

High-Income Tax Returns for 1998

by Brian Balkovic

The Tax Reform Act of 1976 required annual publication of data on individual income tax returns reporting income of \$200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable [1]. This article presents detailed data for the 2.1 million high-income returns for 1998, as well as summary data for the period 1977 to 1998. Detailed data for the years 1974 through 1997 have been published previously [2].

Two income concepts are used in this article to classify tax returns as high-income: the statutory concept of adjusted gross income (AGI) and the expanded income concept [3]. Expanded income uses items reported on tax returns to obtain a more comprehensive measure of income than AGI. Specifically, expanded income is AGI *plus* tax-exempt interest, nontaxable Social Security benefits, the foreign-earned income exclusion, and items of “tax preference” for “alternative minimum tax” purposes; *less* unreimbursed employee business expenses, moving expenses, investment interest expense to the extent it does not exceed investment income, and miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor [4, 5]. Note that, although expanded income is a more comprehensive measure of income than AGI, for some taxpayers, the subtractions from AGI to arrive at expanded income exceed the additions, with the result that expanded income is less than AGI.

Number of High-Income Returns

Table 1 shows that, for 1998, there were 2,085,211 individual income tax returns reporting AGI of \$200,000 or more, and 2,132,301 with expanded income of \$200,000 or more. These returns represented, respectively, 1.671 percent and 1.709 percent of all returns for 1998.

Since 1977, the number of returns reporting income of \$200,000 or more has increased at a much greater rate than the total number of returns filed. This pattern is true under both income concepts. Between 1997 and 1998, while the total number of

tax returns increased 1.9 percent, the number of high AGI returns increased 15.3 percent, and the number of high expanded-income returns rose 15.0 percent. As a result, for each year, returns with income of \$200,000 or more comprised a larger share of all returns than for the preceding year.

The difference in the number of high-income returns between the two income concepts significantly decreased beginning with 1987, when AGI began to include 100 percent of long-term capital gains. That change in the definition of AGI made the income concepts of AGI and expanded income more comparable. In addition, as a result of the inclusion of tax-exempt interest in expanded income starting with 1987, expanded income for years after 1986 is not strictly comparable to expanded income for years before 1987.

In the top panel of Figure A, the \$200,000 threshold for high-income returns is measured in current-year (nominal) dollars. As a result of inflation, the real (constant) dollar level of the threshold fell over time, and some returns are classified as high-income that would not have been classified as high-income for earlier years. To maintain the comparability of the real threshold over time, the nominal \$200,000 threshold has been adjusted for inflation to 1976 constant dollars for all years, and the number of high-income tax returns has been recomputed in the lower panel of Figure A [6].

When measured in 1976 constant dollars, under the expanded-income concept, the total number of high-income returns for 1998 was only 6.7 times the number for 1977. However, the number of high-income returns for 1998 measured in current-year dollars was 31.6 times as large as for 1977. Since 1977, the percentage of returns with expanded income of \$200,000 or more in current dollars increased every year. The share of high expanded-income returns in 1976 constant dollars increased from 1997 to 1998, as it has for 5 of the most recent 10 years. For 1998, the share of high expanded-income returns reached 0.318 percent, surpassing its previous high of 0.283 percent that it reached in

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Brian Balkovic is an economist with the Individual Returns Analysis Section. This article was prepared under the direction of Jeff Hartzok, Chief.

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Figure A

All Returns and Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Income Concept, Tax Years 1977-1998

Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	86,634,640	53,403	67,580	0.060	0.076
1978.....	89,771,551	68,506	85,137	0.076	0.095
1979.....	92,694,302	93,731	122,231	0.101	0.132
1980.....	93,902,459	117,250	149,826	0.125	0.160
1981.....	95,396,123	138,136	175,092	0.143	0.182
1982.....	95,337,432	169,367	207,291	0.178	0.217
1983.....	96,321,310	198,608	249,319	0.206	0.259
1984.....	99,438,708	243,760	310,042	0.245	0.312
1985.....	101,660,287	296,507	370,340	0.292	0.364
1986.....	103,045,170	374,363	529,460	0.363	0.514
1987.....	106,996,270	539,967	557,848	0.505	0.521
1988.....	109,708,280	725,345	737,659	0.661	0.672
1989.....	112,135,673	786,063	814,152	0.701	0.726
1990.....	113,717,138	834,957	860,940	0.734	0.757
1991.....	114,730,123	846,707	892,178	0.738	0.778
1992.....	113,604,503	954,747	989,522	0.840	0.871
1993.....	114,601,819	993,326	1,043,213	0.867	0.910
1994.....	115,943,131	1,109,498	1,153,829	0.957	0.995
1995.....	118,218,327	1,272,508	1,319,382	1.076	1.116
1996.....	120,351,208	1,523,407	1,572,114	1.266	1.306
1997.....	122,421,991	1,807,900	1,854,031	1.477	1.514
1998.....	124,770,662	2,085,211	2,132,301	1.671	1.709

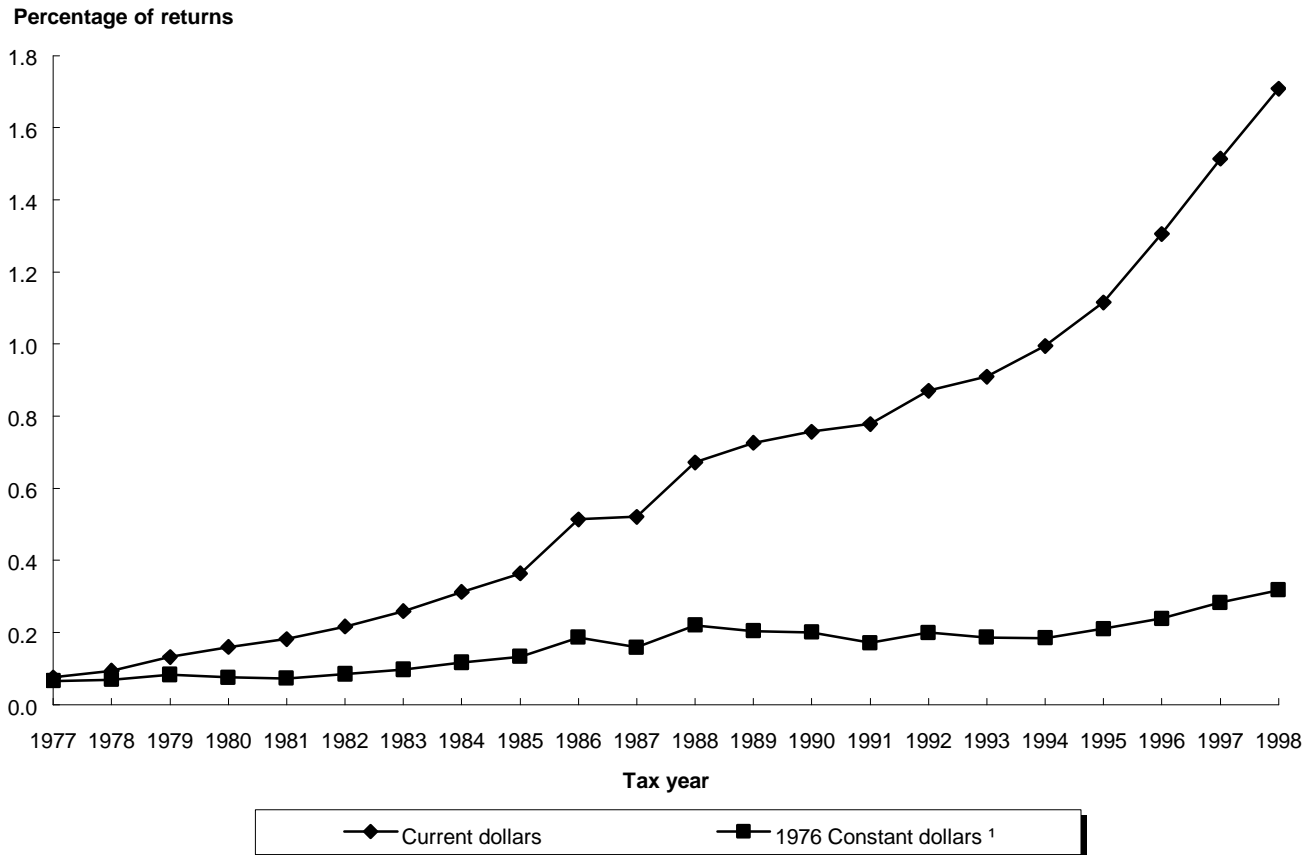
Tax year	Current dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000 income threshold measured in 1976 constant dollars ¹			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.053	0.068
1978.....	229,174	49,388	62,556	0.055	0.070
1979.....	255,184	55,542	76,479	0.060	0.083
1980.....	289,631	52,512	71,704	0.056	0.076
1981.....	319,508	50,880	71,146	0.053	0.075
1982.....	339,192	59,411	81,297	0.062	0.085
1983.....	350,088	67,310	93,977	0.070	0.098
1984.....	365,202	80,800	116,389	0.081	0.117
1985.....	378,207	95,740	134,715	0.094	0.133
1986.....	385,237	119,550	191,596	0.116	0.186
1987.....	399,297	161,408	169,942	0.151	0.159
1988.....	415,817	235,051	241,201	0.214	0.220
1989.....	435,852	217,685	228,530	0.194	0.204
1990.....	459,400	216,716	228,659	0.191	0.201
1991.....	478,735	183,442	195,743	0.160	0.171
1992.....	493,146	213,783	227,354	0.188	0.200
1993.....	507,909	201,236	212,853	0.176	0.186
1994.....	520,914	204,532	214,673	0.176	0.185
1995.....	535,677	237,770	248,077	0.201	0.210
1996.....	551,494	278,342	288,194	0.231	0.239
1997.....	564,148	335,040	345,869	0.274	0.283
1998.....	572,934	385,183	396,207	0.309	0.318

¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

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Figure B

Returns with Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current and 1976 Constant Dollars, Tax Years 1977-1998



¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

1997. Figure B shows the difference between the constant and current dollar shares of high-income returns.

Based on AGI, the number of high-income returns for 1998 measured in current-year dollars was 39.0 times as large as for 1977. Measured in 1976 constant dollars, the number of returns for 1998 was only 8.4 times the number for 1977. Between 1988 and 1994, the share of such returns fell from 0.214 percent to 0.176 percent of all returns, before increasing each year from 1995 through 1998 to reach 0.309 percent for 1998. As for high expanded-income returns, the 1998 share was a new high,

surpassing the previous high of 0.283 percent reached in 1997.

Nontaxable High-Income Returns

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable. The first concept, "U.S. income tax," is total Federal income tax liability (including the "alternative minimum tax" (AMT)), less all credits against income tax. Since the U.S. income tax applies to worldwide income and since a credit (subject to certain limits) is allowed against U.S. income tax for income taxes paid to foreign governments, a return could be classified as

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Of the 2,132,301 tax returns with expanded income of \$200,000 or more, 2,224 (0.104 percent) had no U.S. income tax liability; and 1,914 (0.090 percent) had no worldwide income tax liability.

nontaxable under this first concept even though income taxes had been paid to a foreign government. The second tax concept, “worldwide income tax,” addresses this circumstance by adding to U.S. income tax the

allowed foreign tax credit and foreign taxes paid on excluded foreign-earned income [7, 8].

For 1998, of the 2,085,211 income tax returns with AGI of \$200,000 or more, 1,467 (0.070 percent) showed no U.S. income tax liability; and 1,283 (0.062 percent) showed no worldwide income tax liability (the top panel of Figure C). For 1997, there were 1,189 returns (0.066 percent) with AGI of \$200,000 or more with no U.S. income tax liability; and 1,048 returns (0.058 percent) with no worldwide income tax liability.

Of the 2,132,301 tax returns with expanded income of \$200,000 or more, 2,224 (0.104 percent) had no U.S. income tax liability; and 1,914 (0.090 percent) had no worldwide income tax liability [9]. Of the 1,854,031 returns with expanded income of \$200,000 or more for 1997, there were 1,814 (0.098 percent) with no U.S. income tax liability; and 1,562 (0.084 percent) with no worldwide income tax liability.

Thus, the proportion of nontaxable returns, both in terms of expanded income or AGI and whether measured by absence of U.S. income tax or absence of worldwide income tax, increased slightly between 1997 and 1998.

Although the number of nontaxable, high expanded-income returns, as measured by absence of U.S. income tax, increased in all but 8 years since 1977, that increase largely was attributable to the growth in the overall number of all returns—taxable and nontaxable—with income of \$200,000 or more. As mentioned previously, because of the inclusion of tax-exempt interest in expanded income starting with 1987, the concept of expanded income is no longer strictly comparable to expanded income calculated for years before 1987 [10].

Regardless of the income measure (AGI or expanded income) or the tax concept (U.S. income tax or worldwide income tax) used, the numbers of 1998 nontaxable, high-income returns in 1976 constant dollars were much lower than the numbers in current dollars. The percentages of nontaxable returns are not substantially different whether measured in constant or current dollars. Of returns with AGI of \$200,000 or more in current dollars, 0.070 percent reported no U.S. income tax for 1998; and 0.062 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.075; the percentage without worldwide income tax liability was 0.065 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.104 percent reported no U.S. income tax; and 0.090 percent reported no worldwide income tax. When looking at these same returns using 1976 constant dollars, the percentage without U.S. income tax liability was 0.073; the percentage without worldwide income tax liability was 0.064.

Figure D shows the number of returns with no worldwide income tax and with expanded income of \$200,000 or more and their proportion of all high-income returns for 1977 through 1998. These data are shown in both current-year and 1976 constant dollars. In this figure, the spread between the two percentage lines was small for the late 1970’s, showed an increase for the early 1980’s, and then narrowed before widening again after 1988. The spread narrowed again for 1994 through 1997 and slightly increased again in 1998.

Note that, because the number of nontaxable returns with expanded income of \$200,000 or more is based on samples, year-to-year differences in the numbers and percentages of nontaxable returns with expanded income of \$200,000 or more may represent sampling variability, in addition to actual changes in the numbers of such returns. Beginning with Tax Year 1991, nontaxable returns with expanded income of \$200,000 or more were sampled at higher rates for Statistics of Income, which reduced the sampling variability of these returns and therefore provided improved estimates. Thus, the data for returns prior to 1991 are not entirely comparable with data for more recent years.

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Figure C

Nontaxable Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Tax and Income Concept, Tax Years 1977-1998

Tax year	\$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1977.....	60	85	37	64	0.112	0.126	0.069	0.095
1978.....	98	105	60	67	0.143	0.123	0.088	0.079
1979.....	70	114	28	64	0.075	0.093	0.030	0.052
1980.....	143	198	56	114	0.122	0.132	0.048	0.076
1981.....	226	304	79	114	0.164	0.174	0.057	0.065
1982.....	262	299	109	153	0.155	0.144	0.064	0.074
1983.....	447	579	321	437	0.225	0.232	0.162	0.175
1984.....	532	325	471	271	0.218	0.105	0.193	0.087
1985.....	612	613	442	454	0.206	0.166	0.149	0.123
1986.....	659	595	437	379	0.176	0.112	0.117	0.072
1987.....	857	472	740	364	0.159	0.085	0.137	0.065
1988.....	822	397	731	309	0.113	0.054	0.101	0.042
1989.....	1,081	779	987	691	0.138	0.096	0.126	0.085
1990.....	1,219	1,183	1,114	1,087	0.146	0.137	0.133	0.126
1991.....	1,253	1,933	1,131	1,740	0.148	0.217	0.134	0.195
1992.....	909	1,896	823	1,799	0.095	0.192	0.086	0.182
1993.....	1,022	2,392	932	1,950	0.103	0.229	0.094	0.187
1994.....	1,137	2,574	1,061	2,161	0.102	0.223	0.096	0.187
1995.....	998	2,676	896	1,746	0.078	0.203	0.070	0.132
1996.....	1,044	1,820	950	1,660	0.069	0.116	0.062	0.106
1997.....	1,189	1,814	1,048	1,562	0.066	0.098	0.058	0.084
1998.....	1,467	2,224	1,283	1,914	0.070	0.104	0.062	0.090

Tax year	\$200,000 income threshold measured in 1976 constant dollars ¹							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977.....	54	75	32	56	0.118	0.127	0.070	0.095
1978.....	62	70	31	39	0.126	0.112	0.063	0.062
1979.....	38	71	15	39	0.068	0.093	0.027	0.051
1980.....	56	71	22	39	0.107	0.099	0.042	0.054
1981.....	53	87	21	55	0.104	0.122	0.041	0.077
1982.....	58	68	27	36	0.098	0.084	0.045	0.044
1983.....	138	135	113	108	0.205	0.144	0.168	0.115
1984.....	170	78	160	66	0.210	0.067	0.198	0.057
1985.....	190	155	137	99	0.198	0.115	0.143	0.073
1986.....	201	189	138	120	0.168	0.099	0.115	0.063
1987.....	312	126	271	85	0.193	0.074	0.168	0.050
1988.....	277	141	251	116	0.118	0.058	0.107	0.048
1989.....	293	128	269	106	0.135	0.056	0.124	0.046
1990.....	339	169	307	137	0.156	0.074	0.142	0.060
1991.....	301	305	273	277	0.164	0.156	0.149	0.142
1992.....	171	288	148	264	0.080	0.127	0.069	0.116
1993.....	180	323	160	300	0.089	0.152	0.080	0.141
1994.....	227	345	209	329	0.113	0.161	0.104	0.153
1995.....	202	281	174	252	0.085	0.113	0.073	0.102
1996.....	236	275	213	254	0.085	0.095	0.077	0.088
1997.....	256	247	222	214	0.076	0.071	0.066	0.062
1998.....	290	289	251	253	0.075	0.073	0.065	0.064

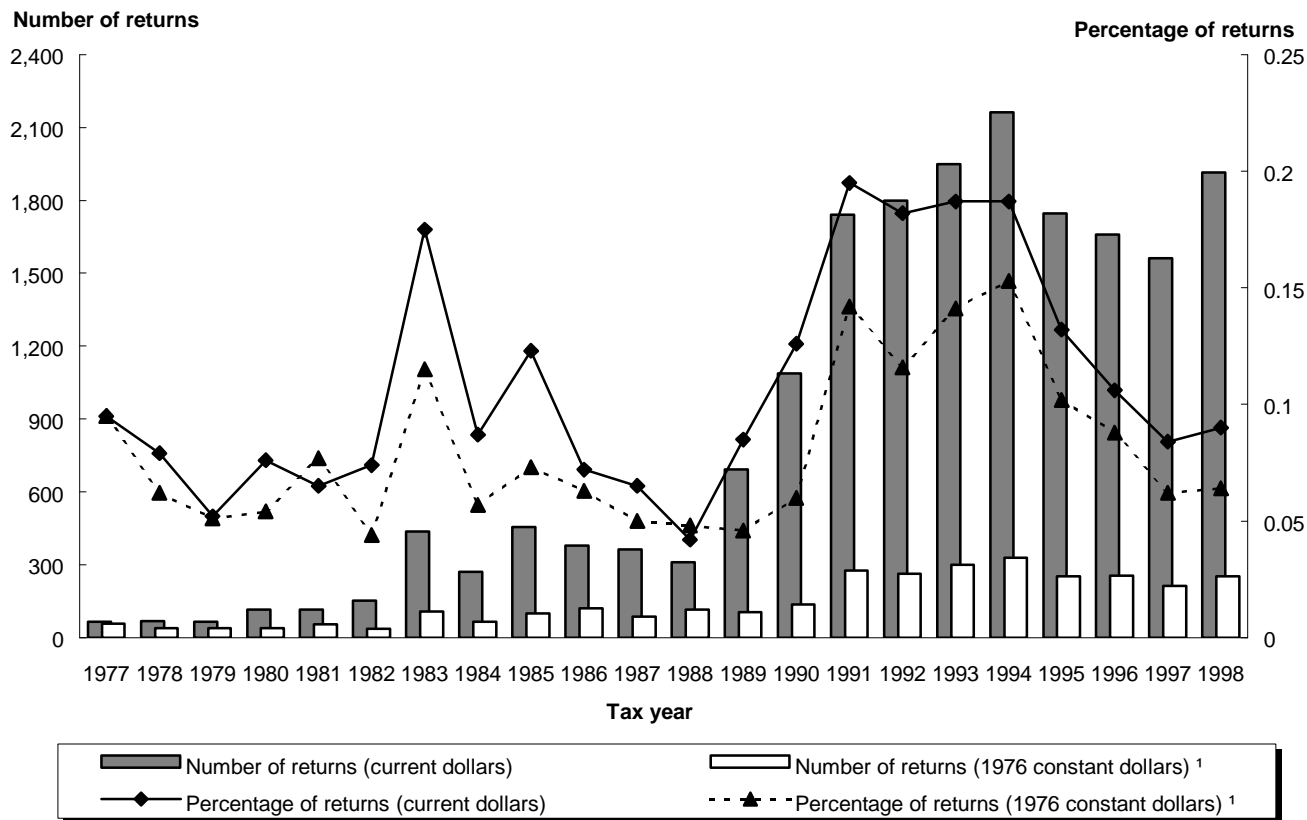
¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

NOTE: See Figure H for the derivation of U.S. income tax and worldwide income tax.

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Figure D

Number and Percentage of Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More, Measured in Current and 1976 Constant Dollars, Tax Years 1977-1998



¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

NOTE: See Figure H for the derivation of worldwide income tax.

Detailed Data for 1998

Tables 1 through 12 present data based on income tax returns for 1998, mainly those with income of \$200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income-size classes (Tables 1 and 2);

- The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important

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and second most important items in reducing (or eliminating) income tax (Tables 7 and 8);

- ❑ The frequencies with which various itemized deductions, tax credits, and tax preference items occur as certain percentages of income (Tables 9 and 10); and
- ❑ The distributions of effective tax rates, i.e., income tax under each definition as a percentage of income, by broad income-size classes (Tables 11 and 12).

Tables 1, 3, 5, 7, 9, and 11 use the U.S. income tax concept to classify returns as taxable or nontaxable, whereas Tables 2, 4, 6, 8, 10, and 12 use the worldwide income tax concept.

Size of Income

Tables 1 and 2 show the number of all returns, taxable returns, and nontaxable returns, cross-classified by broad AGI and expanded income-size classes. The tables show that most returns fall in the same broad income-size class under both income concepts, but that the number of nontaxable returns is greater in each income class over \$50,000 when income is measured by economic income rather than by AGI. Table 1 shows that 1,467 returns with no U.S. income tax had an AGI of \$200,000 or more; and 2,224 returns with no U.S. income tax had an expanded income of \$200,000 or more.

Distribution of Tax Levels

Tables 3 and 4 show the distributions of high-income returns by the ratios of “adjusted” taxable income to AGI or expanded income. Taxable income has been “adjusted” for these tables by subtracting from taxable income the deduction equivalents of tax credits and other items [11]. Thus, the tables show the extent to which AGI or expanded income, respectively, are reduced before taxes are imposed on the remaining income. The tables also illustrate three important facts about high-income tax returns. (The examples in the paragraphs below are drawn from the “expanded income” columns in Table 4.)

- ❑ As already described, only a small portion of high-income taxpayers were able to escape

all income taxes (0.090 percent, which is rounded to 0.1 percent in Table 4).

- ❑ Another group of high-income taxpayers—small, but larger than the nontaxable group—was able to offset a very substantial fraction 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. Such taxpayers may be called “nearly nontaxables.” (About 0.7 percent of high expanded-income taxpayers reported some tax liability, but were able to reduce their taxable incomes to less than 25 percent of their expanded incomes.)
- ❑ Overall, a large portion of high-income taxpayers were subject to tax on a large share of their incomes and, consequently, reported very substantial amounts of tax. (Some 60.3 percent had taxable income equal to 80 percent or more of expanded income; and 96.3 percent had taxable income equal to 50 percent or more of expanded income.)

Tables 11 and 12 show the distributions of tax returns in another way: by tax burden. These two tables classify all tax returns by both size of income and effective tax rate, i.e., income tax as a percentage of either adjusted gross income or expanded income. These tables show that, on average, high-income taxpayers did have higher effective tax rates. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. For example, Table 12 shows that, while 1.8 percent of returns with expanded income of \$200,000 or more had either no worldwide income tax or worldwide income tax of less than 10 percent of expanded income, 45.1 percent had effective tax rates of 25 percent or more. In addition, 78.0 percent of high-income taxpayers had average tax rates ranging from 20 percent to 35 percent, while 36.0 percent had effective tax rates between 20 percent and 25 percent.

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

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comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, nontaxable returns under the expanded-income concept were much more likely to have tax-exempt interest than were taxable returns, and when they did have it, the average amount was much higher. Similarly, nontaxable returns were much less likely to have any income from salaries and wages.

Reasons for Nontaxability

It is possible for certain itemized deductions and certain exclusions from income to cause nontaxability by themselves, but high-income returns are more often nontaxable as a result of a combination of reasons, none of which, by itself, would result in nontaxability.

Moreover, some items, which singly or in combination may eliminate “regular tax” liability, i.e., income tax excluding the alternative minimum tax (AMT), cannot eliminate an AMT liability, since these items give rise to adjustments or preferences for AMT purposes.

Because they do not generate AMT adjustments or preferences, tax-exempt bond interest, itemized deductions for interest expense, miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor, casualty or theft losses, and medical expenses (exceeding 10 percent of AGI) could, by themselves, produce nontaxability [12].

Due to the AMT exclusion of \$45,000 on joint returns (\$33,750 on single and head-of-household returns and \$22,500 on returns of married taxpayers filing separately), a return could have been nontaxable, even though it included some items that produced AMT adjustments or preferences [13]. Further, since the starting point for “alternative minimum taxable income” was taxable income for regular tax purposes, a taxpayer could have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation could occur if taxable income for regular tax purposes was sufficiently negative, due to itemized deductions and personal exemptions exceeding AGI, so that the taxpayer’s AMT adjustments and preferences are less than the sum of the AMT exclusion and the

amount by which regular taxable income is below zero. Note that because of the AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

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 returns on which each of the largest effects was identified, the tables show each of the second largest effects [14]. For example, Table 7 shows that, on taxable returns with some U.S. income tax and expanded income of \$200,000 or more, the taxes paid deduction was the most important item 49.8 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 58.2 percent of the time, and the charitable contributions deduction was the second most important item 27.5 percent of the time.

Table 8 shows that, on returns without any worldwide tax and expanded income of \$200,000 or more, the most important item in reducing the tax, reported on 51.1 percent of the returns, was the exclusion for State and local government interest (“tax-exempt interest”). For these returns, the itemized deduction for medical and dental expenses was the second most important item 31.6 percent of the time, and the deduction for taxes paid was the second most important item 22.3 percent of the time.

The four categories with the largest effect in reducing taxes on high adjusted-gross-income returns with no worldwide income tax were the investment interest expense deduction (425 returns or 33.1 percent of the 1,283 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); total miscellaneous deductions (288 returns or 22.4 percent); partnership and S corporation net losses (140 returns or 10.9 percent); and medical and dental expense deductions (135 returns or 10.5 percent). These effects are also shown graphically in Figure E.

The four categories that most frequently had the largest effect in reducing taxes for high expanded-income returns with no worldwide income tax were tax-exempt interest (927 returns or 51.1 percent of the 1,814 tabulated returns with expanded income of

Note that because of AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

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Figure E

Returns With No Worldwide Income Tax and With Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1998

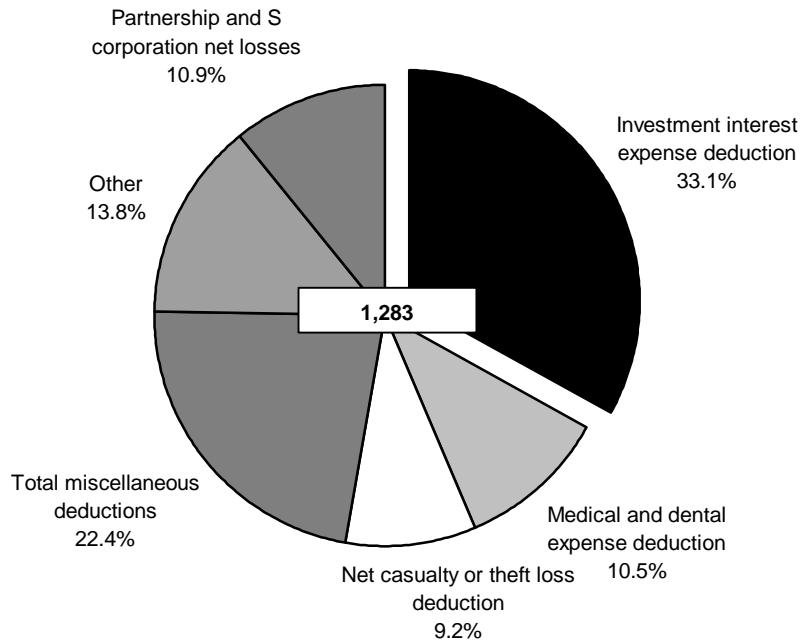
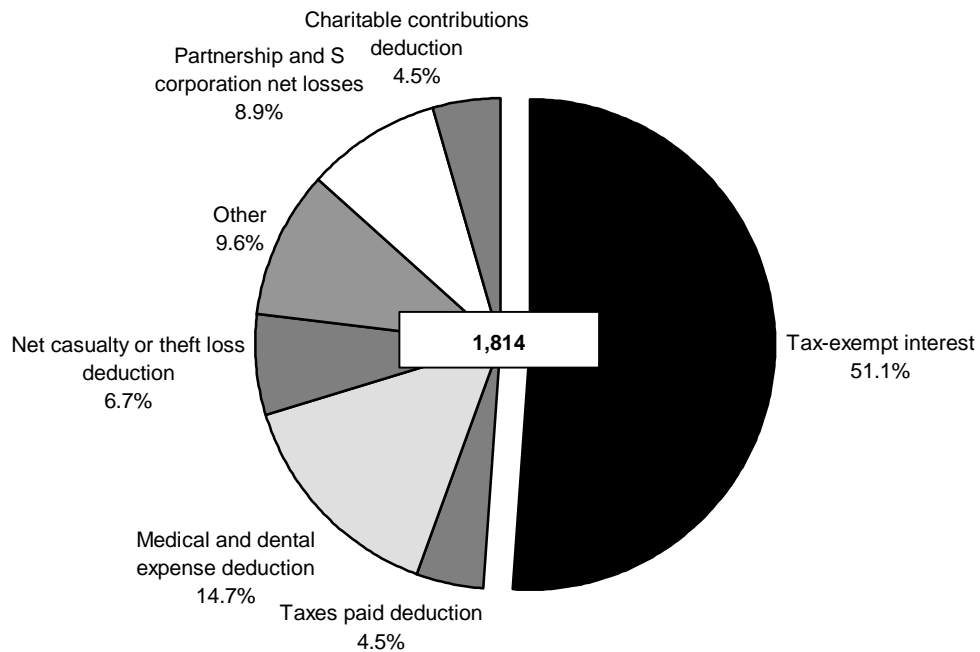


Figure F

Returns With No Worldwide Income Tax and With Expanded Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1998



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\$200,000 or more and with no worldwide tax liability); medical and dental expense deductions (267 returns or 14.7 percent); partnerships and S corporation net losses (161 returns or 8.9 percent); and net casualty or theft loss deduction (121 returns or 6.7 percent). These effects are also shown graphically in Figure F. Table 8 also shows the two items that most frequently had the second largest effect in reducing regular tax liability for high expanded-income returns with no worldwide tax. These were the deduction for taxes paid (383 returns or 21.1 percent) and the deduction for medical and dental expenses (316 returns or 17.4 percent).

Tables 9 and 10 present another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables cover only nontaxable returns, i.e., returns showing no income tax liability, including AMT. Tables 9 and 10 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, the deduction equivalents of two different types of tax credits, and total tax preferences excluded from income. For example, for high expanded-income returns with no worldwide income tax (Table 10), the itemized deduction for casualty or theft losses exceeded 100 percent of expanded income on 81 of the 1,914 returns, but there was no casualty or theft loss deduction on 1,778 returns. The medical expense deduction exceeded total expanded income on 45 returns and amounted to between 50 percent and 100 percent of expanded income on an additional 219 returns.

Notes and References

[1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).

[2] 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 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 Treasury, Office of Tax Analysis, August 1978;

U.S. Department of Treasury, Internal Revenue Service, *Statistics of Income—Individual Income Tax Returns* for 1977 through 1982 and 1985 through 1988. (For 1977 and 1978, only the number of nontaxable, high-AGI returns was published.)

Lerman, Allen H., "High-Income Tax Returns, 1983," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 31-61; "High-Income Tax Returns, 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 1-29; "High-Income Tax Returns for 1989," *Statistics of Income Bulletin*, Spring 1993, Volume 12, Number 4, pp. 23-50; "High-Income Tax Returns for 1990," *Statistics of Income Bulletin*, Winter 1993-1994, Volume 13, Number 3, pp. 104-132; "High-Income Tax Returns for 1991," *Statistics of Income Bulletin*, Winter 1994-1995, Volume 14, Number 3, pp. 96-130; and "High-Income Tax Returns for 1992," *Statistics of Income Bulletin*, Winter 1995-1996, Volume 15, Number 3, pp. 46-82;

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Cruciano, Therese, "High-Income Tax Returns for 1995," *Statistics of Income Bulletin*, Summer 1998, Volume 18, Number 1, pp. 69-108; "High-Income Tax Returns for 1996," *Statistics of Income Bulletin*, Winter 1998-1999, Volume 18, Number 3, pp. 7-59;

Parisi, Michael, "High-Income Tax Returns for 1997," *Statistics of Income Bulletin*, Winter 1999-2000, Volume 19, Number 3, pp. 6-58.

[3] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded tax preference items, and AGI less investment interest expense not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (90 Stat. at 815) eliminated the requirement to use the last two income concepts.

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- [4] The definition of adjustments to AGI to obtain the expanded income given in the text is for 1998. See Appendix A for a discussion of AGI and expanded income and a list of adjustments covering all years since 1977.
- [5] See Notes to Appendix A, Note A4.
- [6] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.
- [7] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income—Individual Income Tax Returns* (see footnote 2), the “U.S. income tax” concept was described as “total income tax,” and the “worldwide income tax” concept was described as “modified total income tax.”
- [8] The inclusion of foreign taxes paid on excluded foreign-earned income, beginning with Tax Year 1990, represents an improvement in the worldwide income tax concept. It does, however, represent a slight break in the year-to-year comparability of data for worldwide income tax. However, the number of returns with foreign taxes paid on excluded foreign-earned income is extremely small compared to the number of returns with the foreign tax credit.
- [9] Includes returns on which income tax was entirely offset by the earned income credit.
- [10] Tax-exempt interest had to be reported on the individual income tax return starting with Tax Year 1987 and is included in expanded income starting with that year. Beginning with Tax Year 1991, tax-exempt interest was incorporated into the criteria used for sampling returns for Statistics of Income, thus increasing the reliability of the estimates of expanded income.
- [11] See Appendix B for a description of how the deduction equivalent of credits was computed.

- [12] The deduction for charitable contributions could also fall into this class if it were not limited to 50 percent of AGI.
- [13] The AMT exclusion phases out above certain levels of “alternative minimum taxable income,” based on filing status, but since taxpayers will have some AMT liability in the phaseout range, the phaseout income is not relevant for nontaxable, high-income returns.
- [14] Tax-exempt interest and the foreign-earned income exclusion were not included in Tables 7 and 8 as possible tax effects before Tax Year 1994. Thus, caution should be exercised in making comparisons between data prior to 1994 and after 1993.

Appendix A: Income Concepts

Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI), but that was based entirely on items already reported on income tax returns. In order to derive such an income concept, it was necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns identified.

This appendix begins by defining “Haig-Simons income,” a very broad concept of income used by economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts are listed. The final section defines “expanded income,” a more comprehensive income measure than AGI, based entirely on tax return data.

Haig-Simons Income

The broadest measure of annual income generally used by economists and others is defined as the value of a household’s consumption plus the change, if any, in its net worth. This income concept is referred to as Haig-Simons income, or H-S income, after the two economists who wrote extensively about it [A1]. The H-S income of a household that consumed \$25,000 and saved \$2,000 in a year would be \$27,000. Alternatively, the H-S income of a house-

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hold that consumed \$25,000 and had no additions to savings, but had assets that declined in value by \$1,000 in a year, would be \$24,000.

H-S income consists of three broad components: labor income, capital income (income from assets), and income from transfer payments. The major elements of each of these three components are as follows:

- ❑ *Labor income.*—This includes all forms of employee compensation (including wages and salaries), employee fringe benefits (such as employer-provided health insurance and accrued pension benefits or contributions), and the employer share of payroll taxes (such as Social Security taxes). Labor income also includes the labor share of self-employment income. Expenses of earning labor income would be deducted in arriving at H-S income. Deferred labor income (such as pension benefits) would be counted in the year it was earned, rather than in the year it was received.
- ❑ *Capital income.*—This includes all income from assets, including interest, dividends, rents, royalties, accrued capital gains (whether or not realized), the capital income share of self-employment income, and the rental value of consumer durables (most importantly, the rental value of owner-occupied housing). Capital income is measured in real (inflation-adjusted) terms and is net of real, economic depreciation and all other expenses (which could exceed capital income).
- ❑ *Transfer payments.*—These include payments in cash (such as Social Security benefits, workers' compensation, unemployment benefits, Aid to Families with Dependent Children (AFDC), and noncash benefits (such as Medicare, Medicaid, and food stamps).

For purposes of tax analysis, H-S income should be measured on a pre-tax basis, the amount that would be earned if there were no Federal income tax in place. Most items of income are unaffected, or little affected, by the income tax and so are reported on a pre-tax basis. However, certain income items from tax-preferred sources may be reduced because

of their preferential treatment. An example is interest from tax-exempt State and local government bonds. The interest rate on tax-exempt bonds is generally lower than the interest rate on taxable bonds of the same maturity and risk, with the difference approximately equal to the tax rate of the typical investor in tax-exempt bonds. Thus, investors in tax-exempt bonds are effectively paying a tax, referred to as an "implicit tax," and tax-exempt interest as reported is measured on an after-tax, rather than a pre-tax, basis. Income from all tax-preferred sources should be "grossed up" by implicit taxes to properly measure H-S income.

Adjusted Gross Income

AGI is the statutory definition of income for Federal income tax purposes. AGI differs from H-S income by excluding some components of H-S income and by allowing accelerated business deductions and deductions unrelated to income, but also by disallowing or limiting certain expenses of earning income and certain losses. In addition, AGI is not "grossed up" for implicit taxes.

The components of H-S income excluded from AGI include most employee fringe benefits, the employer share of payroll taxes, accrued but deferred employee compensation, accrued but unrealized real capital gains, the rental value of consumer durables, most Social Security benefits, most other cash transfers, all noncash transfers, and the real income of borrowers due to inflation [A2].

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated. AGI also excludes contributions to Individual Retirement Arrangements (IRA's) and self-employed retirement (Keogh) plans, which are not expenses related to earning income.

AGI generally *exceeds* H-S income to the extent that expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible *from* AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions and then, in some cases, only to the extent that the sum of all such items exceeds 2 percent of

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AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on the job but not reimbursed by the employer; and the employee's travel, meal, and entertainment expenses); and expenses attributable to a taxpayer's (passive) investments (as opposed to active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses. Although some job-related moving expenses have been deducted in calculating AGI, the deductions for some related expenses, such as expenses for temporary quarters and expenses for selling a former residence, are limited.

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. In a somewhat similar manner, "passive" losses (from investments in a trade or business in which the taxpayer does not materially participate) can also reduce economic income, but, in computing AGI, they can only be deducted from "passive" income from other, similar investments (although a larger amount may be deducted when the losses are from rental real estate activities).

AGI can also exceed H-S income because of differences in the timing of income between the two concepts. For example, a taxpayer may realize more capital gains in a year than he or she accrues in capital gains. Since AGI includes only realizations of capital gains, whereas H-S income includes only accruals, AGI in this circumstance would exceed H-S income.

Finally, just as AGI understates the income of borrowers due to inflation, it overstates the income of lenders, who include bond owners and owners of bank deposits.

Expanded Income

Expanded income is meant to be a measure of income that is conceptually closer to H-S income than AGI, but which is derived entirely from items already reported on income tax returns. Figure G

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-1998

Adjusted gross income (AGI)

- PLUS:
- o Excluded capital gains (tax years prior to 1987)
 - o Tax-exempt interest (1987 and later tax years)
 - o Nontaxable Social Security benefits (1987 and later tax years)
 - o Tax preferences for alternative minimum tax purposes [A5]
 - o Foreign-earned income exclusion (1990 and later tax years)
- MINUS:
- o Unreimbursed employee business expenses [A6]
 - o Nondeductible rental losses (Tax Year 1987)
 - o Moving expense deduction (Tax Years 1987 through 1993) [A7]
 - o Investment interest expense deduction to the extent it does not exceed investment income
 - o Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)
- EQUALS: o Expanded income

NOTE: Footnotes to Figure G are included with the footnotes to Appendix A.

shows the adjustments made to AGI to arrive at expanded income. Since the definition of AGI was changed by legislation several times since 1977, and certain reporting requirements also changed, the adjustments differ over the years, as indicated for each item [A4]. Most of these adjustments are relatively straightforward, but the adjustment for investment requires some explanation.

Investment Interest

In measuring H-S income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments, without limit. Investment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and capital gains.)

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

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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 that are deductible in calculating expanded income.

Investment expenses that have not been deducted in determining AGI generally can appear on a Federal individual income tax return in two places. Investment interest expense is taken into account in the calculation of the itemized deduction for interest paid. Deductible investment interest expense is a separate part of the total interest deduction. Other investment expenses, such as management fees, are included in the miscellaneous category of itemized deductions [A8]. Beginning with 1987, most types of income-producing expenses included as miscellaneous itemized deductions are only deductible to the extent that their total exceeds 2 percent of AGI. To determine expenses that should be deductible in calculating an approximation of H-S income, investment expenses have been defined as deductible investment interest expense. Other investment expenses 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 are generally allowed as a deduction in the computation of deductible investment interest expense and thus expanded income. Investment interest expenses that do *exceed* investment income are *not* deductible in calculating expanded 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.

Notes to Appendix A

- [A1] Haig, Robert M. (ed.), *The Federal Income Tax*, Columbia University Press, 1921, and Simons, Henry C., *Personal Income Taxation*, University of Chicago Press, 1938.
- [A2] Borrowers receive income due to inflation because the real value of debt is reduced by inflation. Even though inflation may be anticipated and reflected in interest rates, tax deductions for nominal interest payments overstate interest costs because part of these payments represent a return of principal to the lender, rather than interest.
- [A3] See Notes and References, footnote 4.
- [A4] For 1977, some 50 percent of net long-term capital gains were included in AGI. During 1978, the inclusion ratio was changed to 40 percent. This inclusion ratio remained unchanged through 1986. Beginning with 1987, there was no exclusion allowed for capital gains in computing AGI, and, thus, this adjustment was not made in computing expanded income for returns for years after 1986.

From this time forward, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest income from State and local government bonds. Since 1987, tax-exempt interest has been included in expanded income.

Taxpayers are also required to report Social Security benefits. Since 1988, nontaxable Social Security benefits have been included in expanded income. However, if none of a particular taxpayer's Social Security benefits are taxable, then gross Social Security benefits are not required to be shown on the income tax return. In such instances, which generally only

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affect lower- and middle-income taxpayers, Social Security benefits are not included in expanded income.

The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. All current-year moving expenses beginning with Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment.

Due to subtracting non-limited miscellaneous deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is not strictly comparable to expanded income for 1988. Nor is the expanded income concept for 1990 strictly comparable to expanded income for 1989 because of the addition of the foreign-earned income exclusion. Specific details on the definition of expanded income for any given year are available in the reports and publications enumerated in footnote 2, under Notes and References.

- [A5] The “tax preferences” (obtained from Form 6251, *Alternative Minimum Tax Computation*) excluded from adjusted gross income and tabulated in Tables 5 and 6 include the following items: the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease (for property placed in service before 1987); the appreciated portion of the value of certain property contributed to charitable organizations; the excess of percentage depletion over the “adjusted basis” of the property; certain intangible drilling costs to the extent that they exceed otherwise allowable amortization deductions; and related adjustments, refigured for AMT purposes, such as section 179 expense deductions, expenses for business or rental use of the home, taxable IRA distributions, etc.

Preferences obtained through itemized deductions do not represent omitted income. Hence, they have not been counted as preference items in calculating a broader measure of income. The preference from tax-exempt

interest on certain private activity bonds was not included, since the interest for *all* tax-exempt State and local government bonds is considered to be omitted income. Specific details on the tax preference items obtained from Form 6251 for earlier years are available in the reports and publications enumerated in footnote 2, under Notes and References.

- [A6] Includes deductible meal and entertainment expenses. Deductible expenses are limited to 50 percent of total meal and entertainment expenses, beginning with Tax Year 1994.
- [A7] Certain moving expenses, such as expenses for temporary quarters and expenses for selling a former residence, are limited.
- [A8] Some income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from S corporations, only the net amounts of which are included in adjusted gross income.

Appendix B: Tax Concepts

This appendix provides a brief summary of the U.S. taxation of worldwide income and the foreign tax credit. The two tax concepts used in this article are then defined. The following section explains the computation of the deduction equivalent of credits and other items. A final section discusses the possible implications of the use of unaudited tax return data for this article.

U.S. Taxation of Worldwide Income and the Foreign Tax Credit

Citizens and residents of the United States, regardless of where they physically reside, must generally include in income for Federal income tax purposes income from all geographic sources. Thus, for example, dividends and interest received from a foreign corporation or income earned working abroad is subject to Federal income tax in the same manner as income received from sources inside the United States [B1]. Income from sources outside the United States may also be subject to tax by foreign governments.

To reduce, if not eliminate, the possibility of double taxation of the foreign-source income of U.S. citizens and residents, the Federal income tax allows

a credit for income taxes paid to foreign governments. This foreign tax credit is generally limited to the amount of (pre-credit) U.S. tax liability attributable to foreign-source income. This limit prevents the foreign tax credit from offsetting the U.S. tax on U.S.-source income.

As a result of taxing citizens and residents on a worldwide basis but allowing a foreign tax credit, some Federal income tax returns may report substantial income but little or no U.S. tax liability after credits. This may occur, for example, if a taxpayer has income only from foreign sources (the taxpayer may live abroad the entire year and have no income-producing assets in the United States), or if a taxpayer has foreign-source income that exceeds a net loss from U.S. sources and pays income taxes to a foreign government that are comparable to the U.S. tax [B2].

For taxpayers with income from foreign sources, these procedures understate the taxpayers' true worldwide income tax liabilities and effective income tax rates. For such taxpayers, it does not seem appropriate to classify U.S. income tax credits for foreign tax payments as reducing tax liabilities. This is particularly true for tax filers who appear to be nontaxable because they do not have any U.S. tax liability, but who have paid foreign income taxes. A more accurate measure of overall income tax burden, as well as the numbers of nontaxable returns, can be obtained by considering all income taxes—U.S. as well as foreign. Thus, a second tax concept, worldwide income tax, has been used in addition to the traditional U.S. income tax.

Two Tax Concepts

Two tax concepts are used in this article to classify tax returns as taxable (i.e., returns showing an income tax liability) or nontaxable (i.e., returns showing no income tax liability) and to measure the tax burdens on taxable returns: U.S. income tax and worldwide income tax. Worldwide income tax is defined for purposes of this article as U.S. income tax plus the foreign tax credits reported on the U.S. income tax return and foreign taxes paid on excluded foreign-earned income (obtained from Form 1116, *Foreign Tax Credit*). The amount of the foreign tax credits and foreign taxes paid on excluded foreign-earned income is used as a proxy for foreign tax liabilities [B3]. The relationship of U.S. income tax

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 1998

	Tax at regular rates (tax generated)
PLUS:	Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)
EQUALS:	Income tax before credits
MINUS:	Tax credits
PLUS:	Alternative minimum tax (Form 6251)
EQUALS:	U.S. income tax
PLUS:	Foreign tax credit
PLUS:	Foreign taxes paid on excluded foreign-earned income (Form 1116)
EQUALS:	Worldwide income tax

to tax items reported on individual income tax returns, and to worldwide income tax, is shown in Figure H.

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), the different types of items must be placed 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 or special computation. This amount is called the "deduction equivalent" of the tax credit or special computation.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using the 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 that would yield income tax before credits" and "taxable income that would yield income tax after credits."

Using this method of equating the value of deductions, exclusions, credits, and special tax computa-

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tions, the order in which the various credits and special tax computations are calculated may affect 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, unless all relevant taxable income amounts are within a single tax-rate bracket.

The deduction equivalents of tax credits shown in Tables 9 and 10 were computed by assuming that deductions and exclusions reduce taxes before credits. As a result, the deduction equivalent of tax credits may be overstated.

Unaudited Data

Tax return data used for *Statistics of Income* have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). 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 or could be made as a result of IRS audits. While this is true of data throughout the entire *Statistics of Income* program, it is particularly relevant 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 are minor, such returns could be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

Notes to Appendix B

- [B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article include such excluded income in expanded income. Foreign taxes paid on such income are reflected in worldwide income tax, as discussed later.
- [B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset pre-credit U.S. income tax liability with foreign tax credits.
- [B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate *or* understate worldwide taxes on current-year income.

SOURCE: IRS, *Statistics of Income Bulletin*, Winter 2000-2001, Publication 1136 (Rev. 2-2001).

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Table 1.--Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	124,770,662	93,311,388	23,107,806	6,266,258	2,085,211
Under \$50,000 ¹	92,754,054	92,291,507	461,639	525	383
\$50,000 under \$100,000.....	23,648,638	996,804	22,451,421	199,810	603
\$100,000 under \$200,000.....	6,235,668	21,545	190,581	5,990,534	33,008
\$200,000 or more.....	2,132,301	1,531	4,165	75,389	2,051,216
Returns with U.S. income tax					
Total.....	96,602,063	65,200,192	23,054,940	6,263,188	2,083,744
Under \$50,000 ¹	64,716,990	64,258,144	458,578	183	85
\$50,000 under \$100,000.....	23,529,260	926,034	22,403,309	199,397	520
\$100,000 under \$200,000.....	6,225,736	15,052	189,172	5,988,633	32,879
\$200,000 or more.....	2,130,077	961	3,881	74,976	2,050,259
Returns without U.S. income tax					
Total.....	28,168,599	28,111,196	52,866	3,069	1,467
Under \$50,000 ¹	28,037,064	28,033,363	3,061	342	298
\$50,000 under \$100,000.....	119,378	70,770	48,112	413	83
\$100,000 under \$200,000.....	9,933	6,493	1,409	1,901	129
\$200,000 or more.....	2,224	570	284	413	957

¹ Includes returns with adjusted gross deficit or with negative expanded income.

NOTE: Detail may not add to totals because of rounding.

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Table 2.--Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	124,770,662	93,311,388	23,107,806	6,266,258	2,085,211
Under \$50,000 ¹	92,754,054	92,291,507	461,639	525	383
\$50,000 under \$100,000.....	23,648,638	996,804	22,451,421	199,810	603
\$100,000 under \$200,000.....	6,235,668	21,545	190,581	5,990,534	33,008
\$200,000 or more.....	2,132,301	1,531	4,165	75,389	2,051,216
Returns with worldwide income tax					
Total.....	96,636,201	65,233,526	23,054,989	6,263,758	2,083,928
Under \$50,000 ¹	64,745,326	64,286,475	458,578	183	91
\$50,000 under \$100,000.....	23,532,277	929,002	22,403,313	199,437	525
\$100,000 under \$200,000.....	6,228,210	17,084	189,177	5,989,060	32,889
\$200,000 or more.....	2,130,387	965	3,922	75,078	2,050,422
Returns without worldwide income tax					
Total.....	28,134,461	28,077,862	52,816	2,500	1,283
Under \$50,000 ¹	28,008,728	28,005,032	3,061	342	292
\$50,000 under \$100,000.....	116,361	67,802	48,108	373	78
\$100,000 under \$200,000.....	7,458	4,461	1,404	1,474	119
\$200,000 or more.....	1,914	566	243	311	794

¹ Includes returns with adjusted gross deficit or with negative expanded income.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 3.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	2,085,211	100.0	--	2,132,301	100.0	--
Returns without U.S. income tax	1,467	0.1	--	2,224	0.1	--
Returns with U.S. income tax:						
Total	2,083,744	99.9	100.0	2,130,077	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	828	(¹)	(¹)	2,678	0.1	0.1
5 under 10 percent.....	1,107	0.1	0.1	3,944	0.2	0.3
10 under 15 percent.....	4,751	0.2	0.3	8,124	0.4	0.7
15 under 20 percent.....	3,203	0.2	0.5	7,206	0.3	1.0
20 under 25 percent.....	2,577	0.1	0.6	7,252	0.3	1.4
25 under 30 percent.....	4,541	0.2	0.8	6,284	0.3	1.7
30 under 35 percent.....	5,530	0.3	1.1	11,037	0.5	2.2
35 under 40 percent.....	8,501	0.4	1.5	13,850	0.7	2.8
40 under 45 percent.....	13,399	0.6	2.1	20,833	1.0	3.8
45 under 50 percent.....	19,167	0.9	3.1	24,368	1.1	5.0
50 under 60 percent.....	84,809	4.1	7.1	110,917	5.2	10.2
60 under 70 percent.....	187,613	9.0	16.1	216,436	10.2	20.3
70 under 80 percent.....	468,695	22.5	38.6	444,979	20.9	41.2
80 percent or more.....	1,279,024	61.4	100.0	1,252,169	58.8	100.0

¹ Less than 0.05 percent.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 4.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	2,085,211	100.0	--	2,132,301	100.0	--
Returns without worldwide income tax.....	1,283	0.1	--	1,914	0.1	--
Returns with worldwide income tax:						
Total.....	2,083,928	99.9	100.0	2,130,387	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	724	(¹)	(¹)	2,271	0.1	0.1
5 under 10 percent.....	732	(¹)	0.1	1,621	0.1	0.2
10 under 15 percent.....	2,145	0.1	0.2	3,281	0.2	0.3
15 under 20 percent.....	833	(¹)	0.2	2,980	0.1	0.5
20 under 25 percent.....	985	(¹)	0.3	4,162	0.2	0.7
25 under 30 percent.....	2,746	0.1	0.4	4,695	0.2	0.9
30 under 35 percent.....	4,673	0.2	0.6	9,032	0.4	1.3
35 under 40 percent.....	7,205	0.3	1.0	11,084	0.5	1.8
40 under 45 percent.....	12,419	0.6	1.6	17,348	0.8	2.7
45 under 50 percent.....	16,455	0.8	2.3	22,553	1.1	3.7
50 under 60 percent.....	79,587	3.8	6.2	106,614	5.0	8.7
60 under 70 percent.....	184,496	8.9	15.0	213,815	10.0	18.8
70 under 80 percent.....	465,265	22.3	37.3	446,279	20.9	39.7
80 percent or more.....	1,305,661	62.7	100.0	1,284,653	60.3	100.0

¹ Less than 0.05 percent.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages.....	1,766,899	525,114,177	1,766,177	524,972,821	722	141,356
Business or profession:						
Net income.....	443,981	47,946,038	443,737	47,928,830	244	17,208
Net loss.....	118,778	2,504,246	118,611	2,481,334	167	22,912
Farm:						
Net income.....	17,354	797,374	17,340	797,079	14	295
Net loss.....	48,064	2,015,998	48,007	2,004,008	57	11,990
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	759,769	178,363,563	759,494	178,334,554	275	29,009
Net loss.....	254,756	20,245,738	254,221	19,884,576	535	361,162
Sales of capital assets:						
Net gain.....	1,397,963	323,920,678	1,397,118	323,460,366	845	460,311
Net loss.....	350,233	830,866	349,883	829,877	350	989
Sales of property other than capital assets:						
Net gain.....	102,932	2,258,554	102,823	2,249,236	109	9,318
Net loss.....	149,476	1,988,409	149,284	1,973,843	192	14,566
Taxable interest received.....	2,032,586	49,489,867	2,031,278	49,136,364	1,308	353,503
Tax-exempt interest.....	771,020	24,744,575	770,492	24,693,130	528	51,445
Dividends.....	1,786,321	47,230,264	1,785,187	47,013,877	1,134	216,387
Pensions and annuities in adjusted gross income.....	420,412	15,587,720	420,159	15,577,481	253	10,239
Rent:						
Net income.....	360,602	14,347,929	360,349	14,329,547	253	18,383
Net loss, total (deductible and nondeductible).....	274,446	3,336,261	274,187	3,327,658	259	8,603
Nondeductible rental loss.....	168,231	1,752,117	168,055	1,747,821	176	4,296
Royalty:						
Net income.....	119,837	2,865,701	119,714	2,860,355	123	5,346
Net loss.....	5,381	49,715	5,374	49,487	7	228
Estate or trust:						
Net income.....	74,453	6,942,331	74,350	6,936,592	103	5,739
Net loss.....	8,283	630,436	8,258	605,536	25	24,899
State income tax refunds.....	941,184	4,155,048	940,729	4,140,447	455	14,601
Alimony received.....	2,974	282,412	2,969	282,332	5	80
Social Security benefits in adjusted gross income.....	328,952	4,934,270	328,550	4,928,605	402	5,665
Social Security benefits (nontaxable).....	328,953	870,832	328,550	869,832	403	1,000
Unemployment compensation.....	26,159	98,523	26,147	98,487	12	36
Other income.....	306,315	10,569,298	306,041	10,552,053	274	17,245
Other loss.....	28,510	1,376,238	28,478	1,367,385	32	8,852
Foreign-earned income exclusion.....	23,910	1,580,557	23,820	1,573,849	90	6,708
Total income.....	2,085,211	1,215,173,868	2,083,744	1,214,258,689	1,467	915,179
Statutory adjustments, total.....	914,090	10,520,550	913,624	10,515,855	466	4,696
Payments to Individual Retirement Arrangements.....	128,776	430,780	128,731	430,645	45	135
Payments to self-employed retirement (Keogh) plans..	247,727	4,620,253	247,692	4,619,663	35	590
Moving expenses adjustment.....	23,630	162,078	23,624	162,011	6	67
Adjusted gross income.....	2,085,211	1,204,653,318	2,083,744	1,203,742,834	1,467	910,484
Investment interest expense deduction.....	486,518	11,666,027	485,672	11,079,799	846	586,228
Total tax preferences excluded from adjusted gross income.....	780,150	24,916,716	779,605	24,864,117	545	52,599
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	19,481	185,015	19,455	183,736	26	1,278
Passive activity loss (alternative minimum tax adjustment).....	297,438	1,089,557	297,188	1,094,184	250	-4,627
Expanded income.....	2,085,208	1,217,312,069	2,083,744	1,216,928,850	1,464	383,219

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept--Continued						
Exemption amount.....	1,026,826	4,451,488	1,026,192	4,449,384	634	2,104
Itemized deductions:						
Total per adjusted gross income concept.....	1,919,070	135,882,236	1,917,667	134,808,059	1,403	1,074,178
Charitable contributions deduction.....	1,843,782	38,929,894	1,842,627	38,824,060	1,155	105,834
Interest paid deduction:						
Total per adjusted gross income concept.....	1,604,166	40,170,722	1,603,046	39,547,434	1,120	623,288
Total home mortgage interest.....	1,492,080	28,299,165	1,491,216	28,262,957	864	36,208
Medical and dental expense deduction.....	21,897	741,912	21,707	705,951	190	35,961
Net casualty or theft loss deduction.....	1,339	158,969	1,215	95,352	124	63,617
Taxes paid deduction.....	1,912,278	72,116,828	1,911,019	72,024,116	1,259	92,712
Net limited miscellaneous deductions per adjusted gross income concept.....	299,712	5,400,928	299,210	5,365,422	502	35,506
Non-limited miscellaneous deductions.....	61,798	2,789,908	61,475	2,653,487	323	136,420
Excess of exemptions and deductions over adjusted gross income.....	2,009	739,052	918	464,111	1,091	274,941
Taxable income.....	2,083,152	1,063,910,590	2,082,826	1,063,801,819	326	108,771
Tax at regular rates.....	2,083,164	317,827,174	2,082,833	317,797,981	331	29,193
Income tax before credits.....	2,083,164	317,883,580	2,082,833	317,854,387	331	29,193
Tax credits:						
Total.....	724,510	4,944,798	724,179	4,915,605	331	29,193
Child care credit.....	104,154	54,646	104,147	54,643	7	3
Minimum tax credit.....	51,679	696,018	51,507	684,321	172	11,697
Foreign tax credit.....	566,645	3,689,824	566,461	3,672,640	184	17,184
General business credit.....	62,703	407,201	62,659	406,946	44	255
Alternative minimum tax (Form 6251).....	346,928	3,841,796	346,928	3,841,796	--	--
U.S. total income tax.....	2,083,744	316,794,894	2,083,744	316,794,894	--	--
Taxable income which would yield:						
Income tax before credits.....	2,083,164	928,423,296	2,082,833	928,334,410	331	88,885
Income tax after credits.....	2,081,639	915,384,174	2,081,639	915,384,174	--	--
U.S. total income tax.....	2,083,744	925,683,436	2,083,744	925,683,436	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,085,211	1,204,653,318	2,083,744	1,203,742,834	1,467	910,484
plus: Total tax preferences excluded from adjusted gross income ²	780,150	24,916,716	779,605	24,864,117	545	52,599
Social Security benefits (nontaxable).....	328,953	870,832	328,550	869,832	403	1,000
Foreign-earned income exclusion.....	23,910	1,580,557	23,820	1,573,849	90	6,708
minus: Investment interest expense deduction.....	486,518	11,666,027	485,672	11,079,799	846	586,228
Non-limited miscellaneous deductions.....	61,798	2,789,908	61,475	2,653,487	323	136,420
Unreimbursed employee business expenses.....	359,660	3,043,327	359,553	3,041,984	107	1,343
Equals: Expanded income.....	2,085,208	1,217,312,069	2,083,744	1,216,928,850	1,464	383,219

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept						
Salaries and wages.....	1,774,550	524,923,756	1,773,773	524,783,222	777	140,534
Business or profession:						
Net income.....	450,831	48,138,441	450,594	48,123,486	237	14,955
Net loss.....	119,976	2,474,165	119,794	2,461,243	182	12,923
Farm:						
Net income.....	18,564	808,035	18,551	807,590	13	445
Net loss.....	49,387	2,065,305	49,320	2,054,668	67	10,637
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	772,871	178,577,682	772,530	178,552,084	341	25,598
Net loss.....	257,440	19,904,352	256,863	19,642,508	577	261,843
Sales of capital assets:						
Net gain.....	1,443,091	325,111,809	1,441,959	324,829,887	1,132	281,922
Net loss.....	354,277	843,490	353,565	841,506	712	1,984
Sales of property other than capital assets:						
Net gain.....	105,893	2,269,452	105,798	2,266,039	95	3,414
Net loss.....	152,029	1,998,987	151,823	1,981,729	206	17,258
Taxable interest received.....	2,082,085	49,961,621	2,080,057	49,791,454	2,028	170,167
Tax-exempt interest.....	832,307	29,913,046	830,837	29,491,898	1,470	421,148
Dividends.....	1,835,741	48,866,821	1,833,956	48,718,962	1,785	147,859
Pensions and annuities in adjusted gross income.....	444,850	16,570,098	444,417	16,556,850	433	13,248
Rent:						
Net income.....	370,086	14,546,450	369,802	14,528,587	284	17,863
Net loss, total (deductible and nondeductible).....	278,352	3,362,656	278,051	3,356,534	301	6,122
Nondeductible rental loss.....	171,442	1,778,040	171,300	1,775,637	142	2,403
Royalty:						
Net income.....	126,061	2,924,018	125,866	2,919,069	195	4,949
Net loss.....	5,523	43,812	5,511	43,602	12	211
Estate or trust:						
Net income.....	78,794	7,029,133	78,617	7,024,279	177	4,855
Net loss.....	8,977	611,082	8,939	602,963	38	8,119
State income tax refunds.....	954,500	4,190,951	953,876	4,176,080	624	14,871
Alimony received.....	2,977	282,781	2,969	282,332	8	448
Social Security benefits in adjusted gross income.....	372,513	5,639,998	371,528	5,626,238	985	13,761
Social Security benefits (nontaxable).....	372,514	995,391	371,528	992,959	986	2,432
Unemployment compensation.....	25,808	95,815	25,795	95,772	13	43
Other income.....	310,519	10,730,910	310,237	10,716,496	282	14,414
Other loss.....	40,127	1,692,227	40,050	1,685,541	77	6,686
Foreign-earned income exclusion.....	38,316	2,579,956	38,098	2,560,829	218	19,128
Total income.....	2,132,301	1,220,961,076	2,130,077	1,220,334,446	2,224	626,630
Statutory adjustments, total.....	924,774	10,536,931	924,323	10,532,733	451	4,198
Payments to Individual Retirement Arrangements.....	128,351	429,703	128,304	429,561	47	142
Payments to self-employed retirement (Keogh) plans..	248,906	4,620,465	248,874	4,619,952	32	513
Moving expenses adjustment.....	23,871	161,288	23,861	161,183	10	105
Adjusted gross income.....	2,132,301	1,210,424,145	2,130,077	1,209,801,712	2,224	622,433
Investment interest expense deduction.....	480,062	10,333,722	479,478	10,167,224	584	166,499
Total tax preferences excluded from adjusted gross income.....	841,404	30,129,450	839,925	29,706,181	1,479	423,269
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	20,892	229,354	20,867	227,016	25	2,338
Passive activity loss (alternative minimum tax adjustment).....	302,315	1,104,474	302,013	1,109,286	302	-4,812
Expanded income.....	2,132,301	1,231,099,705	2,130,077	1,230,202,247	2,224	897,459

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept--Continued						
Exemption amount.....	1,075,557	4,698,649	1,073,894	4,691,104	1,663	7,545
Itemized deductions:						
Total per adjusted gross income concept.....	1,946,053	135,071,240	1,944,124	134,389,429	1,929	681,811
Total per expanded income concept.....	1,945,616	144,750,626	1,943,757	144,358,195	1,859	392,431
Charitable contributions deduction.....	1,868,316	39,381,283	1,866,736	39,287,813	1,580	93,471
Interest paid deduction:						
Total per adjusted gross income concept.....	1,599,839	38,594,018	1,598,761	38,395,981	1,078	198,037
Total per expanded income concept.....	1,488,484	28,260,296	1,487,639	28,228,757	845	31,538
Total home mortgage interest.....	1,486,306	28,058,870	1,485,465	28,028,134	841	30,737
Medical and dental expense deduction.....	28,653	901,494	27,776	815,763	877	85,731
Net casualty or theft loss deduction.....	1,351	160,099	1,215	95,352	136	64,746
Taxes paid deduction.....	1,938,452	72,426,215	1,936,705	72,337,838	1,747	88,377
Net limited miscellaneous deductions per adjusted gross income concept.....	293,468	5,261,537	292,490	5,232,448	978	29,089
Non-limited miscellaneous deductions.....	62,219	2,757,270	61,902	2,623,369	317	133,901
Excess of exemptions and deductions over adjusted gross income.....	2,951	610,419	1,220	419,360	1,731	191,059
Taxable income.....	2,129,313	1,069,970,087	2,128,857	1,069,847,845	456	122,242
Tax at regular rates.....	2,129,326	319,199,310	2,128,862	319,166,707	464	32,603
Income tax before credits.....	2,129,326	319,255,716	2,128,862	319,223,113	464	32,603
Tax credits:						
Total.....	755,443	5,223,841	754,979	5,191,238	464	32,603
Child care credit.....	102,839	53,919	102,821	53,907	18	12
Minimum tax credit.....	51,645	696,842	51,477	685,186	168	11,656
Foreign tax credit.....	599,713	3,967,528	599,403	3,946,883	310	20,645
General business credit.....	63,204	408,644	63,168	408,433	36	211
Alternative minimum tax (Form 6251).....	354,470	3,862,942	354,470	3,862,942	--	--
U.S. total income tax.....	2,130,077	317,909,133	2,130,077	317,909,133	--	--
Taxable income which would yield:						
Income tax before credits.....	2,129,326	933,871,507	2,128,862	933,769,172	464	102,336
Income tax after credits.....	2,127,042	919,863,682	2,127,042	919,863,682	--	--
U.S. total income tax.....	2,130,077	930,274,231	2,130,077	930,274,231	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,132,301	1,210,424,145	2,130,077	1,209,801,712	2,224	622,433
plus: Total tax preferences excluded from adjusted gross income ²	841,404	30,129,450	839,925	29,706,181	1,479	423,269
Social Security benefits (nontaxable).....	372,514	995,391	371,528	992,959	986	2,432
Foreign-earned income exclusion.....	38,316	2,579,956	38,098	2,560,829	218	19,128
minus: Investment interest expense deduction.....	480,062	10,333,722	479,478	10,167,224	584	166,499
Non-limited miscellaneous deductions.....	62,219	2,757,270	61,902	2,623,369	317	133,901
Unreimbursed employee business expenses.....	339,462	2,692,861	339,345	2,692,184	117	677
Equals: Expanded income.....	2,132,301	1,231,099,705	2,130,077	1,230,202,247	2,224	897,459

¹ Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

² Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages.....	1,766,899	525,114,177	1,766,316	525,018,595	583	95,582
Business or profession:						
Net income.....	443,981	47,946,038	443,770	47,932,795	211	13,243
Net loss.....	118,778	2,504,246	118,623	2,481,570	155	22,676
Farm:						
Net income.....	17,354	797,374	17,340	797,079	14	295
Net loss.....	48,064	2,015,998	48,017	2,005,541	47	10,457
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	759,769	178,363,563	759,524	178,342,313	245	21,250
Net loss.....	254,756	20,245,738	254,257	19,893,068	499	352,671
Sales of capital assets:						
Net gain.....	1,397,963	323,920,678	1,397,221	323,498,673	742	422,005
Net loss.....	350,233	830,866	349,920	829,977	313	889
Sales of property other than capital assets:						
Net gain.....	102,932	2,258,554	102,834	2,250,530	98	8,024
Net loss.....	149,476	1,988,409	149,297	1,976,497	179	11,912
Taxable interest received.....	2,032,586	49,489,867	2,031,443	49,155,260	1,143	334,607
Tax-exempt interest.....	771,020	24,744,575	770,538	24,694,522	482	50,053
Dividends.....	1,786,321	47,230,264	1,785,324	47,024,363	997	205,901
Pensions and annuities in adjusted gross income.....	420,412	15,587,720	420,178	15,578,067	234	9,653
Rent:						
Net income.....	360,602	14,347,929	360,371	14,330,487	231	17,443
Net loss, total (deductible and nondeductible).....	274,446	3,336,261	274,217	3,328,217	229	8,044
Nondeductible rental loss.....	168,231	1,752,117	168,071	1,747,996	160	4,121
Royalty:						
Net income.....	119,837	2,865,701	119,725	2,860,403	112	5,298
Net loss.....	5,381	49,715	5,374	49,487	7	228
Estate or trust:						
Net income.....	74,453	6,942,331	74,358	6,936,850	95	5,482
Net loss.....	8,283	630,436	8,260	605,548	23	24,888
State income tax refunds.....	941,184	4,155,048	940,766	4,141,019	418	14,029
Alimony received.....	2,974	282,412	2,970	282,335	4	77
Social Security benefits in adjusted gross income.....	328,952	4,934,270	328,577	4,929,054	375	5,215
Social Security benefits (nontaxable).....	328,953	870,832	328,577	869,911	376	920
Unemployment compensation.....	26,159	98,523	26,148	98,487	11	36
Other income.....	306,315	10,569,298	306,067	10,553,981	248	15,316
Other loss.....	28,510	1,376,238	28,492	1,367,755	18	8,483
Foreign-earned income exclusion.....	23,910	1,580,557	23,910	1,580,557	--	--
Total income.....	2,085,211	1,215,173,868	2,083,928	1,214,367,146	1,283	806,722
Statutory adjustments, total.....	914,090	10,520,550	913,670	10,516,430	420	4,120
Payments to Individual Retirement Arrangements.....	128,776	430,780	128,737	430,663	39	117
Payments to self-employed retirement (Keogh) plans.....	247,727	4,620,253	247,694	4,619,717	33	536
Moving expenses adjustment.....	23,630	162,078	**	**	**	**
Adjusted gross income.....	2,085,211	1,204,653,318	2,083,928	1,203,850,716	1,283	802,602
Investment interest expense deduction.....	486,518	11,666,027	485,744	11,097,708	774	568,319
Total tax preferences excluded from adjusted gross income.....	780,150	24,916,716	779,652	24,865,712	498	51,004
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	19,481	185,015	19,457	183,940	24	1,075
Passive activity loss (alternative minimum tax adjustment).....	297,438	1,089,557	297,210	1,093,794	228	-4,237
Expanded income.....	2,085,208	1,217,312,069	2,083,928	1,217,027,045	1,280	285,024

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept--Continued						
Exemption amount.....	1,026,826	4,451,488	1,026,266	4,449,671	560	1,817
Itemized deductions:						
Total per adjusted gross income concept.....	1,919,070	135,882,236	1,917,790	134,842,167	1,280	1,040,070
Charitable contributions deduction.....	1,843,782	38,929,894	1,842,723	38,835,804	1,059	94,090
Interest paid deduction:						
Total per adjusted gross income concept.....	1,604,166	40,170,722	1,603,157	39,567,782	1,009	602,940
Total home mortgage interest.....	1,492,080	28,299,165	1,491,296	28,265,272	784	33,893
Medical and dental expense deduction.....	21,897	741,912	21,712	706,147	185	35,765
Net casualty or theft loss deduction.....	1,339	158,969	1,215	95,352	124	63,617
Taxes paid deduction.....	1,912,278	72,116,828	1,911,130	72,027,097	1,148	89,731
Net limited miscellaneous deductions per adjusted gross income concept.....	299,712	5,400,928	299,240	5,365,991	472	34,937
Non-limited miscellaneous deductions.....	61,798	2,789,908	61,476	2,653,490	322	136,418
Excess of exemptions and deductions over adjusted gross income.....	2,009	739,052	919	464,114	1,090	274,938
Taxable income.....	2,083,152	1,063,910,590	2,083,009	1,063,874,955	143	35,635
Tax at regular rates.....	2,083,164	317,827,174	2,083,017	317,818,822	147	8,352
Income tax before credits.....	2,083,164	317,883,580	2,083,017	317,875,228	147	8,352
Tax credits:						
Total.....	221,581	1,254,974	221,434	1,246,622	147	8,352
Child care credit.....	104,154	54,646	104,148	54,643	6	2
Minimum tax credit.....	51,679	696,018	51,552	687,855	127	8,163
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	62,703	407,201	62,676	407,069	27	132
Alternative minimum tax (Form 6251).....	346,928	3,841,796	346,928	3,841,796	--	--
Worldwide total income tax.....	2,083,928	320,990,692	2,083,928	320,990,692	--	--
Foreign taxes paid.....	566,645	4,195,798	566,645	4,195,798	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	16,739	505,974	16,739	505,974	--	--
Taxable income which would yield:						
Income tax before credits.....	2,083,164	928,423,296	2,083,017	928,395,740	147	27,555
Income tax after credits.....	2,083,017	926,465,231	2,083,017	926,465,231	--	--
Worldwide total income tax.....	2,083,928	936,682,722	2,083,928	936,682,722	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,085,211	1,204,653,318	2,083,928	1,203,850,716	1,283	802,602
plus: Total tax preferences excluded from adjusted gross income ²	780,150	24,916,716	779,652	24,865,712	498	51,004
Social Security benefits (nontaxable).....	328,953	870,832	328,577	869,911	376	920
Foreign-earned income exclusion.....	23,910	1,580,557	23,910	1,580,557	--	--
minus: Investment interest expense deduction.....	486,518	11,666,027	485,744	11,097,708	774	568,319
Non-limited miscellaneous deductions.....	61,798	2,789,908	61,476	2,653,490	322	136,418
Unreimbursed employee business expenses.....	359,660	3,043,327	359,566	3,042,144	94	1,183
Equals: Expanded income.....	2,085,208	1,217,312,069	2,083,928	1,217,027,045	1,280	285,024

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept						
Salaries and wages.....	1,774,550	524,923,756	1,774,023	524,853,699	527	70,057
Business or profession:						
Net income.....	450,831	48,138,441	450,641	48,128,867	190	9,574
Net loss.....	119,976	2,474,165	119,804	2,461,409	172	12,756
Farm:						
Net income.....	18,564	808,035	18,551	807,590	13	445
Net loss.....	49,387	2,065,305	49,328	2,055,246	59	10,058
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	772,871	178,577,682	772,568	178,560,556	303	17,126
Net loss.....	257,440	19,904,352	256,905	19,649,730	535	254,622
Sales of capital assets:						
Net gain.....	1,443,091	325,111,809	1,442,097	324,864,953	994	246,856
Net loss.....	354,277	843,490	353,631	841,688	646	1,802
Sales of property other than capital assets:						
Net gain.....	105,893	2,269,452	105,809	2,267,103	84	2,349
Net loss.....	152,029	1,998,987	151,841	1,984,322	188	14,664
Taxable interest received.....	2,082,085	49,961,621	2,080,321	49,807,616	1,764	154,005
Tax-exempt interest.....	832,307	29,913,046	830,903	29,497,902	1,404	415,144
Dividends.....	1,835,741	48,866,821	1,834,161	48,728,533	1,580	138,288
Pensions and annuities in adjusted gross income.....	444,850	16,570,098	444,439	16,557,474	411	12,624
Rent:						
Net income.....	370,086	14,546,450	369,830	14,529,498	256	16,952
Net loss, total (deductible and nondeductible).....	278,352	3,362,656	278,099	3,357,090	253	5,566
Nondeductible rental loss.....	171,442	1,778,040	171,317	1,775,804	125	2,237
Royalty:						
Net income.....	126,061	2,924,018	125,878	2,919,115	183	4,903
Net loss.....	5,523	43,812	5,512	43,604	11	208
Estate or trust:						
Net income.....	78,794	7,029,133	78,626	7,024,415	168	4,719
Net loss.....	8,977	611,082	8,941	602,975	36	8,108
State income tax refunds.....	954,500	4,190,951	953,920	4,176,655	580	14,296
Alimony received.....	2,977	282,781	2,970	282,335	7	446
Social Security benefits in adjusted gross income.....	372,513	5,639,998	371,561	5,626,786	952	13,212
Social Security benefits (nontaxable).....	372,514	995,391	371,561	993,056	953	2,335
Unemployment compensation.....	25,808	95,815	25,797	95,776	11	39
Other income.....	310,519	10,730,910	310,263	10,718,269	256	12,641
Other loss.....	40,127	1,692,227	40,102	1,687,036	25	5,191
Foreign-earned income exclusion.....	38,316	2,579,956	38,309	2,579,194	7	763
Total income.....	2,132,301	1,220,961,076	2,130,387	1,220,452,707	1,914	508,369
Statutory adjustments, total.....	924,774	10,536,931	924,389	10,533,376	385	3,554
Payments to Individual Retirement Arrangements.....	128,351	429,703	128,317	429,603	34	100
Payments to self-employed retirement (Keogh) plans.....	248,906	4,620,465	248,879	4,620,046	27	419
Moving expenses adjustment.....	23,871	161,288	23,868	161,258	3	29
Adjusted gross income.....	2,132,301	1,210,424,145	2,130,387	1,209,919,331	1,914	504,814
Investment interest expense deduction.....	480,062	10,333,722	479,549	10,178,056	513	155,666
Total tax preferences excluded from adjusted gross income.....	841,404	30,129,450	839,993	29,712,391	1,411	417,059
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	20,892	229,354	20,871	227,222	21	2,132
Passive activity loss (alternative minimum tax adjustment).....	302,315	1,104,474	302,046	1,109,277	269	-4,802
Expanded income.....	2,132,301	1,231,099,705	2,130,387	1,230,333,477	1,914	766,228

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept--Continued						
Exemption amount.....	1,075,557	4,698,649	1,074,097	4,692,348	1,460	6,301
Itemized deductions:						
Total per adjusted gross income concept.....	1,946,053	135,071,240	1,944,302	134,417,900	1,751	653,340
Total per expanded income concept.....	1,945,616	144,750,626	1,943,934	144,377,202	1,682	373,424
Charitable contributions deduction.....	1,868,316	39,381,283	1,866,878	39,299,932	1,438	81,351
Interest paid deduction:						
Total per adjusted gross income concept.....	1,599,839	38,594,018	1,598,911	38,409,985	928	184,033
Total per expanded income concept.....	1,488,484	28,260,296	1,487,759	28,231,929	725	28,367
Total home mortgage interest.....	1,486,306	28,058,870	1,485,583	28,031,194	723	27,676
Medical and dental expense deduction.....	28,653	901,494	27,796	816,272	857	85,222
Net casualty or theft loss deduction.....	1,351	160,099	1,215	95,352	136	64,746
Taxes paid deduction.....	1,938,452	72,426,215	1,936,860	72,340,603	1,592	85,612
Net limited miscellaneous deductions per adjusted gross income concept.....	293,468	5,261,537	292,533	5,233,053	935	28,484
Non-limited miscellaneous deductions.....	62,219	2,757,270	61,909	2,623,434	310	133,836
Excess of exemptions and deductions over adjusted gross income.....	2,951	610,419	1,221	419,363	1,730	191,056
Taxable income.....	2,129,313	1,069,970,087	2,129,166	1,069,934,955	147	35,131
Tax at regular rates.....	2,129,326	319,199,310	2,129,172	319,191,048	154	8,262
Income tax before credits.....	2,129,326	319,255,716	2,129,172	319,247,454	154	8,262
Tax credits:						
Total.....	220,902	1,256,313	220,748	1,248,051	154	8,262
Child care credit.....	102,839	53,919	102,833	53,917	6	2
Minimum tax credit.....	51,645	696,842	51,524	688,745	121	8,098
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	63,204	408,644	63,184	408,549	20	96
Alternative minimum tax (Form 6251).....	354,470	3,862,942	354,470	3,862,942	--	--
Worldwide total income tax.....	2,130,387	322,594,717	2,130,387	322,594,717	--	--
Foreign taxes paid.....	599,714	4,685,584	599,714	4,685,584	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	25,948	718,056	25,948	718,056	--	--
Taxable income which would yield:						
Income tax before credits.....	2,129,326	933,871,507	2,129,172	933,844,356	154	27,152
Income tax after credits.....	2,129,172	932,509,400	2,129,172	932,509,400	--	--
Worldwide total income tax.....	2,130,387	942,812,748	2,130,387	942,812,748	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,132,301	1,210,424,145	2,130,387	1,209,919,331	1,914	504,814
plus: Total tax preferences excluded from adjusted gross income ²	841,404	30,129,450	839,993	29,712,391	1,411	417,059
Social Security benefits (nontaxable).....	372,514	995,391	371,561	993,056	953	2,335
Foreign-earned income exclusion.....	38,316	2,579,956	38,309	2,579,194	7	763
minus: Investment interest expense deduction.....	480,062	10,333,722	479,549	10,178,056	513	155,666
Non-limited miscellaneous deductions.....	62,219	2,757,270	61,909	2,623,434	310	133,836
Unreimbursed employee business expenses.....	339,462	2,692,861	339,373	2,692,412	89	449
Equals: Expanded income.....	2,132,301	1,231,099,705	2,130,387	1,230,333,477	1,914	766,228

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

² Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	1,953,705	100.0	457,330	23.4	46,504	2.4	1,079,623	55.3
Interest paid deduction.....	702,032	35.9	--	--	9,076	19.5	599,966	55.6
Investment interest expense deduction ¹	54,926	2.8	7,700	1.7	--	--	33,061	3.1
Taxes paid deduction.....	607,790	31.1	381,231	83.4	24,345	52.3	--	--
Charitable contributions deduction.....	421,389	21.6	48,833	10.7	6,587	14.2	348,363	32.3
Medical and dental expense deduction.....	5,579	0.3	6	(²)	150	0.3	1,966	0.2
Net casualty or theft loss deduction.....	44	(²)	40	(²)	**	**	--	--
Total miscellaneous deductions.....	79,665	4.1	13,569	3.0	2,335	5.0	50,732	4.7
Foreign tax credit.....	10,780	0.6	138	(²)	189	0.4	8,469	0.8
General business credit.....	7,289	0.4	423	0.1	128	0.3	5,496	0.5
All other tax credits.....	7,529	0.4	512	0.1	229	0.5	5,030	0.5
Partnership and S corporation net losses.....	38,083	1.9	4,877	1.1	3,414	7.3	22,182	2.1
No second largest item.....	18,598	1.0	--	--	**	**	4,358	0.4
Returns with expanded income of \$200,000 or more								
Total.....	2,034,390	100.0	455,768	22.4	--	--	1,013,375	49.8
Interest paid deduction.....	720,753	35.4	--	--	--	--	590,250	58.2
Tax-exempt interest ³	130,977	6.4	6,181	1.4	--	--	90,219	8.9
Taxes paid deduction.....	656,356	32.3	388,829	85.3	--	--	--	--
Charitable contributions deduction.....	371,762	18.3	52,393	11.5	--	--	278,435	27.5
Medical and dental expense deduction.....	6,426	0.3	6	(²)	--	--	1,017	0.1
Net casualty or theft loss deduction.....	43	(²)	40	(²)	--	--	--	--
Total miscellaneous deductions.....	28,975	1.4	2,703	0.6	--	--	11,036	1.1
Foreign tax credit.....	21,537	1.1	140	(²)	--	--	8,032	0.8
General business credit.....	6,606	0.3	268	0.1	--	--	4,478	0.4
All other tax credits.....	8,613	0.4	678	0.1	--	--	5,455	0.5
Partnership and S corporation net losses.....	40,429	2.0	4,380	1.0	--	--	19,630	1.9
Foreign-earned income exclusion ³	20,103	1.0	--	--	--	--	386	(²)
No second largest item.....	21,810	1.1	150	(²)	--	--	4,437	0.4

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)
Returns with U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	175,109	9.0	7,648	0.4	664	(?)
Interest paid deduction.....	35,371	20.2	458	6.0	346	52.0
Investment interest expense deduction ¹	5,382	3.1	40	0.5	3	0.5
Taxes paid deduction.....	115,139	65.8	4,220	55.2	214	32.2
Charitable contributions deduction.....	--	--	1,792	23.4	43	6.5
Medical and dental expense deduction.....	2,480	1.4	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	9,468	5.4	786	10.3	--	--
Foreign tax credit.....	513	0.3	42	0.5	--	--
General business credit.....	530	0.3	40	0.5	--	--
All other tax credits.....	468	0.3	--	--	--	--
Partnership and S corporation net losses.....	5,352	3.1	270	3.5	58	8.8
No second largest item.....	406	0.2	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	164,358	8.1	7,006	0.3	665	(?)
Interest paid deduction.....	36,395	22.1	608	8.7	338	50.7
Tax-exempt interest ³	18,562	11.3	617	8.8	51	7.7
Taxes paid deduction.....	95,295	58.0	2,833	40.4	217	32.6
Charitable contributions deduction.....	--	--	1,584	22.6	43	6.5
Medical and dental expense deduction.....	1,915	1.2	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	5,375	3.3	**	**	--	--
Foreign tax credit.....	404	0.2	**	**	--	--
General business credit.....	484	0.3	40	0.6	--	--
All other tax credits.....	605	0.4	--	--	--	--
Partnership and S corporation net losses.....	4,797	2.9	310	4.4	16	2.4
Foreign-earned income exclusion ³	225	0.1	--	--	--	--
No second largest item.....	300	0.2	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Total miscellaneous deductions		Foreign tax credit		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	54,456	2.8	37,944	1.9	7,542	0.4	12,642	0.6
Interest paid deduction.....	12,350	22.7	14,036	37.0	2,537	33.6	3,669	29.0
Investment interest expense deduction ¹	916	1.7	621	1.6	363	4.8	666	5.3
Taxes paid deduction.....	33,197	61.0	10,323	27.2	3,232	42.8	4,990	39.5
Charitable contributions deduction.....	6,249	11.5	1,325	3.5	191	2.5	774	6.1
Medical and dental expense deduction.....	745	1.4	8	(?)	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	693	1.8	11	0.1	49	0.4
Foreign tax credit.....	15	(?)	--	--	195	2.6	216	1.7
General business credit.....	161	0.3	244	0.6	--	--	26	0.2
All other tax credits.....	219	0.4	411	1.1	260	3.4	--	--
Partnership and S corporation net losses.....	597	1.1	813	2.1	295	3.9	225	1.8
No second largest item.....	9	(?)	9,470	25.0	459	6.1	2,027	16.0
Returns with expanded income of \$200,000 or more								
Total.....	12,340	0.6	37,360	1.8	6,754	0.3	11,995	0.6
Interest paid deduction.....	1,401	11.3	4,694	12.6	1,757	26.0	3,578	29.8
Tax-exempt interest ³	2,326	18.9	596	1.6	777	11.5	797	6.6
Taxes paid deduction.....	6,424	52.1	7,882	21.1	3,175	47.0	4,849	40.4
Charitable contributions deduction.....	1,433	11.6	203	0.5	175	2.6	639	5.3
Medical and dental expense deduction.....	471	3.8	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	203	0.5	**	**	6	0.1
Foreign tax credit.....	12	0.1	--	--	**	**	11	0.1
General business credit.....	3	(?)	66	0.2	--	--	31	0.3
All other tax credits.....	50	0.4	33	0.1	204	3.0	--	--
Partnership and S corporation net losses.....	69	0.6	282	0.8	245	3.6	223	1.9
Foreign-earned income exclusion ³	152	1.2	18,912	50.6	--	--	--	--
No second largest item.....	--	--	4,489	12.0	316	4.7	1,860	15.5

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(23)	(24)	(25)	(26)	(27)	(28)
Returns with U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	74,244	3.8	--	--	--	--
Interest paid deduction.....	24,224	32.6	--	--	--	--
Investment interest expense deduction ¹	6,174	8.3	--	--	--	--
Taxes paid deduction.....	30,900	41.6	--	--	--	--
Charitable contributions deduction.....	7,232	9.7	--	--	--	--
Medical and dental expense deduction.....	224	0.3	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--
Total miscellaneous deductions.....	2,024	2.7	--	--	--	--
Foreign tax credit.....	1,004	1.4	--	--	--	--
General business credit.....	240	0.3	--	--	--	--
All other tax credits.....	400	0.5	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	**	**	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	68,945	3.4	15,560	0.8	240,265	11.8
Interest paid deduction.....	21,768	31.6	3,044	19.6	56,920	23.7
Tax-exempt interest ³	9,120	13.2	1,730	11.1	--	--
Taxes paid deduction.....	27,376	39.7	859	5.5	118,618	49.4
Charitable contributions deduction.....	6,730	9.8	250	1.6	29,879	12.4
Medical and dental expense deduction.....	55	0.1	--	--	2,962	1.2
Net casualty or theft loss deduction.....	3	(²)	--	--	--	--
Total miscellaneous deductions.....	832	1.2	45	0.3	7,802	3.2
Foreign tax credit.....	515	0.7	9,220	59.3	3,058	1.3
General business credit.....	184	0.3	--	--	1,052	0.4
All other tax credits.....	331	0.5	155	1.0	1,102	0.5
Partnership and S corporation net losses.....	--	--	63	0.4	10,412	4.3
Foreign-earned income exclusion ³	161	0.2	--	--	267	0.1
No second largest item.....	1,871	2.7	195	1.3	8,192	3.4

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	1,467	100.0	26	1.8	447	30.5	14	1.0
Interest paid deduction.....	291	19.8	--	--	77	17.2	**	**
Investment interest expense deduction ¹	167	11.4	4	15.4	--	--	3	21.4
Taxes paid deduction.....	307	20.9	11	42.3	79	17.7	--	--
Charitable contributions deduction.....	236	16.1	5	19.2	109	24.4	4	28.6
Medical and dental expense deduction.....	24	1.6	--	--	**	**	**	**
Net casualty or theft loss deduction.....	4	0.3	**	**	**	**	--	--
Total miscellaneous deductions.....	96	6.5	--	--	30	6.7	**	**
Foreign tax credit.....	5	0.3	**	**	**	**	--	--
General business credit.....	9	0.6	--	--	**	**	--	--
All other tax credits.....	16	1.1	--	--	**	**	--	--
Partnership and S corporation net losses.....	205	14.0	3	11.5	139	31.1	3	21.4
No second largest item.....	107	7.3	**	**	**	**	--	--
Returns with expanded income of \$200,000 or more								
Total.....	2,124	100.0	69	3.2	--	--	83	3.9
Interest paid deduction.....	270	12.7	--	--	--	--	**	**
Tax-exempt interest ³	284	13.4	**	**	--	--	9	10.8
Taxes paid deduction.....	397	18.7	48	69.6	--	--	--	--
Charitable contributions deduction.....	246	11.6	10	14.5	--	--	17	20.5
Medical and dental expense deduction.....	321	15.1	--	--	--	--	**	**
Net casualty or theft loss deduction.....	6	0.3	**	**	--	--	--	--
Total miscellaneous deductions.....	88	4.1	--	--	--	--	**	**
Foreign tax credit.....	52	2.4	--	--	--	--	--	--
General business credit.....	4	0.2	--	--	--	--	--	--
All other tax credits.....	18	0.8	--	--	--	--	--	--
Partnership and S corporation net losses.....	176	8.3	4	5.8	--	--	4	4.8
Foreign-earned income exclusion ³	155	7.3	**	**	--	--	--	--
No second largest item.....	107	5.0	**	**	--	--	20	24.1

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)
Returns without U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	**	**	135	9.2	118	8.0
Interest paid deduction.....	10	17.5	**	**	49	41.5
Investment interest expense deduction ¹	21	36.8	**	**	7	5.9
Taxes paid deduction.....	5	8.8	26	19.3	37	31.4
Charitable contributions deduction.....	--	--	46	34.1	11	9.3
Medical and dental expense deduction.....	11	19.3	--	--	4	3.4
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	4	7.0	53	39.3	**	**
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	--	--	--	--	--	--
All other tax credits.....	4	7.0	--	--	--	--
Partnership and S corporation net losses.....	**	**	4	3.0	7	5.9
No second largest item.....	--	--	**	**	**	**
Returns with expanded income of \$200,000 or more						
Total.....	93	4.4	267	12.6	121	5.7
Interest paid deduction.....	18	19.4	5	1.9	49	40.5
Tax-exempt interest ³	14	15.1	156	58.4	17	14.0
Taxes paid deduction.....	22	23.7	15	5.6	31	25.6
Charitable contributions deduction.....	--	--	53	19.9	11	9.1
Medical and dental expense deduction.....	15	16.1	--	--	5	4.1
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	9	9.7	33	12.4	**	**
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	--	--	--	--	--	--
All other tax credits.....	**	**	--	--	--	--
Partnership and S corporation net losses.....	9	9.7	**	**	6	5.0
Foreign-earned income exclusion ³	--	--	--	--	--	--
No second largest item.....	--	--	**	**	**	**

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Total miscellaneous deductions		Foreign tax credit		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	288	19.6	110	7.5	**	**	120	8.2
Interest paid deduction.....	54	18.8	54	49.1	--	--	37	30.8
Investment interest expense deduction ¹	**	**	10	9.1	--	--	14	11.7
Taxes paid deduction.....	84	29.2	4	3.6	--	--	45	37.5
Charitable contributions deduction.....	27	9.4	5	4.5	--	--	11	9.2
Medical and dental expense deduction.....	4	1.4	--	--	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	**	**	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	5	1.7	--	--	--	--	**	**
All other tax credits.....	**	**	--	--	**	**	--	--
Partnership and S corporation net losses.....	34	11.8	3	2.7	--	--	**	**
No second largest item.....	69	24.0	**	**	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	5	0.2	176	8.3	6	0.3	121	5.7
Interest paid deduction.....	--	--	14	8.0	**	**	41	33.9
Tax-exempt interest ³	**	**	--	--	--	--	6	5.0
Taxes paid deduction.....	**	**	**	**	**	**	46	38.0
Charitable contributions deduction.....	**	**	**	**	--	--	13	10.7
Medical and dental expense deduction.....	**	**	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	**	**
All other tax credits.....	--	--	--	--	**	**	--	--
Partnership and S corporation net losses.....	--	--	**	**	--	--	12	9.9
Foreign-earned income exclusion ³	--	--	151	85.8	--	--	--	--
No second largest item.....	**	**	7	4.0	3	50.0	**	**

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(23)	(24)	(25)	(26)	(27)	(28)
Returns without U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	151	10.3	--	--	--	--
Interest paid deduction.....	6	4.0	--	--	--	--
Investment interest expense deduction ¹	97	64.2	--	--	--	--
Taxes paid deduction.....	16	10.6	--	--	--	--
Charitable contributions deduction.....	18	11.9	--	--	--	--
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--
Total miscellaneous deductions.....	4	2.6	--	--	--	--
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	6	4.0	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	170	8.0	58	2.7	955	45.0
Interest paid deduction.....	18	10.6	8	13.8	88	9.2
Tax-exempt interest ³	78	45.9	**	**	--	--
Taxes paid deduction.....	23	13.5	--	--	209	21.9
Charitable contributions deduction.....	30	17.6	**	**	109	11.4
Medical and dental expense deduction.....	**	**	--	--	296	31.0
Net casualty or theft loss deduction.....	**	**	--	--	**	**
Total miscellaneous deductions.....	**	**	--	--	41	4.3
Foreign tax credit.....	**	**	48	82.8	**	**
General business credit.....	**	**	--	--	**	**
All other tax credits.....	5	2.9	--	--	8	0.8
Partnership and S corporation net losses.....	--	--	--	--	135	14.1
Foreign-earned income exclusion ³	**	**	--	--	**	**
No second largest item.....	9	5.3	--	--	62	6.5

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Investment interest expense deduction only has an effect when using the adjusted gross income concept.

² Less than 0.05 percent.

³ Tax-exempt interest and foreign-earned income exclusion only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals because of rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect			
			Interest paid deduction		Investment interest expense deduction ¹	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	1,937,117	100.0	464,151	24.0	47,157	2.4
Interest paid deduction.....	697,366	36.0	--	--	9,268	19.7
Investment interest expense deduction ¹	55,171	2.8	7,982	1.7	--	--
Taxes paid deduction.....	606,109	31.3	387,190	83.4	24,686	52.3
Charitable contributions deduction.....	427,157	22.1	49,154	10.6	6,754	14.3
Medical and dental expense deduction.....	5,572	0.3	6	(²)	150	0.3
Net casualty or theft loss deduction.....	44	(²)	**	**	**	**
Total miscellaneous deductions.....	79,384	4.1	13,737	3.0	2,399	5.1
General business credit.....	7,128	0.4	423	0.1	129	0.3
All other tax credits.....	7,164	0.4	512	0.1	238	0.5
Partnership and S corporation net losses.....	37,907	2.0	5,045	1.1	3,433	7.3
No second largest item.....	14,114	0.7	**	**	**	**
Returns with expanded income of \$200,000 or more						
Total.....	2,029,470	100.0	459,744	22.7	--	--
Interest paid deduction.....	736,651	36.3	--	--	--	--
Tax-exempt interest ³	136,200	6.7	6,253	1.4	--	--
Taxes paid deduction.....	655,605	32.3	391,937	85.3	--	--
Charitable contributions deduction.....	377,049	18.6	52,402	11.4	--	--
Medical and dental expense deduction.....	6,440	0.3	6	(²)	--	--
Net casualty or theft loss deduction.....	43	(²)	40	(²)	--	--
Total miscellaneous deductions.....	28,974	1.4	2,703	0.6	--	--
General business credit.....	6,786	0.3	268	0.1	--	--
All other tax credits.....	9,153	0.5	678	0.1	--	--
Partnership and S corporation net losses.....	41,179	2.0	4,533	1.0	--	--
Foreign-earned income exclusion ³	2,849	0.1	766	0.2	--	--
No second largest item.....	28,540	1.4	158	(²)	--	--

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Taxes paid deduction		Charitable contributions deduction		Medical and dental expense deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(7)	(8)	(9)	(10)	(11)	(12)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	1,089,953	56.3	176,445	9.1	7,656	0.4
Interest paid deduction.....	607,541	55.7	35,652	20.2	458	6.0
Investment interest expense deduction ¹	33,501	3.1	5,402	3.1	40	0.5
Taxes paid deduction.....	--	--	116,651	66.1	4,262	55.7
Charitable contributions deduction.....	354,835	32.6	--	--	1,800	23.5
Medical and dental expense deduction.....	1,966	0.2	2,482	1.4	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	50,890	4.7	9,484	5.4	786	10.3
General business credit.....	5,564	0.5	534	0.3	40	0.5
All other tax credits.....	5,055	0.5	478	0.3	--	--
Partnership and S corporation net losses.....	22,614	2.1	5,356	3.0	270	3.5
No second largest item.....	7,987	0.7	406	0.2	--	--
Returns with expanded income of \$200,000 or more						
Total.....	1,021,258	50.3	164,572	8.1	7,006	0.3
Interest paid deduction.....	595,865	58.3	36,447	22.1	608	8.7
Tax-exempt interest ³	91,584	9.0	18,725	11.4	617	8.8
Taxes paid deduction.....	--	--	95,502	58.0	2,875	41.0
Charitable contributions deduction.....	282,491	27.7	--	--	1,584	22.6
Medical and dental expense deduction.....	1,017	0.1	1,918	1.2	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	11,156	1.1	5,389	3.3	971	13.9
General business credit.....	4,540	0.4	487	0.3	40	0.6
All other tax credits.....	5,469	0.5	619	0.4	--	--
Partnership and S corporation net losses.....	19,903	1.9	4,799	2.9	310	4.4
Foreign-earned income exclusion ³	879	0.1	384	0.2	--	--
No second largest item.....	8,356	0.8	301	0.2	--	--

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Net casualty or theft loss deduction		Total miscellaneous deductions		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	664	(?)	55,151	2.8	7,786	0.4	13,082	0.7
Interest paid deduction.....	346	52.0	12,636	22.9	2,591	33.3	3,971	30.4
Investment interest expense deduction ¹	3	0.5	957	1.7	365	4.7	677	5.2
Taxes paid deduction.....	214	32.2	33,527	60.8	3,316	42.6	5,046	38.6
Charitable contributions deduction.....	43	6.5	6,299	11.4	222	2.8	781	6.0
Medical and dental expense deduction.....	--	--	745	1.4	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	14	0.2	49	0.4
General business credit.....	--	--	161	0.3	--	--	36	0.3
All other tax credits.....	--	--	219	0.4	261	3.3	--	--
Partnership and S corporation net losses.....	58	8.8	598	1.1	303	3.9	230	1.8
No second largest item.....	--	--	9	(?)	714	9.2	2,293	17.5
Returns with expanded income of \$200,000 or more								
Total.....	665	(?)	12,543	0.6	6,821	0.3	12,056	0.6
Interest paid deduction.....	338	50.7	1,401	11.2	1,802	26.4	3,587	29.8
Tax-exempt interest ³	51	7.7	2,382	19.0	789	11.6	801	6.6
Taxes paid deduction.....	217	32.6	6,489	51.7	3,243	47.5	4,865	40.4
Charitable contributions deduction.....	43	6.5	1,476	11.8	175	2.6	643	5.3
Medical and dental expense deduction.....	--	--	471	3.8	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	4	0.1	6	0.1
General business credit.....	--	--	3	(?)	--	--	40	0.3
All other tax credits.....	--	--	50	0.4	205	3.0	--	--
Partnership and S corporation net losses.....	16	2.4	69	0.5	245	3.6	225	1.9
Foreign-earned income exclusion ³	--	--	203	1.6	--	--	4	(?)
No second largest item.....	--	--	--	--	358	5.3	1,885	15.6

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(21)	(22)	(23)	(24)	(25)	(26)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	75,071	3.9	--	--	--	--
Interest paid deduction.....	24,902	33.2	--	--	--	--
Investment interest expense deduction ¹	6,244	8.3	--	--	--	--
Taxes paid deduction.....	31,216	41.6	--	--	--	--
Charitable contributions deduction.....	7,269	9.7	--	--	--	--
Medical and dental expense deduction.....	224	0.3	--	--	--	--
Net casualty or theft loss deduction.....	3	(?)	--	--	--	--
Total miscellaneous deductions.....	2,025	2.7	--	--	--	--
General business credit.....	241	0.3	--	--	--	--
All other tax credits.....	400	0.5	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	2,546	3.4	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	69,238	3.4	34,676	1.7	240,889	11.9
Interest paid deduction.....	21,935	31.7	16,931	48.8	57,738	24.0
Tax-exempt interest ³	9,230	13.3	5,767	16.6	--	--
Taxes paid deduction.....	27,625	39.9	3,773	10.9	119,079	49.4
Charitable contributions deduction.....	6,758	9.8	1,508	4.3	29,970	12.4
Medical and dental expense deduction.....	55	0.1	8	(?)	2,965	1.2
Net casualty or theft loss deduction.....	3	(?)	--	--	--	--
Total miscellaneous deductions.....	832	1.2	104	0.3	7,808	3.2
General business credit.....	185	0.3	16	(?)	1,207	0.5
All other tax credits.....	331	0.5	689	2.0	1,113	0.5
Partnership and S corporation net losses.....	--	--	591	1.7	10,488	4.4
Foreign-earned income exclusion ³	295	0.4	--	--	318	0.1
No second largest item.....	1,991	2.9	5,289	15.3	10,203	4.2

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect			
			Interest paid deduction		Investment interest expense deduction ¹	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total	1,283	100.0	24	1.9	425	33.1
Interest paid deduction.....	223	17.4	--	--	76	17.9
Investment interest expense deduction ¹	146	11.4	3	12.5	--	--
Taxes paid deduction.....	289	22.5	11	45.8	76	17.9
Charitable contributions deduction.....	217	16.9	5	20.8	100	23.5
Medical and dental expense deduction.....	23	1.8	--	--	3	0.7
Net casualty or theft loss deduction.....	4	0.3	**	**	**	**
Total miscellaneous deductions.....	93	7.2	--	--	29	6.8
General business credit.....	7	0.5	--	--	**	**
All other tax credits.....	12	0.9	--	--	3	0.7
Partnership and S corporation net losses.....	194	15.1	**	**	134	31.5
No second largest item.....	75	5.8	**	**	**	**
Returns with expanded income of \$200,000 or more						
Total	1,814	100.0	67	3.7	--	--
Interest paid deduction.....	238	13.1	--	--	--	--
Tax-exempt interest ³	276	15.2	**	**	--	--
Taxes paid deduction.....	383	21.1	48	71.6	--	--
Charitable contributions deduction.....	225	12.4	10	14.9	--	--
Medical and dental expense deduction.....	316	17.4	--	--	--	--
Net casualty or theft loss deduction.....	**	**	**	**	--	--
Total miscellaneous deductions.....	86	4.7	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	13	0.7	--	--	--	--
Partnership and S corporation net losses.....	169	9.3	4	6.0	--	--
Foreign-earned income exclusion ³	**	**	--	--	--	--
No second largest item.....	100	5.5	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Taxes paid deduction		Charitable contributions deduction		Medical and dental expense deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(7)	(8)	(9)	(10)	(11)	(12)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	11	0.9	51	4.0	135	10.5
Interest paid deduction.....	**	**	10	19.6	**	**
Investment interest expense deduction ¹	**	**	19	37.3	**	**
Taxes paid deduction.....	--	--	5	9.8	26	19.3
Charitable contributions deduction.....	4	36.4	--	--	46	34.1
Medical and dental expense deduction.....	**	**	10	19.6	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	4	7.8	53	39.3
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	**	**	--	--
Partnership and S corporation net losses.....	**	**	**	**	4	3.0
No second largest item.....	--	--	--	--	**	**
Returns with expanded income of \$200,000 or more						
Total.....	82	4.5	82	4.5	267	14.7
Interest paid deduction.....	28	34.1	18	22.0	**	**
Tax-exempt interest ³	9	11.0	12	14.6	156	58.4
Taxes paid deduction.....	--	--	**	**	15	5.6
Charitable contributions deduction.....	17	20.7	--	--	53	19.9
Medical and dental expense deduction.....	**	**	13	15.9	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	7	8.5	33	12.4
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	**	**	--	--
Partnership and S corporation net losses.....	3	3.7	9	11.0	4	1.5
Foreign-earned income exclusion ³	--	--	--	--	--	--
No second largest item.....	20	24.4	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Net casualty or theft loss deduction		Total miscellaneous deductions		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	118	9.2	288	22.4	--	--	91	7.1
Interest paid deduction.....	49	41.5	54	18.8	--	--	27	29.7
Investment interest expense deduction ¹	7	5.9	9	3.1	--	--	11	12.1
Taxes paid deduction.....	37	31.4	84	29.2	--	--	34	37.4
Charitable contributions deduction.....	11	9.3	27	9.4	--	--	**	**
Medical and dental expense deduction.....	**	**	4	1.4	--	--	--	--
Net casualty or theft loss deduction.....	--	--	**	**	--	--	--	--
Total miscellaneous deductions.....	**	**	--	--	--	--	--	--
General business credit.....	--	--	**	**	--	--	**	**
All other tax credits.....	--	--	**	**	--	--	--	--
Partnership and S corporation net losses.....	7	5.9	34	11.8	--	--	9	9.9
No second largest item.....	**	**	69	24.0	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	121	6.7	5	0.3	5	0.3	92	5.1
Interest paid deduction.....	49	40.5	--	--	**	**	32	34.8
Tax-exempt interest ³	17	14.0	**	**	--	--	**	**
Taxes paid deduction.....	31	25.6	**	**	**	**	36	39.1
Charitable contributions deduction.....	**	**	**	**	--	--	10	10.9
Medical and dental expense deduction.....	5	4.1	**	**	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	**	**
All other tax credits.....	--	--	--	--	--	--	--	--
Partnership and S corporation net losses.....	6	5.0	--	--	--	--	10	10.9
Foreign-earned income exclusion ³	--	--	--	--	--	--	--	--
No second largest item.....	**	**	**	**	**	**	**	**

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(21)	(22)	(23)	(24)	(25)	(26)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	140	10.9	--	--	--	--
Interest paid deduction.....	4	2.9	--	--	--	--
Investment interest expense deduction ¹	93	66.4	--	--	--	--
Taxes paid deduction.....	16	11.4	--	--	--	--
Charitable contributions deduction.....	**	**	--	--	--	--
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--
Total miscellaneous deductions.....	4	2.9	--	--	--	--
General business credit.....	--	--	--	--	--	--
All other tax credits.....	6	4.3	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	161	8.9	5	0.3	927	51.1
Interest paid deduction.....	16	9.9	**	**	85	9.2
Tax-exempt interest ³	77	47.8	--	--	--	--
Taxes paid deduction.....	23	14.3	--	--	207	22.3
Charitable contributions deduction.....	27	16.8	**	**	95	10.2
Medical and dental expense deduction.....	**	**	--	--	293	31.6
Net casualty or theft loss deduction.....	**	**	--	--	**	**
Total miscellaneous deductions.....	2	1.2	--	--	41	4.4
General business credit.....	--	--	--	--	--	--
All other tax credits.....	**	**	--	--	6	0.6
Partnership and S corporation net losses.....	--	--	--	--	133	14.3
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	9	5.6	--	--	62	6.7

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Investment interest expense deduction only has an effect when using the adjusted gross income concept.

² Less than 0.05 percent.

³ Tax-exempt interest and foreign-earned income exclusion only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals because of rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 1998

Table 9.--Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	1,467	64	76	54	33	11
Interest paid deduction:						
Total.....	1,467	347	336	99	33	24
Investment interest per income concept.....	1,467	621	203	27	19	30
Taxes paid deduction.....	1,467	208	897	203	80	25
Charitable contributions deduction.....	1,467	312	756	93	58	75
Medical and dental expense deduction.....	1,467	1,277	26	9	4	5
Net casualty or theft loss deduction.....	1,467	1,343	**	--	--	3
Net limited miscellaneous deduction per income concept.....	1,467	965	314	105	32	12
Non-limited miscellaneous deduction.....	1,467	1,144	26	6	3	4
Deduction equivalent of:						
Total credits.....	1,467	1,136	69	9	3	6
Foreign tax credit.....	1,467	1,283	71	**	--	**
General business credit.....	1,467	1,423	36	3	**	**
Tax preferences excluded from adjusted gross income.....	1,467	922	335	65	44	18
Expanded income concept						
Total itemized deductions.....	2,224	408	362	307	201	122
Interest paid deduction:						
Total.....	2,224	1,390	509	173	79	39
Investment interest per income concept.....	2,224	1,647	386	44	23	17
Taxes paid deduction.....	2,224	504	1,326	243	62	25
Charitable contributions deduction.....	2,224	668	1,149	128	91	55
Medical and dental expense deduction.....	2,224	1,347	305	105	68	73
Net casualty or theft loss deduction.....	2,224	2,088	6	--	**	3
Net limited miscellaneous deduction per income concept.....	2,224	1,275	741	117	35	27
Non-limited miscellaneous deduction.....	2,224	2,012	31	3	6	**
Deduction equivalent of:						
Total credits.....	2,224	1,760	85	16	18	22
Foreign tax credit.....	2,224	1,914	80	7	14	17
General business credit.....	2,224	2,188	29	3	**	**
Tax preferences excluded from adjusted gross income.....	2,224	745	175	78	65	61

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 9.--Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income--Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	6	4	4	113	1,102
Interest paid deduction:					
Total.....	30	39	42	245	272
Investment interest per income concept.....	31	38	50	249	199
Taxes paid deduction.....	9	8	10	12	15
Charitable contributions deduction.....	63	110	--	--	--
Medical and dental expense deduction.....	12	7	15	63	49
Net casualty or theft loss deduction.....	--	**	**	33	83
Net limited miscellaneous deduction per income concept.....	16	7	5	7	4
Non-limited miscellaneous deduction.....	**	**	4	120	156
Deduction equivalent of:					
Total credits.....	14	39	44	147	--
Foreign tax credit.....	--	**	6	100	--
General business credit.....	--	**	--	--	--
Tax preferences excluded from adjusted gross income.....	14	8	9	18	34
Expanded income concept					
Total itemized deductions.....	104	77	80	188	375
Interest paid deduction:					
Total.....	5	11	3	9	6
Investment interest per income concept.....	13	10	9	15	60
Taxes paid deduction.....	12	8	11	19	14
Charitable contributions deduction.....	37	28	12	31	25
Medical and dental expense deduction.....	62	63	54	102	45
Net casualty or theft loss deduction.....	**	3	4	35	81
Net limited miscellaneous deduction per income concept.....	9	6	4	4	6
Non-limited miscellaneous deduction.....	**	**	**	95	71
Deduction equivalent of:					
Total credits.....	28	65	98	132	--
Foreign tax credit.....	16	32	59	85	--
General business credit.....	--	**	--	--	--
Tax preferences excluded from adjusted gross income.....	88	90	125	631	166

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 10.--Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
			(3)	(4)	(5)	(6)
Adjusted gross income concept	(1)	(2)	(3)	(4)	(5)	(6)
Total itemized deductions.....	1,283	3	34	31	23	6
Interest paid deduction:						
Total.....	1,283	274	278	81	29	20
Investment interest per income concept.....	1,283	509	167	19	17	28
Taxes paid deduction.....	1,283	135	807	191	74	25
Charitable contributions deduction.....	1,283	224	686	86	55	69
Medical and dental expense deduction.....	1,283	1,098	24	8	**	**
Net casualty or theft loss deduction.....	1,283	1,159	**	--	--	3
Net limited miscellaneous deduction per income concept.....	1,283	811	285	104	32	12
Non-limited miscellaneous deduction.....	1,283	961	25	6	3	4
Deduction equivalent of:						
Total credits.....	1,283	1,136	38	6	**	**
Foreign tax credit.....	1,283	1,283	--	--	--	--
General business credit.....	1,283	1,256	22	**	**	**
Tax preferences excluded from adjusted gross income.....	1,283	785	298	61	41	17
Expanded income concept						
Total itemized deductions.....	1,914	269	283	272	177	113
Interest paid deduction:						
Total.....	1,914	1,199	423	148	76	36
Investment interest per income concept.....	1,914	1,404	336	40	20	16
Taxes paid deduction.....	1,914	346	1,195	225	60	25
Charitable contributions deduction.....	1,914	497	1,044	118	83	51
Medical and dental expense deduction.....	1,914	1,057	290	104	67	70
Net casualty or theft loss deduction.....	1,914	1,778	6	--	**	3
Net limited miscellaneous deduction per income concept.....	1,914	997	710	116	35	27
Non-limited miscellaneous deduction.....	1,914	1,709	25	**	6	**
Deduction equivalent of:						
Total credits.....	1,914	1,760	48	6	**	**
Foreign tax credit.....	1,914	1,914	--	--	--	--
General business credit.....	1,914	1,894	16	**	--	**
Tax preferences excluded from adjusted gross income.....	1,914	503	144	75	63	58

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 10.--Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income--Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	**	**	**	79	1,102
Interest paid deduction:					
Total.....	30	34	39	226	272
Investment interest per income concept.....	30	33	48	233	199
Taxes paid deduction.....	9	7	9	11	15
Charitable contributions deduction.....	61	102	--	--	--
Medical and dental expense deduction.....	12	7	15	63	49
Net casualty or theft loss deduction.....	--	**	**	33	83
Net limited miscellaneous deduction per income concept.....	16	7	5	7	4
Non-limited miscellaneous deduction.....	**	**	4	120	156
Deduction equivalent of:					
Total credits.....	8	23	25	43	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	--	--	--	--	--
Tax preferences excluded from adjusted gross income.....	14	8	9	16	34
Expanded income concept					
Total itemized deductions.....	96	75	75	181	373
Interest paid deduction:					
Total.....	4	10	3	9	6
Investment interest per income concept.....	12	10	9	14	53
Taxes paid deduction.....	12	8	10	19	14
Charitable contributions deduction.....	35	25	9	28	24
Medical and dental expense deduction.....	62	63	54	102	45
Net casualty or theft loss deduction.....	**	3	4	35	81
Net limited miscellaneous deduction per income concept.....	9	6	4	4	6
Non-limited miscellaneous deduction.....	**	**	**	95	71
Deduction equivalent of:					
Total credits.....	**	24	27	42	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	--	--	--	--	--
Tax preferences excluded from adjusted gross income.....	83	81	121	620	166

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 11.--Returns With and Without U.S. Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns	Percentage of total	Number of returns	Percentage of total	Number of returns
	(1)	(2)	(3)	(4)	(5)
All returns.....	124,770,662	100.0	93,311,388	100.0	23,107,806
Returns without U.S. income tax.....	28,168,599	22.6	28,111,196	30.1	52,866
Returns with U.S. income tax.....	96,602,063	77.4	65,200,192	69.9	23,054,940
Effective tax rate:					
Under 5 percent.....	18,782,155	15.1	18,021,687	19.3	721,308
5 under 10 percent.....	36,626,678	29.4	29,795,667	31.9	6,669,397
10 under 15 percent.....	27,225,493	21.8	15,472,429	16.6	10,327,367
15 under 20 percent.....	10,430,264	8.4	1,811,598	1.9	4,846,071
20 under 25 percent.....	2,439,602	2.0	58,780	0.1	484,957
25 under 30 percent.....	719,805	0.6	17,159	(?)	2,125
30 under 35 percent.....	289,584	0.2	8,698	(?)	65
35 under 40 percent.....	71,824	0.1	4,687	(?)	1,000
40 under 45 percent.....	1,503	(?)	--	--	--
45 under 50 percent.....	1,635	(?)	3	(?)	699
50 under 60 percent.....	2,602	(?)	2,004	(?)	8
60 under 70 percent.....	975	(?)	394	(?)	--
70 under 80 percent.....	2,161	(?)	16	(?)	1,891
80 percent or more.....	7,783	(?)	7,070	(?)	53

Tax status, effective tax rate	Size of adjusted gross income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(6)	(7)	(8)	(9)	(10)
All returns.....	100.0	6,266,258	100.0	2,085,211	100.0
Returns without U.S. income tax.....	0.2	3,069	(?)	1,467	0.1
Returns with U.S. income tax.....	99.8	6,263,188	100.0	2,083,744	99.9
Effective tax rate:					
Under 5 percent.....	3.1	27,533	0.4	11,628	0.6
5 under 10 percent.....	28.9	144,633	2.3	16,981	0.8
10 under 15 percent.....	44.7	1,377,981	22.0	47,716	2.3
15 under 20 percent.....	21.0	3,504,227	55.9	268,367	12.9
20 under 25 percent.....	2.1	1,111,885	17.7	783,980	37.6
25 under 30 percent.....	(?)	88,032	1.4	612,489	29.4
30 under 35 percent.....	(?)	3,450	0.1	277,372	13.3
35 under 40 percent.....	(?)	4,446	0.1	61,692	3.0
40 under 45 percent.....	(?)	30	(?)	1,473	0.1
45 under 50 percent.....	(?)	148	(?)	785	(?)
50 under 60 percent.....	(?)	--	--	590	(?)
60 under 70 percent.....	(?)	370	(?)	211	(?)
70 under 80 percent.....	(?)	--	--	254	(?)
80 percent or more.....	(?)	455	(?)	206	(?)

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 11.--Returns With and Without U.S. Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts--Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns (11)	Percentage of total (12)	Number of returns (13)	Percentage of total (14)	Number of returns (15)
All returns.....	124,770,662	100.0	92,754,054	100.0	23,648,638
Returns without U.S. income tax.....	28,168,599	22.6	28,037,064	30.2	119,378
Returns with U.S. income tax.....	96,602,063	77.4	64,716,990	69.8	23,529,260
Effective tax rate:					
Under 5 percent.....	19,827,224	15.9	18,967,001	20.4	770,768
5 under 10 percent.....	35,999,021	28.9	28,723,353	31.0	7,082,666
10 under 15 percent.....	26,811,355	21.5	15,087,664	16.3	10,341,903
15 under 20 percent.....	10,440,260	8.4	1,847,211	2.0	4,813,042
20 under 25 percent.....	2,439,269	2.0	50,887	0.1	512,272
25 under 30 percent.....	711,164	0.6	16,204	(²)	3,380
30 under 35 percent.....	288,627	0.2	10,593	(²)	1,068
35 under 40 percent.....	66,981	0.1	3,739	(²)	1,346
40 under 45 percent.....	1,980	(²)	40	(²)	--
45 under 50 percent.....	1,795	(²)	6	(²)	690
50 under 60 percent.....	2,511	(²)	2,004	(²)	11
60 under 70 percent.....	3,916	(²)	1,318	(²)	2,036
70 under 80 percent.....	118	(²)	16	(²)	40
80 percent or more.....	7,843	(²)	6,954	(²)	38

Tax status, effective tax rate	Size of expanded income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)
All returns.....	100.0	6,235,668	100.0	2,132,301	100.0
Returns without U.S. income tax.....	0.5	9,933	0.2	2,224	0.1
Returns with U.S. income tax.....	99.5	6,225,736	99.8	2,130,077	99.9
Effective tax rate:					
Under 5 percent.....	3.3	64,614	1.0	24,841	1.2
5 under 10 percent.....	29.9	159,633	2.6	33,368	1.6
10 under 15 percent.....	43.7	1,315,805	21.1	65,983	3.1
15 under 20 percent.....	20.4	3,473,211	55.7	306,796	14.4
20 under 25 percent.....	2.2	1,108,675	17.8	767,435	36.0
25 under 30 percent.....	(²)	94,211	1.5	597,370	28.0
30 under 35 percent.....	(²)	4,038	0.1	272,928	12.8
35 under 40 percent.....	(²)	4,191	0.1	57,704	2.7
40 under 45 percent.....	--	373	(²)	1,567	0.1
45 under 50 percent.....	(²)	149	(²)	950	(²)
50 under 60 percent.....	(²)	19	(²)	477	(²)
60 under 70 percent.....	(²)	360	(²)	202	(²)
70 under 80 percent.....	(²)	--	--	62	(²)
80 percent or more.....	(²)	456	(²)	396	(²)

¹ Includes returns with adjusted gross deficit or with negative expanded income.

² Less than 0.05 percent.

NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns for 1998

Table 12.--Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
	Number or returns (1)	Percentage of total (2)	Under \$50,000 ¹		\$50,000 under \$100,000 Number of returns (5)
			Number of returns (3)	Percentage of total (4)	
All returns.....	124,770,662	100.0	93,311,388	100.0	23,107,806
Returns without worldwide income tax.....	28,134,461	22.5	28,077,862	30.1	52,816
Returns with worldwide income tax.....	96,636,201	77.5	65,233,526	69.9	23,054,989
Effective tax rate:					
Under 5 percent.....	18,732,468	15.0	18,002,235	19.3	706,748
5 under 10 percent.....	36,623,897	29.4	29,820,376	32.0	6,655,727
10 under 15 percent.....	27,230,904	21.8	15,487,224	16.6	10,329,340
15 under 20 percent.....	10,435,070	8.4	1,814,455	1.9	4,856,698
20 under 25 percent.....	2,456,272	2.0	60,652	0.1	488,788
25 under 30 percent.....	730,284	0.6	17,159	(?)	4,204
30 under 35 percent.....	303,485	0.2	9,622	(?)	1,118
35 under 40 percent.....	82,638	0.1	4,687	(?)	2,407
40 under 45 percent.....	8,404	(?)	--	--	1,406
45 under 50 percent.....	4,449	(?)	3	(?)	1,050
50 under 60 percent.....	6,021	(?)	2,004	(?)	2,396
60 under 70 percent.....	5,558	(?)	1,723	(?)	2,808
70 under 80 percent.....	4,199	(?)	1,697	(?)	**
80 percent or more.....	12,552	(?)	11,689	(?)	**

Tax status, effective tax rate	Size of adjusted gross income--continued					
	\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more	
	Percentage of total (6)	Number of returns (7)	Percentage of total (8)	Number of returns (9)	Percentage of total (10)	
All returns.....	100.0	6,266,258	100.0	2,085,211	100.0	
Returns without worldwide income tax.....	0.2	2,500	(?)	1,283	0.1	
Returns with worldwide income tax.....	99.8	6,263,758	100.0	2,083,928	99.9	
Effective tax rate:						
Under 5 percent.....	3.1	18,644	0.3	4,840	0.2	
5 under 10 percent.....	28.8	134,597	2.1	13,197	0.6	
10 under 15 percent.....	44.7	1,372,421	21.9	41,920	2.0	
15 under 20 percent.....	21.0	3,503,201	55.9	260,716	12.5	
20 under 25 percent.....	2.1	1,124,350	17.9	782,481	37.5	
25 under 30 percent.....	(?)	92,042	1.5	616,879	29.6	
30 under 35 percent.....	(?)	7,138	0.1	285,607	13.7	
35 under 40 percent.....	(?)	6,953	0.1	68,593	3.3	
40 under 45 percent.....	(?)	1,470	(?)	5,527	0.3	
45 under 50 percent.....	(?)	1,162	(?)	2,234	0.1	
50 under 60 percent.....	(?)	805	(?)	816	(?)	
60 under 70 percent.....	(?)	520	(?)	507	(?)	
70 under 80 percent.....	**	**	**	255	(?)	
80 percent or more.....	**	**	**	354	(?)	

Footnotes at end of table.

High-Income Tax Returns for 1998

Table 12.--Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts--Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
	Number or returns (11)	Percentage of total (12)	Under \$50,000 ¹		\$50,000 under \$100,000
			Number of returns (13)	Percentage of total (14)	Number of returns (15)
All returns.....	124,770,662	100.0	92,754,054	100.0	23,648,638
Returns without worldwide income tax.....	28,134,461	22.5	28,008,728	30.2	116,361
Returns with worldwide income tax.....	96,636,201	77.5	64,745,326	69.8	23,532,277
Effective tax rate:					
Under 5 percent.....	19,770,517	15.8	18,955,512	20.4	761,724
5 under 10 percent.....	36,015,698	28.9	28,752,013	31.0	7,081,265
10 under 15 percent.....	26,808,284	21.5	15,096,033	16.3	10,339,392
15 under 20 percent.....	10,452,881	8.4	1,848,136	2.0	4,823,926
20 under 25 percent.....	2,459,265	2.0	52,759	0.1	516,029
25 under 30 percent.....	732,727	0.6	16,204	(²)	4,359
30 under 35 percent.....	303,613	0.2	10,593	(²)	1,068
35 under 40 percent.....	73,464	0.1	3,739	(²)	1,347
40 under 45 percent.....	2,988	(²)	40	(²)	--
45 under 50 percent.....	2,056	(²)	6	(²)	1,041
50 under 60 percent.....	2,684	(²)	2,004	(²)	11
60 under 70 percent.....	4,064	(²)	1,318	(²)	2,036
70 under 80 percent.....	119	(²)	16	(²)	40
80 percent or more.....	7,844	(²)	6,955	(²)	38

Tax status, effective tax rate	Size of expanded income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)
All returns.....	100.0	6,235,668	100.0	2,132,301	100.0
Returns without worldwide income tax.....	0.5	7,458	0.1	1,914	0.1
Returns with worldwide income tax.....	99.5	6,228,210	99.9	2,130,387	99.9
Effective tax rate:					
Under 5 percent.....	3.2	41,710	0.7	11,571	0.5
5 under 10 percent.....	29.9	156,805	2.5	25,615	1.2
10 under 15 percent.....	43.7	1,312,881	21.1	59,978	2.8
15 under 20 percent.....	20.4	3,478,488	55.8	302,331	14.2
20 under 25 percent.....	2.2	1,122,061	18.0	768,415	36.0
25 under 30 percent.....	(²)	103,480	1.7	608,685	28.5
30 under 35 percent.....	(²)	6,887	0.1	285,065	13.4
35 under 40 percent.....	(²)	4,542	0.1	63,835	3.0
40 under 45 percent.....	--	373	(²)	2,575	0.1
45 under 50 percent.....	(²)	149	(²)	859	(²)
50 under 60 percent.....	(²)	19	(²)	650	(²)
60 under 70 percent.....	(²)	360	(²)	349	(²)
70 under 80 percent.....	(²)	--	--	63	(²)
80 percent or more.....	(²)	456	(²)	396	(²)

**Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Includes returns with adjusted gross deficit or with negative expanded income.

² Less than 0.05 percent.

NOTE: Detail may not add to totals because of rounding.