

High-Income Tax Returns for 2001

by Brian Balkovic

The Tax Reform Act of 1976 requires 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 2.6 million high-income returns for 2001, as well as summary data for the period 1977 to 2001. Detailed data for the years 1974 through 2000 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 2001, there were 2,567,220 individual income tax returns reporting AGI of \$200,000 or more, and 2,605,021 returns with expanded income of \$200,000 or more. These returns represented 1.971 percent and 2.000 percent, respectively, of all returns for 2001.

From 1977 to 2000, the number of returns reporting income of \$200,000 or more increased at a much greater rate than the total number of returns filed. This pattern was true under both income concepts. Between 2000 and 2001, however, while the total

number of tax returns increased 0.7 percent, the number of high AGI returns decreased 7.4 percent, and the number of high expanded-income returns fell 7.2 percent. This marked the first decrease in the number of returns for both income concepts since the Tax Reform Act of 1976 required that data be published on individual income tax returns reporting \$200,000 or more.

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 2001 was only 6.8 times the number for 1977. However, the number of high-income returns for 2001 measured in current-year dollars was 38.5 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 until 2001, when it declined slightly. The share of high expanded-income returns in 1976 constant dollars decreased from 2000 to 2001, for the first time in 8 years. For 2001, the share of high-expanded income returns was 0.308 percent, a decline from 0.381 percent, in 2000. 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 2001 measured in current-year dollars was

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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 1977-2001

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)
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
1999.....	127,075,145	2,429,942	2,479,556	1.912	1.951
2000.....	129,373,500	2,771,577	2,807,804	2.142	2.170
2001.....	130,255,237	2,567,220	2,605,021	1.971	2.000

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)	(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
1999.....	585,589	436,118	446,583	0.343	0.351
2000.....	605,272	482,396	492,589	0.373	0.381
2001.....	622,495	391,901	400,906	0.301	0.308

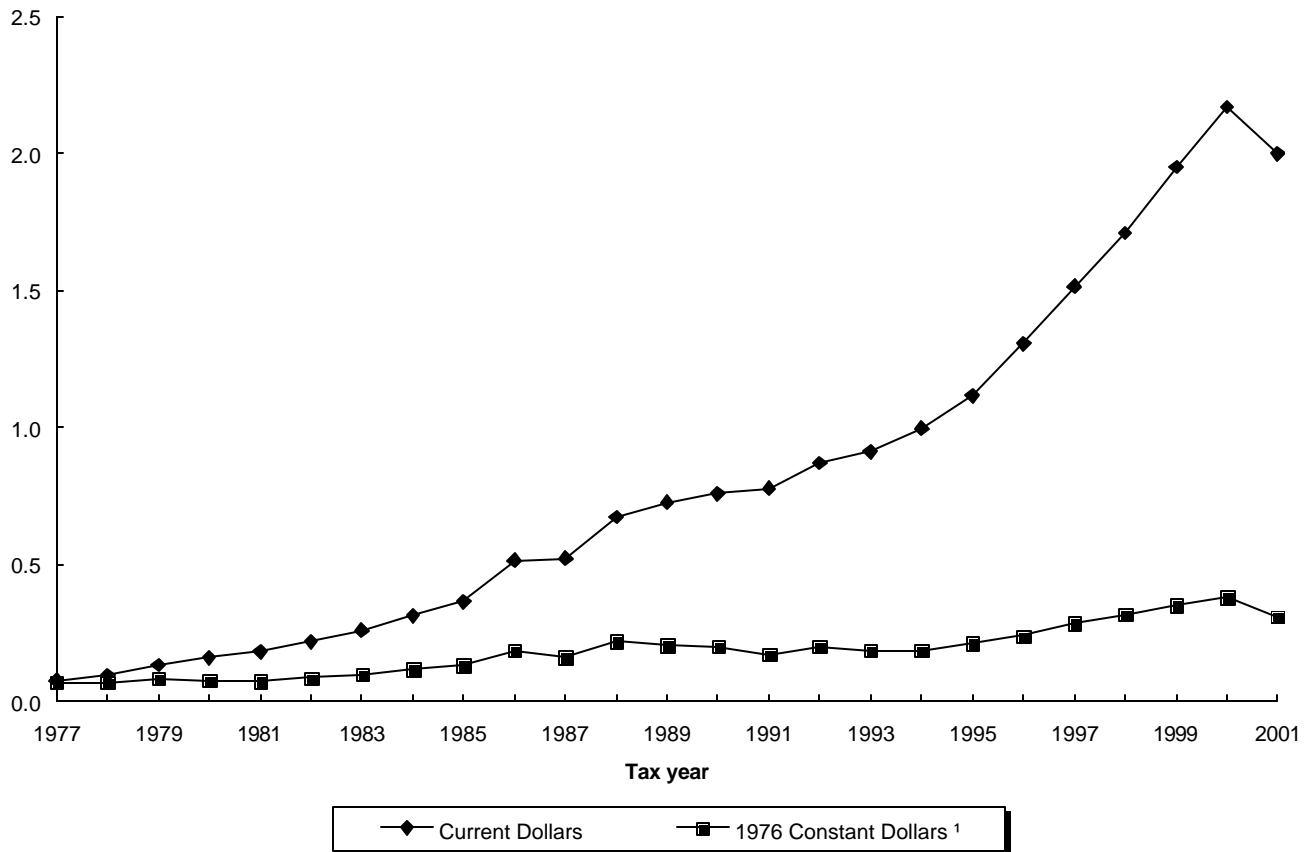
¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

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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 1977-2001

Percentage of returns



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.

48.1 times as large as for 1977. Measured in 1976 constant dollars, the number of returns for 2001 was only 8.5 times the number for 1977. For Tax Year 2001, the share of high AGI income returns in constant dollars fell to 0.301 percent from the previous high of 0.373 percent reached in 2000. This marked the first percentage decrease since the share of such returns fell from 0.188 percent to 0.176 percent between 1992 and 1993.

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 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].

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For 2001, of the 2,567,220 income tax returns with AGI of \$200,000 or more, 3,385 (0.132 percent) showed no U.S. income tax liability; and 2,875 (0.112 percent) showed no worldwide income tax liability (the top panel of Figure C). For 2000, there were 2,328 returns (0.084 percent) with AGI of \$200,000 or more with no U.S. income tax liability; and 2,022 returns (0.073 percent) with no worldwide income tax liability.

For 2001, of the 2,605,021 income tax returns with expanded income of \$200,000 or more, 4,910 (0.188 percent) showed no U.S. income tax liability; and 4,119 (0.158 percent) showed no worldwide income tax liability [9]. For 2000, of the 2,807,804 returns with expanded income of \$200,000 or more, there were 2,766 (0.099 percent) with no U.S. income tax liability and 2,320 (0.083 percent) with no worldwide income tax liability.

Thus, whether measured by absence of U.S. income tax or absence of worldwide income tax, the proportion of nontaxable high-AGI returns and high-expanded returns increased between 2000 and 2001.

Although the number of nontaxable, high expanded-income returns, as measured by absence of U.S. income tax, increased in all but a few years since 1977, that increase was largely attributable to the growth from 1977 through 2000 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 2001 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, regardless of whether measured in constant or current dollars. Of returns with AGI of \$200,000 or more in current dollars, 0.132 percent reported no U.S. income tax for 2001; and 0.112 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.177; the percentage without worldwide income tax liability was 0.145 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.188 percent reported no U.S. income tax for 2001, and 0.158 percent had no worldwide income tax. When looking at these returns using 1976 constant dollars, the percentage without U.S. income tax liability was 0.162; the percentage without worldwide income tax liability was 0.129.

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-expanded income returns for 1977 through 2001. 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 also narrowed from 1994 through 1997 and then increased from 1998 to 2001.

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.

Detailed Data for 2001

Tables 1 through 12 present data based on income tax returns for 2001, 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);

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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 1977-2001

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
1999.....	1,605	2,525	1,398	2,174	0.067	0.102	0.058	0.088
2000.....	2,328	2,766	2,022	2,320	0.084	0.099	0.073	0.083
2001.....	3,385	4,910	2,875	4,119	0.132	0.188	0.112	0.158

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
1999.....	351	343	296	293	0.082	0.077	0.069	0.066
2000.....	464	365	390	290	0.096	0.074	0.081	0.059
2001.....	694	648	567	519	0.177	0.162	0.145	0.129

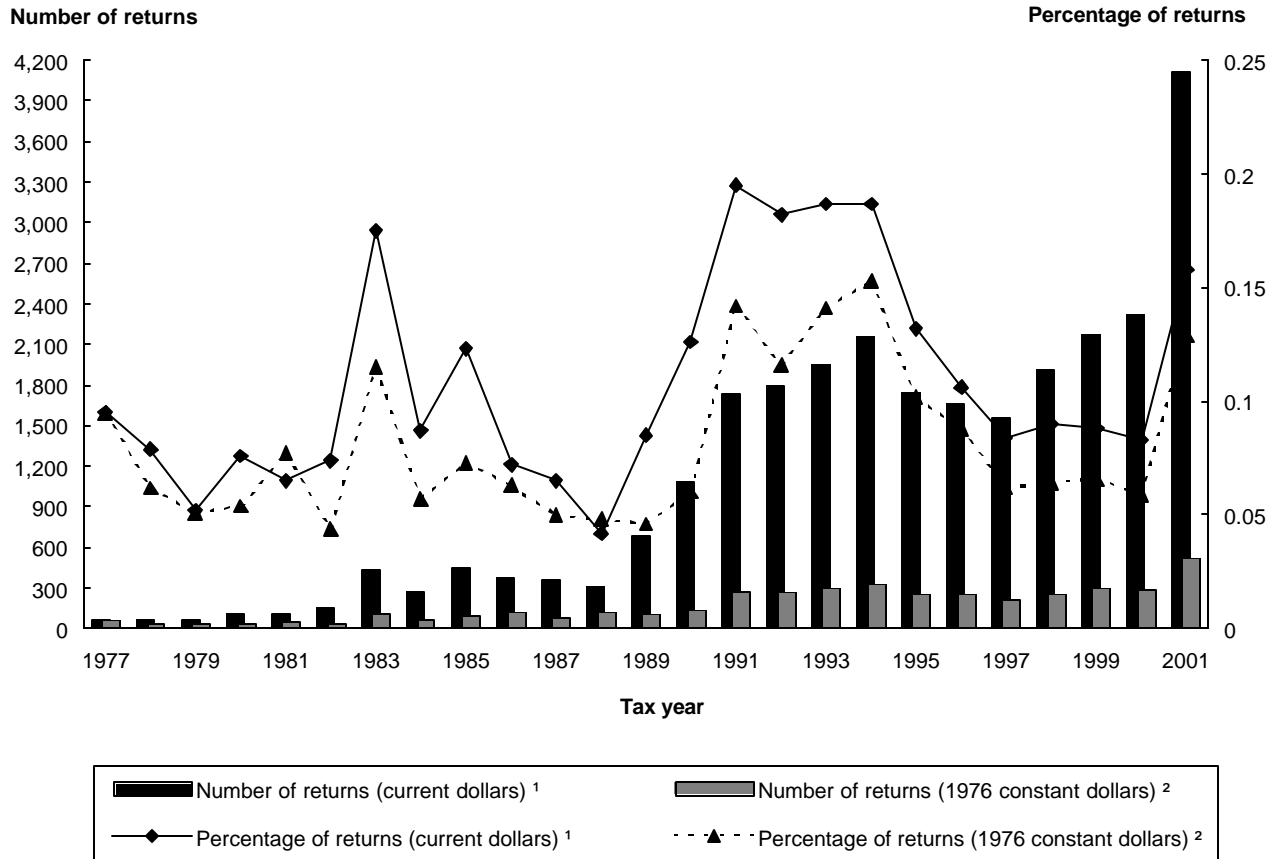
¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

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, Tax Years 1977-2001



¹ Number and percentage of returns with no worldwide income tax, and with expanded income of \$200,000 or more, using current dollars.

² 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.

- 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 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.

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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 3,385 returns with no U.S. income tax had an AGI of \$200,000 or more; and 4,910 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, is 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 (0.16 percent, which is rounded to 0.2 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.” (Around 0.9 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. (63.6 percent had

taxable income equal to 80 percent or more of expanded income; and 96.6 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 while 1.9 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, 41.2 percent had effective tax rates of 25 percent or more. In addition, 77.1 percent of high-income taxpayers had average tax rates ranging from 20 percent to 35 percent, while 38.3 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 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

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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 exemption of \$49,000 on joint returns (\$35,750 on single and head-of-household returns and \$24,500 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 50.0 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 59.4 percent of the time, and the charitable contributions deduction was the second most important item 27.2 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 eliminating tax, on 53.5 percent of returns, was the exclusion for State

and local government interest (“tax-exempt interest”). For these returns, the itemized deduction for taxes paid was the second most important item 23.7 percent of the time, and the deduction for medical and dental expenses was the second most important reason 21.5 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 (665 returns, or 23.1 percent of the 2,875 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); total miscellaneous deductions (615 returns, or 21.4 percent); “all other” tax credits [15] (605 returns, or 21.0 percent); and partnership and S corporation net losses (289 returns, or 10.1 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 (2,205 returns, or 53.5 percent of the 4,119 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); “all other” tax credits (597 returns, or 14.5 percent); medical and dental expense deductions (478 returns, or 11.6 percent); and taxes paid deduction (170 returns, or 4.1 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 (1,026 returns, or 24.9 percent) and the deduction for interest paid (581 returns, or 14.1 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 percentages 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

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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 2001

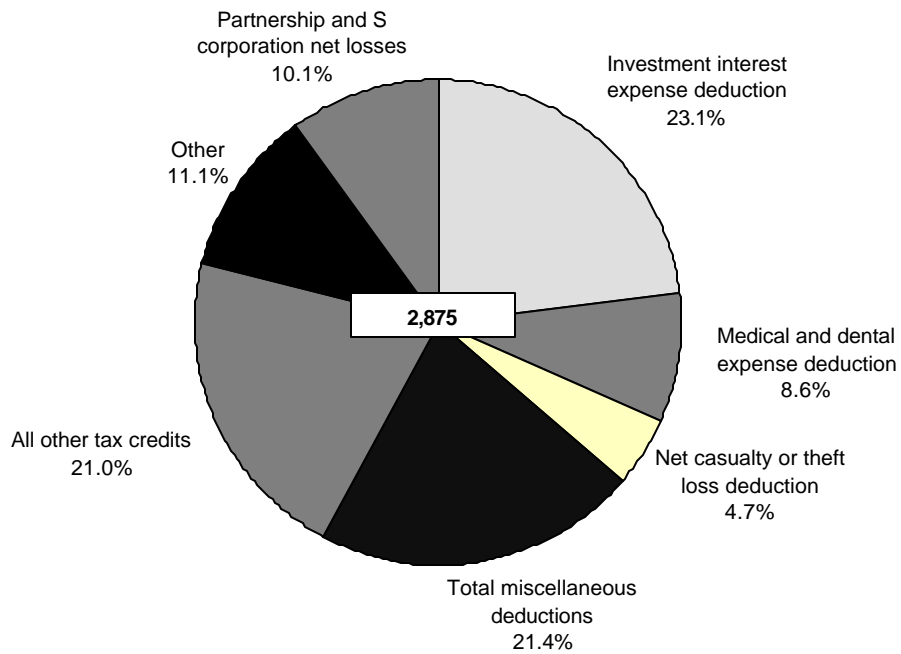
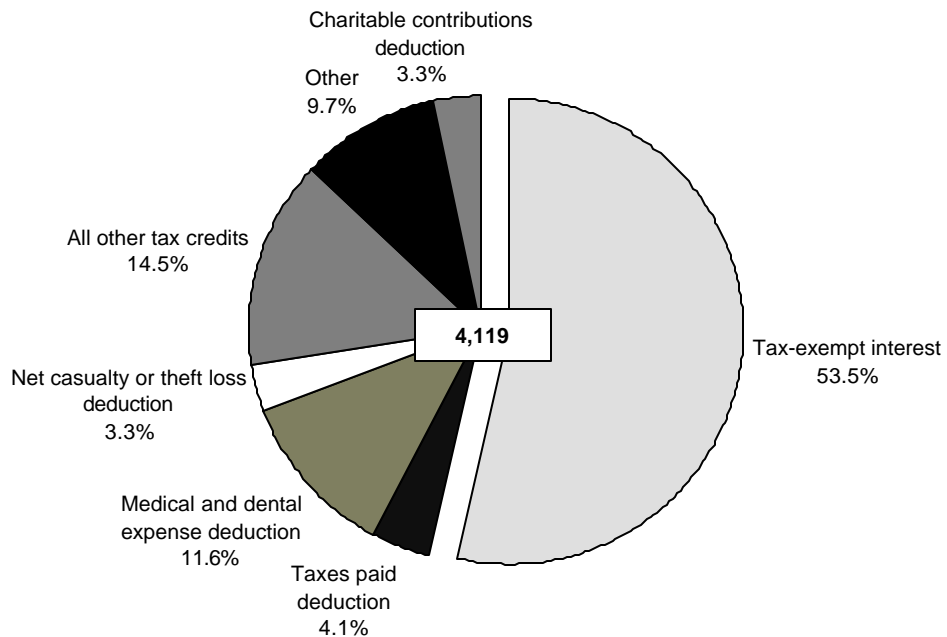


Figure F

Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 2001



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percent of expanded income on 94 of the 4,119 returns, but there was no casualty or theft loss deduction on 3,964 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 the Treasury, Office of Tax Analysis, March 1977, and "High-Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns," U.S. Department of the Treasury, Office of Tax Analysis, August 1978.

U.S. Department of the 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;

Latzy, John, "High-Income Tax Returns for 1993," *Statistics of Income Bulletin*, Winter 1996-1997, Volume 16, Number 3, pp. 64-101; and "High-Income Tax Returns, 1994," *Statistics of Income Bulletin*, Winter 1997-1998,

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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; and "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.

Balkovic, Brian, "High-Income Tax Returns for 1998," *Statistics of Income Bulletin*, Winter 2000-2001, Volume 20, Number 3, pp. 5-57; "High-Income Tax Returns for 1999," *Statistics of Income Bulletin*, Spring 2002, Volume 21, Number 4, pp. 7-58; "High-Income Tax Returns for 2000," *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4, pp. 10-62.

[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.

[4] The definition of adjustments to AGI to obtain the expanded income given in the text is for 2001. 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*

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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.

- [15] “All other” tax credits include: child and dependent care credit, credit for the elderly and disabled, child tax credit, education credits, rate reduction credit, adoption credit, minimum tax credit, mortgage interest credit, empowerment zone employment credit, nonconventional source fuel credit, qualified electrical vehicle credit, and DC first time home buyer credit.

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 household 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:

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- ❑ *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 pretax 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 pretax 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.

AdjustedGrossIncome

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 incomes 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 some expenses not related to earning income, such as contributions to self-employed retirement (Keogh) plans, deductible contributions to Individual Retirement Arrangements (IRA's), the portion of Social Security contributions for self-employed workers that is analogous to the employer share of such contributions for employees, and contributions to medical savings accounts. 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 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 employees' travel, meal, and entertainment ex-

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penses); 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 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 incomes of borrowers due to inflation, it overstates the incomes 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 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.

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-2001

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.

Investment Interest

In measuring H-S income, it would generally 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 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

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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 nonincome-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 can generally 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.) (1921), *The Federal Income Tax*, Columbia University Press, and Simons, Henry C. (1938), *Personal Income Taxation*, University of Chicago Press.
- [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.

Beginning in 1987, taxpayers were required to report on their Federal income tax returns the amounts of their tax-exempt interest incomes 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 affect only 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

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Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment.

Due to subtracting nonlimited 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 incomes 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 (precredit) 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 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

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 2001

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

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 computations, the order in which the various credits and special tax computations are calculated may affect the values 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.

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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 non-

taxable 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 precredit 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, Summer 2004, Publication 1136 (Rev. 09-2004.)

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Table 1.--Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2001

[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.....	130,255,237	92,755,147	26,463,672	8,469,199	2,567,220
Under \$50,000 ¹	92,037,669	91,370,030	658,300	6,905	2,434
\$50,000 under \$100,000.....	27,212,352	1,351,558	25,589,203	268,507	3,084
\$100,000 under \$200,000.....	8,400,195	30,985	207,310	8,114,843	47,057
\$200,000 or more.....	2,605,021	2,574	8,859	78,944	2,514,644
Returns with U.S. income tax					
Total.....	97,390,354	60,096,061	26,269,379	8,461,079	2,563,835
Under \$50,000 ¹	59,444,676	58,823,220	613,810	6,138	1,508
\$50,000 under \$100,000.....	26,965,407	1,251,514	25,443,699	267,291	2,903
\$100,000 under \$200,000.....	8,380,160	19,973	203,826	8,109,625	46,736
\$200,000 or more.....	2,600,111	1,354	8,044	78,026	2,512,687
Returns without U.S. income tax					
Total.....	32,864,884	32,659,087	194,293	8,119	3,385
Under \$50,000 ¹	32,592,993	32,546,810	44,490	767	926
\$50,000 under \$100,000.....	246,945	100,044	145,504	1,216	181
\$100,000 under \$200,000.....	20,036	11,013	3,484	5,219	321
\$200,000 or more.....	4,910	1,220	815	918	1,957

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 2001

Table 2.--Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2001

[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.....	130,255,237	92,755,147	26,463,672	8,469,199	2,567,220
Under \$50,000 ¹	92,037,669	91,370,030	658,300	6,905	2,434
\$50,000 under \$100,000.....	27,212,352	1,351,558	25,589,203	268,507	3,084
\$100,000 under \$200,000.....	8,400,195	30,985	207,310	8,114,843	47,057
\$200,000 or more.....	2,605,021	2,574	8,859	78,944	2,514,644
Returns with worldwide income tax					
Total.....	97,483,668	60,171,094	26,286,516	8,461,714	2,564,345
Under \$50,000 ¹	59,508,224	58,885,822	614,744	6,138	1,519
\$50,000 under \$100,000.....	26,987,331	1,258,818	25,458,156	267,447	2,910
\$100,000 under \$200,000.....	8,387,212	25,070	205,444	8,109,940	46,758
\$200,000 or more.....	2,600,902	1,383	8,172	78,190	2,513,157
Returns without worldwide income tax					
Total.....	32,771,569	32,584,054	177,156	7,485	2,875
Under \$50,000 ¹	32,529,445	32,484,208	43,556	767	915
\$50,000 under \$100,000.....	225,022	92,740	131,047	1,061	174
\$100,000 under \$200,000.....	12,983	5,915	1,866	4,903	299
\$200,000 or more.....	4,119	1,191	687	754	1,487

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 2001

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, Tax Year 2001

[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.....	2,567,220	100.0	--	2,605,021	100.0	--
Returns without U.S. income tax.....	3,385	0.1	--	4,910	0.2	--
Returns with U.S. income tax:						
Total.....	2,563,835	99.9	100.0	2,600,111	99.8	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	1,624	(¹)	(¹)	4,763	0.2	0.2
5 under 10 percent.....	2,290	0.1	0.2	7,451	0.3	0.5
10 under 15 percent.....	7,404	0.3	0.4	14,109	0.5	1.0
15 under 20 percent.....	6,422	0.3	0.7	7,433	0.3	1.3
20 under 25 percent.....	4,137	0.2	0.9	8,592	0.3	1.6
25 under 30 percent.....	5,405	0.2	1.1	6,875	0.3	1.9
30 under 35 percent.....	6,283	0.2	1.3	11,869	0.5	2.3
35 under 40 percent.....	9,315	0.4	1.7	12,557	0.5	2.8
40 under 45 percent.....	14,857	0.6	2.3	23,675	0.9	3.7
45 under 50 percent.....	18,693	0.7	3.0	26,259	1.0	4.8
50 under 60 percent.....	81,048	3.2	6.1	96,752	3.7	8.5
60 under 70 percent.....	212,185	8.3	14.4	228,112	8.8	17.2
70 under 80 percent.....	567,667	22.1	36.6	539,914	20.8	38.0
80 percent or more.....	1,626,494	63.4	100.0	1,611,733	62.0	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 2001

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, Tax Year 2001

[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.....	2,567,220	100.0	--	2,605,021	100.0	--
Returns without worldwide income tax.....	2,875	0.1	--	4,119	0.2	--
Returns with worldwide income tax:						
Total.....	2,564,345	99.9	100.0	2,600,902	99.8	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	1,714	(¹)	(¹)	4,126	0.2	0.2
5 under 10 percent.....	1,704	(¹)	(¹)	2,804	0.1	0.3
10 under 15 percent.....	2,210	0.1	0.2	5,256	0.2	0.5
15 under 20 percent.....	2,747	0.1	0.3	4,415	0.2	0.6
20 under 25 percent.....	2,524	0.1	0.4	5,512	0.2	0.9
25 under 30 percent.....	3,634	0.1	0.6	4,553	0.2	1.0
30 under 35 percent.....	4,284	0.2	0.7	8,294	0.3	1.3
35 under 40 percent.....	7,289	0.3	1.0	9,816	0.4	1.7
40 under 45 percent.....	13,291	0.5	1.5	19,311	0.7	2.5
45 under 50 percent.....	16,428	0.6	2.2	25,380	1.0	3.4
50 under 60 percent.....	77,004	3.0	5.2	94,378	3.6	7.1
60 under 70 percent.....	208,852	8.1	13.3	226,169	8.7	15.8
70 under 80 percent.....	562,352	21.9	35.3	537,774	20.7	36.4
80 percent or more.....	1,660,167	64.7	100.0	1,652,951	63.6	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 2001

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, Tax Year 2001

[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.....	2,227,637	702,057,409	2,225,577	701,526,801	2,060	530,608
Business or profession:						
Net income.....	504,184	58,418,477	503,706	58,364,991	478	53,486
Net loss.....	147,311	3,485,471	146,909	3,409,220	402	76,251
Farm:						
Net income.....	20,313	804,975	20,291	804,659	22	316
Net loss.....	55,453	2,330,987	55,357	2,311,092	96	19,895
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	895,232	227,991,574	894,627	227,909,601	605	81,973
Net loss.....	260,259	25,583,894	259,196	24,552,803	1,063	1,031,091
Sales of capital assets:						
Net gain.....	1,109,705	262,396,048	1,107,937	261,396,718	1,768	999,331
Net loss.....	929,924	2,425,447	928,748	2,422,072	1,176	3,376
Sales of property other than capital assets:						
Net gain.....	111,238	2,306,336	110,990	2,271,513	248	34,823
Net loss.....	171,276	2,760,378	170,909	2,708,323	367	52,054
Taxable interest received.....	2,483,405	60,327,051	2,480,276	59,421,713	3,129	905,337
Tax-exempt interest.....	788,249	27,159,389	787,020	27,025,886	1,229	133,503
Dividends.....	2,178,264	49,732,702	2,175,419	49,378,195	2,845	354,507
Pensions and annuities in adjusted gross income.....	486,484	18,123,463	485,904	18,097,507	580	25,956
Rent:						
Net income.....	380,556	16,980,966	380,121	16,950,798	435	30,168
Net loss, total (deductible and nondeductible).....	279,128	3,648,626	278,658	3,626,761	470	21,865
Nondeductible rental loss.....	184,144	1,941,426	183,841	1,933,335	303	8,091
Royalty:						
Net income.....	121,438	5,412,003	121,133	5,251,143	305	160,860
Net loss.....	5,340	28,876	5,335	28,875	5	1
Estate or trust:						
Net income.....	85,129	8,997,981	84,963	8,983,647	166	14,335
Net loss.....	7,229	1,512,361	7,180	1,495,767	49	16,594
State income tax refunds.....	1,187,365	6,486,033	1,186,318	6,453,152	1,047	32,882
Alimony received.....	3,753	563,251	3,745	561,821	8	1,431
Social Security benefits in adjusted gross income.....	390,701	6,711,542	389,922	6,699,194	779	12,348
Social Security benefits (nontaxable).....	390,701	1,184,489	389,922	1,182,310	779	2,179
Unemployment compensation.....	49,284	207,672	49,203	207,366	81	306
Other income.....	362,613	11,360,820	361,982	11,305,559	631	55,260
Other loss.....	33,679	1,681,496	33,609	1,653,796	70	27,700
Foreign-earned income exclusion.....	26,249	1,836,206	26,106	1,824,706	143	11,501
Total income.....	2,567,220	1,412,889,789	2,563,835	1,410,644,191	3,385	2,245,598
Statutory adjustments, total.....	1,053,971	14,130,272	1,052,976	14,118,830	995	11,442
Payments to Individual Retirement Arrangements.....	106,190	353,851	106,122	353,660	68	191
Payments to self-employed retirement (Keogh) plans.....	299,879	6,197,764	299,787	6,196,179	92	1,585
Moving expenses adjustment.....	30,815	169,671	30,789	169,379	26	292
Adjusted gross income.....	2,567,220	1,398,759,517	2,563,835	1,396,525,361	3,385	2,234,156
Investment interest expense deduction.....	561,568	13,255,266	559,616	12,259,428	1,952	995,838
Total tax preferences excluded from adjusted gross income.....	798,792	27,822,828	797,523	27,666,302	1,269	156,526
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	19,782	674,397	19,672	651,172	110	23,225
Passive activity loss (alternative minimum tax adjustment).....	309,215	1,137,489	308,674	1,137,381	541	108
Expanded income.....	2,567,142	1,406,833,215	2,563,835	1,405,931,014	3,307	902,201

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	1,382,159	7,273,979	1,380,658	7,266,923	1,501	7,056
Itemized deductions:						
Total per adjusted gross income concept.....	2,415,495	185,141,514	2,412,266	182,736,769	3,229	2,404,745
Charitable contributions deduction.....	2,329,742	46,896,063	2,326,947	46,684,172	2,795	211,890
Interest paid deduction:						
Total per adjusted gross income concept.....	2,056,793	54,383,123	2,054,075	53,292,315	2,718	1,090,808
Total home mortgage interest.....	1,938,132	40,888,865	1,935,910	40,794,858	2,222	94,007
Medical and dental expense deduction.....	35,215	1,229,510	34,840	1,156,786	375	72,724
Net casualty or theft loss deduction.....	2,054	330,470	1,905	168,089	149	162,381
Taxes paid deduction.....	2,404,384	97,485,542	2,401,321	97,221,123	3,063	264,419
Net limited miscellaneous deductions per adjusted gross income concept.....	400,713	8,326,055	399,543	8,181,686	1,170	144,369
Nonlimited miscellaneous deductions.....	79,428	4,956,533	78,771	4,453,559	657	502,973
Excess of exemptions and deductions over adjusted gross income.....	6,291	2,488,316	4,210	1,724,669	2,080	763,647
Taxable income.....	2,560,866	1,207,727,950	2,559,624	1,207,142,985	1,242	584,966
Tax at regular rates.....	2,560,885	368,400,136	2,559,643	368,254,278	1,242	145,857
Alternative minimum tax (Form 6251).....	428,439	5,039,103	428,439	5,039,103	--	--
Income tax before credits.....	2,565,075	373,439,625	2,563,833	373,293,767	1,242	145,858
Tax credits:						
Total.....	1,014,996	6,964,892	1,013,754	6,819,034	1,242	145,858
Child care credit.....	146,707	72,799	146,652	72,772	55	26
Minimum tax credit.....	86,754	1,226,075	85,749	1,116,148	1,005	109,927
Foreign tax credit.....	736,201	5,079,985	735,692	5,046,154	509	33,832
General business credit.....	65,965	407,819	65,895	407,013	70	806
U.S. total income tax.....	2,563,835	366,491,428	2,563,835	366,491,428	--	--
Taxable income which would yield:						
Income tax before credits.....	2,565,075	1,118,456,414	2,563,833	1,118,014,075	1,242	442,339
Income tax after credits.....	2,563,827	1,099,892,548	2,563,827	1,099,892,548	--	--
U.S. total income tax.....	2,563,835	1,099,937,679	2,563,835	1,099,937,679	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,567,220	1,398,759,517	2,563,835	1,396,525,361	3,385	2,234,156
plus: Total tax preferences excluded from adjusted gross income ²	798,792	27,822,828	797,523	27,666,302	1,269	156,526
Social Security benefits (nontaxable).....	390,701	1,184,489	389,922	1,182,310	779	2,179
Foreign-earned income exclusion.....	26,249	1,836,206	26,106	1,824,706	143	11,501
minus: Investment interest expense deduction.....	561,568	13,255,266	559,616	12,259,428	1,952	995,838
Nonlimited miscellaneous deductions.....	79,428	4,956,533	78,771	4,453,559	657	502,973
Unreimbursed employee business expenses.....	478,209	4,558,027	477,946	4,554,678	263	3,348
Equals: Expanded income.....	2,567,142	1,406,833,215	2,563,835	1,405,931,014	3,307	902,201

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	2,222,138	700,177,128	2,219,860	699,689,142	2,278	487,985
Business or profession:						
Net income.....	505,405	58,507,829	504,927	58,464,076	478	43,753
Net loss.....	148,294	3,477,356	147,873	3,435,951	421	41,405
Farm:						
Net income.....	20,363	806,058	20,329	805,729	34	328
Net loss.....	56,485	2,388,582	56,368	2,371,132	117	17,450
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	899,958	227,703,890	899,175	227,637,455	783	66,435
Net loss.....	273,538	25,398,372	272,196	24,605,837	1,342	792,535
Sales of capital assets:						
Net gain.....	1,142,602	262,872,943	1,140,410	262,219,978	2,192	652,965
Net loss.....	942,043	2,465,269	939,678	2,458,515	2,365	6,754
Sales of property other than capital assets:						
Net gain.....	115,200	2,281,844	114,953	2,267,298	247	14,546
Net loss.....	173,205	2,725,389	172,770	2,696,592	435	28,797
Taxable interest received.....	2,520,693	61,108,014	2,515,954	60,599,352	4,739	508,661
Tax-exempt interest.....	854,957	34,366,836	851,402	33,350,921	3,555	1,015,915
Dividends.....	2,224,029	51,787,283	2,219,514	51,493,960	4,515	293,323
Pensions and annuities in adjusted gross income.....	509,885	19,186,461	508,898	19,154,623	987	31,838
Rent:						
Net income.....	390,459	17,272,015	389,940	17,250,167	519	21,849
Net loss, total (deductible and nondeductible).....	278,768	3,616,336	278,257	3,603,920	511	12,417
Nondeductible rental loss.....	181,798	1,914,921	181,548	1,910,280	250	4,641
Royalty:						
Net income.....	126,893	5,451,100	126,462	5,295,177	431	155,923
Net loss.....	5,406	29,195	5,396	29,054	10	141
Estate or trust:						
Net income.....	89,037	9,065,683	88,726	9,050,465	311	15,218
Net loss.....	7,262	1,516,556	7,183	1,496,732	79	19,823
State income tax refunds.....	1,189,142	6,525,663	1,187,696	6,492,005	1,446	33,659
Alimony received.....	4,101	570,631	4,091	569,134	10	1,497
Social Security benefits in adjusted gross income.....	438,133	7,491,869	436,327	7,463,214	1,806	28,655
Social Security benefits (nontaxable).....	438,133	1,322,383	436,327	1,317,318	1,806	5,065
Unemployment compensation.....	48,254	202,706	48,178	202,409	76	297
Other income.....	361,810	11,343,360	361,097	11,299,911	713	43,450
Other loss.....	45,046	2,029,910	44,895	2,001,045	151	28,864
Foreign-earned income exclusion.....	41,012	3,019,503	40,658	2,984,225	354	35,279
Total income.....	2,605,020	1,413,853,331	2,600,111	1,412,415,864	4,909	1,437,467
Statutory adjustments, total.....	1,058,144	14,171,507	1,057,066	14,158,398	1,078	13,109
Payments to Individual Retirement Arrangements.....	109,945	364,158	109,859	363,896	86	261
Payments to self-employed retirement (Keogh) plans.....	301,386	6,215,058	301,293	6,213,618	93	1,439
Moving expenses adjustment.....	30,726	165,611	30,699	165,344	27	267
Adjusted gross income.....	2,605,020	1,399,681,824	2,600,111	1,398,257,466	4,909	1,424,358
Investment interest expense deduction.....	560,569	11,991,174	558,879	11,730,541	1,690	260,632
Total tax preferences excluded from adjusted gross income.....	866,084	35,222,681	862,484	34,175,242	3,600	1,047,439
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	21,227	866,953	21,085	835,236	142	31,717
Passive activity loss (alternative minimum tax adjustment).....	320,558	1,139,918	319,817	1,144,045	741	-4,127
Expanded income.....	2,605,021	1,421,087,315	2,600,111	1,418,854,201	4,910	2,233,114

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	1,424,528	7,485,090	1,420,741	7,462,802	3,787	22,288
Itemized deductions:						
Total per adjusted gross income concept.....	2,437,763	182,170,741	2,433,490	180,893,129	4,273	1,277,612
Total per expanded income concept.....	2,437,332	193,847,799	2,433,059	192,813,596	4,273	1,034,203
Charitable contributions deduction.....	2,350,596	47,447,828	2,346,711	47,266,531	3,885	181,297
Interest paid deduction:						
Total per adjusted gross income concept.....	2,048,449	52,673,124	2,045,615	52,318,283	2,834	354,841
Total per expanded income concept.....	1,924,362	40,681,950	1,921,997	40,587,742	2,365	94,209
Total home mortgage interest.....	1,921,643	40,444,972	1,919,287	40,351,363	2,356	93,609
Medical and dental expense deduction.....	43,773	1,394,746	42,000	1,228,755	1,773	165,991
Net casualty or theft loss deduction.....	2,228	331,036	2,069	170,708	159	160,328
Taxes paid deduction.....	2,426,079	98,402,356	2,421,925	98,116,420	4,154	285,936
Net limited miscellaneous deductions per adjusted gross income concept.....	391,840	7,979,638	389,335	7,831,808	2,505	147,830
Nonlimited miscellaneous deductions.....	68,599	2,316,132	68,488	2,308,551	111	7,581
Excess of exemptions and deductions over adjusted gross income.....	9,281	2,288,347	5,891	1,805,535	3,390	482,812
Taxable income.....	2,595,731	1,211,093,341	2,594,220	1,210,490,529	1,511	602,812
Tax at regular rates.....	2,595,768	369,113,396	2,594,242	368,963,367	1,526	150,029
Alternative minimum tax (Form 6251).....	442,398	5,133,704	442,330	5,133,672	68	31
Income tax before credits.....	2,601,660	374,247,365	2,600,110	374,097,305	1,550	150,061
Tax credits:						
Total.....	1,054,609	7,279,591	1,053,059	7,129,530	1,550	150,061
Child care credit.....	144,803	71,929	144,731	71,896	72	33
Minimum tax credit.....	91,164	1,234,540	90,145	1,124,915	1,019	109,625
Foreign tax credit.....	780,416	5,382,905	779,635	5,344,614	781	38,292
General business credit.....	69,143	411,591	69,072	410,818	71	774
U.S. total income tax.....	2,600,111	366,984,589	2,600,111	366,984,589	--	--
Taxable income which would yield:						
Income tax before credits.....	2,601,660	1,121,836,000	2,600,110	1,121,375,466	1,550	460,534
Income tax after credits.....	2,600,055	1,102,131,877	2,600,055	1,102,131,877	--	--
U.S. total income tax.....	2,600,111	1,102,177,912	2,600,111	1,102,177,912	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,605,020	1,399,681,824	2,600,111	1,398,257,466	4,909	1,424,358
plus: Total tax preferences excluded from adjusted gross income ²	866,084	35,222,681	862,484	34,175,242	3,600	1,047,439
Social Security benefits (nontaxable).....	438,133	1,322,383	436,327	1,317,318	1,806	5,065
Foreign-earned income exclusion.....	41,012	3,019,503	40,658	2,984,225	354	35,279
minus: Investment interest expense deduction.....	560,569	11,991,174	558,879	11,730,541	1,690	260,632
Nonlimited miscellaneous deductions.....	68,599	2,316,132	68,488	2,308,551	111	7,581
Unreimbursed employee business expenses.....	451,025	3,842,020	450,732	3,840,335	293	1,684
Equals: Expanded income.....	2,605,021	1,421,087,315	2,600,111	1,418,854,201	4,910	2,233,114

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 2001

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, Tax Year 2001

[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.....	2,227,637	702,057,409	2,225,994	701,657,337	1,643	400,072
Business or profession:						
Net income.....	504,184	58,418,477	503,767	58,382,353	417	36,124
Net loss.....	147,311	3,485,471	146,953	3,415,135	358	70,336
Farm:						
Net income.....	20,313	804,975	20,293	804,668	20	307
Net loss.....	55,453	2,330,987	55,369	2,311,472	84	19,516
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	895,232	227,991,574	894,698	227,930,090	534	61,484
Net loss.....	260,259	25,583,894	259,305	24,575,715	954	1,008,179
Sales of capital assets:						
Net gain.....	1,109,705	262,396,048	1,108,244	261,601,358	1,461	794,690
Net loss.....	929,924	2,425,447	928,869	2,422,407	1,055	3,040
Sales of property other than capital assets:						
Net gain.....	111,238	2,306,336	111,012	2,273,347	226	32,989
Net loss.....	171,276	2,760,378	170,945	2,718,030	331	42,348
Taxable interest received.....	2,483,405	60,327,051	2,480,742	59,444,746	2,663	882,305
Tax-exempt interest.....	788,249	27,159,389	787,196	27,032,440	1,053	126,949
Dividends.....	2,178,264	49,732,702	2,175,877	49,397,522	2,387	335,180
Pensions and annuities in adjusted gross income.....	486,484	18,123,463	485,964	18,099,343	520	24,120
Rent:						
Net income.....	380,556	16,980,966	380,168	16,955,586	388	25,380
Net loss, total (deductible and nondeductible).....	279,128	3,648,626	278,717	3,628,237	411	20,389
Nondeductible rental loss.....	184,144	1,941,426	183,886	1,934,169	258	7,257
Royalty:						
Net income.....	121,438	5,412,003	121,157	5,251,388	281	160,614
Net loss.....	5,340	28,876	5,335	28,875	5	1
Estate or trust:						
Net income.....	85,129	8,997,981	84,980	8,983,790	149	14,192
Net loss.....	7,229	1,512,361	7,182	1,495,773	47	16,588
State income tax refunds.....	1,187,365	6,486,033	1,186,424	6,455,514	941	30,520
Alimony received.....	3,753	563,251	3,746	561,824	7	1,428
Social Security benefits in adjusted gross income.....	390,701	6,711,542	389,977	6,700,056	724	11,486
Social Security benefits (nontaxable).....	390,701	1,184,489	389,977	1,182,462	724	2,027
Unemployment compensation.....	49,284	207,672	49,220	207,422	64	250
Other income.....	362,613	11,360,820	362,057	11,310,742	556	50,077
Other loss.....	33,679	1,681,496	33,641	1,654,675	38	26,821
Foreign-earned income exclusion.....	26,249	1,836,206	26,240	1,835,788	9	419
Total income.....	2,567,220	1,412,889,789	2,564,345	1,411,025,961	2,875	1,863,829
Statutory adjustments, total.....	1,053,971	14,130,272	1,053,104	14,120,035	867	10,237
Payments to Individual Retirement Arrangements.....	106,190	353,851	106,135	353,694	55	157
Payments to self-employed retirement (Keogh) plans.....	299,879	6,197,764	299,806	6,196,400	73	1,363
Moving expenses adjustment.....	30,815	169,671	30,799	169,524	16	147
Adjusted gross income.....	2,567,220	1,398,759,517	2,564,345	1,396,905,925	2,875	1,853,592
Investment interest expense deduction.....	561,568	13,255,266	559,849	12,289,027	1,719	966,240
Total tax preferences excluded from adjusted gross income.....	798,792	27,822,828	797,715	27,687,419	1,077	135,410
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	19,782	674,397	19,704	665,801	78	8,596
Passive activity loss (alternative minimum tax adjustment).....	309,215	1,137,489	308,747	1,134,878	468	2,611
Expanded income.....	2,567,142	1,406,833,215	2,564,345	1,406,311,113	2,797	522,102

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	1,382,159	7,273,979	1,380,860	7,267,813	1,299	6,166
Itemized deductions:						
Total per adjusted gross income concept.....	2,415,495	185,141,514	2,412,662	182,828,792	2,833	2,312,722
Charitable contributions deduction.....	2,329,742	46,896,063	2,327,315	46,698,605	2,427	197,458
Interest paid deduction:						
Total per adjusted gross income concept.....	2,056,793	54,383,123	2,054,432	53,331,185	2,361	1,051,938
Total home mortgage interest.....	1,938,132	40,888,865	1,936,211	40,804,073	1,921	84,792
Medical and dental expense deduction.....	35,215	1,229,510	34,850	1,157,883	365	71,627
Net casualty or theft loss deduction.....	2,054	330,470	1,907	170,590	147	159,880
Taxes paid deduction.....	2,404,384	97,485,542	2,401,707	97,255,969	2,677	229,572
Net limited miscellaneous deductions per adjusted gross income concept.....	400,713	8,326,055	399,651	8,185,139	1,062	140,916
Nonlimited miscellaneous deductions.....	79,428	4,956,533	78,786	4,456,438	642	500,095
Excess of exemptions and deductions over adjusted gross income.....	6,291	2,488,316	4,212	1,725,771	2,078	762,545
Taxable income.....	2,560,866	1,207,727,950	2,560,132	1,207,430,992	734	296,958
Tax at regular rates.....	2,560,885	368,400,136	2,560,152	368,328,318	733	71,818
Alternative minimum tax (Form 6251).....	428,439	5,039,103	428,439	5,039,103	--	--
Income tax before credits.....	2,565,075	373,439,625	2,564,342	373,367,806	733	71,818
Tax credits:						
Total.....	401,896	1,884,906	401,163	1,813,088	733	71,818
Child care credit.....	146,707	72,799	146,667	72,780	40	18
Minimum tax credit.....	86,754	1,226,075	86,054	1,155,539	700	70,536
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	65,965	407,819	65,924	407,571	41	249
Worldwide total income tax.....	2,564,345	372,262,685	2,564,345	372,262,685	--	--
Foreign taxes paid.....	737,411	5,771,258	737,411	5,771,258	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	22,935	691,272	22,935	691,272	--	--
Taxable income which would yield:						
Income tax before credits.....	2,565,075	1,118,456,414	2,564,342	1,118,230,728	733	225,686
Income tax after credits.....	2,564,343	1,115,220,338	2,564,343	1,115,220,338	--	--
Worldwide total income tax.....	2,564,345	1,115,264,187	2,564,345	1,115,264,187	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,567,220	1,398,759,517	2,564,345	1,396,905,925	2,875	1,853,592
plus: Total tax preferences excluded from adjusted gross income ?.....	798,792	27,822,828	797,715	27,687,419	1,077	135,410
Social Security benefits (nontaxable).....	390,701	1,184,489	389,977	1,182,462	724	2,027
Foreign-earned income exclusion.....	26,249	1,836,206	26,240	1,835,788	9	419
minus: Investment interest expense deduction.....	561,568	13,255,266	559,849	12,289,027	1,719	966,240
Nonlimited miscellaneous deductions.....	79,428	4,956,533	78,786	4,456,438	642	500,095
Unreimbursed employee business expenses.....	478,209	4,558,027	477,992	4,555,016	217	3,011
Equals: Expanded income.....	2,567,142	1,406,833,215	2,564,345	1,406,311,113	2,797	522,102

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	2,222,138	700,177,128	2,220,498	699,864,707	1,640	312,421
Business or profession:						
Net income.....	505,405	58,507,829	505,009	58,483,653	396	24,177
Net loss.....	148,294	3,477,356	147,922	3,441,973	372	35,383
Farm:						
Net income.....	20,363	806,058	20,334	805,755	29	303
Net loss.....	56,485	2,388,582	56,379	2,371,569	106	17,013
Partnership and S corporation net income after section 179 property deduction: ¹						
Net income.....	899,958	227,703,890	899,263	227,658,414	695	45,476
Net loss.....	273,538	25,398,372	272,334	24,630,340	1,204	768,032
Sales of capital assets:						
Net gain.....	1,142,602	262,872,943	1,140,785	262,414,942	1,817	458,000
Net loss.....	942,043	2,465,269	939,905	2,459,143	2,138	6,126
Sales of property other than capital assets:						
Net gain.....	115,200	2,281,844	114,977	2,269,133	223	12,711
Net loss.....	173,205	2,725,389	172,815	2,702,886	390	22,504
Taxable interest received.....	2,520,693	61,108,014	2,516,657	60,621,989	4,036	486,025
Tax-exempt interest.....	854,957	34,366,836	851,686	33,382,840	3,271	983,995
Dividends.....	2,224,029	51,787,283	2,220,163	51,513,663	3,866	273,620
Pensions and annuities in adjusted gross income.....	509,885	19,186,461	508,978	19,156,727	907	29,734
Rent:						
Net income.....	390,459	17,272,015	390,002	17,254,798	457	17,217
Net loss, total (deductible and nondeductible).....	278,768	3,616,336	278,356	3,606,326	412	10,010
Nondeductible rental loss.....	181,798	1,914,921	181,603	1,911,246	195	3,676
Royalty:						
Net income.....	126,893	5,451,100	126,500	5,295,434	393	155,666
Net loss.....	5,406	29,195	5,396	29,054	10	141
Estate or trust:						
Net income.....	89,037	9,065,683	88,756	9,050,756	281	14,927
Net loss.....	7,262	1,516,556	7,191	1,498,235	71	18,321
State income tax refunds.....	1,189,142	6,525,663	1,187,836	6,494,785	1,306	30,879
Alimony received.....	4,101	570,631	4,092	569,137	9	1,494
Social Security benefits in adjusted gross income.....	438,133	7,491,869	436,418	7,464,493	1,715	27,376
Social Security benefits (nontaxable).....	438,133	1,322,383	436,418	1,317,543	1,715	4,840
Unemployment compensation.....	48,254	202,706	48,195	202,465	59	241
Other income.....	361,810	11,343,360	361,183	11,304,544	627	38,816
Other loss.....	45,046	2,029,910	44,983	2,003,715	63	26,195
Foreign-earned income exclusion.....	41,012	3,019,503	40,999	3,018,285	13	1,218
Total income.....	2,605,020	1,413,853,331	2,600,902	1,412,808,563	4,118	1,044,768
Statutory adjustments, total.....	1,058,144	14,171,507	1,057,242	14,160,233	902	11,274
Payments to Individual Retirement Arrangements.....	109,945	364,158	109,877	363,950	68	208
Payments to self-employed retirement (Keogh) plans.....	301,386	6,215,058	301,314	6,213,855	72	1,203
Moving expenses adjustment.....	30,726	165,611	30,715	165,533	11	79
Adjusted gross income.....	2,605,020	1,399,681,824	2,600,902	1,398,648,330	4,118	1,033,495
Investment interest expense deduction.....	560,569	11,991,174	559,123	11,742,572	1,446	248,601
Total tax preferences excluded from adjusted gross income.....	866,084	35,222,681	862,786	34,222,592	3,298	1,000,089
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	21,227	866,953	21,120	850,729	107	16,224
Passive activity loss (alternative minimum tax adjustment).....	320,558	1,139,918	319,919	1,142,189	639	-2,271
Expanded income.....	2,605,021	1,421,087,315	2,600,902	1,419,313,276	4,119	1,774,040

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	1,424,528	7,485,090	1,421,240	7,466,254	3,288	18,836
Itemized deductions:						
Total per adjusted gross income concept.....	2,437,763	182,170,741	2,434,046	180,973,250	3,717	1,197,491
Total per expanded income concept.....	2,437,332	193,847,799	2,433,615	192,886,565	3,717	961,234
Charitable contributions deduction.....	2,350,596	47,447,828	2,347,201	47,282,161	3,395	165,667
Interest paid deduction:						
Total per adjusted gross income concept.....	2,048,449	52,673,124	2,046,083	52,341,798	2,366	331,326
Total per expanded income concept.....	1,924,362	40,681,950	1,922,408	40,599,225	1,954	82,725
Total home mortgage interest.....	1,921,643	40,444,972	1,919,694	40,362,742	1,949	82,231
Medical and dental expense deduction.....	43,773	1,394,746	42,064	1,231,763	1,709	162,983
Net casualty or theft loss deduction.....	2,228	331,036	2,073	173,239	155	157,797
Taxes paid deduction.....	2,426,079	98,402,356	2,422,455	98,152,893	3,624	249,463
Net limited miscellaneous deductions per						
adjusted gross income concept.....	391,840	7,979,638	389,517	7,835,990	2,323	143,647
Nonlimited miscellaneous deductions.....	68,599	2,316,132	68,503	2,309,157	96	6,976
Excess of exemptions and deductions						
over adjusted gross income.....	9,281	2,288,347	5,903	1,807,570	3,378	480,777
Taxable income.....	2,595,731	1,211,093,341	2,594,999	1,210,798,275	732	295,066
Tax at regular rates.....	2,595,768	369,113,396	2,595,024	369,041,971	744	71,425
Alternative minimum tax (Form 6251).....	442,398	5,133,704	442,371	5,133,688	27	16
Income tax before credits.....	2,601,660	374,247,365	2,600,893	374,175,925	767	71,441
Tax credits:						
Total.....	407,005	1,896,686	406,238	1,825,245	767	71,441
Child care credit.....	144,803	71,929	144,763	71,911	40	18
Minimum tax credit.....	91,164	1,234,540	90,474	1,164,377	690	70,163
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	69,143	411,591	69,109	411,375	34	216
Worldwide total income tax.....	2,600,902	373,346,113	2,600,902	373,346,113	--	--
Foreign taxes paid.....	781,717	6,361,525	781,717	6,361,525	--	--
Foreign taxes paid on excluded foreign-earned						
income (Form 1116).....	33,770	978,619	33,770	978,619	--	--
Taxable income which would yield:						
Income tax before credits.....	2,601,660	1,121,836,000	2,600,893	1,121,611,819	767	224,181
Income tax after credits.....	2,600,901	1,119,394,743	2,600,901	1,119,394,743	--	--
Worldwide total income tax.....	2,600,902	1,119,438,913	2,600,902	1,119,438,913	--	--
Reconciliation of adjusted gross income						
and expanded income:						
Adjusted gross income.....	2,605,020	1,399,681,824	2,600,902	1,398,648,330	4,118	1,033,495
plus: Total tax preferences excluded from						
adjusted gross income ²	866,084	35,222,681	862,786	34,222,592	3,298	1,000,089
Social Security benefits (nontaxable).....	438,133	1,322,383	436,418	1,317,543	1,715	4,840
Foreign-earned income exclusion.....	41,012	3,019,503	40,999	3,018,285	13	1,218
minus: Investment interest expense deduction.....	560,569	11,991,174	559,123	11,742,572	1,446	248,601
Nonlimited miscellaneous deductions.....	68,599	2,316,132	68,503	2,309,157	96	6,976
Unreimbursed employee business expenses..	451,025	3,842,020	450,794	3,840,737	231	1,283
Equals: Expanded income.....	2,605,021	1,421,087,315	2,600,902	1,419,313,276	4,119	1,774,040

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 2001

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, Tax Year 2001

[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.....	2,481,841	100.0	647,800	26.1	39,670	1.6	1,318,807	53.1
Interest paid deduction.....	857,005	34.5	--	--	8,419	21.2	752,222	57.0
Investment interest expense deduction ¹	55,796	2.2	7,382	1.1	--	--	34,439	2.6
Taxes paid deduction.....	811,465	32.7	554,694	85.6	20,221	51.0	--	--
Charitable contributions deduction.....	486,484	19.6	60,468	9.3	5,311	13.4	398,455	30.2
Medical and dental expense deduction.....	8,087	0.3	854	0.1	42	0.1	4,951	0.4
Net casualty or theft loss deduction.....	222	(?)	8	(?)	--	--	166	(?)
Total miscellaneous deductions.....	96,108	3.9	17,553	2.7	1,578	4.0	62,292	4.7
Foreign tax credit.....	23,856	1.0	588	0.1	802	2.0	13,937	1.1
General business credit.....	8,090	0.3	492	0.1	714	1.8	4,957	0.4
All other tax credits.....	25,350	1.0	992	0.2	875	2.2	14,212	1.1
Partnership and S corporation net losses.....	40,274	1.6	4,619	0.7	1,538	3.9	24,432	1.9
No second largest item.....	69,105	2.8	150	(?)	170	0.4	8,743	0.7
Returns with expanded income of \$200,000 or more								
Total.....	2,530,086	100.0	641,455	25.4	--	--	1,265,823	50.0
Interest paid deduction.....	844,308	33.4	--	--	--	--	751,814	59.4
Tax-exempt interest ³	133,152	5.3	4,720	0.7	--	--	92,724	7.3
Taxes paid deduction.....	848,757	33.5	561,065	87.5	--	--	--	--
Charitable contributions deduction.....	457,800	18.1	65,762	10.3	--	--	344,797	27.2
Medical and dental expense deduction.....	7,844	0.3	854	0.1	--	--	3,935	0.3
Net casualty or theft loss deduction.....	236	(?)	8	(?)	--	--	165	(?)
Total miscellaneous deductions.....	33,086	1.3	1,493	0.2	--	--	14,860	1.2
Foreign tax credit.....	39,572	1.6	408	0.1	--	--	9,877	0.8
General business credit.....	8,185	0.3	542	0.1	--	--	4,169	0.3
All other tax credits.....	22,321	0.9	841	0.1	--	--	12,982	1.0
Partnership and S corporation net losses.....	42,015	1.7	5,490	0.9	--	--	20,563	1.6
Foreign-earned income exclusion ³	23,779	0.9	122	(?)	--	--	288	(?)
No second largest item.....	69,030	2.7	151	(?)	--	--	9,648	0.8

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	202,470	8.2	13,264	0.5	1,234	(?)
Interest paid deduction.....	45,533	22.5	1,282	9.7	485	39.3
Investment interest expense deduction ¹	4,900	2.4	204	1.5	56	4.5
Taxes paid deduction.....	132,073	65.2	7,602	57.3	156	12.7
Charitable contributions deduction.....	--	--	1,634	12.3	380	30.8
Medical and dental expense deduction.....	1,573	0.8	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	9,177	4.5	2,405	18.1	157	12.8
Foreign tax credit.....	636	0.3	54	0.4	--	--
General business credit.....	785	0.4	--	--	--	--
All other tax credits.....	1,017	0.5	83	0.6	--	--
Partnership and S corporation net losses.....	4,495	2.2	--	--	--	--
No second largest item.....	2,281	1.1	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	190,810	7.5	12,476	0.5	1,231	(?)
Interest paid deduction.....	48,888	25.6	1,322	10.6	485	39.4
Tax-exempt interest ³	14,839	7.8	2,184	17.5	93	7.6
Taxes paid deduction.....	112,711	59.1	5,607	44.9	83	6.7
Charitable contributions deduction.....	--	--	1,246	10.0	416	33.8
Medical and dental expense deduction.....	851	0.4	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	3,937	2.1	2,018	16.2	154	12.5
Foreign tax credit.....	463	0.2	4	(?)	--	--
General business credit.....	1,485	0.8	--	--	--	--
All other tax credits.....	897	0.5	83	0.7	--	--
Partnership and S corporation net losses.....	4,660	2.4	--	--	--	--
Foreign-earned income exclusion ³	90	(?)	12	0.1	--	--
No second largest item.....	1,989	1.0	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	65,775	2.7	67,042	2.7	8,668	0.3	39,367	1.6
Interest paid deduction.....	20,243	30.8	7,783	11.6	1,665	19.2	4,811	12.2
Investment interest expense deduction ¹	1,274	1.9	1,127	1.7	444	5.1	1,235	3.1
Taxes paid deduction.....	33,590	51.1	13,922	20.8	3,298	38.0	11,380	28.9
Charitable contributions deduction.....	7,534	11.5	2,351	3.5	509	5.9	2,164	5.5
Medical and dental expense deduction.....	397	0.6	30	(²)	--	--	163	0.4
Net casualty or theft loss deduction.....	--	--	--	--	40	0.5	--	--
Total miscellaneous deductions.....	--	--	1,261	1.9	69	0.8	177	0.4
Foreign tax credit.....	359	0.5	--	--	702	8.1	3,000	7.6
General business credit.....	19	(²)	223	0.3	--	--	144	0.4
All other tax credits.....	648	1.0	4,463	6.7	538	6.2	--	--
Partnership and S corporation net losses.....	1,474	2.2	2,222	3.3	441	5.1	1,052	2.7
No second largest item.....	237	0.4	33,659	50.2	961	11.1	15,240	38.7
Returns with expanded income of \$200,000 or more								
Total.....	10,940	0.4	59,912	2.4	8,670	0.3	37,855	1.5
Interest paid deduction.....	1,821	16.6	3,712	6.2	1,742	20.1	5,194	13.7
Tax-exempt interest ³	2,210	20.2	3,922	6.5	1,419	16.4	2,265	6.0
Taxes paid deduction.....	4,377	40.0	10,149	16.9	2,940	33.9	11,531	30.5
Charitable contributions deduction.....	2,157	19.7	1,299	2.2	644	7.4	1,574	4.2
Medical and dental expense deduction.....	53	0.5	4	(²)	--	--	155	0.4
Net casualty or theft loss deduction.....	--	--	--	--	40	0.5	--	--
Total miscellaneous deductions.....	--	--	465	0.8	18	0.2	12	(²)
Foreign tax credit.....	81	0.7	--	--	403	4.6	2,169	5.7
General business credit.....	9	0.1	101	0.2	--	--	107	0.3
All other tax credits.....	18	0.2	830	1.4	468	5.4	--	--
Partnership and S corporation net losses.....	158	1.4	1,429	2.4	466	5.4	955	2.5
Foreign-earned income exclusion ³	22	0.2	23,124	38.6	--	--	22	0.1
No second largest item.....	36	0.3	14,879	24.8	531	6.1	13,873	36.6

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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 ²	
	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.....	77,744	3.1	--	--	--	--
Interest paid deduction.....	14,563	18.7	--	--	--	--
Investment interest expense deduction ¹	4,734	6.1	--	--	--	--
Taxes paid deduction.....	34,528	44.4	--	--	--	--
Charitable contributions deduction.....	7,677	9.9	--	--	--	--
Medical and dental expense deduction.....	77	0.1	--	--	--	--
Net casualty or theft loss deduction.....	8	(²)	--	--	--	--
Total miscellaneous deductions.....	1,440	1.9	--	--	--	--
Foreign tax credit.....	3,777	4.9	--	--	--	--
General business credit.....	756	1.0	--	--	--	--
All other tax credits.....	2,522	3.2	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	7,662	9.9	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	74,093	2.9	14,916	0.6	211,904	8.4
Interest paid deduction.....	14,751	19.9	1,042	7.0	13,538	6.4
Tax-exempt interest ³	7,519	10.1	1,258	8.4	--	--
Taxes paid deduction.....	32,699	44.1	1,953	13.1	105,645	49.9
Charitable contributions deduction.....	7,260	9.8	300	2.0	32,346	15.3
Medical and dental expense deduction.....	110	0.1	24	0.2	1,859	0.9
Net casualty or theft loss deduction.....	8	(²)	12	0.1	3	(²)
Total miscellaneous deductions.....	809	1.1	106	0.7	9,213	4.3
Foreign tax credit.....	1,676	2.3	9,005	60.4	15,487	7.3
General business credit.....	564	0.8	21	0.1	1,188	0.6
All other tax credits.....	2,583	3.5	330	2.2	3,290	1.6
Partnership and S corporation net losses.....	--	--	60	0.4	8,234	3.9
Foreign-earned income exclusion ³	45	0.1	--	--	54	(²)
No second largest item.....	6,069	8.2	806	5.4	21,048	9.9

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	3,385	100.0	83	2.5	703	20.8	141	4.2
Interest paid deduction.....	665	19.6	--	--	124	17.6	29	20.6
Investment interest expense deduction ¹	409	12.1	19	22.9	--	--	23	16.3
Taxes paid deduction.....	923	27.3	32	38.6	139	19.8	--	--
Charitable contributions deduction.....	495	14.6	18	21.7	177	25.2	20	14.2
Medical and dental expense deduction.....	44	1.3	**	**	10	1.4	**	**
Net casualty or theft loss deduction.....	6	0.2	**	**	--	--	--	--
Total miscellaneous deductions.....	197	5.8	3	3.6	60	8.5	14	9.9
Foreign tax credit.....	24	0.7	--	--	**	**	--	--
General business credit.....	10	0.3	--	--	**	**	--	--
All other tax credits.....	118	3.5	**	**	7	1.0	43	30.5
Partnership and S corporation net losses.....	285	8.4	3	3.6	168	23.9	9	6.4
No second largest item.....	209	6.2	--	--	6	0.9	**	**
Returns with expanded income of \$200,000 or more								
Total.....	4,910	100.0	77	1.6	--	--	186	3.8
Interest paid deduction.....	680	13.9	--	--	--	--	26	14.1
Tax-exempt interest ³	590	12.0	8	10.4	--	--	72	38.9
Taxes paid deduction.....	1,178	24.0	35	45.5	--	--	--	--
Charitable contributions deduction.....	565	11.5	19	24.7	--	--	23	12.4
Medical and dental expense deduction.....	515	10.5	3	3.9	--	--	**	**
Net casualty or theft loss deduction.....	7	0.1	--	--	--	--	--	--
Total miscellaneous deductions.....	329	6.7	**	**	--	--	9	4.9
Foreign tax credit.....	117	2.4	--	--	--	--	--	--
General business credit.....	6	0.1	--	--	--	--	--	--
All other tax credits.....	113	2.3	5	6.5	--	--	44	23.8
Partnership and S corporation net losses.....	436	8.9	**	**	--	--	9	4.9
Foreign-earned income exclusion ³	220	4.5	**	**	--	--	--	--
No second largest item.....	154	3.1	--	--	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	129	3.8	250	7.4	138	4.1
Interest paid deduction.....	30	23.3	10	4.0	47	34.1
Investment interest expense deduction ¹	44	34.1	6	2.4	14	10.1
Taxes paid deduction.....	7	5.4	50	20.0	39	28.3
Charitable contributions deduction.....	--	--	115	46.0	25	18.1
Medical and dental expense deduction.....	16	12.4	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	17	13.2	63	25.2	6	4.3
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	9	7.0	**	**	--	--
Partnership and S corporation net losses.....	4	3.1	**	**	**	**
No second largest item.....	--	--	--	--	**	**
Returns with expanded income of \$200,000 or more						
Total.....	153	3.1	486	9.9	136	2.8
Interest paid deduction.....	33	21.6	12	2.5	48	35.3
Tax-exempt interest ³	20	13.1	269	55.3	21	15.4
Taxes paid deduction.....	29	19.0	36	7.4	37	27.2
Charitable contributions deduction.....	--	--	109	22.4	20	14.7
Medical and dental expense deduction.....	18	11.8	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	20	13.1	53	10.9	**	**
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	11	7.2	4	0.8	--	--
Partnership and S corporation net losses.....	19	12.4	**	**	4	2.9
Foreign-earned income exclusion ³	--	--	**	**	--	--
No second largest item.....	--	--	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	620	18.3	153	4.5	4	0.1	842	24.9
Interest paid deduction.....	171	27.6	27	17.7	**	**	208	24.7
Investment interest expense deduction ¹	30	4.8	9	5.9	--	--	90	10.7
Taxes paid deduction.....	194	31.3	5	3.3	--	--	422	50.1
Charitable contributions deduction.....	59	9.5	**	**	**	**	39	4.6
Medical and dental expense deduction.....	**	**	--	--	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	**	**	--	--	**	**
Foreign tax credit.....	--	--	--	--	--	--	12	1.4
General business credit.....	**	**	--	--	**	**	**	**
All other tax credits.....	3	0.5	19	12.4	--	--	--	--
Partnership and S corporation net losses.....	68	11.0	5	3.3	**	**	22	2.6
No second largest item.....	81	13.1	80	52.3	--	--	40	4.8
Returns with expanded income of \$200,000 or more								
Total.....	66	1.3	241	4.9	4	0.1	836	17.0
Interest paid deduction.....	**	**	8	3.3	**	**	233	27.9
Tax-exempt interest ³	**	**	**	**	--	--	31	3.7
Taxes paid deduction.....	12	18.2	**	**	--	--	447	53.5
Charitable contributions deduction.....	19	28.8	**	**	**	**	43	5.1
Medical and dental expense deduction.....	**	**	--	--	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	**	**
Foreign tax credit.....	--	--	--	--	--	--	8	1.0
General business credit.....	--	--	--	--	--	--	--	--
All other tax credits.....	--	--	**	**	--	--	--	--
Partnership and S corporation net losses.....	4	6.1	4	1.7	**	**	25	3.0
Foreign-earned income exclusion ³	**	**	211	87.5	--	--	**	**
No second largest item.....	--	--	12	5.0	--	--	42	5.0

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	322	9.5	--	--	--	--
Interest paid deduction.....	**	**	--	--	--	--
Investment interest expense deduction ¹	174	54.0	--	--	--	--
Taxes paid deduction.....	35	10.9	--	--	--	--
Charitable contributions deduction.....	36	11.2	--	--	--	--
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--
Total miscellaneous deductions.....	23	7.1	--	--	--	--
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	3	0.9	--	--	--	--
All other tax credits.....	28	8.7	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	292	5.9	125	2.5	2,308	47.0
Interest paid deduction.....	11	3.8	16	12.8	284	12.3
Tax-exempt interest ³	148	50.7	--	--	--	--
Taxes paid deduction.....	40	13.7	**	**	539	23.4
Charitable contributions deduction.....	42	14.4	**	**	285	12.3
Medical and dental expense deduction.....	**	**	--	--	486	21.1
Net casualty or theft loss deduction.....	**	**	--	--	3	0.1
Total miscellaneous deductions.....	16	5.5	**	**	220	9.5
Foreign tax credit.....	**	**	103	82.4	**	**
General business credit.....	**	**	--	--	**	**
All other tax credits.....	26	8.9	**	**	21	0.9
Partnership and S corporation net losses.....	--	--	--	--	366	15.9
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	--	--	--	--	97	4.2

** 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 2001

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, Tax Year 2001

[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.....	2,448,606	100.0	655,608	26.8	40,844	1.7
Interest paid deduction.....	858,318	35.1	--	--	8,778	21.5
Investment interest expense deduction ¹	56,795	2.3	7,664	1.2	--	--
Taxes paid deduction.....	807,959	33.0	560,792	85.5	20,945	51.3
Charitable contributions deduction.....	498,196	20.3	61,845	9.4	5,703	14.0
Medical and dental expense deduction.....	8,074	0.3	866	0.1	45	0.1
Net casualty or theft loss deduction.....	237	(²)	11	(²)	12	(²)
Total miscellaneous deductions.....	96,628	3.9	17,693	2.7	1,659	4.1
General business credit.....	8,027	0.3	495	0.1	734	1.8
All other tax credits.....	23,103	0.9	1,222	0.2	992	2.4
Partnership and S corporation net losses.....	38,865	1.6	4,705	0.7	1,589	3.9
No second largest item.....	52,405	2.1	314	(²)	389	1.0
Returns with expanded income of \$200,000 or more						
Total.....	2,515,986	100.0	645,180	25.6	--	--
Interest paid deduction.....	853,628	33.9	--	--	--	--
Tax-exempt interest ³	134,099	5.3	4,773	0.7	--	--
Taxes paid deduction.....	849,363	33.8	564,067	87.4	--	--
Charitable contributions deduction.....	465,647	18.5	66,513	10.3	--	--
Medical and dental expense deduction.....	7,909	0.3	854	0.1	--	--
Net casualty or theft loss deduction.....	250	(²)	8	(²)	--	--
Total miscellaneous deductions.....	33,501	1.3	1,577	0.2	--	--
General business credit.....	8,528	0.3	544	0.1	--	--
All other tax credits.....	28,792	1.1	862	0.1	--	--
Partnership and S corporation net losses.....	42,907	1.7	5,531	0.9	--	--
Foreign-earned income exclusion ³	1,713	0.1	293	(²)	--	--
No second largest item.....	89,650	3.6	158	(²)	--	--

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	1,332,748	54.4	204,843	8.4	13,298	0.5
Interest paid deduction.....	759,671	57.0	45,983	22.4	1,296	9.7
Investment interest expense deduction ¹	35,833	2.7	5,006	2.4	205	1.5
Taxes paid deduction.....	--	--	133,432	65.1	7,625	57.3
Charitable contributions deduction.....	410,264	30.8	--	--	1,637	12.3
Medical and dental expense deduction.....	4,951	0.4	1,576	0.8	--	--
Net casualty or theft loss deduction.....	166	(²)	--	--	--	--
Total miscellaneous deductions.....	63,369	4.8	9,588	4.7	2,450	18.4
General business credit.....	5,046	0.4	796	0.4	--	--
All other tax credits.....	15,747	1.2	1,116	0.5	85	0.6
Partnership and S corporation net losses.....	24,869	1.9	4,520	2.2	--	--
No second largest item.....	12,831	1.0	2,825	1.4	--	--
Returns with expanded income of \$200,000 or more						
Total.....	1,275,988	50.7	192,130	7.6	12,488	0.5
Interest paid deduction.....	757,158	59.3	49,209	25.6	1,322	10.6
Tax-exempt interest ³	94,517	7.4	14,954	7.8	2,189	17.5
Taxes paid deduction.....	--	--	113,453	59.0	5,607	44.9
Charitable contributions deduction.....	351,415	27.5	--	--	1,248	10.0
Medical and dental expense deduction.....	3,935	0.3	854	0.4	--	--
Net casualty or theft loss deduction.....	165	(²)	--	--	--	--
Total miscellaneous deductions.....	15,168	1.2	3,992	2.1	2,021	16.2
General business credit.....	4,243	0.3	1,489	0.8	--	--
All other tax credits.....	14,281	1.1	922	0.5	85	0.7
Partnership and S corporation net losses.....	20,911	1.6	4,678	2.4	--	--
Foreign-earned income exclusion ³	729	0.1	188	0.1	16	0.1
No second largest item.....	13,466	1.1	2,393	1.2	--	--

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	1,236	0.1	67,044	2.7	8,893	0.4	44,088	1.8
Interest paid deduction.....	485	39.2	20,398	30.4	1,686	19.0	5,135	11.6
Investment interest expense deduction ¹	**	**	1,318	2.0	**	**	1,355	3.1
Taxes paid deduction.....	157	12.7	34,568	51.6	3,329	37.4	12,009	27.2
Charitable contributions deduction.....	380	30.7	7,897	11.8	527	5.9	2,201	5.0
Medical and dental expense deduction.....	--	--	397	0.6	--	--	163	0.4
Net casualty or theft loss deduction.....	--	--	--	--	40	0.4	--	--
Total miscellaneous deductions.....	157	12.7	--	--	69	0.8	185	0.4
General business credit.....	--	--	19	(²)	--	--	160	0.4
All other tax credits.....	--	--	690	1.0	574	6.5	--	--
Partnership and S corporation net losses.....	**	**	1,489	2.2	**	**	1,248	2.8
No second largest item.....	--	--	267	0.4	1,771	19.9	21,631	49.1
Returns with expanded income of \$200,000 or more								
Total.....	1,233	(²)	11,406	0.5	8,773	0.3	38,927	1.5
Interest paid deduction.....	485	39.3	1,832	16.1	1,744	19.9	5,301	13.6
Tax-exempt interest ³	94	7.6	2,221	19.5	1,459	16.6	2,478	6.4
Taxes paid deduction.....	84	6.8	4,843	42.5	2,953	33.7	11,886	30.5
Charitable contributions deduction.....	416	33.7	2,167	19.0	647	7.4	1,605	4.1
Medical and dental expense deduction.....	--	--	53	0.5	--	--	155	0.4
Net casualty or theft loss deduction.....	--	--	--	--	40	0.5	--	--
Total miscellaneous deductions.....	154	12.5	--	--	19	0.2	15	(²)
General business credit.....	--	--	9	0.1	--	--	119	0.3
All other tax credits.....	--	--	26	0.2	488	5.6	--	--
Partnership and S corporation net losses.....	--	--	161	1.4	466	5.3	973	2.5
Foreign-earned income exclusion ³	--	--	58	0.5	--	--	125	0.3
No second largest item.....	--	--	36	0.3	958	10.9	16,271	41.8

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	80,003	3.3	--	--	--	--
Interest paid deduction.....	14,885	18.6	--	--	--	--
Investment interest expense deduction ¹	4,904	6.1	--	--	--	--
Taxes paid deduction.....	35,102	43.9	--	--	--	--
Charitable contributions deduction.....	7,741	9.7	--	--	--	--
Medical and dental expense deduction.....	77	0.1	--	--	--	--
Net casualty or theft loss deduction.....	8	(²)	--	--	--	--
Total miscellaneous deductions.....	1,457	1.8	--	--	--	--
General business credit.....	778	1.0	--	--	--	--
All other tax credits.....	2,676	3.3	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	12,376	15.5	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	75,559	3.0	38,371	1.5	215,931	8.6
Interest paid deduction.....	15,052	19.9	7,797	20.3	13,727	6.4
Tax-exempt interest ³	7,708	10.2	3,705	9.7	--	--
Taxes paid deduction.....	32,979	43.6	6,209	16.2	107,283	49.7
Charitable contributions deduction.....	7,297	9.7	1,671	4.4	32,670	15.1
Medical and dental expense deduction.....	110	0.1	76	0.2	1,872	0.9
Net casualty or theft loss deduction.....	8	(²)	26	0.1	3	(²)
Total miscellaneous deductions.....	829	1.1	322	0.8	9,403	4.4
General business credit.....	577	0.8	108	0.3	1,438	0.7
All other tax credits.....	2,649	3.5	5,842	15.2	3,638	1.7
Partnership and S corporation net losses.....	--	--	699	1.8	9,489	4.4
Foreign-earned income exclusion ³	100	0.1	--	--	204	0.1
No second largest item.....	8,249	10.9	11,917	31.1	36,203	16.8

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	2,875	100.0	80	2.8	665	23.1
Interest paid deduction.....	573	19.9	--	--	120	18.0
Investment interest expense deduction ¹	363	12.6	19	23.8	--	--
Taxes paid deduction.....	780	27.1	30	37.5	133	20.0
Charitable contributions deduction.....	456	15.9	17	21.3	167	25.1
Medical and dental expense deduction.....	41	1.4	**	**	**	**
Net casualty or theft loss deduction.....	6	0.2	**	**	--	--
Total miscellaneous deductions.....	185	6.4	3	3.8	57	8.6
All other tax credits. ⁴	76	2.6	5	6.3	5	0.6
Partnership and S corporation net losses.....	266	9.3	3	3.8	167	25.1
No second largest item.....	129	4.5	--	--	**	**
Returns with expanded income of \$200,000 or more						
Total.....	4,119	100.0	72	1.7	--	--
Interest paid deduction.....	581	14.1	--	--	--	--
Tax-exempt interest ³	555	13.5	8	11.1	--	--
Taxes paid deduction.....	1,026	24.9	33	45.8	--	--
Charitable contributions deduction.....	504	12.2	18	25.0	--	--
Medical and dental expense deduction.....	499	12.1	3	4.2	--	--
Net casualty or theft loss deduction.....	7	0.2	--	--	--	--
Total miscellaneous deductions.....	310	7.5	**	**	--	--
All other tax credits. ⁴	82	1.9	**	**	--	--
Partnership and S corporation net losses.....	409	9.9	**	**	--	--
Foreign-earned income exclusion ³	5	0.1	**	**	--	--
No second largest item.....	141	3.4	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	127	4.4	112	3.9	246	8.6
Interest paid deduction.....	26	20.5	29	25.9	10	4.1
Investment interest expense deduction ¹	22	17.3	40	35.7	6	2.4
Taxes paid deduction.....	--	--	6	5.4	50	20.3
Charitable contributions deduction.....	20	15.7	--	--	113	45.9
Medical and dental expense deduction.....	**	**	13	11.6	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	14	11.0	14	12.5	63	25.6
All other tax credits. ⁴	33	26.0	**	**	**	**
Partnership and S corporation net losses.....	9	7.1	**	**	**	**
No second largest item.....	**	**	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	170	4.1	134	3.3	478	11.6
Interest paid deduction.....	23	13.6	30	22.4	12	2.5
Tax-exempt interest ³	70	41.4	19	14.2	264	55.2
Taxes paid deduction.....	--	--	28	20.9	36	7.5
Charitable contributions deduction.....	23	13.6	--	--	108	22.6
Medical and dental expense deduction.....	**	**	15	11.2	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	16	11.9	53	11.1
All other tax credits. ⁴	33	19.5	7	4.5	**	**
Partnership and S corporation net losses.....	9	5.3	19	14.2	**	**
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	**	**	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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		All other tax credits ⁴	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(13)	(14)	(15)	(16)	(17)	(18)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	136	4.7	615	21.4	605	21.0
Interest paid deduction.....	47	34.6	171	27.8	155	25.5
Investment interest expense deduction ¹	14	10.3	30	4.9	64	10.6
Taxes paid deduction.....	38	27.9	192	31.2	300	49.8
Charitable contributions deduction.....	25	18.4	57	9.3	28	4.6
Medical and dental expense deduction.....	**	**	9	1.5	--	--
Net casualty or theft loss deduction.....	--	--	**	**	--	--
Total miscellaneous deductions.....	**	**	--	--	**	**
All other tax credits ⁴	--	--	**	**	**	**
Partnership and S corporation net losses.....	**	**	68	11.1	**	**
No second largest item.....	**	**	81	13.2	40	6.6
Returns with expanded income of \$200,000 or more						
Total.....	134	3.3	65	1.6	597	14.5
Interest paid deduction.....	48	35.8	**	**	175	29.2
Tax-exempt interest ³	20	14.9	18	27.7	14	2.4
Taxes paid deduction.....	36	26.9	**	**	321	53.9
Charitable contributions deduction.....	20	14.9	**	**	30	5.0
Medical and dental expense deduction.....	**	**	3	4.6	--	--
Net casualty or theft loss deduction.....	--	--	**	**	--	--
Total miscellaneous deductions.....	**	**	--	--	**	**
All other tax credits ⁴	--	--	--	--	--	--
Partnership and S corporation net losses.....	**	**	4	6.2	**	**
Foreign-earned income exclusion ³	--	--	**	**	--	--
No second largest item.....	**	**	--	--	42	7.1

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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
	(19)	(20)	(21)	(22)	(23)	(24)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	289	10.1	--	--	--	--
Interest paid deduction.....	15	5.2	--	--	--	--
Investment interest expense deduction ¹	168	58.1	--	--	--	--
Taxes paid deduction.....	31	10.7	--	--	--	--
Charitable contributions deduction.....	29	10.0	--	--	--	--
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--
Total miscellaneous deductions.....	22	7.6	--	--	--	--
All other tax credits ⁴	20	6.2	--	--	--	--
Partnership and S corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	259	6.3	5	(²)	2,205	53.5
Interest paid deduction.....	**	**	**	**	274	12.4
Tax-exempt interest ³	142	54.8	--	--	--	--
Taxes paid deduction.....	36	13.9	**	**	522	23.7
Charitable contributions deduction.....	35	13.5	**	**	250	11.3
Medical and dental expense deduction.....	**	**	--	--	473	21.5
Net casualty or theft loss deduction.....	3	1.2	--	--	**	**
Total miscellaneous deductions.....	14	5.4	--	--	212	9.6
All other tax credits ⁴	17	6.2	--	--	18	0.7
Partnership and S corporation net losses.....	--	--	--	--	356	16.1
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	--	--	--	--	96	4.4

** 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.

⁴ General business credit has been combined with all other credits.

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 2001

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, Tax Year 2001

[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.....	3,385	156	281	282	160	97
Interest paid deduction:						
Total.....	3,385	700	1,032	293	123	96
Investment interest per income concept.....	3,385	1,543	638	115	73	75
Taxes paid deduction.....	3,385	336	1,824	586	262	112
Charitable contributions deduction.....	3,385	710	1,790	181	136	197
Medical and dental expense deduction.....	3,385	3,011	61	18	13	7
Net casualty or theft loss deduction.....	3,385	3,236	4	--	4	--
Net limited miscellaneous deduction per income concept.....	3,385	2,225	613	231	98	64
Non-limited miscellaneous deduction.....	3,385	2,737	51	15	9	6
Deduction equivalent of:						
Total credits.....	3,385	2,148	105	28	**	53
Foreign tax credit.....	3,385	3,044	180	**	**	3
General business credit.....	3,385	3,319	49	**	**	3
Tax preferences excluded from adjusted gross income.....	3,385	2,241	669	115	77	44
Expanded income concept						
Total itemized deductions.....	4,910	644	583	751	528	395
Interest paid deduction:						
Total.....	4,910	2,569	1,351	492	264	116
Investment interest per income concept.....	4,910	3,463	999	140	71	37
Taxes paid deduction.....	4,910	786	2,569	818	304	124
Charitable contributions deduction.....	4,910	1,164	2,726	417	203	125
Medical and dental expense deduction.....	4,910	3,145	746	147	140	138
Net casualty or theft loss deduction.....	4,910	4,751	11	**	**	**
Net limited miscellaneous deduction per income concept.....	4,910	2,495	1,584	433	160	80
Non-limited miscellaneous deduction.....	4,910	4,810	68	10	**	5
Deduction equivalent of:						
Total credits.....	4,910	3,368	225	70	72	**
Foreign tax credit.....	4,910	4,322	235	**	36	19
General business credit.....	4,910	4,842	50	8	3	**
Tax preferences excluded from adjusted gross income.....	4,910	1,387	417	138	140	148

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	57	42	22	246	2,042
Interest paid deduction:					
Total.....	103	105	96	450	387
Investment interest per income concept.....	89	103	95	369	285
Taxes paid deduction.....	81	42	23	46	73
Charitable contributions deduction.....	103	268	--	--	--
Medical and dental expense deduction.....	26	27	30	99	93
Net casualty or theft loss deduction.....	--	**	**	36	100
Net limited miscellaneous deduction per income concept.....	31	22	19	42	40
Non-limited miscellaneous deduction.....	7	3	10	241	306
Deduction equivalent of:					
Total credits.....	107	190	265	462	**
Foreign tax credit.....	**	**	5	147	**
General business credit.....	**	**	**	--	--
Tax preferences excluded from adjusted gross income.....	26	25	28	53	107
Expanded income concept					
Total itemized deductions.....	287	248	211	457	806
Interest paid deduction:					
Total.....	51	16	12	31	8
Investment interest per income concept.....	24	18	12	44	102
Taxes paid deduction.....	76	50	33	50	100
Charitable contributions deduction.....	102	60	20	56	37
Medical and dental expense deduction.....	112	106	83	206	87
Net casualty or theft loss deduction.....	**	**	3	**	96
Net limited miscellaneous deduction per income concept.....	47	28	18	32	33
Non-limited miscellaneous deduction.....	5	**	**	**	3
Deduction equivalent of:					
Total credits.....	116	241	319	434	**
Foreign tax credit.....	17	72	61	114	**
General business credit.....	**	--	**	--	--
Tax preferences excluded from adjusted gross income.....	191	246	329	1,535	379

** 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 2001

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, Tax Year 2001

[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.....	2,875	42	175	200	108	65
Interest paid deduction:						
Total.....	2,875	543	816	241	99	84
Investment interest per income concept.....	2,875	1,253	492	99	63	69
Taxes paid deduction.....	2,875	210	1,579	511	230	97
Charitable contributions deduction.....	2,875	545	1,504	164	130	178
Medical and dental expense deduction.....	2,875	2,510	59	18	13	**
Net casualty or theft loss deduction.....	2,875	2,728	4	--	4	--
Net limited miscellaneous deduction per income concept.....	2,875	1,820	529	214	97	62
Non-limited miscellaneous deduction.....	2,875	2,241	43	15	8	6
Deduction equivalent of:						
Total credits.....	2,875	2,145	45	16	10	37
Foreign tax credit.....	2,875	2,875	--	--	--	--
General business credit.....	2,875	2,838	28	4	--	**
Tax preferences excluded from adjusted gross income.....	2,875	1,898	549	103	67	37
Expanded income concept						
Total itemized deductions.....	4,119	405	412	610	430	344
Interest paid deduction:						
Total.....	4,119	2,186	1,044	424	240	113
Investment interest per income concept.....	4,119	2,888	825	122	66	32
Taxes paid deduction.....	4,119	518	2,200	725	272	112
Charitable contributions deduction.....	4,119	835	2,343	375	192	120
Medical and dental expense deduction.....	4,119	2,418	707	143	135	133
Net casualty or theft loss deduction.....	4,119	3,964	9	4	**	**
Net limited miscellaneous deduction per income concept.....	4,119	1,865	1,447	416	156	79
Non-limited miscellaneous deduction.....	4,119	4,033	57	10	5	**
Deduction equivalent of:						
Total credits.....	4,119	3,355	94	16	19	32
Foreign tax credit.....	4,119	4,119	--	--	--	--
General business credit.....	4,119	4,088	22	4	**	**
Tax preferences excluded from adjusted gross income.....	4,119	871	299	124	124	138

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	35	32	10	168	2,040
Interest paid deduction:					
Total.....	98	97	89	421	387
Investment interest per income concept.....	83	96	88	347	285
Taxes paid deduction.....	72	39	23	41	73
Charitable contributions deduction.....	97	257	--	--	--
Medical and dental expense deduction.....	**	26	30	97	93
Net casualty or theft loss deduction.....	--	**	**	36	98
Net limited miscellaneous deduction per income concept.....	30	22	19	42	40
Non-limited miscellaneous deduction.....	**	**	10	238	306
Deduction equivalent of:					
Total credits.....	65	128	197	232	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	**	**	--	--
Tax preferences excluded from adjusted gross income.....	23	24	27	49	98
Expanded income concept					
Total itemized deductions.....	261	232	200	428	797
Interest paid deduction:					
Total.....	49	16	**	28	**
Investment interest per income concept.....	22	17	11	41	95
Taxes paid deduction.....	68	47	32	45	100
Charitable contributions deduction.....	93	56	18	50	37
Medical and dental expense deduction.....	107	104	83	202	87
Net casualty or theft loss deduction.....	**	**	**	**	94
Net limited miscellaneous deduction per income concept.....	46	28	17	32	33
Non-limited miscellaneous deduction.....	5	**	--	**	**
Deduction equivalent of:					
Total credits.....	62	109	192	240	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	--	**	--	--
Tax preferences excluded from adjusted gross income.....	179	233	295	1,478	378

** 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 2001

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, Tax Year 2001

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
	Number or returns	Percentage of total	Under \$50,000 ¹		\$50,000 under \$100,000
			Number of returns	Percentage of total	Number of returns
	(1)	(2)	(3)	(4)	(5)
All returns.....	130,255,237	100.0	92,755,147	100.0	26,463,672
Returns without U.S. income tax.....	32,864,884	25.2	32,659,087	35.2	194,293
Returns with U.S. income tax.....	97,390,354	74.8	60,096,061	64.8	26,269,379
Effective tax rate:					
Under 5 percent.....	21,418,831	16.4	19,875,594	21.4	1,454,448
5 under 10 percent.....	33,789,529	25.9	25,063,038	27.0	8,380,057
10 under 15 percent.....	27,124,973	20.8	13,675,326	14.7	10,958,949
15 under 20 percent.....	10,958,407	8.4	1,216,218	1.3	4,961,903
20 under 25 percent.....	2,733,927	2.1	34,011	(?)	504,377
25 under 30 percent.....	787,239	0.6	20,446	(?)	162
30 under 35 percent.....	303,500	0.2	5,986	(?)	942
35 under 40 percent.....	55,630	(?)	1,068	(?)	--
40 under 45 percent.....	4,447	(?)	2,221	(?)	99
45 under 50 percent.....	710	(?)	8	(?)	--
50 under 60 percent.....	5,398	(?)	238	(?)	4,105
60 under 70 percent.....	816	(?)	11	(?)	390
70 under 80 percent.....	61	(?)	3	(?)	8
80 percent or more.....	8,243	(?)	7,451	(?)	96

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	8,469,199	100.0	2,567,220	100.0
Returns without U.S. income tax.....	0.7	8,119	0.1	3,385	0.1
Returns with U.S. income tax.....	99.3	8,461,079	99.9	2,563,835	99.9
Effective tax rate:					
Under 5 percent.....	5.5	69,333	0.8	19,456	0.8
5 under 10 percent.....	31.7	323,230	3.8	23,204	0.9
10 under 15 percent.....	41.4	2,424,573	28.6	66,125	2.6
15 under 20 percent.....	18.7	4,382,454	51.7	397,832	15.5
20 under 25 percent.....	1.9	1,190,140	14.1	1,005,400	39.2
25 under 30 percent.....	(?)	65,658	0.8	700,973	27.3
30 under 35 percent.....	(?)	2,389	(?)	294,183	11.5
35 under 40 percent.....	--	1,208	(?)	53,354	2.1
40 under 45 percent.....	(?)	1,339	(?)	788	(?)
45 under 50 percent.....	--	25	(?)	676	(?)
50 under 60 percent.....	(?)	149	(?)	905	(?)
60 under 70 percent.....	(?)	4	(?)	410	(?)
70 under 80 percent.....	(?)	14	(?)	35	(?)
80 percent or more.....	(?)	239	(?)	458	(?)

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
	Number or returns	Percentage of total	Under \$50,000 ¹		\$50,000 under \$100,000
			Number of returns	Percentage of total	Number of returns
	(11)	(12)	(13)	(14)	(15)
All returns.....	130,255,237	100.0	92,037,669	100.0	27,212,352
Returns without U.S. income tax.....	32,864,884	25.2	32,592,993	35.4	246,945
Returns with U.S. income tax.....	97,390,354	74.8	59,444,676	64.6	26,965,407
Effective tax rate:					
Under 5 percent.....	22,430,147	17.2	20,747,881	22.5	1,558,442
5 under 10 percent.....	33,154,110	25.5	23,861,029	25.9	8,929,648
10 under 15 percent.....	26,634,155	20.4	13,343,982	14.5	10,929,636
15 under 20 percent.....	11,081,574	8.5	1,218,517	1.3	5,017,804
20 under 25 percent.....	2,718,700	2.1	36,986	(²)	511,383
25 under 30 percent.....	786,435	0.6	19,400	(²)	4,380
30 under 35 percent.....	304,063	0.2	5,985	(²)	945
35 under 40 percent.....	52,374	(²)	962	(²)	48
40 under 45 percent.....	4,590	(²)	2,084	(²)	346
45 under 50 percent.....	3,745	(²)	1,004	(²)	2,097
50 under 60 percent.....	3,253	(²)	--	--	2,202
60 under 70 percent.....	642	(²)	248	(²)	4
70 under 80 percent.....	53	(²)	8	(²)	8
80 percent or more.....	7,682	(²)	7,012	(²)	96

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	Number of returns	Percentage of total	Number of returns	Percentage of total
	(16)	(17)	(18)	(19)	(20)
All returns.....	100.0	8,400,195	100.0	2,605,021	100.0
Returns without U.S. income tax.....	0.9	20,036	0.2	4,910	0.2
Returns with U.S. income tax.....	99.1	8,380,160	99.8	2,600,111	99.8
Effective tax rate:					
Under 5 percent.....	5.7	85,931	1.0	37,892	1.5
5 under 10 percent.....	32.8	326,361	3.9	37,072	1.4
10 under 15 percent.....	40.2	2,272,784	27.1	87,753	3.4
15 under 20 percent.....	18.4	4,439,621	52.9	405,632	15.6
20 under 25 percent.....	1.9	1,175,847	14.0	994,484	38.2
25 under 30 percent.....	(²)	71,868	0.9	690,787	26.5
30 under 35 percent.....	(²)	4,282	0.1	292,851	11.2
35 under 40 percent.....	(²)	1,005	(²)	50,358	1.9
40 under 45 percent.....	(²)	1,384	(²)	776	(²)
45 under 50 percent.....	(²)	9	(²)	635	(²)
50 under 60 percent.....	(²)	166	(²)	885	(²)
60 under 70 percent.....	(²)	11	(²)	379	(²)
70 under 80 percent.....	(²)	11	(²)	25	(²)
80 percent or more.....	(²)	84	(²)	491	(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 2001

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, Tax Year 2001

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
	Number or returns	Percentage of total	Under \$50,000 ¹		\$50,000 under \$100,000
			Number of returns	Percentage of total	Number of returns
	(1)	(2)	(3)	(4)	(5)
All returns.....	130,255,237	100.0	92,755,147	100.0	26,463,672
Returns without worldwide income tax.....	32,771,569	25.2	32,584,054	35.1	177,156
Returns with worldwide income tax.....	97,483,668	74.8	60,171,094	64.9	26,286,516
Effective tax rate:					
Under 5 percent.....	21,392,140	16.4	19,885,045	21.4	1,441,055
5 under 10 percent.....	33,774,002	25.9	25,068,487	27.0	8,373,920
10 under 15 percent.....	27,133,414	20.8	13,699,313	14.8	10,959,157
15 under 20 percent.....	10,973,168	8.4	1,223,823	1.3	4,973,455
20 under 25 percent.....	2,752,883	2.1	34,596	(?)	513,716
25 under 30 percent.....	801,632	0.6	21,378	(?)	1,982
30 under 35 percent.....	318,293	0.2	6,503	(?)	2,006
35 under 40 percent.....	68,585	0.1	1,764	(?)	1,266
40 under 45 percent.....	14,033	(?)	2,947	(?)	1,262
45 under 50 percent.....	5,926	(?)	696	(?)	1,057
50 under 60 percent.....	10,249	(?)	1,367	(?)	6,023
60 under 70 percent.....	4,342	(?)	1,200	(?)	2,184
70 under 80 percent.....	2,095	(?)	1,356	(?)	561
80 percent or more.....	18,027	(?)	16,684	(?)	530

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	8,469,199	100.0	2,567,220	100.0
Returns without worldwide income tax.....	0.7	7,485	0.1	2,875	0.1
Returns with worldwide income tax.....	99.3	8,461,714	99.9	2,564,345	99.9
Effective tax rate:					
Under 5 percent.....	5.4	56,729	0.7	9,311	0.4
5 under 10 percent.....	31.6	314,498	3.7	17,096	0.7
10 under 15 percent.....	41.4	2,414,401	28.5	60,542	2.4
15 under 20 percent.....	18.8	4,385,593	51.8	390,296	15.2
20 under 25 percent.....	1.9	1,203,458	14.2	1,001,113	39.0
25 under 30 percent.....	(?)	68,889	0.8	709,383	27.6
30 under 35 percent.....	(?)	6,221	0.1	303,562	11.8
35 under 40 percent.....	(?)	3,708	(?)	61,847	2.4
40 under 45 percent.....	(?)	4,011	(?)	5,814	0.2
45 under 50 percent.....	(?)	1,652	(?)	2,520	0.1
50 under 60 percent.....	(?)	1,389	(?)	1,469	0.1
60 under 70 percent.....	(?)	377	(?)	580	(?)
70 under 80 percent.....	(?)	124	(?)	55	(?)
80 percent or more.....	(?)	335	(?)	478	(?)

Footnotes at end of table.

High-Income Tax Returns for 2001

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, Tax Year 2001--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.....	130,255,237	100.0	92,037,669	100.0	27,212,352
Returns without worldwide income tax.....	32,771,569	25.2	32,529,445	35.3	225,022
Returns with worldwide income tax.....	97,483,668	74.8	59,508,224	64.7	26,987,331
Effective tax rate:					
Under 5 percent.....	22,399,105	17.2	20,761,279	22.6	1,554,356
5 under 10 percent.....	33,158,877	25.5	23,883,466	25.9	8,928,997
10 under 15 percent.....	26,646,464	20.5	13,352,080	14.5	10,942,304
15 under 20 percent.....	11,094,814	8.5	1,222,632	1.3	5,018,429
20 under 25 percent.....	2,746,057	2.1	37,087	(²)	520,419
25 under 30 percent.....	808,145	0.6	19,561	(²)	5,310
30 under 35 percent.....	320,245	0.2	6,036	(²)	1,511
35 under 40 percent.....	61,568	(²)	962	(²)	326
40 under 45 percent.....	5,977	(²)	2,084	(²)	507
45 under 50 percent.....	4,165	(²)	1,015	(²)	2,207
50 under 60 percent.....	3,495	(²)	--	--	2,253
60 under 70 percent.....	770	(²)	259	(²)	4
70 under 80 percent.....	309	(²)	140	(²)	70
80 percent or more.....	8,102	(²)	7,320	(²)	118

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	8,400,195	100.0	2,605,021	100.0
Returns without worldwide income tax.....	0.8	12,983	0.2	4,119	0.2
Returns with worldwide income tax.....	99.2	8,387,212	99.8	2,600,902	99.8
Effective tax rate:					
Under 5 percent.....	5.7	64,366	0.8	19,104	0.7
5 under 10 percent.....	32.8	320,235	3.8	26,179	1.0
10 under 15 percent.....	40.2	2,268,714	27.0	83,367	3.2
15 under 20 percent.....	18.4	4,453,144	53.0	400,609	15.4
20 under 25 percent.....	1.9	1,190,793	14.2	997,759	38.3
25 under 30 percent.....	(²)	77,963	0.9	705,312	27.1
30 under 35 percent.....	(²)	6,786	0.1	305,913	11.7
35 under 40 percent.....	(²)	2,576	(²)	57,703	2.2
40 under 45 percent.....	(²)	1,562	(²)	1,824	0.1
45 under 50 percent.....	(²)	115	(²)	828	(²)
50 under 60 percent.....	(²)	249	(²)	993	(²)
60 under 70 percent.....	(²)	47	(²)	460	(²)
70 under 80 percent.....	(²)	60	(²)	40	(²)
80 percent or more.....	(²)	167	(²)	497	(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.