was 50 percent.

[11] Excludes sole proprietorship (including farm) rental income or loss. Starting with 1987, rental losses are before "passive loss" limitation and, therefore, exceed the amount included in AGI.

[12] Excludes certain royalties included in computations of capital gain or loss and of ordinary gain or loss, sales of noncapital assets.

[13] Prior to 1981, amounts for net income are actually for net income (less loss). Net income and loss were not separately tabulated. Also, for these years, the number of returns shown with net income was rounded to the nearest hundred thousand during processing; the more exact number was not tabulated.

[14] See footnote 6.

[15] See footnote 13.

[16] See footnote 6.

[17] Includes adjustments not shown separately in this table. Starting with 1987, excludes certain business-related expenses, deduction for two-earner married couples, and certain alimony payments, but includes self-employed health insurance deduction; see also footnotes 18 and 19. Also, for 1987-1993, excludes employee moving expenses. Starting with 1990, adjustments include deduction for one-half of self-employment (Social Security) tax. For changes in adjustments for earlier years, see *Statistics of Income—Individual Income Tax Returns*.

[18] Deductible Individual Retirement Arrangement (IRA) contributions, reflected in adjustment statistics, starting with 1980, were limited, starting with 1987.

[19] Deduction expired during 1992 and 1994, but was later reinstated retroactively for each of these years. Because amended returns are not used for the statistics, data shown for 1992 and 1994 are understated as a result. The deduction was liberalized, starting with 1995.

[20] Exemption amounts were indexed for inflation, starting with 1985. Amounts were also limited for taxpayers with high income, starting with 1991. Statistics include exemptions for age and blindness, repealed effective 1987 and replaced by larger standard deduction amounts (see footnote 21). Starting with 1987, a check box on the return form was used for taxpayers age 65 or over or for blindness, in general for use in establishing claim for the additional standard deductions, but many taxpayers not claiming the additional deductions also used the checkbox. In regard to age, a special study for 1993 showed that about 93 percent of all taxpayers age 65 or over (based on Social Security Administration records) checked this box, even though many of them chose to itemize their deductions and, thus, were ineligible for the additional standard deduction.

The statistics exclude amounts in excess of AGI, which could not be used by the taxpayer. They also exclude the number of returns and amounts reported on returns with no AGI, which also could not be used.

[21] In general, represents the sum of standard and itemized deductions from AGI to compute "taxable income," but also includes deductions in excess of AGI that could not be used in the computation. Deductions erroneously reported on returns with no AGI were excluded from the deduction statistics.

For 1980 and 1985 data, includes total itemized deductions before subtraction of "zero bracket amount," plus, for non-itemized deduction returns, the zero bracket amount and, for 1985 data only, charitable contributions deduction. Starting with 1987, includes revised itemized deductions (see also footnotes 23-24), "basic" standard deduction, and "additional" standard deductions for age 65 or over or for blindness (for changes in the standard deduction and its relation to the zero bracket amount, see *Statistics of Income—Individual Income Tax Returns,* for appropriate years). Starting with 1991, total itemized deductions are after statutory limitation (see footnote 23).

[22] For 1980 and 1985 data, represents "zero bracket amount" used on returns of non-itemizers; see also footnote 26. Zero bracket amount for 1985 and standard deduction, starting with 1986, were indexed for inflation. Starting with 1987, statistics for taxpayers with the additional standard deduction for age 65 or over exclude those who checked the box on the tax return forms indicating age 65 or over, but then itemized their deductions instead of claiming standard deductions (see footnote 20).

[23] Includes itemized deductions not shown separately in this table, including revised deductions, starting with 1987, for "miscellaneous expenses" after limitation and for employee moving expenses; see also footnotes 24 and 25. For the most part, moving expenses are excluded after 1993 (see also footnote 17). In general, total itemized deductions were limited for certain high-income taxpayers, starting with 1991. For changes in deductions for earlier years, see *Statistics of Income—Individual Income Tax Returns.*

[24] Deductible medical and dental expenses were limited, starting with 1987, based on a revised percentage of AGI. For changes in the deduction for 1987 and earlier years, see *Statistics of Income—Individual Income Tax Returns.*

[25] Starting with 1987, State sales taxes were no longer deductible.

[26] Starting with 1987, deductions for "personal" interest and mortgage real estate loan interest were limited and, starting with 1991, personal interest was no longer deductible.

[27] For 1980 and 1985 data, taxable income *includes* the "zero bracket amount," repealed effective 1987 and partially replaced by standard deductions, which were *subtracted* in computing taxable income. A standard deduction was similarly used prior to 1980. For the percentages of AGI used for the standard deduction and the limitation on the deduction, see *Statistics of Income—Individual Income Tax Returns.*

[28] Different tax rate structures applied to Tax Years 1971-1978, 1979-1981, 1982-1986, 1987, 1988-1990, 1991-1992, and 1993-1996. Indexing of tax rate boundaries for inflation was introduced, starting with 1985. The preferential maximum tax rate on net long-term capital gains under "alternative tax" was revised over the years. Alternative tax was abolished effective 1987, but a maximum capital gains tax rate less than the maximum regular tax rate continued to apply under certain conditions, starting with 1991. For additional information on changes affecting tax computations, see *Statistics of Income—Individual Income Tax Returns.*

[29] Includes that portion of the earned income credit used to offset income tax before credits; see also footnotes 34 and 40. Earned income credit is shown below in Table 1.

[30] Includes credits not shown separately, such as the political contributions credit (repealed effective 1987), earned income credit (see below in Table 1; see also footnote 34), and low-income housing credit (introduced effective 1987); see also footnote 31. For changes in credits allowed for earlier years, see *Statistics of Income—Individual Income Tax Returns.*

[31] Investment credit was included in the more inclusive general business tax credit, starting with 1984. With exceptions, investment credit was repealed effective 1986.

[32] Includes income tax after credits and additional tax for tax preferences, i.e, "minimum tax" or "alternative minimum tax" (see footnote 33). This is the amount before any audit and enforcement activities by the Internal Revenue Service and was the amount

payable to the U.S. Government as reported on the income tax return.

[33] The add-on "minimum tax" on "tax preferences" (chief among which was net long-term capital gains) was introduced, starting with 1970. (This tax was formerly described in Statistics of Income as the "additional tax for tax preferences.") The minimum tax computation, using a base related to taxable income, was revised and the tax rate increased effective 1976. The number of preferences subject to tax was revised effective 1976 and 1981. Starting with 1979, two major preferences formerly subject to minimum tax (including net long-term capital gains) were subjected, instead, to the new "alternative minimum tax," which required taxpayers to pay the larger of the regular income tax or the AMT. Computation of AMT was revised effective 1980 (to allow tax to be reduced by certain credits) and, again, effective 1981 (to modify the graduated tax rate structure). Minimum tax was abolished effective 1983, and many of the tax preferences subject to this tax were subjected, instead, to a revised AMT. AMT was increased, starting with 1983, by introduction of a single, higher tax rate, which replaced two, lower graduated rates. The single rate was increased effective 1987 and 1991; two, higher graduated rates were introduced effective 1993.

[34] "Earned income credit," allowed certain low-income recipients, was liberalized starting with 1985, 1987, 1991, and 1994, but was limited somewhat, starting with 1996. Indexing for inflation was introduced into the credit computation, starting with 1985. In Table 1, the amounts "used to offset income tax before credits" and "to offset other taxes" (that are income-related) are reflected in the statistics for "total tax credits"; however, "excess earned income credit (refundable)" is reflected in the statistics for tax "overpayments." The refundable portion of the credit is the amount (in excess of the taxes) that could not be credited, including any "advance earned income credit payments" on those returns that had such an excess. ("Advance earned income credit payments" were made to employees electing to receive such payments currently through their paychecks. Such "payments" are included in the statistics only if the employees also met the tax return filing requirements; advance payments received by those not required to file are, therefore, excluded.)

[35] Total includes the following not shown separately: "advance earned income credit payments" (see footnote 34, above); excess Social Security and railroad retirement tax withheld; and credits for (a) capital gains tax paid by a Regulated Investment Company, but considered paid by shareholders, and (b) part of the purchase price of a diesel-powered highway vehicle.

[36] Represents tax withheld on salaries and wages; certain tip income; pensions and annuities; certain gambling winnings; and distributions from profit-sharing plans, retirement plans, and Individual Retirement Arrangements (IRA's). Also included are taxes withheld as a result of "backup withholding" on certain interest, dividends, and royalty payments, which otherwise were not subject to withholding.

[37] Represents the sum of (a) "estimated tax," generally paid quarterly throughout the tax year by self-employed and certain other taxpayers with insufficient or no tax withheld, and (b) prior-year tax overpayments taxpayers elect to credit to their current-year's "estimated tax," in lieu of requesting a refund.

[38] Represents the sum of payments made with a request for an "automatic" 4-month extension of time in which to file an income tax return, and payments with a request for an additional 2-month extension. Notwithstanding the timing of these requests, full payment of a tax estimate for the year had to be made with the original application; if adjustments to the amount thus paid were later necessitated, the difference was either refundable or payable subject to an interest charge (which is not reflected in the tax statistics).

[39] Includes income tax, tax recapture of certain prior-year tax credits, tax applicable to Individual Retirement Arrangements (IRA's), Social Security taxes on self-employment income and on certain tip income, and certain other income-related taxes (for the taxes applicable to the years shown, see *Statistics of Income—Individual Income Tax Returns).*

[40] Includes refunds (shown separately), plus credits to the following year's estimated tax and the refundable portion of the "earned income credit" (see footnote 34). The taxes reflected in tax overpayments are the same as those listed in footnote 39.

SOURCE: Except for the dollar amounts associated with the Presidential election campaign checkoff, data are from

Statistics of Income—Individual Income Tax Returns, appropriate years. Dollar amounts associated with the Presidential election campaign checkoff were accumulated by calendar year from U.S. Treasury Department, Internal Revenue Service, "Table S-1 Collections, Comparative Summary, Document 7038," Report NO-Treas-103, monthly. See, also, "General notations and statements," preceding the footnotes section.

Table 2.—Not presented.

Table 3

[1] In addition to low-income taxpayers, this size class (and others) includes taxpayers with "tax preferences," not reflected in adjusted gross income or taxable income, which are subject to the "alternative minimum tax" (included in "total income tax"), defined in footnote 32, Table 1.

[2] AGI minus "personal exemptions and total deductions," will not equal "taxable income" because the total of deductions and exemptions could exceed AGI and, therefore, includes amounts that could not be used in computing taxable income.

[3] Tax includes income tax after credits and the alternative minimum tax (see footnote 1).

[4] Not computed.

SOURCE: *Statistics of Income—Individual Income Tax Returns*, appropriate years. See, also, "General notations and statements," preceding the footnotes section.

Table 4

[1] Represents "income" from owner-occupied nonfarm housing (less actual rental income and subsidies); proprietors' income; services to individuals furnished without payment by financial intermediaries (except life insurance carriers and private noninsured pension plans); employment-related food to employees, including that related to military and domestic service; standard military clothing issued to military personnel; and employees' lodging. Excludes employer- paid health and life insurance premiums, which are included in "other labor income (except fees)."

[2] Represents income of low-income individuals not required to file individual income tax returns, estimates of unreported income included in the personal income measure, and the net effect of statistical errors or omissions in personal income and adjusted gross income measures.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts of the United States, 1929-94: Volume 2*, 1998, and for 1995-1996, *Survey of Current Business*, September 1998.

Tables 5 and 6

[1] See Table 4 for the differences between personal income and adjusted gross income.

[2] Beginning with 1987, data are not comparable with earlier years because of major changes in the definition of adjusted gross income.

SOURCE: For Tables 5 and 6, U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts of the United States, 1929-94: Volume 2*, 1998, and, for 1995-1997, *Survey of Current Business,* various issues. Also, for Table 6, *Statistics of Income—Individual Income Tax Returns,* various years. See, also, "General notations and statements," preceding the footnotes section.

Table 7

[1] Sum of standard and itemized deductions, plus charitable contributions deduction reported on standard deduction returns for Tax Years 1982-1986. Deductions exclude amounts shown as "statutory adjustments" in Table 1. For Tax Years 1987-1988, total deductions also include "zero bracket amount" reported on a small number of returns (see footnote 4). Includes total deductions as reported by taxpayers, even if the total exceeds AGI and, therefore, could not be used.

[2] See footnote 2, Tables 5 and 6.

[3] Series revised, starting with the Spring 1997 *Bulletin,* to exclude from the standard deduction statistics the relatively small number of returns with no adjusted gross income and no deductions; previously, these returns were classified as if they showed a standard deduction. For the 1977-1986 statistics, the standard deduction is the "zero bracket amount" (reported on returns with *only* a "zero bracket amount"). Such an amount was also included for a small number of returns for 1987-1988; see footnote 4. For years in which the "zero bracket amount" was in effect, frequencies shown for standard deduction returns

were derived by subtracting the number reporting an income tax liability, but with no itemized deductions, from the total of all returns. For 1944-1952, returns with itemized deductions include the small number of returns with no deductions and, for 1944-1954, the small number with no adjusted gross income regardless of whether or not deductions were itemized. In later years, returns in these two categories were excluded from all the deduction statistics in this table.

[4] Amount of standard deduction for 1944-1957 was estimated by Joseph A. Pechman, The Brookings Institution, on the basis of the distribution of the number of returns by income class and marital status in *Statistics of Income—Individual Income Tax Returns*, and, starting with 1958, was obtained directly from Statistics of Income tabulations for these years. Represents "zero bracket amount" for 1977-1986. Starting with 1987, represents the sum of "basic" and "additional" standard deductions (for age 65 or over and for blindness); also includes zero bracket amount reported on the small number of prior-year returns filed in 1988-1989 that were included in the 1987-1988 statistics.

[5] For 1977-1986, total itemized deductions are before subtraction of the "zero bracket amount." Starting with 1991, total itemized deductions are after statutory limitation (see footnote 23, Table 1).

SOURCE: Except as indicated in footnote 4, *Statistics of Income—Individual Income Tax Returns,* and unpublished tables, appropriate years. Data referred to in footnote 4 which are attributed to Joseph A. Pechman are from Pechman, *Federal Tax Policy,* Fifth Edition, The Brookings Institution, 1987. See, also, "General notations and statements," preceding the footnotes section

Table 8

[1] See Table 4 for the differences between personal income and adjusted gross income.

[2] Excludes the "zero bracket amount" for 1977-1986. Because of major changes in law, taxable income starting with 1955 and 1987 is not comparable with earlier years. See also footnote 27, Table 1.

[3] For the definition of total income tax, see footnote 32, Table 1.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts of the United States, 1929-94: Volume 2*, 1998, and, for 1995-1997, *Survey of Current Business*, September 1998; and *Statistics of Income—Individual Income Tax Returns,* appropriate issues. See, also, "General notations and statements," preceding the footnotes section.

Table 9

[1] Starting with 1975, includes the refundable portion of the earned income credit.

SOURCE: *Statistics of Income—Individual Income Tax Returns*, and unpublished tables, appropriate years. See, also, "General notations and statements," preceding the footnotes section.

Table 10

[1] For 1980, represents number of businesses (up to a maximum of three per return). For other years, represents only the number of returns, even if there was more than one business per return.

[2] "Total deductions" includes amounts not shown separately in this table, as well as amounts not itemized separately on Schedule C-EZ (short form) used by certain of the smaller businesses starting with 1992. Most deductions for which statistics are shown are slightly understated to the extent that only total deductions had to be reported on Schedule C-EZ. After 1986, total deductions exclude disallowed "passive losses"; but net income (less deficit), net income, and deficit reflect these losses. In addition, net income (less deficit), net income, and deficit are after adjustment for the passive loss carryover from prior years. Therefore, "business receipts" minus "total deductions" do not equal net income (less deficit).

SOURCE: *Statistics of Income—Sole Proprietorship Returns*, appropriate years, and *Statistics of Income Bulletin*, Summer issues (for most years). See also, "General notations and statements," preceding the footnotes section.

Table 11

[1] Includes assets and liabilities not shown separately. Totals are somewhat understated because not all partnership returns included a complete balance sheet. In addition, after 1990, certain small partnerships were not required to file balance sheets.

[2] Short-term debt is the abbreviated title for mortgages, notes, and bonds payable in less than 1 year.

Notes to Selected Historical and Other Data Tables

[3] Long-term debt is the abbreviated title for mortgages, notes, and bonds payable in 1 year or more.

[4] "Total receipts" and "total deductions" include amounts not shown separately. Prior to 1981, "total receipts" included *gross* income from farming, rents, and royalties. Expenses related to this income were included under "total deductions." Starting with 1981, only the *net* incomes or deficits from farming, rents, and royalties were tabulated; the positive amounts were included under "total receipts" and the negative amounts under "total deductions." The related expenses were not tabulated. Because of a redesign of the partnership return, starting with 1987, total receipts were computed for the statistics as the sum of "total income from a trade or business"; and the following income distributed directly to partners: "ordinary" gain from sales of property other than "capital assets"; "ordinary" income from estates, trusts, and other partnerships; "portfolio income," comprising interest, dividends, royalties, and other (excluding net capital gains), and rental real estate income (positive amounts only); income from other rental activities (positive amounts only). Most, but not all, of these types of income were included in receipts data for 1986 and earlier years. See also footnote 7, below.

Total deductions were computed as the sum of "cost of sales and operations," "total deductions from a trade or business," and the following, which were allocated directly to partners: "ordinary" loss from sales of property other than "capital assets"; "ordinary" loss from estates, trusts, and other partnerships; rental real estate losses; other rental losses; and "portfolio losses" (excluding net capital losses). Portfolio income and loss from sales of "capital assets" were intentionally omitted from receipts and deductions to improve comparability with earlier years. See also, footnote 7, below.

[5] Business receipts, starting with 1981, are not comparable to 1980. Prior to 1981, when partnerships classified in finance, insurance, and real estate reported gross rentals as their principal operating income, such rentals were transferred to "business receipts" for the statistics. No such transfers were made after 1980, so that, starting with 1981, all rentals were included in the separate statistics for rental income (which is not shown in Table 12).

[6] Taxable interest only. For the 1985 statistics, also includes certain dividends reported in combination with taxable interest.

[7] Starting with 1990, represents only the "cost of goods sold" (where inventories are an income-determining factor), although some partnerships continued to show separately the "cost of operations" (where inventories are not an income-determining factor). When partnerships reported the cost of operations separately, they were combined with the cost of goods sold for the statistics. Otherwise, the partnerships allocated the component expenditures formerly part of the cost of operations to the various deduction headings for which statistics are shown. For this reason, deduction statistics for years starting with 1990 may not be completely comparable with the previous years. Also, before 1983, small amounts of depreciation, depletion, amortization, employee benefit program contributions, and certain other expenses, when identified in schedules in support of the cost of goods sold/cost of operations, were transferred to their respective deduction headings for the statistics. Starting with 1983, these adjustments were not made, so that the combined cost of goods sold/cost of operations was included in the statistics, as reported by the partnership.

[8] After 1980, represents the more complete amounts reported in depreciation computation schedules, rather than the amounts reported as the depreciation deduction (augmented by depreciation identified for the statistics in cost of sales and operations schedules for years before 1983).

SOURCE: *Statistics of Income—Partnership Returns*, appropriate years, and *Statistics of Income Bulletin*, Summer or Fall issues (for most years). See, also, "General notations and statements," preceding the footnotes section.

Table 12

[1] Size classes are based on "business receipts," i.e., gross amounts from sales and operations, for industries except those in finance, insurance, and real estate. For the latter industries, "total receipts," which are the sum of business receipts and investment income, were used. For partnerships, comparability of data by size of receipts is affected by revisions to the definition of receipts; see also footnotes 4 and 5, Table 11. To help minimize the break in comparability caused by the change in statistical treatment of partnership farm and rental income, an effort was made for 1981-1987 only to

include rental (though not farm) *gross* income in the receipts used for the size distribution in Table 12. Starting with 1988 though, only partnership *net* rentals are reflected in the size distribution.

[2] Includes returns with no business receipts.

[3] Includes corporations and partnerships with "zero assets and liabilities." For corporations, returns with zero assets represent final returns of liquidating or dissolving corporations which had disposed of all assets, final returns of merging corporations whose assets were included in the returns of the acquiring corporations, part-year returns of corporations changing accounting periods (except for certain newly-incorporated businesses), and returns of foreign corporations with income "effectively connected" with a U.S. business (except foreign insurance companies providing separate balance sheets for U.S. branches). For partnerships, returns with zero assets include businesses not required to file balance sheets, as well as businesses that failed to provide balance sheets on their returns as originally filed (see, also, footnote 1, Table 11).

[4] For 1980, the size distribution shows the number of businesses, rather than the number of returns; see footnote 1, Table 10. Therefore, the total for 1980 differs from that presented in Table 10.

SOURCE: *Statistics of Income—Corporation Income Tax Returns; Statistics of Income—Partnership Returns, Sole Proprietorship Returns,* and *Business Income Tax Returns*, depending on the year; and *Statistics of Income Bulletin*, Summer or Fall issues (for most years). See, also, "General notations and statements," preceding the footnotes section.

Table 13

[1] Starting with 1985, "number of returns" excludes taxable farmers' cooperatives; starting with 1987, Real Estate Mortgage Investment Conduits (REMIC's); and, starting with 1988, Foreign Sales Corporations (FSC's) and Interest-Charge Domestic International Sales Corporations (IC-DISC's); see also footnotes 5 and 6, below. "Number of returns" also excludes Personal Service Corporations for 1988-1993. Because of the omission of these categories of returns, totals for all income, financial, and tax items shown in the statistics (except those not applicable to IC-DISC's and FSC's, such as "income subject to tax," "income tax," and tax credits) are slightly understated. (There were 980 IC-DISC returns for 1991; see "Interest-Charge Domestic International Sales Corporations, 1991," *Statistics of Income Bulletin*, Summer 1995, Volume 15, Number 1; and 3,073 FSC returns for 1992; see "Foreign Sales Corporations, 1992," *Statistics of Income Bulletin*, Summer 1997, Volume 17, Number 1.)

A change in the definition of S Corporation net income, starting with 1987, means that totals for receipts and deductions are slightly understated to the extent that they were not directly related to the "income from a trade or business" reported by these companies. Comparability of data for "returns with net income" is also affected by this change, as well as by a change in the Statistics of Income definition of Regulated Investment Company net income for certain years; for additional information about these changes and the estimated effect they have on the net income statistics, see footnote 16, below.

[2] Consolidated returns were filed on an elective basis for groups of affiliated corporations (with exceptions), in general, if 80 percent or more of the stock of the affiliates was owned within the group, and a common parent corporation owned at least 80 percent of the stock of at least one of the affiliates.

[3] Included in "number of returns, total" and "number with net income."

[4] In general, certain small, closely-held corporations that elected to be taxed at the shareholder level, with no more than 35 shareholders (25 for 1982 and 15 for 1979-1981).

[5] Domestic International Sales Corporations (DISC's) were designed to promote U.S. exports. They were taxed through parent corporations, but only when profits were distributed or deemed distributed to them. This system of tax deferral was generally replaced after 1984 with a new system of Foreign Sales Corporations (FSC's); see footnote 6. Tax benefits of DISC's remaining after 1984 were limited, and an interest charge for tax-deferred amounts was imposed on the parent shareholders, whose DISC subsidiaries were unable to meet the FSC requirements and that elected to continue as IC-DISC's.

[6] Foreign Sales Corporations (FSC's) generally replaced Domestic International Sales Corporations (DISC's) as a means of promoting U.S. exports (see

footnote 5). Under the FSC provisions, a portion of these subsidiaries' "foreign trade income" was exempt from U.S. income tax.

[7] Starting with 1985, inventories include amounts reported by real estate subdividers and developers previously included in "other investments."

[8] For 1980, tax-exempt securities represent investments in State and local Government obligations. For 1985, these securities were reported with investments in U.S. Government obligations as a combined total on the tax return. After 1988, tax-exempt securities were again reported separately on the tax return, but were redefined to include, not only investments in State and local Government obligations, but also stock in investment companies that distributed dividends during the current year representing tax-exempt interest on such obligations.

[9] After 1990, accounts payable of banking and savings and loan institutions include deposits and withdrawable shares previously reported in "other current liabilities."

[10] In general, after 1982, Statistics of Income data for receipts, deductions, and net income (or deficit) of S Corporations are limited to those attributable to a trade or business. Therefore, most investment income or loss, such as from taxable interest, dividends, rents, royalties, and gain (loss) from sales of investment property; the deductions related to this income; and deductions for charitable contributions, intangible drilling and development costs, oil and gas depletion, foreign taxes paid, and the limited expensing of the cost of depreciable assets (Code section 179), are not reflected in net income (because they were allocated directly to shareholders, instead). See also footnote 11.

After 1991, statistics for the "cost of sales and operations" represent only the "cost of goods sold," applicable when inventories were an income-determining factor, i.e., when the corporation was engaged in the production, manufacture, purchase, or sale of merchandise in the course of its trade or business. Therefore, the statistics exclude amounts previously estimated for the "cost of operations," applicable whenever inventories were not an income-determining factor. Such estimates were constructed from expense data reported elsewhere in the tax return (often in "other deductions"), on returns of corporations reporting "business receipts" without a cost of goods sold. Most of these corporations were classified either in the "transportation and public utilities" or "services" industrial divisions. See also footnote 16.

[11] After 1986, "business receipts" includes the full amount reported by stock and commodity brokers and exchanges, and by real estate subdividers, developers, and operative builders, even when they bought and sold securities, commodities, and real estate on their own accounts. Previously, such transactions were treated as "net gain (loss), noncapital assets."

[12] See footnote 10.

[13] Starting with the 1985 statistics, "other interest" includes any dividends reported in combination with interest on Form 1120S by S Corporations, i.e., certain corporations that elect to be taxed through shareholders (see footnote 4). Based on prior years when Form 1120S required each to be reported separately, nearly all of the combined amount represents interest.

[14] For the 1985 statistics, "other deductions" includes depletion and employer contributions to pension, profit-sharing, stock bonus, and annuity plans, and to employee benefit programs, reported on the Form 1120-A short form. After 1987, identifiable amounts reported on Form 1120-A for any of these items are included in the statistics for the appropriate deduction. Starting with 1992, "other deductions" include certain amounts previously treated as part of the combined "cost of goods sold/cost of operations" for Statistics of Income. See also footnote 10.

[15] In general, "total receipts less total deductions" includes tax-exempt interest on State and local Government obligations, but excludes income from related foreign corporations only "constructively" received. As such, "total receipts less total deductions" represents all income, taxable and nontaxable, "actually" received by the corporation, as reported on the corporation income tax return, and excludes all income only "constructively" received. In contrast, "net income (less deficit)" represents all taxable income, actually or constructively received. Therefore, in the statistics, "total receipts less total deductions" minus "nontaxable interest on State and local Government obligations" and "constructive taxable income from related foreign corporations" equals "net income (less deficit)." For the exception, due to Regulated Investment Companies, see

footnote 16.

[16] "Net income (less deficit)," "net income," and "deficit" shown for 1990-1996 exclude: (a) net long-term capital gain reduced by net short-term capital loss reported by regulated investment companies (see also footnote 15), and (b) amounts other than "from a trade or business" reported by S Corporations (see also footnote 4). For comparisons with earlier years, these amounts should, therefore, be added back in. Regulated Investment Company net long-term capital gain (reduced by net short-term capital loss) was excluded from the net income in Table 13 statistics, starting with 1990. With respect to Table 13, the amounts excluded were: $7.5 billion for 1990; $43.4 billion for 1994; $57.2 billion for 1995; and $94.1 billion (preliminary) for 1996. S Corporation net income (less deficit) excluded from the statistics was estimated at $17.7 billion for 1994; $22.3 billion for 1995; and $35.2 billion (preliminary) for 1996. S Corporation net income (less deficit) excluded from the statistics was estimated at $12.1 billion for 1993; $17.7 billion for 1994; and $22.3 billion for 1995. Data with which to estimate the S Corporation net income (less deficit) excluded from the statistics for 1990 were not tabulated. (For additional information about S Corporation net income, see *Statistics of Income Bulletin*, "S Corporations, 1993," Spring 1996, Volume 15, Number 4, and "S Corporation Returns, 1994," Spring 1997, Volume 16, Number 4, and "S Corporations, 1995," Spring 1998, Volume 17, Number 4.)

[17] For most years, "income subject to tax" (the corporate tax base) exceeds "net income (less deficit)" in the statistics, chiefly because of the deficits reported on returns without net income. Moreover, it is the sum of the several tax bases applicable over time to different classes of corporations, not all of which were directly related to net income. Income subject to tax thus includes the "taxable income" base used by most companies (and defined for the statistics as net income minus certain statutory special non-business deductions, such as for intercorporate dividends received and "net operating losses" carried forward from prior years); before 1998, a variation of this base in combination with net long-term capital gains in certain situations where the lower capital gains tax applied; and the special tax bases applicable to S Corporations (otherwise taxed through their shareholders), insurance businesses, and certain investment companies. Profits of Domestic International Sales Corporations or Interest-Charge Domestic International Sales Corporations (depending on the year) were tax-deferred until distributed, actually or constructively, to parent businesses, and those of S Corporations were mostly taxed through their individual shareholders. Therefore, the net income of all these corporations is excluded from income subject to tax for years for which data for these companies are included in the statistics (see also footnote 1).

[18] For 1980, includes tax from recapture of Work Incentive Program (WIN) credit; starting with 1985, Personal Holding Company tax; after 1987, tax on "branch profits" of foreign corporations with U.S. operations; and, after 1988, certain lesser taxes, including special taxes applicable to real estate investment trusts and foreign corporations with U.S.-source income. "Income tax, total" more closely represents worldwide income tax liability because it is before subtraction of the foreign tax credit, the largest of the tax credits. To the extent that foreign tax credits adequately reflect the total foreign income tax burden, total income tax includes these taxes. See also footnotes 21 and 23.

[19] Different tax rate structures applied for Tax Years 1980-1981, 1982, 1983-1986, 1987-1992, and 1993-1996. In general, starting with tax years beginning in 1987, "alternative tax" was repealed. This tax included a maximum rate on net long-term capital gains that produced a tax that was less than that produced by the regular tax rates.

[20] Effective during 1987, the "alternative minimum tax" replaced the "minimum tax" (formerly referred to in the statistics as the "additional tax for tax preferences"). Therefore, the "number of returns" shown represents the number with the minimum tax for years before 1990 and the number with alternative minimum tax for the later years. The tax computation was modified effective with Tax Years 1983, 1984, and 1990. The alternative minimum tax rate exceeded that applicable under the former minimum tax.

[21] Tax credits are applied against "regular and alternative tax" only.

[22] Data for 1980, 1990, and 1994 are revised; also, see the data sources described below.

[23] Starting with the 1985 statistics, general business credit includes alcohol fuel, investment, jobs, and employee stock ownership plan (ESOP) credits, which were reported separately for previous years. Also included are the research activities credit (starting 1986), the low-income housing credit (starting 1987), and the credit for contributions to certain community development corporations (starting 1993). With exceptions, investment credit was repealed effective 1986; employee stock ownership plan contributions credit was repealed effective 1987. For changes in definitions of component credits, see *Statistics of Income—Corporation Income Tax Returns* for the years concerned.

[24] Total income tax after credits is before any audits or enforcement activities by the Internal Revenue Service. It is the amount payable to the U.S. Government as reported on the income tax return, and, because it is after subtraction of foreign tax credit, the total does not include income taxes paid to foreign governments.

SOURCE: *Statistics of Income—Corporation Income Tax Returns,* except for the revised data shown for the foreign tax credit for 1980, 1990, and 1994, and for the U.S. possessions credit for 1980. Based on these revisions, data for "total income tax after credits" have also been revised for these years. The revised credit data are from special in-depth studies of the tax return computation schedules in support of the credits claimed and include the results of taxpayer follow-up for additional information. The results of these studies, including those for other years besides those shown in Table 13, are summarized in articles included in various issues of the *Statistics of Income Bulletin.*

See, also, "General notations and statements," preceding the footnotes section.

Table 14

[1] Industrial classification is based on the product or service accounting for the largest percentage of the "total receipts" shown in this table. If this information was not discernible from the corporation income tax return, the return was classified as with "Nature of business not allocable." Data for "Nature of business not allocable" are included in the total for "All industrial divisions," but are not shown separately. Therefore, the statistics by industrial division do not add to this total.

[2] See footnote 1, Table 13.

[3] Net worth is the sum of "capital stock," " paid-in or capital surplus," "retained earnings, appropriated," and "retained earnings, unappropriated" minus "cost of treasury stock." Data for each of these amounts are presented separately in Table 13.

[4] See footnotes 10 and 16, Table 13.

[5] See footnote 11, Table 13.

[6] Interest received is the sum of "interest on State and local Government obligations" (i.e., tax-exempt interest) and "other interest" (which includes interest paid by banking and savings institutions). Data for both of these amounts are presented separately in Table 13. See also footnote 13, Table 13.

[7] In addition to regular (and alternative) tax for years prior to 1988, includes certain other taxes either shown separately in Table 13 or mentioned in footnote 18, Table 13.

[8] See also footnote 19, Table 13.

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years. See, also, "General notations and statements," preceding the footnotes section.

Table 15

[1] Profits shown are without inventory valuation and capital-consumption adjustments.

[2] "Net income (less deficit)" and "income subject to tax" exclude taxable cooperatives, starting with the 1985 data, Real Estate Mortgage Investment Conduits (REMIC's), starting with 1987, and Personal Service Corporations for 1988-1993. Net income (less deficit), starting with 1985, excludes Foreign Sales Corporations (FSC's) and Interest-Charge Domestic International Sales Corporations (IC-DISC's); see also footnote 1, Table 13. For changes in the definition of regulated investment company and S Corporation net income, see footnote 16, Table 13.

[3] For the definition of "income subject to tax," see footnote 17, Table 13. See also footnote 2, above.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts for the United States, 1929-94, Volume 2,* 1998 and, for 1995-1998, *Survey of Current Business,* various issues; and *Statistics of Income—Corporation Income*

Tax Returns, appropriate years. See, also, "General notations and statements," preceding the footnotes section.

Table 16

[1] Total adult deaths represent those of individuals age 20 and over, plus deaths for which age was unavailable.

[2] Prior to 1982, number of "taxable estate tax returns" by year of death is only approximate because, while the majority of returns filed in a given calendar year represent estates of decedents who died in the immediately preceding year, many represent estates of decedents who died in earlier years. Therefore, the number of taxable returns shown for 1976 decedents, for example, is actually the number of taxable returns filed in 1977, regardless of year of death. Starting with 1982, statistics by year of death are more accurate because they are based on the year of death reported on return filings over a period of successive years.

Year-to-year comparability of the data is affected by changes in the gross estate filing threshold, which is based on year of death: 1934 ($50,000); 1935 through 1941 ($50,000 changing to $60,000); 1942 ($40,000 changing to $60,000); 1943 through 1976 ($60,000); 1977 ($120,000); 1978 ($134,000); 1979 ($147,000); 1980 ($161,000); 1981 ($175,000); 1982 ($225,000); 1983 ($275,000); 1984 ($325,000); 1985 ($400,000); 1986 ($500,000); and 1987 and thereafter ($600,000).

SOURCE: For years after 1953, *Statistics of Income—Estate Tax Returns; Estate and Gift Tax Returns; Fiduciary, Estate and Gift Tax Returns*; and unpublished tabulations, depending on the year. For years prior to 1954, *Statistics of Income—Part 1*. Adult deaths are from the Centers for Disease Control and Prevention, National Center for Health Statistics, U.S. Department of Health and Human Services, *Vital Statistics of the United States, Report Number 11, Supplement 2, Table 2*, annual. See, also, "General notations and statements," preceding the footnotes section.

Table 17

[1] Includes taxes collected by the Internal Revenue Service and, starting in Fiscal Year 1988 and the second quarter of Fiscal Year 1991, excise taxes collected by the Bureau of Alcohol, Tobacco and Firearms and the Customs Service, respectively. These excise taxes were formerly collected by the Internal Revenue Service. See footnote 5, below, for an explanation of the revisions to the excise tax data, starting with the Summer 1997 issue of the *Bulletin*.

[2] Excludes various taxes paid by certain tax-exempt trusts at the individual income tax rates; these taxes were included with corporation income taxes. Individual income tax collections include that portion of the individual income tax transferred to the Presidential Election Campaign Fund as indicated by taxpayers on their income tax returns. Presidential election campaign designations are shown in Table 1 by calendar year; designations by fiscal year are as follows: $66.9 million *in* Fiscal Year 1997, $66.3 million *in* Fiscal Year 1996, $68.5 million *in* 1995, $69.7 million *in* 1994, $27.7 million *in* 1993, $29.6 million *in* 1992, $32.3 million *in* 1991, $32.5 million *in* 1990, $32.3 million *in* 1989, and $33.2 million *in* both 1988 and 1987. Income tax of estates and trusts collected *in* Fiscal Year 1996 was $8.0 billion; *in* 1995, $5.3 billion; *in* 1994, $6.2 billion; *in* 1993, $6.0 billion; in 1992, $6.1 billion; *in* 1991, $4.8 billion; *in* 1990, $5.9 billion; *in* 1989, $6.0 billion; *in* 1988, $6.5 billion; and *in* 1987, $8.4 billion.

[3] Includes various taxes applicable to tax-exempt organizations, including the tax on "unrelated business income." Such taxes also include the taxes paid by certain tax-exempt trusts at the individual income tax rates; these taxes were combined with the corporation income tax collections. Total taxes collected from organizations otherwise tax-exempt were $666.8 million *in* Fiscal Year 1997; $699.9 million *in* Fiscal Year 1996 (including $501.9 million in unrelated business income tax); $484.9 million *in* 1995 ($294.3 million in unrelated business income tax); $571.5 million *in* 1994 ($372.4 million in unrelated business income tax); $342.7 million *in* 1993 ($173.6 million in unrelated business income tax); $379.5 million *in* 1992 ($181.6 million in unrelated business income tax); $288.2 million *in* 1991 ($155.6 million in unrelated business income tax); $304.0 million *in* 1990 ($127.9 million in unrelated business income tax); $271.4 million *in* 1989 ($115.6 million in unrelated business income tax); $284.0 million *in* 1988 ($137.5 million in unrelated business income tax); and $244.3 million *in* 1987 ($119.9 million in unrelated business income tax).

[4] See footnote 1, above.

[5] Data shown for the Bureau of Alcohol, Tobacco, and Firearms (ATF) also include data for the Customs Service. To preserve the historical time series interrupted by the transfer of collection of the manufacturers' excise taxes paid on alcohol and tobacco and of the manufacturers' excise taxes on recreational products for the taxes paid on firearms from the Internal Revenue Service to ATF starting in July 1987 and January 1991, respectively, the combined excise taxes for these two Treasury Department agencies are shown alongside the excise tax collections reported by the Internal Revenue Service for fiscal years beginning with 1998 in Table 17, and have been added to the total tax collections reported by the Internal Revenue Service to show a grand total of all Treasury Department tax collections (with the exception of cargo excise taxes collected by the Customs Service). For a description of how the excise tax collections data were allocated between IRS and the Bureau of Alcohol, Tobacco and Firearms/ Customs Service, see the Notes, below). For a description of the excise tax collection statistics presented in the *Bulletin* prior to the Summer 1997 issue, see footnote 5, Table 17 of that issue.

[6] Employment taxes include: (a) old-age survivors, disability, and hospital insurance (OASDI) taxes, i.e., Social Security taxes, levied on salaries and wages (Federal Insurance Contributions Act or FICA taxes) (*in* 1997, $528.6 billion; 1996, $448.3 billion (revised); 1995, $394.4 billion; 1994, $409.6 billion; 1993, $381.1 billion; 1992, $365.2 billion; 1991, $349.3 billion; 1990, $336.3 billion; 1989, $317.8 billion; 1988, $289.9 billion; and 1987, $252.6 billion); (b) (Social Security) taxes levied on "self-employment" income (Self-Employment Insurance Contributions Act or SECA taxes) (*in* 1997, $34.0 billion; 1996, $22.2 billion (revised); 1995, $60.9 billion (revised); 1994, $24.4 billion; 1993, 20.6 billion; 1992, $24.4 billion; 1991, $25.5 billion; 1990, $21.3 billion; 1989, $19.0 billion; 1988, $17.7 billion; and 1987, $14.0 billion); (c) unemployment insurance (FUTA) taxes (*in* 1997, $6.3 billion; 1996, $6.0 billion; 1995, $5.8 billion; 1994 and 1993, $5.6 billion each; 1992, $5.8 billion; 1991 and 1990, $5.5 billion each; 1989, $4.7 billion; and 1988 and 1987, $6.2 billion each); and (d) railroad retirement (carriers) taxes (*in* 1997, $4.4 billion; 1996 and 1995, $4.3 billion each; 1994, $4.2 billion; 1993, $4.3 billion; 1992, $4.4 billion; 1991 and 1990, $4.2 billion each; 1989, $4.1 billion; 1988, $4.3 billion; and 1987, $4.2 billion).

NOTES: In general, collections represent the gross amounts before refunds and include amounts paid with the tax return prior to filing the return (as applicable), income tax withheld by employers, and "estimated tax" payments; and subsequent to filing the return (chiefly the result of initial administrative return processing or examination and enforcement activities). Collections also include interest and penalties, but do not reflect any revisions to the IRS data made after the close of the fiscal year.

Collection statistics reported by the Internal Revenue Service are not altogether comparable to those published by the Financial Management Service, also in the Treasury Department, because of timing differences resulting from the definitions each agency uses. The Internal Revenue Service counts the monies as they are received (to reflect the status of its tax collection operation); Financial Management Service counts these amounts as received, but only after discrepancies (such as between what the employer reports as tax withheld and the amount actually withheld) are resolved. Also, Financial Management Service classifies the tax collected according to the Federal Budget account to which the tax receipts are assigned (so that, for example, the "environmental tax" reported on the corporation income tax return is not included in Treasury's monthly corporation income tax statistics because, by law, this tax is assigned to the environmental "Superfund," rather than to the General Fund to which most income taxes are assigned; in contrast, this tax is classified as a corporation income tax in the Internal Revenue Service statistics).

For purposes of Table 17 (and to facilitate comparisons with Table 20), the grand totals of all excise taxes were obtained by accumulating data from the *Treasury Monthly Statement* (see also the citation under Source, below). Totals for excise taxes collected by IRS were then subtracted from these grand totals to derive the combined totals shown as having been collected by the Bureau of Alcohol, Tobacco and Firearms and the Customs Service.

SOURCE: U.S. Department of the Treasury, Internal Revenue Service, National Director, Submission Processing, Accounting Branch, Revenue Accounting Control Section; and Financial Management Service, *Monthly Statement on Receipts and Outlays of the United States Government*, monthly.

Table 18

[1] Starting with Fiscal Years 1988 and 1991, total excludes refunds of excise taxes collected by the Bureau of Alcohol, Tobacco and Firearms and the Customs Service, respectively. Formerly, these

refunds were issued by the Internal Revenue Service.

[2] Includes refunds of taxes paid on the "unrelated business income" of certain tax-exempt organizations. Also, to preserve the year-to-year comparability of the historical series, individual income tax refund data have been revised for 1996 and 1997 to, again, include the refunds due to the "earned income credit" (see also footnote 34, Table 1). This credit is already reflected in the refund statistics for previous years. Therefore, refund data for 1996 and 1997 do not agree with those presented in the annual *Internal Revenue Service Data Book,* starting with 1996, although, conceptually, they agree with refund data published in the Treasury Department's *Monthly Statement of Receipts and Outlays of the United States Government* (see also the citation under Source, below).

Individual income tax refunds are net of offsets under laws that require the Internal Revenue Service to act as collecting agent for delinquent payments owed various U.S. Government agencies under specific programs; see Table 19.

[3] Includes refunds of taxes on the "unrelated business income" of tax-exempt organizations, except for certain trusts.

[4] See footnote 1. Also, as further explained in the Notes to Table 20, taxpayers can offset certain refundable excise tax payments against the tax of subsequent time periods and claim certain other refunds as a credit against income tax; however, these amounts are not reflected in the excise tax refund statistics.

[5] The kinds of employment taxes subject to refund are included in footnote 6, Table 17.

NOTES: Refund data include interest paid by IRS. See also the notes to Table 17.

SOURCE: U.S. Department of the Treasury, Internal Revenue Service, National Director, Submission Processing, Accounting Branch, Revenue Accounting Control Section.

Table 19

[1] Represents repayments to specific Federal agencies for debts, such as student loans, mortgage and loan foreclosures, dishonored checks, and overpayments of benefits. There was no refund offset program prior to Fiscal Year 1982.

[2] After 1990, number of offsets includes adjustments for injured spouse claims filed with the original return.

[3] Net amount collected after injured spouse claims and other types of reversals processed. Excludes fees charged by the Internal Revenue Service and Financial Management Service, U.S. Department of the Treasury.

[4] From 1992 through 1994, the Social Security Administration (SSA) participated in the refund offset program as part of the Department of Health and Human Services (HHS), but, starting in 1995, SSA became an independent agency. Therefore, SSA statistics, which are shown separately for all years, are included in the HHS totals for 1992 through 1994 only.

[5] Represents repayments to State treasuries for funds disbursed to families receiving State assistance and for funds distributed under the Temporary Assistance for Needy Families (TANF) program, before 1997 known as the Aid to Families with Dependent Children (AFDC) program.

[6] Represents repayments to State treasuries for distribution to custodial parents (non-TANF). (See also footnote 4, above).

[7] Before 1996, known as the the Public Health Service.

[8] Includes affiliated exchange services.

SOURCE: U.S. Department of the Treasury, Internal Revenue Service, National Director, Customer Service Compliance, Accounting and Quality, Education/Accounts Resolution Branch, Accounts Section.

Table 20

[1] Tax liability statistics include "collections" of use tax on heavy highway vehicles and of crude oil windfall profit tax. See the notes, below also.

[2] Represents aggregates for two or more specific taxes for which amounts have either been combined or are not available separately.

[3] This tax is in addition to the regular tax on gasoline.

[4] Includes small amounts of taxes on alcohol, tobacco, and firearms collected by the Internal Revenue Service after July 1, 1987 (for alcohol and tobacco taxes), and after January 1, 1991 (for firearms taxes), for tax liabilities incurred previously. (Effective with or during Fiscal Years 1988 and 1991, responsibility for new tax liabilities was transferred to the Bureau of Alcohol, Tobacco and Firearms.)

[5] Starting with Fiscal Year 1998, includes excise taxes

collected through the Federal Tax Deposit (FTD) system, which the Internal Revenue Service has not yet classified by type of excise tax. Classification is based on returns filed in the quarter following tax payment. Negative amounts for "unclassified" result from subsequent classification of the previously unclassified taxes. For fiscal years before 1998, "unclassified" taxes are included in the statistics for "Internal Revenue Serivce collections less reported amounts." See the notes below, also.

[6] Tax "liability" statistics shown for Customs Service/ Bureau of Alcohol, Tobacco and Firearms include tax "collections" on imported items for which Customs Service is responsible. See the note below for additional information.

[7] Taxes on different types of domestic tobacco products are *before* post-filing tax adjustments. Therefore, the statistics by type of tax for domestic tobacco will not add to the total for tax on domestic tobacco, which is *after* these adjustments. See the notes below, also.

NOTES: Grand totals for taxes shown for the Internal Revenue Service (IRS), Bureau of Alcohol, Tobacco and Firearms (ATF), and Customs Service represent tax "collections." (Taxes on certain cargoes treated as excise taxes under the Internal Revenue Code are also collected by the Customs Service, but are excluded from Table 20 for consistency with the excise tax definitions and totals published in the Federal Budget.)

For the grand totals, collections rounded to millions of dollars are all that are available. In general, amounts shown are the gross amounts, i.e., before refunds. However, as explained below, refunds are sometimes claimed as a credit against the tax reported on the excise tax return of a subsequent quarter and, to this extent, the data are after refunds.

"Floor stocks taxes" are shown separately in Table 20 because they are nonrecurring. They are generally imposed on holders of inventories on the date a new excise tax is imposed or a tax rate increased.

To help improve comparability of the data from one year to the next, specific taxes have been classified as they appear in the Internal Revenue Code for 1998, even if, prior to 1998, they were classified differently or were defined differently. As a result, the components of retail or manufacturers taxes may not be defined the same for 1998 as they were for previous versions of Table 20 or in *Bulletin* articles covering earlier years. For the same reason, they may not be comparable to the excise tax statistics published in press releases by the IRS covering still earlier years. The tax rates shown in Table 20 are those in effect at the beginning of Fiscal Year (FY) 1998. Most of the rates shown for the previous years for which data are presented may be found on Form 720, *Quarterly Excise Tax Return*, and its attachments, for the year(s) concerned.

Total collections represent tax payments made during the indicated fiscal year (or quarter), either through: (a) the semi-monthly tax deposits required of most taxpayers with significant excise tax liabilities using Federal Tax Deposit (FTD) coupons, in the case of taxes collected by IRS, or Electronic Funds Transfers (EFT's), in the case of taxes collected by ATF/Customs, or (b) payments attached to quarterly excise tax returns. Prior to FY 1998, excise tax collections by the Treasury Department were accounted for without identifying the specific types of excise tax to which the payments applied. Therefore, the only statistics on the specific types of tax for these years are for the tax "liabilities," which are reported by type on the excise tax return. There were three exceptions: the use tax on heavy highway vehicles and the crude oil windfall profit tax, both administered by IRS, which taxpayers were required to account for separately when taxes were paid, and the taxes on imports administered by the Customs Service. As a result, "collections," rather than "liabilities," for each of these three types of tax are included in the Table 20 statistics for all years.

For the taxes administered by IRS, the amounts shown for total tax collections and tax liability by type of tax for FY 1994 through FY 1997 take into account the normal lag that exists between the time most taxes are collected (through FTD's, the means by which most excise tax payments are made), and the recording of tax liabilities by type of tax as reported on excise tax returns and "certified" by IRS. (The IRS "certification" process is summarized below.) Specifically, the effect of this lag was accomplished for Table 20 by matching IRS tax collection statistics for a specific quarter with tax liability data from returns processed in the following quarter. For fiscal years preceding 1994, the lag between time of tax deposit and time of filing was not taken into account, so that statistics for collections in a quarter were matched with the tax liabilities "certified" during the same quarter. Consequently, the match for these earlier years is less accurate and there is a break in comparability between 1993 and 1994, as a result.

To effectuate the change for FY 1994, the tax liabilities reported for the quarter ended December 31, 1993 (the first FY 1994 quarter under the revised definition), were matched both with: (a) collections processed in the quarter ended March 31, 1993, to meet the new definition, and with (b) collections processed in the quarter ended December 31, 1993, under the prior definition. For additional information about how this change was accomplished, see the *Statistics of Income Bulletin,* "Federal Excise Taxes, Fiscal Years 1994 and 1995," Fall 1996, Volume 16, Number 2.

a. Statistics on Excise Taxes Administered by the Internal Revenue Service

Starting with FY 1998, IRS quarterly and annual tax "collections" were tabulated for each of the detailed types of excise taxes for the first time, so that all of the IRS tax data in Table 20, starting with this year, represent "collections." To accomplish this change from 1997, the "certified" tax liability reported on a tax return for a given type of tax was made equal to the total excise taxes paid (or underpaid) through FTD's or the amount paid with the return. If there was more than one type of excise tax reported on a return, the total excise tax paid (or underpaid) was apportioned by type of tax based on the ratio of the detailed tax liabilities reported on the return to the total excise tax collected from the taxpayer for the quarter. These apportioned collections were then used for the statistics, instead of the reported tax liabilities. Because of this change in the IRS accounting by type of tax, from a tax "liability" basis to a tax "collections" basis, 1998 data for the different taxes are not completely comparable with 1997 and earlier years.

For FY's 1994-1997, the table entry for IRS "collections less reported amounts" is a balancing amount, representing the difference between excise tax collections and the total excise tax liability "certified" from returns processed in the following quarter. (See, also, footnote 6, above.) For the earlier years, it represents the difference between collections and the total tax liability "certified" in the same quarter, as previously explained. Because of the change in how tax collections were matched with tax liabilities between 1993 and 1994, the balancing entries for 1993 and earlier years are also not comparable with 1994-1997. As noted above, starting with FY 1998, all of the IRS statistics represent tax collections, rather than a mixture of tax liabilities and tax collections; therefore, a "dash" is shown for the table entry, "collections less reported amounts," indicating there is no difference between the two amounts.

In the IRS "certification" process, certain adjustments are made for returns missing or filed late and to correct obvious taxpayer errors. As evidenced by the statistics, some certified amounts are only rounded to the nearest $1,000, $10,000, or $100,000, during administrative processing. Adjustments made in a particular quarter are reversed in a subsequent quarter to avoid double counting when late or missing returns are later filed and processed, or when taxes previously unclassified by type are subsequently classified. Some of these adjustments can result in amounts being reported in the statistics for quarters long after a tax has been repealed or has expired. They can also result in the negative amounts shown in the data as corrections are made to earlier quarter(s). Negative amounts also result from prior misclassification made during the certification process; or from taxpayers using a subsequent quarter's tax return to claim refunds for an earlier quarter or to correct prior mistakes. Corrections to the IRS data are reflected in the quarter(s) and year in which the corrections were made, rather than in the data for the quarter(s) and year in which the original tax liability arose (unlike the ATF/Customs data). The certified tax is net of refund credits reported on excise tax returns, not only for this reason, but for reasons set forth in the tax code. As examples, tax can be offset for commodities exported that were previously taxed (exports are usually nontaxable), or for the tax-free sale of previously-taxed gasoline to a State or local Government (or, in the case of ATF taxes, for alcohol used for a non-beverage purpose). Other taxpayers apply directly for refunds and, in some instances, are allowed to claim them as a credit against income tax; however, these refundable amounts are not reflected in Table 20.

b. Statistics on Excise Taxes Administered by the Bureau of Alcohol, Tobacco and Firearms and Customs Service

Excise taxes on alcoholic beverages and tobacco products are collected by both Customs Service (on imports) and ATF (on domestic production). Taxes on firearms and certain occupational taxes are also collected by ATF. ATF tax liability statistics, for all of the years shown in Table 20, are presented in more detail, beginning with the Summer 1998 issue of the *Bulletin.* The less detailed ATF statistics shown for each year in previous issues of the *Bulletin* also represent tax "liabilities" on domestic alcohol and tobacco productions, as well as tax "liabilities" on firearms and certain occupations. In contrast, the taxes on imported alcohol and tobacco production reported by the Customs Service are tax "collections" in data for all years.

The grand totals for ATF and Customs Service tax "collections," as presented in Table 20, are residual amounts. They were derived by subtracting total IRS tax collections, which are available before most refunds, from the grand total of all excise tax gross collections reported in the *Monthly Treasury Statement*, rounded to millions of dollars, as shown at the beginning of Table 20.

Unlike IRS data, ATF data are based on returns filed with respect to tax liabilities arising in the same quarter. In Table 20, ATF data have been rearranged, starting with the Spring 1997 *Bulletin*, so that the tax liabilities are matched with the tax collections in that same quarter. As previously mentioned, ATF amounts are often revised slightly as late returns are processed or post-filing adjustments are made to the tax. Unlike the IRS data, revisions are made to ATF data for the specific quarter(s) and year in which the original tax liability arose. As a result, tax reported for prior periods may be revised on a continuing basis (although the prior-year data are actually retabulated only for the one, most recent, prior year). Data for the detailed types of taxes on domestically-produced tobacco production, starting with the Fall 1998 version of Table 20, are available only *before* such revisions. Therefore, the computed sum of tobacco taxes by type will not equal the total shown for all tobacco taxes, which is *after* revisions.

In the Table 20 statistics for ATF/Customs Service, "collections less reported amounts" is the balancing amount that reconciles the ATF/Customs Service tax "collections" (derived in the manner previously described) with the sum of the tax liabilities by type of tax shown for the quarter or year. These latter totals are described in Table 20 as "tax liabilities by type of excise tax, total" (even though they actually represent combinations of Customs tax "collections" and ATF tax "liabilities"). Because of the method used to determine the grand total for ATF/Customs tax collections (described above), the sum of the detailed types of ATF/Customs excise tax "liabilities" may exceed totals for "collections."

SOURCE: U.S. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement of Receipts and Outlays of the United States Government*; Bureau of Alcohol, Tobacco and Firearms, *Statistical Release: Alcohol, Tobacco and Firearms Tax Collections,* quarterly (this release also includes data from the Customs Service), and previously-unpublished special tabulations; Internal Revenue Service, *Internal Revenue Service Data Book*, and its predecessor, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service;* also the National Director, Submission Processing, Accounting Branch, Revenue Accounting Control Section, *Internal Revenue Report of Excise Taxes*, for fiscal years before 1994; previously-unpublished corrected data for 1994 and 1995, and data for 1996 (unrevised data for 1994 and 1995 were published in Davie, Bruce F., "Federal Excise Taxes, Fiscal Years 1994 and 1995," *Statistics of Income Bulletin,* Fall 1996, Volume 16, Number 2). See also (unrevised) data included in Davie, Bruce F., "Excise Taxes, Fiscal Year 1992," *Statistics of Income Bulletin,* Fall 1993, Volume 13, Number 2, and data in Francis, Brian D., "Excise Taxes, Fiscal Years 1995-1997," *Statistics of Income Bulletin,* Spring 1998, Volume 17, Number 4.

Table 21

[1] Form 1040 is the "long form," and Form 1040A, one of the two (three for Filing Year 1996) "short forms." Starting with Filing Year 1991, use of Form 1040A was expanded to reflect provisions designed to facilitate usage by elderly taxpayers. Prior to 1994, Form 1040EZ, the other "short form" (introduced in 1983), was for single taxpayers with no dependents; starting in 1994, certain married taxpayers with no dependents could also use this form. The types of income that could be reported on Form 1040EZ were expanded, starting in 1996, to include unemployment compensation. (For Filing Year 1996 only, there was also a third short form, 1040-T.) Form 1040PC was introduced in 1992 and is the equivalent of a "paper" Form 1040, 1040A, or 1040EZ return for which an IRS-approved computer software-generated compressed format is used. Schedule C is for reporting nonfarm sole proprietorship business income and deductions, and Schedule F is for reporting farm sole proprietorship business income and expenses.

Starting with Filing Year 1986, the reported figures for total Forms 1040 (including 1040-T, an experimental form used in 1996, only), 1040A, 1040EZ, and 1040PC, as well as the totals for business and nonbusiness Form 1040 returns with Schedules C or F attached, are comprised of "paper" returns, plus "standard" electronically-filed (ELF) returns (usually filed by authorized third parties). Starting in 1992, the electronically-filed totals also include returns filed by touch-tone telephone ("TeleFile").

The last category under individual income tax returns is comprised of Form 1040C (departing alien) for filing years preceding 1992; 1040NR (nonresident alien); 1040PR (self-employment tax, Puerto Rico); and 1040SS (self-employment tax, U.S. Virgin Islands, Guam, and American Samoa). Amended returns filed on Form 1040X are excluded.

[2] Form 1120 is the basic corporation income tax return. Form 1120A is the "short form" (introduced in Filing Year 1985; filers formerly used the Form 1120 long form). Form 1120S is for S Corporations (qualifying small, closely-held, corporations electing to be taxed through shareholders— no more than 35 shareholders, starting in 1984; no more than 25 in 1983, no more than 15 in 1981-1982; and no more than 10 before 1981). "Other" includes Forms 1120-F (most foreign companies with U.S. income); Forms 1120-L (domestic and foreign life insurance companies), which are combined with the Form 1120 statistics for years before 1995; Forms 1120POL (certain political associations); Forms 1120-H (homeowners associations); Forms 1120-FSC (Foreign Sales Corporations, or FSC's), starting in 1986; Forms 1120-REIT (Real Estate Investment Trusts) and 1120-RIC (Regulated Investment Companies) starting in 1988 (filers formerly used Form 1120); and Forms 1120-PC (Property and Casualty Insurance Companies), starting in 1987 (filers formerly used Forms 1120 or 1120M, described below). "Other" also includes Form 1120DF (for nuclear decommissioning trust funds and certain related persons), starting in 1988; and, for years before 1988, Form 1120M (now discontinued) for mutual nonlife insurance companies that now file Form 1120 or 1120-PC (and are included in the statistics for Form 1120 in the years preceding 1988). After 1985, "other" excludes Form 1120-DISC for Domestic International Sales Corporations (which was discontinued and mostly replaced by FSC's, see above); and Form 1120 IC-DISC for Interest-Charge Domestic International Sales Corporations (which was used by certain other DISC's after 1985). Amended returns filed on Form 1120X are excluded.

[3] Form 1041 is the regular income tax return filed for estates and trusts. For 1988-1990, includes Form 1041S (short form).

[4] Form 706 is the regular estate tax return; Form 706NA is for U.S. estates of nonresident aliens; Forms 706 GS(D) and 706 GS(T) are for estate tax returns for which the generation-skipping transfer tax applies.

[5] Form 990 is for tax-exempt organizations, except private foundations (Form 990-PF). Form 990EZ is the short form. Form 990-T is the income tax return filed for businesses conducted by tax-exempt organizations. Form 990-C is for farmers' cooperatives. Form 4720 is for computing the special excise taxes applicable to certain private foundations, and Form 5227 is for split-interest trusts treated as private foundations.

NOTES: Statistics and projections for private foundations and other charitable organizations (Forms 990 and 990EZ, and Form 990PF) are not comparable with Statistics of Income data for these same organizations because they may include one or more filings of prior-year tax returns, along with the current tax year's return, for the same organizations, all during the current-year filing period, as well as one or more returns for the current tax year by the same organizations, where at least one of the returns was for a part year.

SOURCE: U.S. Department of the Treasury, Internal Revenue Service, Assistant Commissioner (Research and Statistics of Income), Office of Planning and Finance, Projections and Forecasting Group.

Table 22

[1] Number of returns with a paid signature is based on different sources, depending on the year. Data for 1993-1996 are based on the Statistics of Income sample. Data for previous years are from the Individual Master File of all taxpayers, with the following exceptions: the number of returns with itemized deductions; and, starting with 1990, the number of returns filed electronically. These latter numbers were estimated from the Statistics of Income—Taxpayer Usage Study (TPUS) samples of returns filed during the first 4 months of the filing year, and, for 1992, from the full Statistics of Income sample of returns received throughout the entire filing year.

[2] Data on electronically-filed returns are included in the

counts of Form 1040 returns, shown above in Table 22, for all years. For Tax Year 1990, data are based on the TPUS samples (see footnote 1) of returns filed, extended to cover the first 8 months of the filing years. No adjustment was made for the returns filed after the first 8 months on the assumption that few were likely to have been filed electronically during these months. Starting with Tax Year 1992, data are based on the full Statistics of Income samples of returns filed throughout the entire filing year.

[3] Data on IRS taxpayer assistance programs are actually for the fiscal year. In general, assistance rendered in a given fiscal year may be associated with returns due on April 15 of that fiscal year and is, therefore, for the tax year ending with the previous December. As a result, data in Table 22 on taxpayer assistance, shown as for Tax Year 1996, for example, are more correctly described as for Fiscal Year 1997.

NOTE: Data on IRS assistance represent taxpayers contacts, unless otherwise indicated. Some taxpayers are contacted more than once. The number of taxpayers assisted (in contrast to the number of taxpayers contacted) is not known.

SOURCE: Data on paid preparers were obtained from Statistics of Income; and from Associate Commissioner, Modernization/Chief Information Officer, Corporate Processing Division, Individual Systems Branch. Data on IRS assistance were obtained from the *Internal Revenue Service Annual Report* for Fiscal Year 1992 and *Internal Revenue Service Data Book,* starting with Fiscal Year 1993. See, also, "General notations and statements," preceding the footnotes section.