

Personal Income and Adjusted Gross Income, 1984–1986

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This article presents a reconciliation of the Bureau of Economic Analysis (BEA) measure of "personal income" with the Internal Revenue Service (IRS) measure of "adjusted gross income" (AGI) by type of income for 1984–86 [1]. The reconciliation incorporates personal income estimates for 1985–86 published in the July 1988 revision of the National Income and Product Accounts (NIPA) and in the final IRS estimates of AGI for 1984–86 [2].

The reconciliation items (lines 3–9 and 11–15) in Tables 1–3 allow the construction from personal income (line 1) of a BEA-derived estimate of AGI (line 22) that conforms to the IRS definition of AGI (line 23) (see the description of the income series and the reconciliation items, below.) The reallocations of personal income and of the IRS measure of AGI necessary to show the reconciliation by type of income are shown in lines 17–21 and lines 25–27 of Tables 1–3, and are also explained below. The difference between the BEA-derived estimate of AGI and the IRS measure of AGI, called the AGI gap, is shown in line 29. The percentage distribution of the AGI gap by type of income and the AGI gap as a percentage of the BEA-derived AGI are shown in lines 30 and 31, respectively.

The AGI gap can be viewed as evidence of noncompliance with the tax code because BEA-derived AGI is based on estimates of personal income that are adjusted to include income unreported on individual income tax returns, while the IRS measure of AGI is based entirely on unaudited tax return data [3,4]. The noncompliance reflected in the gap is limited to that associated with types of income included in personal income; the gap does not reflect noncompliance associated with other types of income, such as unreported capital gains and unreported illegal income [5]. In addition to reflecting noncompliance, however, the AGI gap also includes income earned by low-income individuals who are not required to file income tax returns, gross errors and omissions in the estimates of reconciliation items, and the net effect of errors in personal income and in the IRS data for AGI.

The AGI gap as a percentage of the BEA-derived AGI—a rough indicator of the rate of noncompliance—increased to 12 percent for 1986 after having remained at about 11 percent since 1977 primarily due to an increase in the wages and salaries gap (Table 4). The latter increase may reflect the inclusion in BEA wages and salaries of an unknown amount of employee contributions to deferred

compensation arrangements, such as the savings allowed under Internal Revenue Code section 401(k), which are excluded from AGI. BEA wages and salaries are based on tabulations of wages and salaries of employees covered by State unemployment insurance and have included contributions by employees in 32 States since 1985. The gaps by type of income, however, have varied widely since 1977. For rental income of persons, the gap increased steadily; for taxable unemployment compensation, the gap declined steadily. For farm and nonfarm proprietors' income and for personal dividend income, the gaps increased steadily until 1984 and then declined, but remained above the pre-1977 levels. For personal interest income, the gap declined steadily until 1985.

DESCRIPTION OF THE INCOME SERIES AND RECONCILIATION ITEMS

Personal Income

Personal Income estimated by BEA is the income received by persons from all sources, i.e., from participation in production, from both Government and business transfer payments, and from Government interest, which is treated like a transfer payment. "Persons" consist of individuals, nonprofit institutions serving individuals, private noninsured welfare funds, and private trust funds. Proprietors' income is treated in its entirety as received by individuals. Life insurance carriers and private noninsured pension funds are not counted as persons, but their saving is credited to persons. Personal income is the sum of wage and salary disbursements, other labor income, proprietors' income with inventory valuation and capital consumption adjustment, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and transfer payments, less personal contributions for social insurance.

Adjusted Gross Income

Adjusted gross income estimated by IRS is the total income from all sources that is subject to the individual income tax, less certain deductions. The total income subject to tax includes wages and salaries; a portion of dividends, interest, and pension income; net business and farm income; net capital gains income; and other miscellaneous items. Deductions allowed in the calculation of AGI include various expenses considered necessary in earning income, certain allowances for capital gains and losses, and statutory adjustments [6].

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Personal Income Not Included in AGI

Personal income and AGI each include items that the other omits by definition. Line 2 of Tables 1-3 is the sum of seven groups of items (lines 3-9) that are included in personal income but not in AGI because they are not taxable under the individual income tax. The largest (line 3) consists of all Government and business transfer payments except taxable retirement benefits paid to former Government employees. The second largest (line 4) consists of other labor income except fees; the major components of other labor income are pension and profit sharing, group insurance, workers' compensation, and supplemental unemployment benefits [7].

Imputed income included in personal income is shown in line 5. No deduction is made for an unknown amount of imputed income, believed to be small, that is actually included in AGI [8]. Additional major categories are investment income retained by life insurance carriers and noninsured pension funds (line 6) and investment income received by nonprofit institutions or retained by fiduciaries (line 7).

Differences in accounting procedures introduce a difference between personal income and AGI that is shown on a net basis in line 8. The differences in accounting procedures result largely from the introduction in NIPA of procedures designed to value capital consumption and inventory change of all firms at current prices, and to apply accounting conventions that are uniform for all firms and at all time periods. Figure A shows the net differences in accounting procedures between NIPA and the tax regulations for 1986 (line 8, Table 3).

Figure A—Net Differences in Accounting Procedures Between the National Income and Product Accounts (NIPA) and Federal Tax Regulations, 1986

[All figures are estimates—money amounts are in millions of dollars.]

| | |
|---|------------------|
| Total | \$104,113 |
| Capital consumption adjustment | 20,324 |
| Excess of tax depreciation over the NIPA measure of depreciation for farm proprietors' income and for rental income of persons | 27,732 |
| Inventory valuation adjustment for nonfarm proprietors' income | -140 |
| Change in farm inventories | -1,919 |
| Gains arising from sales of livestock, timber, and certain real estate | 4,866 |
| Excess of the interest accrued over the interest paid on bonds | 9,390 |
| Depletion and depreciation expenditures claimed by nonfarm proprietors; bad debt adjustments, and income of tax-exempt cooperatives | 11,934 |
| Earnings by Individual Retirement Arrangements (IRA's) and self-employed retirement (Keogh) plans | 20,252 |
| Other nonfarm proprietors' income adjustments | 11,674 |

The capital consumption adjustment subtracted in BEA-derived AGI is the sum of the capital consumption adjustment for farm and nonfarm proprietors' income and for rental income of persons, excluding the amount for owner-occupied dwellings [9]. In the National Accounts, capital consumption allowances are based on consistent accounting valued in current prices, while the IRS depreciation is

based on varying service lives and depreciation formulas, and is valued in historical costs. Tax return data are not the starting point for the NIPA measure of depreciation associated with farm proprietors' income and rental income of persons, and the published capital consumption adjustment relates only to the adjustment for current replacement cost. Therefore, for these types of income the adjustment for consistent accounting at historical costs is the excess of tax depreciation over the NIPA depreciation.

The inventory valuation adjustment for nonfarm proprietors' income is the difference between book value and current-price value of inventories used up in production. Personal income excludes this difference but AGI includes it.

The difference in the estimates of change in farm inventories in the National Accounts and AGI is also subtracted from personal income. Change in farm inventories in the accounts is based on the U.S. Department of Agriculture estimates of change in the physical quantities of inventories of harvested crops and of livestock owned by farmers valued at market price. Change in farm inventories in AGI is based on the amount of inventory reported in the cost of goods sold in Schedule C, Profit (or Loss) From Business or Profession, of the Form 1040 individual income tax return. Farmers are required to use inventories in computing gross income from their businesses only if they elect to use the accrual method of accounting for their profit or loss from the sale of farm products. Gains arising from sales of livestock, timber, and certain real estate have been accorded a tax treatment similar to a long-term capital asset in AGI, but for the years shown they are treated as ordinary income in the National Accounts. All capital gains are excluded from personal income, but are included in AGI. Thus, capital gains are added to personal income (line 12) in the reconciliation. But the IRS figures for realized capital gains (net gain less loss) included gains arising from sales of livestock, timber, and certain real estate. Consequently, the latter is subtracted from personal income to prevent double counting. Interest on savings bonds is recorded on an accrual basis in personal income, but is mostly reported on a cash basis in AGI. Thus, the excess of interest accrued over interest paid is subtracted from personal income. Other accounting differences are in the treatment earnings by individual retirement arrangements (IRA's) and certain income and expenditures of nonfarm proprietors.

Line 9 shows the sum of other types of income exempt or excluded from AGI, such as interest on State and local Government bonds, tax-exempt military pay and allowances, and statutory adjustments.

Adjusted Gross Income Not Included in Personal Income

Line 10 of Tables 1-3 is the sum of five groups of items (lines 11 through 15) that are included in AGI but not in

personal income. The largest, personal contributions for social insurance (line 11), consists of payments by employees, the self-employed, and other individuals who participate in Government social insurance programs [10]. Net gain from sales of assets (line 12) consists of gains derived from sales of investment property, such as stocks, bonds, and real estate, and from the sale of property other than capital assets. Payments of taxable private pensions (line 13) are not included in personal income. Other types of income in AGI but not in personal income are net income of qualified S Corporations (that choose to be taxed through shareholders) (line 14) and a number of small items grouped in line 15. The latter includes noncorporate special assessments, alimony received, and such miscellaneous items as noncash awards and net gambling receipts. Prior to 1960 it also included income of residents of Alaska and Hawaii.

REALLOCATIONS OF CERTAIN PERSONAL INCOME AND ADJUSTED GROSS INCOME COMPONENTS

The derivation of the AGI gap by type of income requires reallocations of certain IRS and NIPA income components in order to make the two income classifications comparable. Lines 17 through 21 in Tables 1–3 show the reallocations affecting the components of BEA-derived AGI, and lines 25 through 27 show the reallocations affecting the components of AGI of IRS. Reasons for these reallocation items are explained in the discussion that follows.

Reallocation Affecting Components of BEA-Derived Adjusted Gross Income

The fees component of other labor income—directors' fees, judicial fees to witnesses and jurors, compensation of prisoners, and fees to justices of the peace—are reallocated from other labor income to wages and salaries (line 17). Such fees are taxable income and are probably reported as wages and salaries on tax returns.

Partnership income retained by fiduciaries is reallocated to farm and nonfarm sources (line 18). Interest received by nonfinancial proprietors and partnerships, but not related to business operations, is reallocated from personal interest income to nonfarm proprietors' income (line 19). Such interest is tabulated by IRS as part of income of proprietors and partnerships, but is treated in the National Accounts as personal interest income.

The interest distributions (excluding the tax-exempt amount) from regulated investment companies, such as from mutual funds, are reallocated from personal interest income to personal dividend income (line 20). These distributions are reallocated because IRS instructions call for them to be reported as dividends, whereas in the accounts they are treated as personal interest income.

Disability income payments are reallocated from taxable pensions to wages and salaries (line 21) because some disability income payments are reported as wages on tax returns, but are included as pensions in personal income. The Tax Reform Act of 1976 provided a disability income exclusion, under which a taxpayer who retired before age 65 on disability was entitled to exclude from gross income limited amounts of disability payments received if such payments were reported as wages. (A disabled person was not permitted the exclusion for the tax year in which he or she attained age 65 or any subsequent years, and had to report the payments as pensions.)

Reallocations Affecting Income Components of Adjusted Gross Income as Reported in Statistics of Income.

The IRS estate or trust income is allocated to farm proprietors' income, nonfarm proprietors' income, rental income of persons, and personal interest income (line 25) to be consistent with the treatment of estate and trust income in the Accounts. The IRS partnership income is allocated between farm and nonfarm sources (line 26), because IRS does not provide tabulations of this detail for partnership income as reported on the individual income tax return.

Line 27 includes several reallocations not separately shown. Prior to 1963, the IRS net profit from business or profession is allocated between farm and nonfarm sources because for those years the IRS did not tabulate farm proprietors' income separately. For 1958–65, the dividends paid by S Corporations were reallocated from partnership income to dividends. For these years, dividends received from S Corporations were tabulated by IRS as partnership income on the ground that the two types of business organizations were treated similarly under the tax law. For 1957–65, wages not subject to tax withholding reported on the Form 1040A individual income tax return were tabulated by IRS as part of "other" income. These wages are reallocated from "other" income to wages. For 1964 and 1965, estate or trust income was tabulated as part of "other" income. This amount is reallocated to its respective components in the same way as in other years. For 1961, wage earners who had \$200 or less of dividends and interest could report the combined amount of such incomes as a single figure. This combined amount, which was tabulated as a separate income type by IRS, is reallocated to interest and dividends.

NOTES AND REFERENCES

- [1] Estimates for earlier years can be found in "Relationship Between Personal Income and Adjusted Gross Income: Revised Estimates, 1947–83," *Survey of Current Business*, May 1986, Bureau of Economic Analysis, U.S. Department of Commerce, and in "Re-

lationship Between Personal Income and Adjusted Gross Income, 1983-85," *Survey*, May 1987, op. cit. In the National Income and Product Account tables, the reconciliation appears in Table 8.14. The reconciliation of personal income and adjusted gross income for selected earlier years is reproduced in the Selected Historical Data section of the current issue of the *Statistics of Income Bulletin*.

- [2] See *Statistics of Income—Individual Income Tax Returns*, Internal Revenue Service, U.S. Department of the Treasury, for these years. These reports also contain a detailed explanation of adjusted gross income.
- [3] See Parker, Robert P., "Improved Adjustments for Misreporting of Tax Return Information Used to Estimate the National Income and Product Accounts, 1977," *Survey*, June 1984, op.cit.
- [4] See also Kenadjian, Berdj, "Gross Tax Gap Trends According to new IRS Estimates, Income Years

1973-1992," *Statistics of Income Bulletin*, Summer 1988, Volume 8, Number 1.

- [5] For a discussion of why the AGI gap is not a measure of the size of the underground economy, see Carson, Carol S., "The Underground Economy: An Introduction," *Survey*, July 1984, op. cit.
- [6] See footnote 2.
- [7] See Table 6.12, *Survey*, July 1988, op. cit.
- [8] See Table 8.9, *ibid.*, for additional components of imputed income.
- [9] In the National Accounts, capital consumption allowances consist of depreciation and accidental damage to fixed capital.
- [10] See Table 3.6, *Survey*, July 1988, op. cit.

Table 1.—Reconciliation of Personal Income Used in the National Income and Product Accounts (NIPA) and Adjusted Gross Income, by Type of Income, Income Year 1984

[All figures are estimates—money amounts are in billions of dollars]

| Line | Item | Personal income | Wages and salaries | Proprietors' income ¹ | | Personal dividend income | Rental income of persons ² | Personal interest income | Taxable pensions and annuities | Taxable unemployment compensation | Taxable social security benefits ³ | Other personal income | Income not included in personal income |
|------|--|-----------------|--------------------|----------------------------------|---------|--------------------------|---------------------------------------|--------------------------|--------------------------------|-----------------------------------|---|-----------------------|--|
| | | | | Farm | Nonfarm | | | | | | | | |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1 | Personal income | 3,108.7 | 1,838.6 | 30.5 | 204.0 | 75.5 | 8.5 | 444.7 | 47.0 ⁴ | 7.4 | 10.5 | 422.0 ⁵ | — |
| 2 | Less: Portion of personal income not included in adjusted gross income | 954.1 | 16.4 | 13.9 | 43.3 | 18.6 | -10.2 | 209.7 | — | — | — | 572.7 | 89.7 ⁶ |
| 3 | Transfer payments except taxable military retirement and taxable Government pensions..... | 391.8 | — | — | — | — | — | — | — | — | — | 391.8 | — |
| 4 | Other labor income except fees..... | 180.0 | — | — | — | — | — | — | — | — | — | 180.0 | — |
| 5 | Imputed income in personal income..... | 49.4 | 8.5 | 5.6 | 2.3 | — | -18.5 | 51.5 | — | — | — | — | — |
| 6 | Investment income retained by life insurance carriers and private noninsured pensions funds..... | 98.4 | — | — | — | — | — | 98.4 | — | — | — | — | — |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries..... | 31.6 | — | — | .2 | 7.0 | 1.5 | 22.2 | — | — | — | .8 ⁷ | — |
| 8 | Differences in accounting treatment between NIPA and tax regulations, net..... | 79.8 | — | 8.4 | 40.8 | 3.5 | 6.8 | 20.3 | — | — | — | — | — |
| 9 | Other personal income exempt or excluded from adjusted gross income..... | 123.0 | 7.9 | — | — | 8.0 | — | 17.3 | — | — | — | — | 89.7 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 252.7 | 4.1 | — | .9 | — | 1.8 | — | 58.4 | — | — | 132.7 | 54.8 |
| 11 | Personal contributions for social insurance..... | 132.7 | — | — | — | — | — | — | — | — | — | 132.7 | — |
| 12 | Net gain from sale of assets..... | 56.2 | — | — | — | — | — | — | — | — | — | — | 56.2 |
| 13 | Taxable private pensions ⁸ | 58.4 | — | — | — | — | — | — | 58.4 | — | — | — | — |
| 14 | S Corporation income..... | 6.2 | — | — | — | — | — | — | — | — | — | — | 6.2 |
| 15 | Other types of income..... | -8 | 4.1 | — | .9 | — | 1.8 | — | — | — | — | -7.6 | — |
| 16 | Plus: Intercomponent reallocation | — | 2.9 | -.1 | 12.7 | 16.8 | — | -30.2 | — | — | — | -2.1 | — |
| 17 | Fees in other labor income..... | — | 2.9 | — | — | — | — | — | — | — | — | -2.9 | — |
| 18 | Fiduciaries' share of partnership income..... | — | — | -.1 | -.7 | — | — | — | — | — | — | .8 | — |
| 19 | Interest received by nonfarm proprietors..... | — | — | — | 13.4 | — | — | -13.4 | — | — | — | — | — |
| 20 | Interest distributed by regulated investment companies..... | — | — | — | — | 16.8 | — | -16.8 | — | — | — | — | — |
| 21 | Disability income payments..... | — | — | — | — | — | — | 0 | — | — | — | — | — |
| 22 | Equals: BEA-derived adjusted gross income | 2,407.3 | 1,829.2 | 16.4 | 174.4 | 73.8 | 20.5 | 204.8 | 105.4 | 7.4 | 10.5 | — | -35.0 |
| 23 | Adjusted gross income of IRS (as reported) | 2,139.9 | 1,807.1 | -13.1 | 70.8 | 48.6 | -8.0 | 176.4 | 80.4 | 6.1 | 7.9 | -1.3 | -35.0 |
| 24 | Plus: Intercomponent reallocation | — | — | -1.4 | -6.4 | — | .7 | 5.8 | — | — | — | 1.3 ⁹ | — |
| 25 | Estate or trust income..... | — | — | .1 | .6 | — | .7 | 5.8 | — | — | — | -7.1 | — |
| 26 | Partnership income..... | — | — | -1.5 | -7.0 | — | — | — | — | — | — | 8.4 | — |
| 27 | Other reallocations..... | — | — | — | — | — | — | — | — | — | — | — | — |
| 28 | Adjusted gross income of IRS (reallocated) | 2,139.9 | 1,807.1 | -14.5 | 64.3 | 48.6 | -7.3 | 182.2 | 80.4 | 6.1 | 7.9 | — | -35.0 |
| 29 | Adjusted gross income (AGI) gap | 267.4 | 22.1 | 30.8 | 110.0 | 25.1 | 27.9 | 22.7 | 24.9 | 1.3 | 2.6 | — | — |
| 30 | Percentage of AGI gap..... | 100.0 | 8.3 | 11.5 | 41.1 | 9.4 | 10.4 | 8.5 | 9.3 | .5 | 1.0 | — | — |
| 31 | AGI gap as a percentage of BEA-derived AGI..... | 11.1 | 1.2 | 188.3 | 63.1 | 34.1 | 135.7 | 11.1 | 23.4 | 17.7 | 24.7 | — | — |
| 32 | AGI of IRS as a percentage of BEA-derived AGI..... | 88.9 | 98.8 | (¹⁰) | 36.9 | 65.9 | (¹⁰) | 88.9 | 76.4 | 82.3 | 75.3 | — | — |

See footnotes at the end of table 4.

Table 2.—Reconciliation of Personal Income Used in the National Income and Product Accounts (NIPA) and Adjusted Gross Income, by Type of Income, Income Year 1985

[All figures are estimates—money amounts are in billions of dollars]

| Line | Item | Personal income | Wages and salaries | Proprietors' income ¹ | | Personal dividend income | Rental income of persons ² | Personal interest income | Taxable pensions and annuities | Taxable unemployment compensation | Taxable social security benefits ³ | Other personal income | Income not included in personal income |
|------|---|-----------------|--------------------|----------------------------------|---------|--------------------------|---------------------------------------|--------------------------|--------------------------------|-----------------------------------|---|-----------------------|--|
| | | | | Farm | Nonfarm | | | | | | | | |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1 | Personal income | 3,325.3 | 1,975.4 | 30.2 | 225.6 | 78.7 | 9.2 | 478.0 | 52.6 ⁴ | 7.7 | 12.8 | 455.0 ⁵ | — |
| 2 | Less: Portion of personal income not included in adjusted gross income | 1,021.4 | 17.5 | 3.5 | 54.8 | 20.4 | -11.1 | 239.1 | — | — | — | 602.1 | 95.1 ⁶ |
| 3 | Transfer payments except taxable military retirement and taxable Government pensions | 416.6 | — | — | — | — | — | — | — | — | — | 416.8 | — |
| 4 | Other labor income except fees | 184.3 | — | — | — | — | — | — | — | — | — | 184.3 | — |
| 5 | Imputed income in personal income | 55.3 | 8.9 | 4.7 | 2.4 | — | -20.9 | 60.2 | — | — | — | — | — |
| 6 | Investment income retained by life insurance carriers and private noninsured pensions funds | 112.8 | — | — | — | — | — | 112.8 | — | — | — | — | — |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries | 34.8 | — | — | .2 | 7.1 | 1.6 | 24.8 | — | — | — | 1.17 | — |
| 8 | Differences in accounting treatment between NIPA and tax regulations, net | 87.3 | — | -1.2 | 52.3 | 5.2 | 8.2 | 22.9 | — | — | — | — | — |
| 9 | Other personal income exempt or excluded from adjusted gross income | 130.2 | 8.6 | — | — | 8.2 | — | 18.4 | — | — | — | — | 95.1 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 299.4 | 6.2 | — | 1.3 | — | 1.9 | — | 72.9 | — | — | 149.3 | 67.8 |
| 11 | Personal contributions for social insurance | 149.3 | — | — | — | — | — | — | — | — | — | 149.3 | — |
| 12 | Net gain from sale of assets | 69.8 | — | — | — | — | — | — | — | — | — | — | -69.8 |
| 13 | Taxable private pensions ⁸ | 72.9 | — | — | — | — | — | — | 72.9 | — | — | — | — |
| 14 | S corporation income | 6.2 | — | — | — | — | — | — | — | — | — | — | 6.2 |
| 15 | Other types of income | 1.2 | 6.2 | — | 1.3 | — | 1.9 | — | — | — | — | — | -8.2 |
| 16 | Plus: Intercomponent reallocation | — | 3.3 | -.1 | 16.3 | 16.8 | — | -34.1 | — | — | — | 12.2 | — |
| 17 | Fees in other labor income | — | 3.3 | — | — | — | — | — | — | — | — | -3.3 | — |
| 18 | Fiduciaries' share of partnership income | — | — | -.1 | -1.0 | — | — | — | — | — | — | 1.1 | — |
| 19 | Interest received by nonfarm proprietors | — | — | — | 17.3 | — | — | -17.3 | — | — | — | — | — |
| 20 | Interest distributed by regulated investment companies | — | — | — | — | 16.8 | — | -16.8 | — | — | — | — | — |
| 21 | Disability income payments | — | — | — | — | — | — | — | — | — | — | — | — |
| 22 | Equals: BEA-derived adjusted gross income | 2,603.4 | 1,967.4 | 26.6 | 188.4 | 75.1 | 22.2 | 204.8 | 125.5 | 7.7 | 12.8 | — | -27.2 |
| 23 | Adjusted gross income of IRS (as reported) | 2,306.0 | 1,928.2 | -12.0 | 78.8 | 55.0 | -10.9 | 182.1 | 95.1 | 6.4 | 9.6 | 1.0 | -27.2 |
| 24 | Plus: Intercomponent reallocation | — | — | .9 | -6.9 | — | 1.2 | 7.5 | — | — | — | -1.0 ⁹ | -1.0 |
| 25 | Estate or trust income | — | — | .1 | .9 | — | 1.2 | 7.5 | — | — | — | — | -9.7 |
| 26 | Partnership income | — | — | -1.0 | -7.7 | — | — | — | — | — | — | — | 8.8 |
| 27 | Other reallocations | — | — | — | — | — | — | — | — | — | — | — | — |
| 28 | Adjusted gross income of IRS (reallocated) | 2,306.0 | 1,928.2 | -12.9 | 71.9 | 55.0 | -9.7 | 189.6 | 95.1 | 6.4 | 9.6 | — | -27.2 |
| 29 | Adjusted gross income (AGI) gap | 297.4 | 39.2 | 39.6 | 116.5 | 20.1 | 32.0 | 15.2 | 30.4 | 1.3 | 3.2 | — | — |
| 30 | Percentage of AGI gap | 100.0 | 13.2 | 13.3 | 39.2 | 6.8 | 10.7 | 5.1 | 10.2 | .5 | 1.1 | — | — |
| 31 | AGI gap as a percentage of BEA-derived AGI | 11.1 | 2.0 | 148.6 | 61.8 | 26.7 | 143.7 | 7.4 | 24.2 | 17.5 | 25.2 | — | — |
| 32 | AGI of IRS as a percentage of BEA-derived AGI | 88.6 | 98.0 | -48.6 | 38.2 | 73.3 | -43.7 | 92.6 | 75.8 | 82.5 | 74.8 | — | — |

See footnotes at the end of table 4.

Table 3.—Reconciliation of Personal Income Used in The National Income and Product Accounts (NIPA) and Adjusted Gross Income, by Type of Income, Income Year 1986

[All figures are estimates—money amounts are in billions of dollars]

| Line | Item | Personal income | Wages and salaries | Proprietors' income ¹ | | Personal dividend income | Rental income of persons ² | Personal interest income | Taxable pensions and annuities | Taxable unemployment compensation | Taxable social security benefits ³ | Other personal income | Income not included in personal income |
|------|---|-----------------|--------------------|----------------------------------|--------------|--------------------------|---------------------------------------|--------------------------|--------------------------------|-----------------------------------|---|--------------------------|--|
| | | | | Farm | Nonfarm | | | | | | | | |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1 | Personal income | 3,531.1 | 2,094.0 | 36.4 | 250.3 | 82.8 | 12.4 | 499.1 | 61.9⁴ | 8.3 | 13.5 | 472.5⁵ | — |
| 2 | Less: Portion of personal income not included in adjusted gross income | 1,098.5 | 18.7 | 4.5 | 66.7 | 23.0 | - 4.0 | 259.8 | — | — | — | 630.9 | 99.0⁶ |
| 3 | Transfer payments except taxable military retirement and taxable Government pensions..... | 437.6 | — | — | — | — | — | — | — | — | — | 437.6 | — |
| 4 | Other labor income except fees | 192.5 | — | — | — | — | — | — | — | — | — | 192.5 | — |
| 5 | Imputed income in personal income | 70.0 | 9.4 | 4.1 | 3.0 | — | -16.0 | 69.5 | — | — | — | — | — |
| 6 | Investment income retained by life insurance carriers and private noninsured pensions funds | 121.3 | — | — | — | — | — | 121.3 | — | — | — | — | — |
| 7 | Investment income received by nonprofit institutions or retained by fiduciaries..... | 33.1 | — | — | .2 | 7.4 | 1.5 | 23.2 | — | — | — | .8 ⁷ | — |
| 8 | Differences in accounting treatment between NIPA and tax regulations, net | 104.0 | — | .5 | 63.5 | 6.2 | 10.5 | 23.5 | — | — | — | — | — |
| 9 | Other personal income exempt or excluded from adjusted gross income..... | 140.1 | 9.3 | — | — | 9.5 | — | 22.3 | — | — | — | — | 99.0 |
| 10 | Plus: Portion of adjusted gross income not included in personal income | 390.7 | 6.8 | — | 1.4 | — | 2.0 | — | 87.8 | — | — | 161.1 | 131.6 |
| 11 | Personal contributions for social insurance | 161.1 | — | — | — | — | — | — | — | — | — | 161.1 | — |
| 12 | Net gain from sale of assets | 133.6 | — | — | — | — | — | — | — | — | — | — | 133.6 |
| 13 | Taxable private pensions ⁸ | 87.8 | — | — | — | — | — | 87.8 | — | — | — | — | — |
| 14 | S Corporation income..... | 7.5 | — | — | — | — | — | — | — | — | — | — | 7.5 |
| 15 | Other types of income..... | .6 | 6.8 | — | 1.4 | — | 2.0 | — | — | — | — | — | -9.5 |
| 16 | Plus: Intercomponent reallocation | — | 3.6 | - .1 | 16.1 | 21.1 | — | -37.9 | — | — | — | -2.8 | — |
| 17 | Fees in other labor income..... | — | 3.6 | — | — | — | — | — | — | — | — | -3.6 | — |
| 18 | Fiduciaries' share of partnership income..... | — | — | -.1 | -.7 | — | — | — | — | — | — | .8 | — |
| 19 | Interest received by nonfarm proprietors | — | — | — | 16.9 | — | — | -16.9 | — | — | — | — | — |
| 20 | Interest distributed by regulated investment companies | — | — | — | — | 21.1 | — | -21.1 | — | — | — | — | — |
| 21 | Disability income payments | — | — | — | — | — | — | — | — | — | — | — | — |
| 22 | Equals: BEA-derived adjusted gross income | 2,823.3 | 2,085.7 | 31.8 | 201.2 | 80.9 | 18.3 | 201.4 | 147.7 | 8.3 | 13.5 | — | 32.6 |
| 23 | Adjusted gross income of IRS (as reported) | 2,481.7 | 2,031.0 | -7.3 | 90.4 | 61.6 | -13.4 | 167.6 | 107.1 | 7.0 | 10.6 | -6.3 | 32.6 |
| 24 | Plus: Intercomponent reallocation | — | — | -1.5 | -11.2 | — | .9 | 5.5 | — | — | — | 6.3⁹ | — |
| 25 | Estate or trust income..... | — | — | .1 | .5 | — | .9 | 5.5 | — | — | — | -7.0 | — |
| 26 | Partnership income..... | — | — | -1.6 | -11.7 | — | — | — | — | — | — | 13.4 | — |
| 27 | Other reallocations..... | — | — | — | — | — | — | — | — | — | — | — | — |
| 28 | Adjusted gross income of IRS (reallocated) | 2,481.7 | 2,031.0 | -8.8 | 79.2 | 61.6 | -12.4 | 173.1 | 107.7 | 7.0 | 10.6 | — | 32.6 |
| 29 | Adjusted gross income (AGI) gap | 341.6 | 54.7 | 40.6 | 122.0 | 19.3 | 30.8 | 28.2 | 42.0 | 1.3 | 2.9 | — | — |
| 30 | Percentage of AGI gap..... | 100.0 | 16.0 | 11.9 | 35.7 | 5.6 | 9.0 | 8.3 | 12.3 | .4 | .8 | — | — |
| 31 | AGI gap as a percentage of BEA-derived AGI | 12.1 | 2.6 | 127.7 | 60.7 | 23.8 | 167.8 | 14.0 | 28.1 | 15.5 | 21.3 | — | — |
| 32 | AGI of IRS as a percentage of BEA-derived AGI | 87.9 | 97.4 | (10) | 39.3 | 76.2 | (10) | 86.0 | 71.9 | 84.5 | 78.7 | — | — |

See footnotes at the end of table 4.

Table 4.—Adjusted Gross Income (AGI) Gap as a Percentage of BEA-derived AGI, in Total and by Type of Income, Income Years 1947-86

[All figures are estimates]

| Income year | Total | Wages and salaries | Proprietors income ¹ | | Personal dividend income | Rental income of persons ² | Personal interest income | Taxable pensions and annuities | Taxable unemployment compensation | Taxable social security benefits |
|-------------|-------|--------------------|---------------------------------|---------|--------------------------|---------------------------------------|--------------------------|--------------------------------|-----------------------------------|----------------------------------|
| | | | Farm | Nonfarm | | | | | | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| (Percent) | | | | | | | | | | |
| 1947 | 12.2 | 3.5 | 73.9 | 6.5 | 8.1 | 55.8 | 44.5 | 40.9 | — | — |
| 1948 | 11.4 | 4.2 | 70.1 | 6.6 | 3.4 | 52.4 | 43.4 | 35.5 | — | — |
| 1949 | 11.6 | 4.9 | 69.4 | 11.4 | 3.7 | 44.9 | 41.5 | 20.5 | — | — |
| 1950 | 11.1 | 3.9 | 64.4 | 17.3 | 8.9 | 46.5 | 44.0 | 32.6 | — | — |
| 1951 | 11.6 | 4.1 | 67.1 | 19.4 | 9.1 | 48.3 | 46.4 | 35.0 | — | — |
| 1952 | 11.0 | 3.5 | 65.3 | 21.6 | 12.7 | 48.6 | 46.6 | 36.5 | — | — |
| 1953 | 11.0 | 3.4 | 63.0 | 25.2 | 15.3 | 47.8 | 50.0 | 39.5 | — | — |
| 1954 | 10.6 | 3.6 | 59.7 | 23.9 | — 8 | 51.5 | 60.0 | 36.7 | — | — |
| 1955 | 10.3 | 3.4 | 53.5 | 24.1 | 1.5 | 54.7 | 62.5 | 42.2 | — | — |
| 1956 | 10.1 | 4.0 | 51.9 | 20.1 | -1.0 | 53.6 | 62.5 | 47.0 | — | — |
| 1957 | 9.8 | 3.2 | 47.3 | 24.3 | -3.2 | 56.6 | 62.6 | 43.7 | — | — |
| 1958 | 11.0 | 3.9 | 51.5 | 27.6 | 6 | 50.7 | 62.9 | 43.1 | — | — |
| 1959 | 9.9 | 3.1 | 55.5 | 25.8 | 1.4 | 51.2 | 60.3 | 46.7 | — | — |
| 1960 | 10.5 | 3.4 | 60.4 | 27.8 | 4.3 | 49.6 | 58.3 | 47.7 | — | — |
| 1961 | 9.8 | 2.8 | 53.1 | 29.8 | 3.2 | 46.5 | 52.8 | 47.5 | — | — |
| 1962 | 10.1 | 3.2 | 55.2 | 29.2 | 3.6 | 44.5 | 51.5 | 42.7 | — | — |
| 1963 | 9.8 | 2.7 | 61.9 | 30.3 | 3.6 | 47.7 | 45.3 | 40.6 | — | — |
| 1964 | 10.2 | 3.1 | 57.9 | 31.3 | 7.6 | 52.6 | 46.9 | 41.5 | — | — |
| 1965 | 10.5 | 3.3 | 55.5 | 30.4 | 8.4 | 55.9 | 47.7 | 41.8 | — | — |
| 1966 | 9.9 | 3.4 | 51.5 | 30.3 | -2.0 | 50.6 | 44.5 | 38.4 | — | — |
| 1967 | 9.1 | 2.6 | 50.3 | 30.0 | 1.6 | 55.6 | 42.4 | 39.2 | — | — |
| 1968 | 9.1 | 2.9 | 55.0 | 29.2 | 4.1 | 49.5 | 41.5 | 36.5 | — | — |
| 1969 | 9.0 | 2.4 | 58.3 | 31.6 | 2.7 | 54.6 | 39.5 | 37.2 | — | — |
| 1970 | 9.5 | 2.4 | 65.2 | 34.1 | 5.0 | 57.5 | 40.3 | 38.7 | — | — |
| 1971 | 9.7 | 2.3 | 69.9 | 36.9 | 7.8 | 56.7 | 37.7 | 38.6 | — | — |
| 1972 | 9.5 | 1.8 | 63.4 | 40.2 | 10.0 | 52.6 | 35.5 | 37.9 | — | — |
| 1973 | 10.7 | 2.4 | 62.9 | 41.5 | 12.9 | 47.0 | 35.3 | 34.8 | — | — |
| 1974 | 9.8 | 1.2 | 71.1 | 45.0 | 8.8 | 41.4 | 32.7 | 31.3 | — | — |
| 1975 | 9.6 | 1.7 | 68.1 | 47.9 | 3.7 | 41.3 | 28.2 | 28.6 | — | — |
| 1976 | 9.7 | 1.6 | 68.5 | 50.0 | 11.4 | 34.8 | 26.5 | 25.7 | — | — |
| 1977 | 10.7 | 2.1 | 90.0 | 50.2 | 15.5 | 45.8 | 31.4 | 23.9 | — | — |
| 1978 | 11.2 | 2.3 | 70.5 | 52.3 | 18.5 | 45.5 | 32.3 | 25.3 | — | — |
| 1979 | 11.0 | 1.5 | 82.2 | 55.0 | 21.6 | 53.1 | 32.9 | 25.5 | 28.9 | — |
| 1980 | 10.7 | 1.4 | 108.2 | 57.1 | 24.8 | 67.3 | 24.8 | 25.8 | 25.6 | — |
| 1981 | 10.9 | 1.3 | 150.2 | 61.3 | 32.9 | 82.8 | 18.9 | 25.7 | 25.9 | — |
| 1982 | 10.1 | 1.0 | 157.7 | 61.4 | 23.7 | 96.5 | 13.8 | 25.4 | 21.5 | — |
| 1983 | 11.7 | 1.5 | 174.9 | 60.7 | 30.7 | 112.0 | 14.4 | 24.7 | 24.8 | — |
| 1984 | 11.1 | 1.2 | 188.3 | 63.1 | 34.1 | 135.7 | 11.1 | 23.6 | 17.7 | 24.7 |
| 1985 | 11.4 | 2.0 | 148.6 | 61.8 | 26.7 | 143.7 | 7.4 | 24.2 | 17.5 | 25.2 |
| 1986 | 12.1 | 2.6 | 127.7 | 60.7 | 23.8 | 167.8 | 14.0 | 28.1 | 15.5 | 21.3 |

¹ With inventory valuation and capital consumption adjustments.² With capital consumption adjustment.³ Taxable social security benefits also include a small amount of taxable railroad retirement benefits.⁴ Consists of taxable portion of Government transfer payments to persons included in personal income—non-disability military retirement pay and Federal civilian and State and local Government employee retirement benefits in excess of employee contributions.⁵ Consists of other labor income, nontaxable portion of Government transfer payments to persons, business transfer payments, less personal contributions for social insurance.⁶ Statutory adjustments.⁷ Consists of partnership income retained by fiduciaries.⁸ Taxable private pensions represent the portion of non-Government pensions benefits received by individuals from annuity and pension plans in excess of the "investment in contract."⁹ Consists of partnership and estate or trust net incomes.¹⁰ Not computed.