

Federal Personal Income Tax Liabilities and Payments, 1959–94

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THIS ARTICLE presents revised estimates of Federal personal income tax liabilities on a national income and product accounts (NIPA) basis for 1959–93 and new estimates for 1994 (table 1).¹ The revised BEA estimates incorporate the results of the comprehensive revision of the NIPA's released in January 1996, newly available tax return data from the Internal Revenue Service, and a methodological improvement. Revised estimates of Federal personal income taxes on a payments basis for 1959–94 were released as part of the comprehensive NIPA revision.

The article first presents an overview of the tax liabilities and payments series, including a methodological change that improves the comparability of the two series. It then discusses how differences between tax liabilities and payments arise, the sources of the differences for 1994, and the sources of revisions to the estimates for 1959–93.

Overview

In the NIPA's, personal income taxes are recorded on a payments basis—that is, at the time tax payments are made by, or on behalf of, persons.² If one assumes, however, that consumers base their consumption decisions on income net of tax liabilities rather than on income net of tax payments, it can be argued that the liabilities basis is the more appropriate one for analyzing the impact of taxes on consumption and on fiscal policy.

The Federal personal income tax payments series, which appears in NIPA tables 3.2 and 3.4, has three components: Withheld income taxes; declarations and settlements, or “nonwithheld taxes”; and refunds.³ Withheld income taxes are those withheld at the income source. Declarations are

estimated taxes usually paid quarterly, largely on income not subject to withholding, and settlements are additional taxes paid either when tax returns are filed or as the result of audits. Refunds of excess payments, including excess social security taxes, are recorded as negatives in the payments series when refunds are made.

The NIPA payments series is derived primarily from financial statements for the Federal Government and from tabulations of employment tax returns from the Social Security Administration.⁴ The three components of the payments series are estimated separately.

The NIPA estimate of withheld income taxes is based on data on withheld taxes from the *Monthly Treasury Statement of Receipts and Outlays of the United States Government* (MTS) and from other Treasury Department sources. The Treasury Department's withheld taxes are on a collections (when-received) basis and are the combination of withheld individual income taxes and withheld social security taxes (including employer taxes). The Bureau of Economic Analysis (BEA) makes quarterly adjustments to the Treasury Department's data to account for the time lag between the date of the payment of taxes by individuals (payday) and the date of the payment received by the Treasury from employers. The NIPA estimate of withheld income taxes is derived from the adjusted data by subtracting (1) estimates of withheld social security taxes from Social Security Administration tabulations of employment tax returns filed by employers, (2) estimates of interest charges on late taxes from the Internal Revenue Service (IRS), and (3) estimates of withheld taxes paid by nonresidents of the United States from BEA's balance of payments accounts.

1. The previously published BEA estimates of Federal personal income tax liabilities for 1959–88 are in the August 1992 SURVEY OF CURRENT BUSINESS (pp. 32–35); those for 1989–90, in the November 1993 SURVEY (pp. 66–67); and those for 1991–93, in the September 1994 SURVEY (pp. 55–57).

2. In the NIPA's, persons consist of individuals, nonprofit institutions that primarily serve individuals, private noninsured welfare funds, and private trust funds.

3. NIPA table 3.2 appears monthly in the “Selected NIPA Tables” in the SURVEY. NIPA table 3.4 is included in the full set of NIPA tables and was most recently published in the January/February 1996 SURVEY.

4. The U.S. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement of Receipts and Outlays of the United States Government* and unpublished detail; U.S. Department of Health and Human Services, Social Security Administration, *Social Security Bulletin: Annual Statistical Supplement*.

Table 1.—Federal Personal Income Tax Liabilities and Payments, 1959–94

[Billions of dollars; quarterly data are seasonally adjusted at annual rates]

Year and quarter	Federal personal income taxes			Disposable personal income (DPI)		Year and quarter	Federal personal income taxes			Disposable personal income (DPI)	
	Liabilities basis ¹	Payments basis ²	Difference	Alternative DPI with Federal personal income taxes on liabilities basis	Published DPI with Federal personal income taxes on payments basis ³		Liabilities basis ¹	Payments basis ²	Difference	Alternative DPI with Federal personal income taxes on liabilities basis	Published DPI with Federal personal income taxes on payments basis ³
1959	39.1	38.4	0.7	348.3	349.0	IV	102.4	104.8	-2.4	906.5	904.1
1960	39.9	41.7	-1.8	364.8	362.9	1973:I	100.9	104.0	-3.1	927.6	924.5
1961	42.7	42.6	.1	378.7	378.8	II	105.7	106.4	-.7	951.2	950.4
1962	45.3	46.4	-1.1	402.3	401.3	III	110.4	110.5	-.1	972.5	972.4
1963	48.7	49.0	-.3	421.5	421.1	IV	118.2	115.5	2.7	1,010.1	1,012.8
1964	47.7	45.8	1.9	455.7	457.6	1974:I	119.2	119.0	.2	1,022.9	1,022.9
1965	50.2	50.9	-.7	494.6	493.9	II	121.2	124.3	-3.1	1,039.5	1,036.5
1966	56.7	58.4	-1.7	535.4	533.7	III	127.3	129.2	-1.9	1,070.6	1,068.7
1967	63.6	64.1	-.5	572.4	571.9	IV	130.2	131.5	-1.3	1,089.9	1,088.7
1968	77.4	76.2	1.2	620.2	621.4	1975:I	110.9	131.9	-21.0	1,118.3	1,097.3
1969	87.2	91.1	-3.9	672.3	668.4	II	113.2	94.3	18.9	1,144.5	1,163.4
1970	84.3	88.5	-4.2	731.3	727.1	III	119.3	125.3	-6.0	1,176.9	1,170.9
1971	85.9	85.3	.6	789.6	790.2	IV	125.7	130.0	-4.3	1,209.4	1,205.1
1972	94.2	102.3	-8.1	863.4	855.3	1976:I	134.8	132.3	2.5	1,233.3	1,238.8
1973	108.8	109.1	-.3	965.4	965.0	II	139.8	138.0	1.8	1,253.3	1,253.1
1974	124.5	126.0	-1.5	1,055.7	1,054.2	III	145.3	143.8	1.5	1,284.0	1,285.6
1975	117.3	120.4	-3.1	1,162.3	1,159.2	IV	151.5	149.3	2.2	1,313.4	1,315.6
1976	140.8	140.8	0.0	1,271.0	1,273.0	1977:I	149.7	154.5	-4.8	1,343.9	1,339.1
1977	161.0	161.8	-.8	1,402.2	1,401.4	II	157.1	160.2	-3.1	1,381.9	1,378.7
1978	189.6	188.4	1.2	1,579.0	1,580.1	III	164.6	161.9	2.7	1,422.5	1,425.3
1979	216.1	224.0	-7.9	1,777.4	1,769.5	IV	172.6	170.4	2.2	1,460.4	1,462.5
1980	252.2	249.5	2.7	1,970.6	1,973.3	1978:I	173.1	172.6	.5	1,502.7	1,503.2
1981	286.7	290.1	-3.4	2,203.6	2,200.2	II	186.0	182.2	3.8	1,558.0	1,561.8
1982	280.3	295.0	-14.7	2,362.0	2,347.3	III	194.6	194.6	-.0	1,603.0	1,602.4
1983	278.0	286.8	-8.8	2,531.2	2,522.4	IV	205.2	204.3	.9	1,652.3	1,653.1
1984	307.1	301.9	5.2	2,804.8	2,810.0	1979:I	200.7	210.7	-10.0	1,712.5	1,702.6
1985	332.9	336.7	-3.8	3,005.7	3,002.0	II	209.9	219.1	-9.2	1,748.1	1,738.9
1986	375.2	350.7	24.5	3,163.1	3,187.6	III	221.0	228.6	-7.6	1,799.2	1,791.7
1987	379.6	394.1	-14.5	3,377.6	3,363.1	IV	232.9	237.7	-4.8	1,849.8	1,845.0
1988	422.9	405.6	17.3	3,623.5	3,640.8	1980:I	240.7	237.1	3.6	1,909.5	1,913.1
1989	441.6	453.2	-11.6	3,906.1	3,894.5	II	240.7	243.0	-2.3	1,925.7	1,923.4
1990	455.3	472.7	-17.4	4,184.2	4,166.8	III	252.4	251.7	.7	1,985.7	1,985.5
1991	457.1	464.4	-7.3	4,351.0	4,343.7	IV	274.8	266.1	8.7	2,061.5	2,070.1
1992	484.5	478.1	6.4	4,607.3	4,613.7	1981:I	273.6	277.3	-3.7	2,138.1	2,134.4
1993	510.4	509.2	1.2	4,788.1	4,789.3	II	280.6	287.9	-7.3	2,167.4	2,160.2
1994	539.2	544.5	-5.3	5,024.1	5,018.8	III	293.6	300.3	-6.7	2,243.1	2,235.5
1959:II	37.1	37.1	0.0	345.1	341.9	IV	298.9	294.8	4.1	2,265.7	2,269.8
1960:II	39.3	38.2	1.1	348.0	349.1	1982:I	273.3	294.6	-21.3	2,306.8	2,285.5
1961:II	39.3	38.6	.7	349.6	350.3	II	280.4	301.1	-20.7	2,358.9	2,358.2
1962:II	40.3	39.6	.7	354.2	354.8	III	281.5	289.2	-7.7	2,373.8	2,366.1
1963:II	39.2	41.1	-1.9	360.9	359.1	IV	285.8	295.3	-9.5	2,408.9	2,399.4
1964:II	40.0	41.7	-1.7	364.4	362.7	1983:I	269.5	289.5	-20.0	2,448.6	2,428.5
1965:II	40.2	42.2	-2.0	366.4	364.4	II	274.8	295.3	-20.5	2,504.6	2,484.1
1966:II	40.0	42.0	-2.0	367.6	365.6	III	277.6	277.4	.2	2,550.6	2,550.8
1967:II	40.6	42.1	-.5	370.8	369.3	IV	290.0	284.9	5.1	2,621.2	2,626.3
1968:II	41.8	42.4	-.6	375.5	374.9	1984:I	290.8	288.0	2.8	2,711.6	2,714.4
1969:II	43.2	42.7	.5	380.9	381.4	II	303.2	294.6	8.6	2,778.3	2,786.9
1970:II	45.3	43.3	2.0	387.6	389.6	III	315.5	307.3	8.2	2,847.6	2,855.7
1971:II	43.5	44.4	-.9	394.8	394.0	IV	318.9	317.6	1.3	2,881.7	2,883.0
1972:II	45.2	45.8	-.6	400.4	399.7	1985:I	321.5	352.9	-31.4	2,947.8	2,916.4
1973:II	45.9	47.1	-1.2	404.7	403.6	II	328.3	307.7	20.6	2,982.1	3,002.6
1974:II	48.2	48.2	0.0	409.4	407.9	III	335.4	340.4	-5.0	3,018.9	3,013.9
1975:II	46.5	48.7	-2.2	414.3	412.1	IV	346.5	345.7	.8	3,074.1	3,075.0
1976:II	47.8	48.9	-1.1	417.7	416.7	1986:I	364.8	341.7	23.1	3,139.6	3,139.6
1977:II	49.2	49.0	.2	423.2	423.5	II	370.4	344.5	25.9	3,144.8	3,170.7
1978:II	51.1	49.5	1.6	430.7	432.3	III	379.1	352.2	26.9	3,183.9	3,210.8
1979:II	45.1	47.8	-2.7	445.3	442.5	IV	386.5	364.4	22.1	3,207.1	3,229.2
1980:II	46.8	43.6	3.2	451.5	454.8	1987:I	363.1	359.1	4.0	3,295.7	3,299.7
1981:II	48.7	45.2	3.5	459.3	462.7	II	372.8	412.0	-39.2	3,337.7	3,288.5
1982:II	50.3	46.7	3.6	466.5	470.1	III	383.3	395.8	-12.5	3,394.7	3,382.3
1983:II	47.1	50.3	-3.2	479.8	476.6	IV	399.3	409.6	-10.3	3,482.2	3,471.9
1984:II	48.9	51.7	-2.8	488.0	485.2	1988:I	405.4	393.3	12.1	3,537.5	3,549.6
1985:II	50.9	50.2	.7	500.2	500.9	II	418.5	409.3	9.3	3,591.1	3,600.4
1986:II	53.8	51.3	2.5	510.5	513.0	III	429.2	405.0	24.2	3,650.7	3,674.9
1987:II	53.7	54.2	-.5	521.7	521.2	IV	438.5	414.7	23.8	3,714.5	3,738.4
1988:II	55.5	57.8	-2.3	529.0	526.7	1989:I	431.1	442.4	-11.3	3,839.6	3,828.3
1989:II	57.8	59.6	-1.8	539.8	538.0	II	437.7	458.5	-20.8	3,887.9	3,867.2
1990:II	59.8	62.0	-2.2	551.2	549.0	III	443.3	451.7	-8.4	3,920.7	3,912.2
1991:II	60.8	62.6	-.8	560.3	558.3	IV	454.4	460.3	-5.9	3,976.1	3,970.2
1992:II	62.1	62.4	-.3	566.3	566.1	1990:II	441.4	466.4	-25.0	4,099.8	4,074.8
1993:II	64.6	64.9	-.3	576.9	576.7	III	454.0	474.6	-20.6	4,163.9	4,143.3
1994:II	66.8	66.6	.2	586.3	586.4	IV	462.2	477.2	-15.0	4,222.5	4,207.6
1959:III	72.3	68.6	3.7	598.9	602.7	1991:II	463.5	472.6	-9.1	4,250.6	4,241.5
1960:III	75.8	71.1	4.7	614.2	618.8	III	446.5	465.8	-19.3	4,282.6	4,263.3
1961:III	79.3	80.8	-1.5	627.7	626.2	IV	455.1	462.3	-7.2	4,336.8	4,329.6
1962:III	82.3	84.2	-1.9	639.8	637.9	1992:III	459.6	462.7	-3.1	4,368.6	4,365.6
1963:III	81.8	90.1	-8.3	652.2	643.9	IV	467.1	466.7	.4	4,415.9	4,416.4
1964:III	85.4	92.7	-7.3	665.5	658.1	1992:IV	467.5	468.4	-.9	4,516.2	4,515.2
1965:III	89.4	90.2	-.8	679.8	679.0	II	478.1	469.7	8.4	4,576.7	4,585.1
1966:III	92.2	91.3	.9	692.5	692.5	III	484.0	477.8	6.2	4,607.7	4,613.9
1967:III	81.9	90.2	-8.3	710.8	702.5	IV	508.5	496.6	11.9	4,728.5	4,740.5
1968:III	83.5	91.0	-7.5	729.0	721.5	1993:III	486.3	487.8	-1.5	4,687.7	4,686.3
1969:III	85.4	86.0	-.6	738.1	737.6	IV	506.6	506.7	-.1	4,771.7	4,771.6
1970:III	86.3	86.8	-.5	747.3	746.9	1994:III	514.2	514.7	-.5	4,804.6	4,804.1
1971:III	82.1	83.1	-1.0	769.1	768.1	IV	534.3	527.6	6.7	4,888.6	4,895.3
1972:III	84.7	84.6	.1	786.8	786.9	1994:IV	508.6	522.6	-14.0	4,870.9	4,856.9
1973:III	87.0	85.8	1.2	796.2	797.4	II	539.3	553.0	-13.7	5,002.9	5,002.2
1974:III	89.7	87.7	2.0	806.4	808.4	III	546.9	544.0	2.9	5,067.5	5,070.4
1975:III	87.6	99.8	-12.2	832.0	819.8	IV	562.1	558.4	3.7	5,142.1	5,145.8
1976:III	90.8	102.0	-11.2	845.4	834.2						
1977:III	95.9	102.6	-6.7	869.6	862.9						

1. This series is derived by the Bureau of Economic Analysis, based on data from *Statistics of Income, Individual Income Tax Returns*.

2. This series appears in table 3.2 of the "Selected NIPA Tables" in the SURVEY OF CURRENT BUSINESS.

3. This series appears in table 2.1 of the "Selected NIPA Tables" in the SURVEY.

The NIPA estimate of nonwithheld income taxes is based on *MTS* data on the collections of "other" individual income taxes, contributions to presidential election campaign funds, and social security taxes under the Self-Employment Contributions Act (*SECA*). (No timing adjustment is made for nonwithheld taxes, because it is assumed that they are paid when received by the Treasury.) The NIPA estimate of nonwithheld income taxes is derived from this total by subtracting (1) estimates of *SECA* taxes from the Social Security Administration, (2) estimates of interest charges on late taxes from *IRS*, and (3) estimates of nonwithheld taxes paid by nonresidents of the United States from *BEA's* balance of payments accounts and by adding a small amount of "excise" taxes paid by exempt organizations. The NIPA estimate of refunds is also based on *MTS* data.

The *BEA* Federal personal income tax liabilities series is derived primarily from *Statistics of Income (SOI)* estimates of total income tax, which are based on a sample of individual income tax returns before audits.⁵ The *SOI* estimates are adjusted as follows to make the coverage of the *BEA* liabilities series comparable with that of the *NIPA* payments series (*table 2*).

First, recapture taxes, penalties and other taxes (related to retirement plans, to the underpayment of estimated tax, to uncollected employee social security tax on tips and on group-term life insurance, and to excess "golden parachute payments"), and exempt organizations excise taxes are added; excess social security taxes and the earned income credit (*EIC*) that is used to

5. The latest *SOI* estimate of total income tax is for tax year 1994. See Internal Revenue Service, *Statistics of Income Bulletin* (Spring 1996).

Table 2.—Coverage Adjustments in the Derivation of BEA Federal Personal Income Tax Liabilities, 1959–94

[Billions of dollars]

Year	SOI total income tax ¹	Plus:					Less:				Equals: BEA Federal personal income tax liabilities	
		Recapture tax ²	Penalties related to retirement plans and other taxes ³	Estimated tax penalty ⁴	Exempt organizations excise tax ⁵	Fiduciary income tax	Additional assessments net of refunds	EIC used to offset nonincome taxes	Excess social security taxes withheld	Taxes paid by non-resident U.S. citizens abroad		Rebate
1959	38.6		0	0		0.4	0.1		0.1	0.1		39.1
1960	39.5		0	0		0.4	0.2		0.1	0.1		39.9
1961	42.2		0	0		0.4	0.2	0.1		0.1		42.7
1962	44.9		0	0		0.4	0.2	0.1		0.1		45.3
1963	48.2	0	0	0.1		0.5	0.2		0.2	0.1		48.7
1964	47.2	0	0	0.1		0.6	0.2		0.2	0.1		47.7
1965	49.5	0	0	0.1		0.7	0.2		0.2	0.1		50.2
1966	56.1	0	0	0.1		0.7	0.2		0.2	0.1		56.7
1967	62.9	0.1	0	0.1		0.8	0.2		0.3	0.1		63.6
1968	76.6	0.1	0	0.1		0.9	0.2		0.3	0.1		77.4
1969	86.6	0.1	0	0.1		0.8	0.2		0.4	0.2		87.2
1970	83.9	0	0	0.1		0.6	0.2		0.4	0.1		84.3
1971	85.4	0	0	0.1		0.7	0.2		0.5	0.1		85.9
1972	93.6	0	0	0.1		0.8	0.2		0.4	0.1		94.2
1973	108.1	0.1	0	0.1		0.9	0.2		0.5	0.1		108.8
1974	123.6	0.1	0	0.1		0.8	0.3		0.4	0.1		124.5
1975	124.5	0.1	0	0.1		0.9	0.3	0.1	0.4	0.1	8.1	117.3
1976	141.8	0.2	0	0.1		1.0	0.4	0.1	0.4	0.2		142.8
1977	159.8	0.2	0	0.2		1.2	0.4	0.1	0.4	0.2		161.0
1978	188.2	0.3	0	0.2		1.3	0.5	0.1	0.5	0.3		189.6
1979	214.5	0.4	0	0.2		1.5	0.5	0.2	0.4	0.4		216.1
1980	250.3	0.4	0	0.2		1.9	0.6	0.2	0.4	0.7		252.2
1981	284.1	0.5	0	0.2		2.3	0.7	0.2	0.5	0.6		286.7
1982	277.6	0.4	0	0.3		2.6	0.4	0.2	0.4	0.4		280.3
1983	274.2	0.5	0	0.4	0.1	2.8	1.0	0.2	0.4	0.3		278.0
1984	301.9	0.5	0.2	0.3	0.2	3.2	1.6	0.2	0.4	0.2		307.1
1985	325.7	0.4	1.3	0.3	0.2	4.2	2.1	0.2	0.6	0.5	332.9	
1986	367.3	0.4	0.1	0.3	0.2	5.5	2.6	0.2	0.7	0.4		375.2
1987	369.2	0.2	0.5	0.3	0.5	7.4	3.0	0.4	0.7	0.5		379.6
1988	412.9	0.2	0.9	0.5	0.3	6.4	3.9	0.5	0.8	0.7		422.9
1989	432.9	0.1	1.0	0.6	0.4	6.0	2.6	0.6	0.8	0.6		441.6
1990	447.1	0.1	1.2	0.6	0.4	5.6	2.4	0.7	0.9	0.7		455.3
1991	448.4	0	1.4	0.6	0.4	5.1	3.6	0.8	0.8	0.9		457.1
1992	476.2	0	1.5	0.6	0.3	6.1	2.6	1.0	0.8	1.0		484.5
1993	502.8	0	1.4	0.6	0.3	6.1	2.3	1.2	0.9	1.0		510.4
1994	532.3	0	1.5	0.6	0.4	6.2	1.8	1.4	1.1	1.1		539.2

1. *SOI* estimates of total income tax are the sum of income tax after credits and the alternative minimum tax (or the additional tax for tax preferences).

2. Recapture taxes from recomputing prior year investment, work incentive, and other recapture credits.

3. Includes penalty tax on early or excess distributions from individual retirement accounts, from qualified employer plans, from qualified annuity plans, and from tax-sheltered annuity plans. Also included are uncollected social security taxes on tips and on group-term life insurance, penalty tax on excess golden parachute payments, and Sec. 72(m)(5) penalty taxes on excess distribu-

tions from qualified pensions or annuity plans of the self-employed.

4. Predetermined penalty for underpaying estimated taxes, calculated by the taxpayer when the return was initially filed.

5. Includes a 2-percent excise tax on the net investment income of private foundations and other penalty taxes of private foundations.

BEA Bureau of Economic Analysis

EIC Earned income credit

SOI *Statistics of Income*

offset nonincome taxes are subtracted.⁶ Second, fiduciary income taxes are added. These taxes are included in the payments series because personal income includes fiduciary income. Third, additional assessments from audits, net of refunds on amended returns (Form 1040X), are added because they are excluded from the *SOI* estimates. Fourth, income taxes paid by U.S. citizens living abroad for more than a year are subtracted. These taxes are excluded from the payments series because, for *NIPA* purposes, these citizens are considered nonresidents of the United States. The *SOI* estimates include these taxes, because these citizens are generally taxed on their worldwide income regardless of the geographic sources of their income and regardless of how long they have been living abroad. Fifth, a tax rebate made in 1975 under the Tax Reduction Act of 1975 is subtracted, because the *SOI* estimates do not account for the rebate.⁷

Reasons for the differences

As a result of the coverage adjustments reflected in the liabilities series, the differences between the liabilities series and the payments series primarily reflect the timing basis used for recording tax receipts; differences due to source data are believed to be small. For taxes withheld on wages and salaries, differences between the two series arise for several reasons. First, overwithholding is built into the withholding tables that are issued by IRS and that are used by employers to calculate amounts to be withheld on wages and salaries (the withholding tables introduced in 1992 reduced the extent of overwithholding). The withholding tables are constructed under the assumption that taxpayers use the standard deduction in calculating their income tax liabilities. Consequently, overwithholding results when taxpayers who itemize their deductions do not request enough exemptions for withholding purposes.

Second, withholding is based on the assumption that wages are constant during the year; when wages vary widely within the year, they

will be subject to varying withholding rates, and overwithholding is likely to result.

Third, the withholding tables may not always be updated to coincide with changes in liabilities; tax law provisions usually are effective on January 1, but the update of the tables sometimes occurs later. In addition, the tables are usually updated to reflect changes in the standard deduction, exemptions, and tax rates, but they are usually not updated to reflect changes in provisions affecting itemized deductions or exclusions from gross income.

Fourth, for certain payments, withholding is based on flat rates instead of on the withholding-table rates. At the option of the employer, withholding may be based on a flat 28 percent for supplemental wages (such as bonuses, commissions, and overtime pay) and on a flat 20 percent for taxable fringe benefits. Withholding must be at a flat 28 percent for certain gambling winnings in excess of \$5,000.

For some types of taxable income subject to withholding, differences arise because taxes withheld have no direct relationship to the corresponding liabilities. For interest, dividends, and certain other types of income, an arbitrary 31 percent is withheld if the recipient fails to furnish an accurate taxpayer identification number (this withholding was initiated in 1984 as a compliance measure). For pensions and annuities and for sick pay from other than an employer, withholding is at the option of the taxpayer.

For income not subject to withholding (such as self-employment income, capital gains, taxable social security benefits, and most interest, dividends, and pensions and annuities), differences arise for two reasons. First, the proportion of the current year's liabilities that must be paid in estimated taxes to avoid a penalty is less than 100 percent. Second, settlements and the last installment of quarterly estimated taxes are due in the year after the liabilities were incurred. Refunds are made in the year after the liabilities were incurred. Quarterly estimated taxes, settlements, and refunds are recorded in the payments series in the calendar quarter they are received or paid by the Treasury Department. As a result, payments of nonwithheld taxes during a year may not reflect that year's income.

Differences between the liabilities series and the payments series that may arise from measurement errors cannot be isolated from the timing-basis differences just discussed. The measurement errors include sampling and nonsampling errors with the *SOI* sample, reporting and

6. The EIC is available to low-income workers whose earned income and adjusted gross income are both less than certain threshold levels (\$23,755 with one qualifying child and \$25,296 with more than one qualifying child for 1994); the EIC is intended primarily to offset the social security taxes on these workers. The EIC is used first to reduce income taxes and then, if it is large enough, to reduce nonincome taxes. Any EIC in excess of total tax liability is refundable, and the refundable portion is included in the transfer payments component of personal income rather than as a negative income tax in the payments series.

7. The rebate is assumed to affect liabilities and payments for tax year 1975. Although the rebate was based on the 1974 total tax liability less the self-employment tax, the rebate was enacted and paid in 1975.

processing errors with the financial statements for the Federal Government and with employment tax return tabulations from the Social Security Administration, and estimating errors with the NIPA payments series and with the BEA liabilities series.

Differences for 1994

In the absence of major changes in Federal tax laws, tax payments usually exceed tax liabilities primarily because overwithholding is built into the withholding tables and because incomes subject to withholding are much larger than incomes subject to estimated tax.

For 1994, tax payments exceeded tax liabilities by \$5.3 billion (table 1).⁸ The excess in payments in 1994 was largely attributable to about \$4 billion of deferred payments of 1993 liabilities. The Omnibus Budget Reconciliation Act of 1993 increased marginal tax rates for high-income individuals retroactive to January 1, 1993. These individuals were given the option to pay their additional 1993 income taxes in three annual installments: The first payment was due April 15, 1994; the second, April

17, 1995; and the third, April 15, 1996.⁹ Many elected to pay their additional 1993 income taxes in installments. Data from the 1993 SOI show that about \$4 billion of the 1993 income taxes were deferred to each of the years 1994, 1995, and 1996.

The excess in payments in 1994 was partly offset by an excess in liabilities that arose from a tax law change that increased taxes on social security and tier 1 railroad retirement benefits. For some beneficiaries, the portion of their benefits includable in taxable income was increased from 50 percent to 85 percent, effective in 1994. Because these benefits are not subject to withholding, most of the increased income taxes were expected to be paid when tax returns were filed in 1995.

Sources of revisions for 1959–93

The revisions to the liabilities series for 1959–92 reflect the inclusion of additional coverage adjustments (table 2) and the revised treatment of the refundable portion of the EIC as a transfer payment (table 3). The previously published

8. The differences for prior years are explained in various SURVEY articles. See footnote 1 for references to earlier articles.

9. For more information, see the "Business Situation" in the August 1994 and August 1995 issues of the SURVEY.

Table 3.—Revisions to Annual Federal Personal Income Tax Liabilities and Payments, 1959–93


(Billions of dollars)

Year	Liabilities basis			Payments basis			Difference		
	Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
1959	39.5	39.1	-0.4	38.4	38.4	0	1.1	0.7	-0.4
1960	40.4	39.9	-0.5	41.7	41.7	0	-1.3	-1.8	-0.5
1961	43.3	42.7	-0.6	42.6	42.6	0	-0.7	-1.1	-0.6
1962	46.0	45.3	-0.7	46.4	46.4	0	-4	-1.1	-7
1963	49.4	48.7	-0.7	49.0	49.0	0	-4	-3	-7
1964	48.5	47.7	-0.8	45.8	45.8	0	2.7	1.9	-8
1965	50.9	50.2	-0.7	50.9	50.9	0	0	-7	-7
1966	57.5	56.7	-0.8	58.4	58.4	0	-9	-1.7	-8
1967	64.3	63.6	-0.7	64.1	64.1	0	-2	-5	-7
1968	78.2	77.4	-0.8	76.2	76.2	0	2.0	1.2	-8
1969	88.1	87.2	-0.9	91.1	91.1	0	-3.0	-3.9	-9
1970	85.2	84.3	-0.9	88.5	88.5	0	-3.3	-4.2	-9
1971	86.9	85.9	-1.0	85.3	85.3	0	1.6	-6	-1.0
1972	95.2	94.2	-1.0	102.3	102.3	0	-7.1	-8.1	-1.0
1973	109.9	108.8	-1.1	109.1	109.1	0	-8	-3	-1.1
1974	125.5	124.5	-1.0	126.0	126.0	0	-5	-1.5	-1.0
1975	117.6	117.3	-0.3	120.4	120.4	0	-2.8	-3.1	-3
1976	143.2	142.8	-0.4	140.8	140.8	0	2.4	2.0	-4
1977	161.7	161.0	-0.7	161.8	161.8	0	-1	-8	-7
1978	190.7	189.6	-1.1	188.4	188.4	0	2.3	1.2	-1.1
1979	216.8	216.1	-0.7	224.0	224.0	0	-7.2	-7.9	-7
1980	253.3	252.2	-1.1	249.5	249.5	0	3.8	2.7	-1.1
1981	288.0	286.7	-1.3	290.1	290.1	0	-2.1	-3.4	-1.3
1982	282.4	280.3	-2.1	295.0	295.0	0	-12.6	-14.7	-2.1
1983	279.9	278.0	-1.9	286.3	286.8	.5	-6.4	-8.8	-2.4
1984	308.8	307.1	-1.7	301.5	301.9	.4	-7.3	5.2	-2.1
1985	334.0	332.9	-1.1	335.8	336.7	.9	-1.8	-3.8	-2.0
1986	375.0	375.2	.2	349.9	350.7	.8	25.1	24.5	-6
1987	377.6	379.6	2.0	392.5	394.1	1.6	-14.9	-14.5	.4
1988	418.5	422.9	4.4	401.3	405.6	4.3	17.2	17.3	.1
1989	437.0	441.6	4.6	451.7	453.2	1.5	-14.7	-11.6	3.1
1990	449.6	455.3	5.7	471.5	472.7	1.2	-21.9	-17.4	4.5
1991	447.5	457.1	9.6	463.2	464.4	1.2	-15.7	-7.3	8.4
1992	473.3	484.5	11.2	476.8	478.1	1.3	-3.5	6.4	9.9
1993	516.9	510.4	-6.5	505.9	509.2	3.3	11.0	1.2	-9.8

liabilities series excluded the coverage adjustments for penalty and other taxes, for the EIC used to offset nonincome taxes, for exempt organizations excise taxes, for excess social security taxes withheld, and for taxes paid by U.S. citizens abroad; in addition, the refundable portion of the EIC was treated as a negative income tax.

The coverage adjustments in [table 2](#) are largely offsetting, so that most of the revisions to the liabilities series for 1975–92 in [table 3](#) are accounted for by the revised treatment of the refundable EIC (the EIC was enacted in 1974).

Most of the revision to the liabilities series for 1993 is accounted for by the incorporation of the newly available *SOI* data for 1993. The previously published liabilities for 1993 were estimated from published and unpublished IRS data on individual income tax collections, because *SOI* data for 1993 were not yet available.

The revisions to the payments series for 1983–93 reflect the incorporation of revised data from the comprehensive revision of the NIPA's.¹⁰ 

10. See "Improved Estimates of the National Income and Product Accounts for 1959–95: Results of the Comprehensive Revision," *SURVEY* 76 (January/February 1996): 11–12.