

# Section 1

# Introduction and Changes in Law

## Introduction

This report contains complete individual income tax data for Tax Year 2000. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 129 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2000.

Table A on the following pages presents selected income and tax items for Tax Years 1996, 1997, 1998, 1999, and 2000 as they appear on the forms and provides the percentage change for each item between 1999 and 2000. When comparing income and tax items from different years, it is important to consider any changes in the tax law which may have affected the data. These tax law changes are explained below. To assist inter-year comparisons, Table A includes the items in both current dollars and constant 1990 dollars, as adjusted by the U.S. Department of Labor's consumer price index (CPI-U).

For Tax Year 2000, the number of individual tax returns filed increased by over 2.0 million, or

1.8 percent. Adjusted gross income (AGI) grew \$509.9 billion, or 8.7 percent from 1999 to 2000, compared to the 8.1 percent growth recorded from 1998 to 1999. Total tax liability increased 11.5 percent to over \$1 trillion. Several components of AGI showed sizable increases for 2000: taxable social security benefits increased 19.8 percent; taxable IRA distributions increased 13.6 percent; and alimony received and taxable interest received each increased 13.5 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2000, and the 1979 Income Concept. Section 2 describes the sample of individual income tax returns upon which the statistics are based. Section 3 contains tables of detailed aggregate statistics on individual tax returns. Section 4 provides explanations of the terms used in the tables. The tax forms appear in Section 5 and Section 6 contains a subject index.

**Table A--Selected Income and Tax Items for Selected Years, 1996-2000, in Current and Constant 1990 Dollars<sup>1</sup>**

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

Item	Current dollars					Percent change, 1999 to 2000
	1996	1997	1998	1999	2000	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>All returns*</b> .....	<b>120,351,208</b>	<b>122,421,991</b>	<b>124,770,662</b>	<b>127,075,145</b>	<b>129,373,500</b>	<b>1.8</b>
Form 1040 returns.....	66,264,999	68,781,991	71,162,837	74,165,814	78,846,102	6.3
Electronically filed returns.....	4,905,975	6,972,994	9,450,121	13,173,514	16,018,213	21.6
Form 1040A returns.....	24,579,173	24,780,076	25,987,822	26,961,302	28,826,589	6.9
Electronically filed returns.....	7,083,225	8,475,296	10,285,487	12,462,963	13,889,642	11.4
Form 1040EZ returns.....	21,196,154	21,154,656	20,830,173	20,752,420	21,700,809	4.6
Electronically filed returns.....	6,964,704	8,839,265	9,150,964	9,858,843	10,170,740	3.2
Form 1040PC returns.....	8,310,882	7,705,268	6,789,831	5,195,609	NA	NA
Salaries & wages						
Number of returns.....	102,748,874	104,404,985	106,535,263	108,183,782	110,168,714	1.8
Amount.....	3,376,871,545	3,613,918,456	3,879,762,259	4,132,473,459	4,456,167,438	7.8
Taxable interest received						
Number of returns.....	67,159,338	67,300,571	67,231,792	67,218,877	68,046,458	1.2
Amount.....	165,672,564	171,700,242	178,333,632	175,675,236	199,321,670	13.5
Tax-exempt interest						
Number of returns.....	5,000,839	4,925,914	4,778,374	4,801,877	4,658,345	-3.0
Amount.....	48,216,666	49,016,921	50,223,365	52,513,007	53,951,877	2.7
Dividends in AGI						
Number of returns.....	27,709,581	29,507,639	30,423,274	32,226,492	34,140,604	5.9
Amount.....	104,254,986	120,493,432	118,479,991	132,465,522	146,987,679	11.0
State income tax refund						
Number of returns.....	18,352,565	19,218,388	19,544,265	20,811,334	20,921,057	0.5
Amount.....	12,751,223	14,094,351	14,707,844	17,976,204	18,309,835	1.9
Alimony received						
Number of returns.....	415,593	413,109	437,410	418,989	442,335	5.6
Amount.....	4,592,121	4,965,883	5,118,123	5,455,497	6,192,307	13.5
Business or profession net income, less loss						
Number of returns.....	16,735,827	16,937,575	17,104,786	17,312,125	17,600,010	1.7
Amount.....	176,903,956	186,741,216	202,400,115	208,414,067	213,865,353	2.6
Net capital gain in AGI less loss						
Number of returns.....	16,636,286	24,240,112	25,690,397	21,493,841	22,875,460	6.4
Amount.....	245,960,751	356,083,267	446,083,839	530,795,936	614,739,612	15.8
Capital gain distributions reported on Form 1040						
Number of returns.....	5,428,435	N/A	N/A	6,206,662	6,645,305	7.1
Amount.....	5,856,183	N/A	N/A	11,962,180	15,802,819	32.1
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,822,036	1,744,602	1,719,937	1,732,925	1,700,051	-1.9
Amount.....	-2,284,494	-1,460,402	-1,575,698	-1,712,291	-919,134	46.3
Total IRA distributions						
Number of returns.....	6,456,820	6,761,089	8,530,379	8,751,378	9,381,311	7.2
Amount.....	70,006,464	79,009,673	133,357,445	125,316,324	138,323,846	10.4
Taxable IRA distributions in AGI						
Number of returns.....	5,831,146	6,214,044	7,774,091	8,129,376	8,732,291	7.4
Amount.....	45,538,743	55,182,520	74,094,367	87,140,912	98,966,627	13.6
Total pensions & annuities						
Number of returns.....	20,675,450	20,948,184	22,211,348	23,180,716	23,793,404	2.6
Amount.....	344,907,107	382,935,981	441,521,385	508,236,875	552,009,667	8.6
Taxable pensions & annuities in AGI						
Number of returns.....	19,272,307	19,496,575	20,473,407	21,343,646	21,765,211	2.0
Amount.....	238,786,811	259,711,251	280,650,198	304,310,714	325,827,702	7.1
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,371,185	14,480,636	14,647,697	14,536,311	14,332,632	-1.4
Amount.....	175,060,227	198,823,191	219,258,921	246,591,401	252,085,403	2.2
Farm net income less loss						
Number of returns.....	2,188,025	2,160,954	2,091,845	2,046,308	2,061,784	0.8
Amount.....	-7,111,985	-6,847,443	-7,933,778	-6,242,916	-9,034,178	-44.7
Unemployment compensation in AGI						
Number of returns.....	7,995,015	7,124,100	7,082,562	6,775,723	6,478,292	-4.4
Amount.....	19,326,824	17,230,102	16,814,669	17,530,779	16,913,305	-3.5
Social security benefits (received)						
Number of returns.....	10,961,473	11,351,510	12,136,792	12,487,903	13,627,723	9.1
Amount.....	130,679,153	139,958,629	154,953,370	163,232,494	186,586,863	14.3
Taxable social security benefits in AGI						
Number of returns.....	7,365,955	8,307,938	8,941,171	9,459,189	10,608,572	12.2
Amount.....	53,203,171	61,557,689	68,702,700	75,078,976	89,964,021	19.8
Foreign earned income exclusion <sup>2</sup> .....						
Number of returns.....	279,004	297,534	308,284	314,486	358,391	14.0
Amount.....	11,982,578	13,170,179	13,455,924	14,136,544	15,239,672	7.8
Net operating loss <sup>2</sup> .....						
Number of returns.....	503,913	568,443	539,802	578,583	527,417	-8.8
Amount.....	49,749,182	51,343,546	48,297,886	49,634,620	48,096,275	-3.1
Other income, net gain less loss <sup>2</sup>						
Number of returns.....	4,698,360	4,737,237	5,088,222	5,160,532	5,815,404	12.7
Amount.....	16,741,080	19,085,136	21,554,040	22,879,779	25,370,158	10.9
Total income, net gain less loss						
Number of returns.....	120,289,122	122,332,599	124,652,387	126,840,986	129,148,570	1.8
Amount.....	4,578,621,425	5,016,904,666	5,467,503,555	5,912,166,710	6,423,986,106	8.7

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1996-2000, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Current dollars					Percent change 1999 to 2000
	1996	1997	1998	1999	2000	
	(1)	(2)	(3)	(4)	(5)	(6)
Total taxpayer IRA adjustment						
Number of returns.....	4,374,281	4,068,958	3,868,017	3,687,149	3,505,032	-4.9
Amount.....	8,627,534	8,662,694	8,188,452	7,883,438	7,477,074	-5.2
Student loan interest deduction						
Number of returns.....	N/A	N/A	3,763,742	4,136,505	4,477,986	8.3
Amount.....	N/A	N/A	1,730,768	2,254,531	2,639,472	17.1
Medical savings account deduction						
Number of returns.....	N/A	16,912	42,235	50,393	65,415	29.8
Amount.....	N/A	22,454	62,071	81,977	120,330	46.8
Moving expenses						
Number of returns.....	830,721	780,813	809,246	986,313	956,586	-3.0
Amount.....	1,681,562	1,847,578	1,684,183	2,230,965	2,137,803	-4.2
One-half of self-employment tax						
Number of returns.....	13,204,164	13,513,228	13,756,483	14,029,609	14,300,140	1.9
Amount.....	14,044,148	14,868,362	15,960,341	16,689,650	17,392,967	4.2
Self-employed health insurance						
Number of returns.....	3,147,032	3,284,842	3,380,867	3,491,539	3,564,624	2.1
Amount.....	2,785,382	3,869,842	4,693,286	6,755,071	7,569,198	12.1
Keogh retirement plan						
Number of returns.....	1,079,413	1,189,981	1,177,487	1,264,007	1,287,706	1.9
Amount.....	8,979,382	10,237,623	11,039,683	11,928,242	12,475,396	4.6
Penalty on early withdrawal of savings						
Number of returns.....	708,631	918,302	828,922	805,367	863,436	7.2
Amount.....	167,528	234,237	217,913	236,115	286,507	21.3
Alimony paid adjustment						
Number of returns.....	597,157	623,646	590,898	610,609	656,724	7.6
Amount.....	5,668,169	6,311,455	6,877,808	7,247,919	7,460,164	2.9
Foreign housing deductions						
Number of returns.....	4,055	654	1,543	5,782	4,411	-23.7
Amount.....	75,059	16,361	38,994	77,574	42,400	-45.3
Other adjustments						
Number of returns.....	120,561	118,629	164,646	198,438	170,106	-14.3
Amount.....	618,170	884,074	1,037,209	1,313,318	1,008,208	-23.2
Total statutory adjustments						
Number of returns.....	18,424,901	18,785,760	21,998,366	22,659,973	23,197,425	2.4
Amount.....	42,646,933	46,954,680	51,530,709	56,698,800	58,609,518	3.4
Adjusted gross income or loss (AGI)						
Amount.....	4,535,974,492	4,969,949,986	5,415,972,847	5,855,467,909	6,365,376,648	8.7
Total itemized deductions						
Number of returns.....	35,414,589	36,624,595	38,186,186	40,244,305	42,534,320	5.7
Amount.....	572,541,293	620,810,172	676,460,336	741,376,847	822,360,510	10.9
Total standard deduction						
Number of returns.....	83,996,917	84,844,302	85,576,463	85,755,366	85,670,504	-0.1
Amount.....	426,102,973	441,695,925	459,457,374	463,960,491	470,820,881	1.5
Basic standard deduction						
Number of returns.....	83,996,917	84,844,302	85,576,463	85,755,366	85,670,504	-0.1
Amount.....	412,808,983	428,362,726	445,400,450	449,696,182	456,084,883	1.4
Additional standard deduction						
Number of returns.....	11,042,761	11,136,379	11,081,634	11,200,024	11,330,554	1.2
Amount.....	13,293,990	13,333,199	14,056,924	14,264,309	14,735,998	3.3
AGI less deductions						
Number of returns.....	107,919,330	110,720,898	111,924,583	113,863,898	116,391,403	2.2
Amount.....	3,615,875,867	3,984,130,897	4,357,840,879	4,730,367,366	5,157,822,794	9.0
Number of exemptions.....	238,626,393	241,279,259	245,592,958	248,657,119	252,332,427	1.5
Exemption amount.....	598,860,677	627,825,050	650,347,285	669,241,317	690,109,474	3.1
Taxable income						
Number of returns.....	96,576,755	99,314,519	100,801,271	102,845,571	105,259,292	2.3
Amount.....	3,089,667,389	3,429,109,165	3,780,838,200	4,136,119,714	4,544,242,424	9.9
Tax from table, rate schedules, etc.						
Number of returns.....	96,513,834	99,217,292	100,793,439	102,831,402	105,254,144	2.4
Amount.....	666,575,498	738,819,027	813,227,104	906,345,754	1,008,626,180	11.3
Additional taxes						
Number of returns.....	36,237	59,250	47,690	36,960	23,487	-36.5
Amount.....	148,670	663,002	341,757	466,001	126,524	-72.8
Alternative minimum tax						
Number of returns.....	477,898	618,072	853,433	1,018,063	1,304,198	28.1
Amount.....	2,812,746	4,005,101	5,014,549	6,477,697	9,600,840	48.2
Income tax before credits						
Number of returns.....	96,522,237	99,225,503	100,797,716	102,834,362	105,277,966	2.4
Amount.....	666,724,167	739,482,029	813,568,861	906,811,755	1,018,218,948	12.3
Child care credit						
Number of returns.....	5,974,146	5,795,530	6,128,155	6,182,193	6,368,101	3.0
Amount.....	2,531,383	2,464,005	2,660,573	2,675,147	2,793,860	4.4
Credit for elderly or disabled						
Number of returns.....	168,012	190,343	180,473	181,813	155,796	-14.3
Amount.....	31,836	41,281	35,689	33,629	32,608	-3.0
Child tax credit						
Number of returns.....	N/A	N/A	24,810,781	26,016,019	26,404,521	1.5
Amount.....	N/A	N/A	15,143,468	19,398,625	19,689,359	1.5
Education credits						
Number of returns.....	N/A	N/A	4,652,596	6,436,654	6,815,316	5.9
Amount.....	N/A	N/A	3,376,647	4,772,443	4,851,178	1.6
Adoption credit						
Number of returns.....	N/A	30,721	40,668	47,349	42,681	-9.9
Amount.....	N/A	58,522	83,046	103,016	91,866	-10.8

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1996-2000, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Current dollars					Percent change, 1999 to 2000
	1996	1997	1998	1999	2000	
	(1)	(2)	(3)	(4)	(5)	(6)
Foreign tax credit						
Number of returns.....	2,105,799	2,334,015	2,995,294	3,266,544	3,935,699	20.5
Amount.....	3,538,835	4,073,461	4,677,022	4,941,010	5,990,360	21.2
General business credit						
Number of returns.....	297,511	306,254	272,197	287,658	275,115	-4.4
Amount.....	742,891	826,320	732,487	783,920	764,253	-2.5
Prior year minimum tax credit						
Number of returns.....	117,414	118,571	108,583	166,010	199,554	20.2
Amount.....	669,545	681,282	818,389	996,461	1,287,661	29.2
Total credits <sup>3</sup>						
Number of returns.....	8,583,103	8,712,146	32,114,860	34,813,611	36,028,685	3.5
Amount.....	7,740,814	8,410,868	27,823,908	33,974,279	35,753,613	5.2
Income tax less credits <sup>1</sup>						
Number of returns.....	96,051,501	98,794,570	96,581,077	97,752,068	100,163,625	2.5
Amount.....	658,983,353	731,071,161	785,744,954	872,837,476	982,465,335	12.6
Self-employment tax						
Number of returns.....	13,217,169	13,515,150	13,757,431	14,029,609	14,300,140	1.9
Amount.....	28,094,894	29,738,153	31,914,256	33,372,365	34,778,824	4.2
Recapture taxes						
Number of returns.....	12,207	26,922	22,300	12,243	14,144	15.5
Amount.....	70,167	133,018	238,980	215,699	298,862	38.6
Social security, Medicare tax on tip income not reported						
Number of returns.....	286,946	267,055	245,028	254,489	265,007	4.1
Amount.....	32,100	27,826	26,264	29,477	35,753	21.3
Tax on qualified retirement plans						
Number of returns.....	3,434,814	3,415,245	3,786,186	4,076,050	4,334,527	6.3
Amount.....	2,189,148	2,335,845	2,699,419	3,074,825	3,414,692	11.1
Advanced earned income credit payments						
Number of returns.....	192,014	239,664	217,555	171,629	174,967	1.9
Amount.....	91,737	122,398	105,877	94,004	72,958	-22.4
Household employment taxes						
Number of returns.....	304,957	310,367	284,706	286,175	259,906	-9.2
Amount.....	665,124	763,897	752,307	759,438	795,638	4.8
Total tax liability <sup>4</sup>						
Number of returns.....	99,665,343	102,359,516	100,813,446	102,194,476	104,685,747	2.4
Amount.....	693,027,778	768,290,921	826,621,050	916,992,618	1,022,172,309	11.5
Income tax withheld						
Number of returns.....	104,213,605	106,483,908	109,144,689	111,193,931	113,733,442	2.3
Amount.....	533,284,434	582,124,212	636,248,491	695,526,980	763,901,388	9.8
Estimated tax payments						
Number of returns.....	12,333,764	12,766,410	13,072,121	13,169,356	13,326,669	1.2
Amount.....	141,571,020	162,584,233	177,750,952	196,915,946	221,621,893	12.5
Earned income credit <sup>1</sup>						
Number of returns.....	19,463,836	19,391,179	19,704,707	19,260,339	19,277,225	0.1
Amount.....	28,825,258	30,388,582	31,591,789	31,903,081	32,296,350	1.2
Additional child tax credit						
Number of returns.....	N/A	N/A	754,363	985,579	1,104,143	12.0
Amount.....	N/A	N/A	508,972	812,404	977,641	20.3
Payment with an extension request						
Number of returns.....	1,422,648	1,597,435	1,540,573	1,510,206	1,610,937	6.7
Amount.....	32,447,235	38,918,434	45,640,225	53,984,319	63,396,711	17.4
Excess social security tax withheld						
Number of returns.....	1,178,757	1,267,562	1,303,642	1,377,613	1,640,582	19.1
Amount.....	1,313,451	1,399,705	1,523,584	1,712,649	2,184,849	27.6
Other payments:						
Form 2439						
Number of returns.....	87,976	68,097	41,688	37,879	50,698	33.8
Amount.....	60,178	55,227	46,076	151,723	399,047	163.0
Form 4136						
Number of returns.....	513,815	445,633	446,489	426,878	395,555	-7.3
Amount.....	108,650	101,328	108,376	95,029	90,578	-4.7
Total payments <sup>1</sup>						
Number of returns.....	112,926,241	115,138,784	117,835,317	119,809,259	122,243,874	2.0
Amount.....	737,610,226	815,571,720	893,418,466	981,100,157	1,084,868,447	10.6
Overpayment, total						
Number of returns.....	86,492,206	88,311,237	93,434,624	94,827,237	95,921,082	1.2
Amount.....	128,964,442	140,110,378	167,987,055	182,049,186	196,198,780	7.8
Overpayment refunded						
Number of returns.....	83,668,927	85,381,040	90,233,356	91,600,741	93,000,030	1.5
Amount.....	111,680,967	119,706,937	144,445,788	155,513,635	167,577,365	7.8
Refund credited to next year						
Number of returns.....	3,862,330	4,109,601	4,567,379	4,514,663	4,255,215	-5.7
Amount.....	17,283,475	20,403,441	23,541,268	26,535,551	28,621,415	7.9
Tax due at time of filing						
Number of returns.....	30,601,619	31,198,382	28,429,856	29,200,902	30,624,423	4.9
Amount.....	85,337,201	93,909,641	102,151,442	119,091,512	134,944,362	13.3
Tax penalty						
Number of returns.....	5,530,812	5,920,839	5,019,736	5,285,114	5,813,525	10.0
Amount.....	955,207	1,080,062	961,802	1,149,865	1,441,719	25.4

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1996-2000, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Constant 1990 dollars <sup>5</sup>					Percent change, 1999 to 2000
	1996	1997	1998	1999	2000	
	(7)	(8)	(9)	(10)	(11)	(12)
<b>All returns*</b> .....	120,351,208	122,421,991	124,770,662	127,075,145	129,373,500	1.8
Form 1040 returns.....	66,264,999	68,781,991	71,162,837	74,165,814	78,846,102	6.3
Electronically filed returns.....	4,905,975	6,972,994	9,450,121	13,173,514	16,018,213	21.6
Form 1040A returns.....	24,579,173	24,780,076	25,987,822	26,961,302	28,826,589	6.9
Electronically filed returns.....	7,083,225	8,475,296	10,285,487	12,462,963	13,889,642	11.4
Form 1040EZ returns.....	21,196,154	21,154,656	20,830,173	20,752,420	21,700,809	4.6
Electronically filed returns.....	6,964,704	8,839,265	9,150,964	9,858,843	10,170,740	3.2
Form 1040PC returns.....	8,310,882	7,705,268	6,789,831	5,195,609	NA	NA
Salaries & wages						
Number of returns.....	102,748,874	104,404,985	106,535,263	108,183,782	110,168,714	1.8
Amount.....	2,814,059,621	2,942,930,339	3,093,909,297	3,241,155,654	3,381,007,161	4.3
Taxable interest received						
Number of returns.....	67,159,338	67,300,571	67,231,792	67,218,877	68,046,458	1.2
Amount.....	138,060,470	139,821,044	142,211,828	137,784,499	151,230,402	9.8
Tax-exempt interest						
Number of returns.....	5,000,839	4,925,914	4,778,374	4,801,877	4,658,345	-3.0
Amount.....	40,180,555	39,916,059	40,050,530	41,186,672	40,934,656	-0.6
Dividends in AGI						
Number of returns.....	27,709,581	29,507,639	30,423,274	32,226,492	34,140,604	5.9
Amount.....	86,879,155	98,121,687	94,481,652	103,894,527	111,523,277	7.3
State income tax refund						
Number of returns.....	18,352,565	19,218,388	19,544,265	20,811,334	20,921,057	0.5
Amount.....	10,626,019	11,477,485	11,728,743	14,098,984	13,892,136	-1.5
Alimony received						
Number of returns.....	415,593	413,109	437,410	418,989	442,335	5.6
Amount.....	3,826,768	4,043,879	4,081,438	4,278,821	4,698,260	9.8
Business or profession net income, less loss						
Number of returns.....	16,735,827	16,937,575	17,104,786	17,312,125	17,600,010	1.7
Amount.....	147,419,963	152,069,394	161,403,600	163,462,013	162,265,063	-0.7
Net capital gain in AGI less loss						
Number of returns.....	16,636,286	24,240,112	25,690,397	21,493,841	22,875,460	6.4
Amount.....	204,967,293	289,970,087	355,728,739	416,310,538	466,418,522	12.0
Capital gain distributions reported on Form 1040						
Number of returns.....	5,428,435	N/A	N/A	6,206,662	6,645,305	7.1
Amount.....	4,880,153	N/A	N/A	9,382,102	11,989,999	27.8
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,822,036	1,744,602	1,719,937	1,732,925	1,700,051	-1.9
Amount.....	-1,903,745	-1,189,252	-1,256,537	-1,342,973	-697,370	48.1
Total IRA distributions						
Number of returns.....	6,456,820	6,761,089	8,530,379	8,751,318	9,381,311	7.2
Amount.....	58,338,720	64,340,125	106,345,650	98,287,373	104,949,807	6.8
Taxable IRA distributions in AGI						
Number of returns.....	5,831,146	6,214,044	7,774,091	8,129,376	8,732,291	7.4
Amount.....	37,948,953	44,936,906	59,086,417	68,345,813	75,088,488	9.9
Total pensions & annuities						
Number of returns.....	20,675,450	20,948,184	22,211,348	23,180,716	23,793,404	2.6
Amount.....	287,422,589	311,837,118	352,090,419	398,617,157	418,823,723	5.1
Taxable pensions & annuities in AGI						
Number of returns.....	19,272,307	19,496,575	20,473,407	21,343,646	21,765,211	2.0
Amount.....	198,989,009	211,491,247	223,803,986	238,675,070	247,213,734	3.6
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,371,185	14,480,636	14,647,697	14,536,311	14,332,632	-1.4
Amount.....	145,883,523	161,908,136	174,847,624	193,405,020	191,263,583	-1.1
Farm net income less loss						
Number of returns.....	2,188,025	2,160,954	2,091,845	2,046,308	2,061,784	0.8
Amount.....	-5,926,654	-5,576,094	-6,326,777	-4,896,405	-6,854,460	-40.0
Unemployment compensation in AGI						
Number of returns.....	7,995,015	7,124,100	7,082,562	6,775,723	6,478,292	-4.4
Amount.....	16,105,687	14,031,028	13,408,827	13,749,631	12,832,553	-6.7
Social security benefits (received)						
Number of returns.....	10,961,473	11,351,510	12,136,792	12,487,903	13,627,723	9.1
Amount.....	108,899,294	113,972,825	123,567,281	128,025,485	141,568,181	10.6
Taxable social security benefits in AGI						
Number of returns.....	7,365,955	8,307,938	8,941,171	9,459,189	10,608,572	12.2
Amount.....	44,335,976	50,128,411	54,786,842	58,885,471	68,257,983	15.9
Foreign earned income exclusion <sup>2</sup> .....						
Number of returns.....	279,004	297,534	308,284	314,486	358,391	14.0
Amount.....	9,985,482	10,724,901	10,730,402	11,087,485	11,562,725	4.3
Net operating loss <sup>2</sup> .....						
Number of returns.....	503,913	568,443	539,802	578,583	527,417	-8.8
Amount.....	41,457,652	41,810,705	38,515,061	38,929,114	36,491,863	-6.3
Other income, net gain less loss <sup>2</sup>						
Number of returns.....	4,698,360	4,737,237	5,088,222	5,160,532	5,815,404	12.7
Amount.....	13,950,900	15,541,642	17,188,230	17,944,925	19,248,982	7.3
Total income, net gain less loss						
Number of returns.....	120,289,122	122,332,599	124,652,387	126,840,986	129,148,570	1.8
Amount.....	3,815,517,854	4,085,427,252	4,360,050,682	4,636,993,498	4,874,041,052	5.1

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1996-2000, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Constant 1990 dollars <sup>2</sup>					Percent change, 1999 to 2000
	1996	1997	1998	1999	2000	
	(7)	(8)	(9)	(10)	(11)	(12)
Total taxpayer IRA adjustment						
Number of returns.....	4,374,281	4,068,958	3,868,017	3,687,149	3,505,032	-4.9
Amount.....	7,189,612	7,054,311	6,529,866	6,183,089	5,673,046	-8.2
Student loan interest deduction						
Number of returns.....	N/A	N/A	3,763,742	4,136,505	4,477,986	8.3
Amount.....	N/A	N/A	1,380,198	1,768,260	2,002,634	13.3
Medical savings account deduction						
Number of returns.....	N/A	16,912	42,235	50,393	65,415	29.8
Amount.....	N/A	18,285	49,498	64,296	91,297	42.0
Moving expenses						
Number of returns.....	830,721	780,813	809,246	986,313	956,586	-3.0
Amount.....	1,681,562	1,504,542	1,343,049	1,749,776	1,622,005	-7.3
One-half of self-employment tax						
Number of returns.....	13,204,164	13,513,228	13,756,483	14,029,609	14,300,140	1.9
Amount.....	11,703,457	12,107,787	12,727,545	13,089,922	13,196,485	0.8
Self-employed health insurance						
Number of returns.....	3,147,032	3,284,842	3,380,867	3,491,539	3,564,624	2.1
Amount.....	2,321,152	3,151,337	3,742,652	5,298,095	5,742,942	8.4
Keogh retirement plan						
Number of returns.....	1,079,413	1,189,981	1,177,487	1,264,007	1,287,706	1.9
Amount.....	7,482,818	8,336,827	8,803,575	9,355,484	9,465,399	1.2
Penalty on early withdrawal of savings						
Number of returns.....	708,631	918,302	828,922	805,367	863,436	7.2
Amount.....	139,607	190,747	173,774	185,188	217,380	17.4
Alimony paid adjustment						
Number of returns.....	597,157	623,646	590,898	610,609	656,724	7.6
Amount.....	4,723,474	5,139,621	5,484,695	5,684,642	5,660,215	-0.4
Foreign housing deductions						
Number of returns.....	4,055	654	1,543	5,782	4,411	-23.7
Amount.....	62,549	13,323	31,096	60,842	32,170	-47.1
Other adjustments						
Number of returns.....	120,561	118,629	164,646	198,438	170,106	-14.3
Amount.....	515,142	719,930	827,120	1,030,053	764,953	-25.7
Total statutory adjustments						
Number of returns.....	18,424,901	18,785,760	21,998,366	22,659,973	23,197,425	2.4
Amount.....	35,539,111	38,236,710	41,093,069	44,469,647	44,468,527	-0.0
Adjusted gross income or loss (AGI)						
Amount.....	3,890,201,108	4,141,624,988	4,318,957,613	4,592,523,850	4,829,572,571	5.2
Total itemized deductions						
Number of returns.....	35,414,589	36,624,595	38,186,186	40,244,305	42,534,320	5.7
Amount.....	477,117,744	505,545,743	539,442,054	581,472,037	623,945,759	7.3
Total standard deduction						
Number of returns.....	83,996,917	84,844,302	85,576,463	85,755,366	85,670,504	-0.1
Amount.....	355,085,811	359,687,235	366,393,440	363,890,581	357,223,734	-1.8
Basic standard deduction						
Number of returns.....	83,996,917	84,844,302	85,576,463	85,755,366	85,670,504	-0.1
Amount.....	344,007,486	348,829,581	355,183,772	352,702,888	346,043,159	-1.9
Additional standard deduction						
Number of returns.....	11,042,761	11,136,379	11,081,634	11,200,024	11,330,554	1.2
Amount.....	11,078,325	10,857,654	11,209,668	11,187,693	11,180,575	-0.1
AGI less deductions						
Number of returns.....	107,919,330	110,720,898	111,924,583	113,863,898	116,391,403	2.2
Amount.....	3,013,229,889	3,244,406,268	3,475,152,216	3,710,092,052	3,913,370,860	5.5
Number of exemptions.....	238,626,393	241,279,259	245,592,958	248,657,119	252,332,427	1.5
Exemption amount.....	499,050,564	511,258,184	518,618,250	524,895,151	523,603,546	-0.2
Taxable income						
Number of returns.....	96,576,755	99,314,519	100,801,271	102,845,571	105,259,292	2.3
Amount.....	2,574,722,824	2,792,434,173	3,015,022,488	3,244,015,462	3,447,831,885	6.3
Tax from table, rate schedules, etc.						
Number of returns.....	96,513,834	99,217,292	100,793,439	102,831,402	105,254,144	2.4
Amount.....	555,479,582	601,644,159	648,506,463	710,859,415	765,270,243	7.7
Additional taxes						
Number of returns.....	36,237	59,250	47,690	36,960	23,487	-36.5
Amount.....	123,892	539,904	272,533	365,491	95,997	-73.7
Alternative minimum tax						
Number of returns.....	477,898	618,072	853,433	1,018,063	1,304,198	28.1
Amount.....	2,343,955	3,261,483	3,998,843	5,080,547	7,284,401	43.4
Income tax before credits						
Number of returns.....	96,522,237	99,225,503	100,797,716	102,834,362	105,277,966	2.4
Amount.....	555,603,473	602,184,063	648,778,996	711,224,906	772,548,519	8.6
Child care credit						
Number of returns.....	5,974,146	5,795,530	6,128,155	6,182,193	6,368,101	3.0
Amount.....	2,109,486	2,006,519	2,121,669	2,098,155	2,119,772	1.0
Credit for elderly or disabled						
Number of returns.....	168,012	190,343	180,473	181,813	155,796	-14.3
Amount.....	26,530	33,616	28,460	26,376	24,741	-6.2
Child tax credit						
Number of returns.....	N/A	N/A	24,810,781	26,016,019	26,404,521	1.5
Amount.....	N/A	N/A	12,076,131	15,214,608	14,938,816	-1.8
Education credits						
Number of returns.....	N/A	N/A	4,652,596	6,436,654	6,815,316	5.9
Amount.....	N/A	N/A	2,692,701	3,743,093	3,680,712	-1.7
Adoption credit						
Number of returns.....	N/A	30,721	40,668	47,349	42,681	-9.9
Amount.....	N/A	47,656	66,225	80,797	69,701	-13.7

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1996-2000, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Constant 1990 dollars <sup>2</sup>					Percent change, 1999 to 2000
	1996	1997	1998	1999	2000	
	(7)	(8)	(9)	(10)	(11)	(12)
Foreign tax credit						
Number of returns.....	2,105,799	2,334,015	2,995,294	3,266,544	3,935,699	20.5
Amount.....	2,949,029	3,317,151	3,729,683	3,875,302	4,545,038	17.3
General business credit						
Number of returns.....	297,511	306,254	272,197	287,658	275,115	-4.4
Amount.....	619,076	672,899	584,120	614,839	579,858	-5.7
Prior year minimum tax credit						
Number of returns.....	117,414	118,571	108,583	166,010	199,554	20.2
Amount.....	557,954	554,790	652,623	781,538	976,981	25.0
Total credits <sup>3</sup>						
Number of returns.....	8,583,103	8,712,146	32,114,860	34,813,611	36,028,685	3.5
Amount.....	6,450,678	6,849,241	22,188,124	26,646,493	27,127,172	1.8
Income tax less credits <sup>4</sup>						
Number of returns.....	96,051,501	98,794,570	96,581,077	97,752,068	100,163,625	2.5
Amount.....	549,152,794	595,334,822	626,590,872	684,578,413	745,421,347	8.9
Self-employment tax						
Number of returns.....	13,217,169	13,515,150	13,757,431	14,029,609	14,300,140	1.9
Amount.....	23,412,412	24,216,737	25,449,965	26,174,404	26,387,575	0.8
Recapture taxes						
Number of returns.....	12,207	26,922	22,300	12,243	14,144	15.5
Amount.....	58,473	108,321	190,574	169,176	226,754	34.0
Social security, Medicare tax on tip income not reported						
Number of returns.....	286,946	267,055	245,028	254,489	265,007	4.1
Amount.....	26,750	22,660	20,944	23,119	27,127	17.3
Tax on qualified retirement plans						
Number of returns.....	3,434,814	3,415,245	3,786,186	4,076,050	4,334,527	6.3
Amount.....	1,824,290	1,902,154	2,152,647	2,411,627	2,590,813	7.4
Advanced earned income credit payments						
Number of returns.....	192,014	239,664	217,555	171,629	174,967	1.9
Amount.....	76,448	99,673	84,431	73,729	55,355	-24.9
Household employment taxes						
Number of returns.....	304,957	310,367	284,706	286,175	259,906	-9.2
Amount.....	554,270	622,066	599,926	595,638	603,671	1.3
Total tax liability <sup>4</sup>						
Number of returns.....	99,665,343	102,359,516	100,813,446	102,194,476	104,685,747	2.4
Amount.....	577,523,148	625,644,072	659,187,440	719,209,896	775,548,034	7.8
Income tax withheld						
Number of returns.....	104,213,605	106,483,908	109,144,689	111,193,931	113,733,442	2.3
Amount.....	444,403,695	474,042,518	507,375,192	545,511,357	579,591,341	6.2
Estimated tax payments						
Number of returns.....	12,333,764	12,766,410	13,072,121	13,169,356	13,326,669	1.2
Amount.....	117,975,850	132,397,584	141,747,171	154,443,879	168,150,146	8.9
Earned income credit <sup>5</sup>						
Number of returns.....	19,463,836	19,391,179	19,704,707	19,260,339	19,277,225	0.1
Amount.....	24,021,048	24,746,402	25,192,814	25,022,024	24,504,059	-2.1
Additional child tax credit						
Number of returns.....	N/A	N/A	754,363	985,579	1,104,143	12.0
Amount.....	N/A	N/A	405,879	637,180	741,761	16.4
Payment with an extension request						
Number of returns.....	1,422,648	1,597,435	1,540,573	1,510,206	1,610,937	6.7
Amount.....	27,039,363	31,692,536	36,395,714	42,340,642	48,100,691	13.6
Excess social security tax withheld						
Number of returns.....	1,178,757	1,267,562	1,303,642	1,377,613	1,640,582	19.1
Amount.....	1,094,543	1,139,825	1,214,979	1,343,254	1,657,700	23.4
Other payments:						
Form 2439						
Number of returns.....	87,976	68,097	41,688	37,879	50,698	33.8
Amount.....	50,148	44,973	36,743	118,998	302,767	154.4
Form 4136						
Number of returns.....	513,815	445,633	446,489	426,878	395,555	-7.3
Amount.....	90,542	82,515	86,424	74,533	68,724	-7.8
Total payments <sup>1</sup>						
Number of returns.....	112,926,241	115,138,784	117,835,317	119,809,259	122,243,874	2.0
Amount.....	614,675,188	664,146,352	712,454,917	769,490,319	823,117,183	7.0
Overpayment, total						
Number of returns.....	86,492,206	88,311,237	93,434,624	94,827,237	95,921,082	1.2
Amount.....	107,470,368	114,096,399	133,960,969	142,783,675	148,860,986	4.3
Overpayment refunded						
Number of returns.....	83,668,927	85,381,040	90,233,356	91,600,741	93,000,030	1.5
Amount.....	93,067,473	97,481,219	115,188,029	121,971,478	127,145,193	4.2
Refund credited to next year						
Number of returns.....	3,862,330	4,109,601	4,567,379	4,514,663	4,255,215	-5.7
Amount.....	14,402,896	16,615,180	18,772,941	20,812,197	21,715,793	4.3
Tax due at time of filing						
Number of returns.....	30,601,619	31,198,382	28,429,856	29,200,902	30,624,423	4.9
Amount.....	71,114,334	76,473,649	81,460,480	93,405,107	102,385,707	9.6
Tax penalty						
Number of returns.....	5,530,812	5,920,839	5,019,736	5,285,114	5,813,525	10.0
Amount.....	796,006	879,529	766,987	901,855	1,093,869	21.3

<sup>1</sup> All items correspond to the Form 1040 line items. Therefore, some may differ from the SOI items shown in the Basic Tables in Section 3.<sup>2</sup> Line 21 on Form 1040 consists of other income minus foreign earned income exclusion and net operating loss.<sup>3</sup> Total credits includes the values for mortgage interest tax credit and "other credits" not tabulated here.<sup>4</sup> Total tax liability includes the values for "other taxes" not tabulated here.<sup>5</sup> Inflation-adjusted data were calculated using the consumer price index in the "Economic Report of the President," 2000 (Bureau of Labor Statistics), Table B-59; based on 1990=100 when 1990 CPI-U = 130.7; 2000 CPI-U = 172.2; 1999 CPI-U = 166.6; 1998 CPI-U = 163.9; 1997 CPI-U = 160.5; 1996 CPI-U = 156.9.

N/A = Not applicable

(Z) Less than .05 percent.

<b>Figure 1--General Filing Requirements</b>			
<b>Marital Status</b>	<b>Filing Status</b>	<b>Age</b>	<b>Gross Income</b>
Single (including divorced and legally separated)	Single	under 65 65 or older	\$7,200 \$8,300
	Head of household	under 65 65 or older	\$9,250 \$10,350
Married with a child and living apart from spouse during the last six months of 2000	Head of household	under 65 65 or older	\$9,250 \$10,350
Married and living with spouse at the end of 2000 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$12,950
		65 or older (one spouse) 65 or older (both spouses)	\$13,800 \$14,650
	Married, separate return	any age	\$2,800
Married, not living with spouse at the end of 2000 (or on the date spouse died)	Married, joint or separate return	any age	\$2,800
Widowed in 1998 or 1999 and not remarried in 2000	Single	under 65 65 or older	\$7,200 \$8,300
	Head of household	under 65 65 or older	\$9,250 \$10,350
	Qualifying widow(er) with dependent child	under 65 65 or older	\$10,150 \$11,000

## Requirements for Filing

The filing requirements for Tax Year 2000 were based on gross income, marital status, age, and, to a lesser extent, dependency and blindness. Gross income included all income received in the form of money, property, and services that was not expressly exempt from tax. Generally, a citizen or resident of the United States was required to file a tax return if gross income for the year was at least as much as the amount shown for the appropriate filing status in Figure 1. Figure 2 shows the filing requirements for taxpayers who could be claimed as a dependent by another person (such as a parent)

In addition to the general filing requirements, an individual was obligated to file a return for Tax Year 2000 if he or she:

1. was liable for any of the following taxes:
  - social security or Medicare tax on unreported tip income;
  - uncollected social security, Medicare, or railroad retirement tax on reported tip income or group-term life insurance;
  - alternative minimum tax;
  - tax on an individual retirement arrangement (IRA) or a qualified retirement plan;
  - tax from the recapture of investment credit or low-income housing credit;
  - tax from medical savings accounts (MSA);



## Figure 2.-Filing Requirements for Children and Other Dependents

If someone (such as a parent) can claim the individual as a dependent, and any of the four conditions listed below applies, he or she must file a return.

In this chart unearned income includes taxable interest, ordinary dividends, and capital gain distributions. Earned income includes wages, tips, and taxable scholarship and fellowship grants. Gross income is the total of unearned and earned income.

**Caution:** If an individual's gross income was \$2,800 or more, he or she generally could not be claimed as a dependent unless the individual was under age 19 or under age 24 and a full-time student.

### 1. Single dependents under 65 must file a return if-

- Earned income was more than \$4,400, or
- Unearned income was over \$700, or
- Gross income was more than the larger of (a) \$700 or (b) earned income (up to \$4,150) plus \$250.

### 2. Single dependents 65 or older or blind must file a return if-

- Earned income was more than \$5,500 (\$6,600 if 65 or older and blind), or
- Unearned income was more than \$1,800 (\$2,900 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,150) plus \$250 or \$700, whichever is larger; plus \$1,100 (\$2,200 if 65 or older and blind).

### 3. Married dependents under 65 must file a return if-

- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.
- Earned income was more than \$3,675, or
- Unearned income was over \$700, or
- Gross income was more than the larger of \$700 or earned income (up to \$3,425) plus \$250.

### 4. Married dependents 65 or older or blind must file a return if-

- Earned income was more than \$4,525 (\$5,375 if 65 or older and blind), or
- Unearned was more than \$1,550 (\$2,400 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$3,425) plus \$250 or \$700, whichever is larger, plus \$850 (\$1,700 if 65 or older and blind).
- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

2. received any advanced earned income credit (AEIC) payments.
3. had net earnings from self-employment of at least \$400; or
4. had wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from employer social security and Medicare taxes.

Data shown in this report include individuals who were not required to file tax returns, but did so for any of a number of reasons. For example, an individual might have filed a return to obtain a refund of tax withheld, or take advantage of the earned income credit.

## Changes in Law or Administrative Procedures

Major changes in effect for Tax Year 2000 which influenced the Statistics of Income data are listed below. Section 4, Explanation of Terms, provides more detailed explanations and definitions of the terms used in this report.

### Alternative Minimum Tax

Beginning in 2000, The Tax Relief Extension Act of 1999 allowed individuals to apply personal nonrefundable credits in their full amount against both their regular tax and minimum tax.

### Earned Income Credit

The income eligibility level and amount of the earned income credit (EIC) for 2000 were adjusted for inflation. If a taxpayer's "earned income" and modified adjusted gross income for 2000 were both less than \$27,413 and the taxpayer had one qualifying child living with them, the credit could be as much as \$2,353. If the taxpayer had two or more qualifying children living with them and earned less than \$31,152 the credit could be as much as \$3,888. For taxpayers with no qualifying children and earning less than \$10,380, the credit could be as much as \$353.

Taxpayers with investment income totaling more than \$2,400 were not eligible to receive the EIC.

### Exemption Amount

Indexing for inflation allowed a taxpayer to claim a \$2,800 deduction for each exemption to which he or she was entitled for 2000, an increase over the \$2,750 allowed for 1999. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$126,600 to \$128,950 for single filers; \$189,950 to \$193,400 for married persons filing jointly and surviving spouses; \$158,300 to \$161,150 for heads of household; and \$94,975 to \$96,700 for married persons filing separately. The phaseout of the deduction for exemptions was completed at AGI levels above \$251,450 for single filers; \$315,900 for married

persons filing jointly and surviving spouses; \$283,650 for heads of household; and \$157,950 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

### Foreign Earned Income Exclusion

For 2000, the amount of foreign earned income that could have been excluded from income increased from \$74,000 to \$76,000.

### Itemized Deductions

If a taxpayer's AGI was greater than \$128,950 (\$64,475 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$126,600 (\$63,300) for 1999, as a result of inflation indexing. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. To arrive at allowable itemized deductions, total itemized deductions were reduced by the smaller of: (a) 80 percent of the non-exempt deductions, or (b) 3 percent of the amount of AGI in excess of the limitation threshold.

### Self-employment Tax

The ceiling on taxable "self-employment income" was raised for 2000, to \$76,200 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$72,600 for 1999.

### Standard Deduction

The standard deduction increased for 2000 as a result of inflation indexing. For single filers, the standard deduction rose from \$4,300 to \$4,400; for married persons filing jointly or surviving spouses, from \$7,200 to \$7,350; for married persons filing separately, from \$3,600 to \$3,675; and for heads of household, from \$6,350 to \$6,450. The amount of standard deduction for a dependent was the greater of \$700 or the dependent's earned income plus \$250 (but not more than the regular standard deduction amount). Taxpayers who were age 65 or

over or blind could claim an additional standard deduction amount of \$850 or \$1,100 depending on marital status.

### **Student Loan Interest Deduction**

For 2000, the deduction allowed for eligible taxpayers for interest paid on qualified higher education loans increased to \$2,000 from \$1,500 for 1999. These loans must have gone towards qualified expenses of either the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer at the time the debt was incurred. The education interest deduction was phased out began with a modified AGI of \$40,000 - \$55,000 (\$60,000 - \$75,000, joint returns).

### **The 1979 Income Concept A Retrospective Income Definition**

In order to analyze changes in income and taxes over a period of years, a consistent definition of income must be used. The income concept available from Federal income tax returns, AGI, was designed to facilitate tax administration, and its definition has changed over time to reflect modifications to the Internal Revenue Code. Tax laws of the 1980's (the Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984, and the Tax Reform Act of 1986) made significant changes to the components of AGI, which made it more difficult to use AGI for accurate comparisons of income from

year to year. For this reason, it was decided to develop an income definition that would be consistent over several years, and would allow comparisons both before and after the major tax legislation of the 1980's.

The result was a retrospective income definition known as the 1979 Income Concept, reflecting a base period from 1979 through 1986. It was calculated using only data available from individual income tax returns. By using the same income items in the calculation each year, its definition was consistent throughout the base years. In addition, this retrospective income definition could be used in future years to compare income by continuing to include the same components that were common to all years.

The calculation of the 1979 Income Concept is shown in Figure 3. Several items partially excluded from AGI for the base years were fully included in this new income measure, the largest of which was capital gains. The full amount of all capital gains, as well as all dividends and unemployment compensation, was included in the income calculation. Total pensions, annuities, IRA distributions, and roll-overs were added, including the non-taxable portions that were excluded from AGI. Social security benefits were omitted because they were not reported on tax returns until 1984. Also, any depreciation in excess of straight-line depreciation, which was subtracted in computing AGI, was added back.

### Figure 3.-Calculation of the 1979 Income Concept for 2000

#### 1979 Total Income Concept=

##### Income or Loss:

- Salaries and wages <sup>1</sup>
- Interest <sup>1</sup>
- Dividends <sup>1</sup>
- Taxable refunds <sup>1</sup>
- Alimony received <sup>1</sup>
- Capital gains reported on Schedule D minus allowable losses <sup>1</sup>
- Other gains and losses (Form 4797) <sup>1</sup>
- Business net income or loss <sup>1</sup>
- Farm net income or loss <sup>1</sup>
- Rent net income or loss <sup>1</sup>
- Royalty net income or loss <sup>1</sup>
- Partnership net income or loss <sup>1</sup>
- S Corporation net income or loss <sup>1</sup>
- Farm rental net income or loss <sup>1</sup>
- Estate or trust net income or loss <sup>1</sup>
- Unemployment compensation <sup>1</sup>
- Depreciation in excess of straight-line depreciation <sup>2</sup>
- Total pension income <sup>3,5</sup>
- Other net income or loss <sup>4</sup>
- Net operating loss <sup>1</sup>

##### Deductions:

- Disallowed passive losses (Form 8582) <sup>6</sup>
- Moving expenses <sup>1</sup>
- Alimony paid <sup>1</sup>
- Unreimbursed business expenses <sup>6</sup>

<sup>1</sup> Included in adjusted gross income (less deficit) (AGI) for Tax Year 2000.

<sup>2</sup> Adjustment to add back excess depreciation (accelerated over straight-line depreciation) deducted in the course of a trade or business and included in net income (loss) amounts shown above.

<sup>3</sup> Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

<sup>4</sup> Includes an adjustment to add back amounts reported for the foreign-earned income exclusion.<sup>1</sup>

<sup>5</sup> Not fully included in AGI for Tax Year 2000.

<sup>6</sup> Not included in AGI for Tax Year 2000.

Deductions that could be subtracted in the calculation of the 1979 Income Concept were limited to employee business expenses, alimony paid, and moving expenses. These same items were also subtracted in computing AGI until 1987 when unreimbursed business expenses and moving expenses were changed from adjustments to itemized deductions. Starting in 1994, moving expenses were once more made an adjustment to income. The amounts reported for employee business expenses by taxpayers who itemized deductions were subtracted in the calculation of the 1979 Income Concept. Taxpayers who did not itemize deductions, however, could not claim this expense (as well as moving expenses prior to 1994). For this reason, the deduction for these two expenses beginning in 1987 is not completely comparable to that for previous years.

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2000**

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

Size of income	Income				Salaries and wages			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>All returns, total.....</b>	<b>129,373,500</b>	<b>6,365,377</b>	<b>129,373,500</b>	<b>6,541,194</b>	<b>110,168,714</b>	<b>4,456,167</b>	<b>110,168,714</b>	<b>4,456,167</b>
Under \$10,000.....	26,750,700	71,579	26,184,491	67,683	20,795,607	111,743	20,567,489	107,554
\$10,000 under \$20,000.....	23,772,599	354,845	23,883,431	356,224	19,212,563	269,085	19,321,740	271,539
\$20,000 under \$30,000.....	18,361,873	453,765	18,994,389	469,838	15,995,062	370,412	16,188,398	375,882
\$30,000 under \$40,000.....	13,547,727	470,893	14,034,002	487,473	11,998,151	383,485	12,261,754	393,730
\$40,000 under \$50,000.....	10,412,090	465,603	10,307,388	461,248	9,369,328	379,533	9,257,788	376,376
\$50,000 under \$60,000.....	8,161,547	447,420	8,009,915	439,044	7,331,952	359,275	7,284,506	361,107
\$60,000 under \$70,000.....	6,307,423	408,205	6,059,058	392,327	5,712,975	324,703	5,527,949	317,988
\$70,000 under \$80,000.....	4,958,464	371,124	4,608,560	344,494	4,460,463	291,654	4,253,958	283,125
\$80,000 under \$90,000.....	3,609,280	305,644	3,448,585	292,056	3,291,304	239,584	3,161,085	232,673
\$90,000 under \$100,000.....	2,636,773	249,766	2,532,595	239,940	2,396,422	196,751	2,335,812	188,596
\$100,000 under \$125,000.....	4,122,113	458,394	4,051,260	450,888	3,746,965	347,496	3,706,884	342,705
\$125,000 under \$150,000.....	2,024,223	276,157	2,055,812	281,027	1,798,541	197,677	1,840,374	195,544
\$150,000 under \$175,000.....	1,177,076	189,920	1,222,103	197,365	1,037,095	130,607	1,080,853	130,247
\$175,000 under \$200,000.....	760,036	141,870	799,133	149,154	669,305	93,856	692,952	92,632
\$200,000 under \$300,000.....	1,395,603	334,699	1,531,122	368,554	1,200,013	205,539	1,304,985	209,572
\$300,000 under \$400,000.....	494,206	169,718	587,917	202,072	416,219	94,190	496,808	100,950
\$400,000 under \$500,000.....	245,953	109,339	311,907	138,887	206,399	58,127	260,162	61,257
\$500,000 under \$1,000,000.....	396,131	269,021	473,818	320,611	330,405	131,322	394,631	136,984
\$1,000,000 or more.....	239,684	817,414	278,013	882,308	199,943	271,129	230,587	277,706

  

Size of income	Taxable interest received				Dividends in AGI		Dividends received	
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
<b>All returns, total.....</b>	<b>68,046,458</b>	<b>199,322</b>	<b>68,046,458</b>	<b>199,322</b>	<b>34,140,605</b>	<b>146,988</b>	<b>34,140,605</b>	<b>146,988</b>
Under \$10,000.....	8,138,772	9,641	7,842,704	9,523	4,011,308	4,607	3,880,510	4,623
\$10,000 under \$20,000.....	8,221,597	15,178	8,072,536	14,622	3,210,999	5,860	3,115,005	5,749
\$20,000 under \$30,000.....	7,504,070	12,378	8,007,358	15,780	2,771,440	5,110	3,031,202	6,516
\$30,000 under \$40,000.....	7,173,812	12,275	7,633,414	14,281	2,927,116	5,391	3,150,776	6,863
\$40,000 under \$50,000.....	6,620,517	11,018	6,583,636	12,198	2,711,887	6,288	2,762,650	6,585
\$50,000 under \$60,000.....	5,911,347	11,179	5,782,679	10,476	2,701,465	5,977	2,593,314	5,697
\$60,000 under \$70,000.....	4,854,454	9,701	4,640,244	9,334	2,443,529	5,720	2,300,962	5,705
\$70,000 under \$80,000.....	4,096,531	8,524	3,779,768	7,127	2,212,318	5,662	2,024,115	4,642
\$80,000 under \$90,000.....	3,086,746	7,836	2,948,983	6,803	1,834,706	5,475	1,707,269	4,798
\$90,000 under \$100,000.....	2,330,682	6,060	2,221,663	5,313	1,450,732	4,306	1,368,487	4,617
\$100,000 under \$125,000.....	3,715,729	12,710	3,645,599	11,179	2,476,703	10,032	2,443,948	8,853
\$125,000 under \$150,000.....	1,883,532	7,495	1,910,195	6,625	1,452,903	7,030	1,457,931	6,782
\$150,000 under \$175,000.....	1,110,338	5,552	1,151,258	5,436	896,467	5,734	911,017	5,433
\$175,000 under \$200,000.....	717,361	4,070	751,637	4,095	603,911	4,070	623,386	3,638
\$200,000 under \$300,000.....	1,338,891	11,304	1,465,019	11,203	1,177,220	11,446	1,273,124	11,408
\$300,000 under \$400,000.....	477,591	5,833	569,663	5,826	436,770	7,080	516,941	7,026
\$400,000 under \$500,000.....	239,418	3,482	302,206	3,818	222,363	4,642	280,840	4,675
\$500,000 under \$1,000,000.....	388,299	10,634	463,253	10,881	368,035	11,465	433,463	11,802
\$1,000,000 or more.....	236,770	34,452	274,642	34,800	230,732	31,092	265,664	31,573

  

Size of income	Business or profession net income less loss				Sales of capital assets			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
<b>All returns, total.....</b>	<b>17,600,010</b>	<b>213,865</b>	<b>17,600,010</b>	<b>213,865</b>	<b>29,520,765</b>	<b>630,542</b>	<b>29,520,765</b>	<b>630,542</b>
Under \$10,000.....	3,078,002	4,925	2,798,274	2,310	3,715,804	10,860	3,620,345	11,255
\$10,000 under \$20,000.....	2,528,299	16,655	2,581,821	16,052	2,550,056	5,243	2,463,052	5,076
\$20,000 under \$30,000.....	2,012,724	14,860	2,068,542	13,174	2,341,364	6,311	2,532,536	6,992
\$30,000 under \$40,000.....	1,665,423	13,259	1,694,009	12,557	2,393,299	6,878	2,629,388	8,103
\$40,000 under \$50,000.....	1,556,958	12,133	1,595,967	12,268	2,323,151	8,330	2,349,081	9,269
\$50,000 under \$60,000.....	1,246,225	12,056	1,241,785	10,375	2,199,201	8,973	2,118,820	8,950
\$60,000 under \$70,000.....	1,061,897	11,055	1,083,166	11,948	2,049,906	8,872	1,944,347	9,046
\$70,000 under \$80,000.....	901,426	10,216	853,601	9,729	1,851,027	9,649	1,717,121	8,744
\$80,000 under \$90,000.....	635,460	8,356	623,569	9,096	1,592,836	8,868	1,447,838	9,968
\$90,000 under \$100,000.....	474,468	6,500	453,812	6,410	1,256,865	9,354	1,172,821	7,843
\$100,000 under \$125,000.....	843,144	17,530	851,648	16,576	2,170,509	20,137	2,150,297	19,950
\$125,000 under \$150,000.....	426,595	11,415	460,423	12,052	1,306,542	18,270	1,296,213	16,823
\$150,000 under \$175,000.....	262,192	9,462	271,390	9,041	820,969	15,249	818,960	14,309
\$175,000 under \$200,000.....	186,148	7,626	195,786	7,789	569,402	11,633	587,084	11,146
\$200,000 under \$300,000.....	380,301	21,626	410,756	22,919	1,133,128	36,689	1,214,111	35,425
\$300,000 under \$400,000.....	127,954	10,181	153,463	12,316	427,239	24,506	495,259	23,913
\$400,000 under \$500,000.....	62,207	5,883	79,875	6,873	221,264	18,301	272,637	18,743
\$500,000 under \$1,000,000.....	94,840	9,814	116,336	11,454	367,911	54,864	429,155	55,427
\$1,000,000 or more.....	55,746	10,313	65,785	10,926	230,292	347,554	261,699	349,561

Footnotes at end of table

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2000--Continued**

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

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
<b>All returns, total.....</b>	<b>9,620,483</b>	<b>28,166</b>	<b>9,620,483</b>	<b>28,166</b>	<b>6,300,321</b>	<b>212,914</b>	<b>6,300,321</b>	<b>212,914</b>
Under \$10,000.....	823,883	-1,068	772,124	-1,119	478,388	-24,755	475,146	-25,263
\$10,000 under \$20,000.....	1,032,235	992	988,870	885	377,735	-326	348,865	-149
\$20,000 under \$30,000.....	910,784	220	1,013,915	510	385,650	957	402,416	704
\$30,000 under \$40,000.....	878,208	183	908,878	464	383,676	900	390,142	1,011
\$40,000 under \$50,000.....	852,472	-8	899,051	411	409,913	1,650	442,314	1,816
\$50,000 under \$60,000.....	810,851	319	796,995	374	424,935	3,045	421,967	3,141
\$60,000 under \$70,000.....	703,470	600	669,917	609	409,577	3,337	372,892	2,777
\$70,000 under \$80,000.....	611,380	221	557,730	118	345,845	2,503	329,512	2,453
\$80,000 under \$90,000.....	487,882	611	444,343	487	297,624	2,993	292,063	2,563
\$90,000 under \$100,000.....	394,925	548	399,932	451	249,137	2,708	232,038	2,505
\$100,000 under \$125,000.....	716,047	1,975	681,281	1,560	513,189	9,336	515,285	8,202
\$125,000 under \$150,000.....	393,572	2,002	388,701	2,049	388,701	7,281	345,045	8,255
\$150,000 under \$175,000.....	212,245	1,669	208,035	1,741	271,638	6,635	247,994	5,597
\$175,000 under \$200,000.....	140,595	1,254	161,684	1,121	195,162	7,192	200,731	6,960
\$200,000 under \$300,000.....	278,431	4,314	307,106	4,143	479,578	24,063	494,450	23,425
\$300,000 under \$400,000.....	120,579	2,099	135,223	2,178	214,504	16,947	228,148	17,559
\$400,000 under \$500,000.....	66,212	1,775	76,574	1,705	125,411	12,985	136,961	13,640
\$500,000 under \$1,000,000.....	109,592	3,873	124,836	3,825	228,954	37,918	248,658	38,623
\$1,000,000 or more.....	77,121	6,587	85,290	6,654	160,248	97,545	175,691	99,097

  

Size of income	Nondeductible passive losses				Estate and trust net income less loss			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
<b>All returns, total.....</b>	<b>1,263,245</b>	<b>11,915</b>	<b>1,263,245</b>	<b>11,915</b>	<b>595,560</b>	<b>11,006</b>	<b>595,560</b>	<b>11,006</b>
Under \$10,000.....	81,896	1,204	104,718	3,595	52,458	-233	51,616	-232
\$10,000 under \$20,000.....	62,220	378	52,948	152	42,688	179	37,928	171
\$20,000 under \$30,000.....	52,106	307	56,192	142	40,346	149	45,460	198
\$30,000 under \$40,000.....	44,315	389	55,572	232	36,617	335	39,846	366
\$40,000 under \$50,000.....	50,628	179	51,359	185	32,669	183	42,334	269
\$50,000 under \$60,000.....	55,229	162	51,850	145	42,203	255	44,424	240
\$60,000 under \$70,000.....	70,563	192	57,909	143	39,716	227	28,895	212
\$70,000 under \$80,000.....	42,143	144	42,013	193	29,066	325	23,813	280
\$80,000 under \$90,000.....	39,148	121	41,724	189	30,147	257	25,605	323
\$90,000 under \$100,000.....	36,937	133	42,513	200	19,530	242	21,822	125
\$100,000 under \$125,000.....	93,992	380	82,159	446	48,188	393	54,839	573
\$125,000 under \$150,000.....	99,986	784	98,434	585	37,013	547	33,820	304
\$150,000 under \$175,000.....	112,322	839	96,959	551	23,044	246	20,627	235
\$175,000 under \$200,000.....	72,246	546	64,071	385	18,802	382	19,044	407
\$200,000 under \$300,000.....	153,072	1,264	153,445	1,053	35,577	787	34,147	783
\$300,000 under \$400,000.....	64,674	862	69,317	524	19,355	582	18,651	574
\$400,000 under \$500,000.....	32,671	373	34,221	327	10,299	341	12,701	374
\$500,000 under \$1,000,000.....	56,157	1,065	61,542	733	20,045	1,438	21,143	1,425
\$1,000,000 or more.....	42,941	2,594	46,299	2,135	17,796	4,370	18,844	4,380

  

Size of income	Pensions and annuities in AGI <sup>1</sup>		Pensions and annuities <sup>1</sup>		Total statutory adjustments			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
<b>All returns, total.....</b>	<b>25,930,094</b>	<b>424,794</b>	<b>28,127,826</b>	<b>690,334</b>	<b>23,197,425</b>	<b>58,610</b>	<b>15,192,105</b>	<b>61,727</b>
Under \$10,000.....	2,116,238	10,529	2,008,472	10,780	3,019,495	2,468	208,301	1,779
\$10,000 under \$20,000.....	4,599,140	41,355	4,545,673	40,835	3,174,233	3,644	720,692	3,691
\$20,000 under \$30,000.....	3,439,525	41,188	4,033,359	50,871	3,070,696	4,567	1,276,311	5,617
\$30,000 under \$40,000.....	2,914,802	40,732	3,344,936	51,864	2,804,473	4,390	1,785,546	6,483
\$40,000 under \$50,000.....	2,467,530	36,130	2,603,514	42,589	2,288,554	4,208	1,675,548	5,311
\$50,000 under \$60,000.....	2,090,866	34,484	2,141,611	39,710	1,852,955	3,775	1,836,391	5,669
\$60,000 under \$70,000.....	1,767,133	31,983	1,761,657	35,386	1,467,531	3,201	1,493,162	5,189
\$70,000 under \$80,000.....	1,515,160	31,443	1,372,841	29,563	1,052,275	2,636	1,384,195	4,547
\$80,000 under \$90,000.....	1,108,684	24,782	1,120,253	26,323	727,931	2,439	1,080,890	3,441
\$90,000 under \$100,000.....	745,814	18,095	855,905	24,963	524,808	1,914	769,829	2,784
\$100,000 under \$125,000.....	1,232,983	32,046	1,394,789	42,392	963,809	4,323	1,196,304	4,480
\$125,000 under \$150,000.....	635,148	20,580	815,045	32,866	523,596	2,668	559,103	2,693
\$150,000 under \$175,000.....	364,589	13,030	498,855	25,600	355,957	2,464	329,615	1,736
\$175,000 under \$200,000.....	228,503	10,231	334,353	21,434	245,098	2,024	206,961	1,461
\$200,000 under \$300,000.....	361,470	17,158	592,476	48,828	526,868	5,349	364,532	2,694
\$300,000 under \$400,000.....	132,057	7,270	252,224	31,047	204,065	2,435	124,669	1,137
\$400,000 under \$500,000.....	60,877	3,151	142,591	27,069	106,518	1,410	60,114	612
\$500,000 under \$1,000,000.....	94,390	5,951	198,011	48,774	175,007	2,594	81,220	1,283
\$1,000,000 or more.....	55,185	4,656	111,259	59,440	113,556	2,100	38,722	1,122

Footnotes at end of table

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2000--Continued**

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

Size of income	Total itemized deductions				Taxable income			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
<b>All returns, total.....</b>	<b>42,534,320</b>	<b>822,361</b>	<b>42,518,364</b>	<b>785,309</b>	<b>105,259,292</b>	<b>4,544,242</b>	<b>105,259,292</b>	<b>4,544,242</b>
Under \$10,000.....	653,015	7,391	713,394	7,619	8,428,327	15,632	8,340,586	16,028
\$10,000 under \$20,000.....	2,055,745	23,189	2,146,604	21,758	18,773,390	114,054	18,659,864	113,898
\$20,000 under \$30,000.....	3,341,040	37,418	3,578,684	37,573	17,817,064	235,632	18,354,234	246,148
\$30,000 under \$40,000.....	4,345,285	50,901	4,496,733	49,147	13,409,907	289,468	13,876,064	309,730
\$40,000 under \$50,000.....	4,637,438	58,045	4,532,072	54,187	10,376,300	305,176	10,232,871	312,397
\$50,000 under \$60,000.....	4,517,400	62,500	4,469,951	58,560	8,127,047	305,644	7,962,561	306,752
\$60,000 under \$70,000.....	4,239,705	62,370	4,073,534	57,632	6,295,015	285,247	6,015,950	277,391
\$70,000 under \$80,000.....	3,787,220	61,087	3,536,108	53,855	4,952,637	263,627	4,580,863	245,567
\$80,000 under \$90,000.....	2,929,532	49,942	2,776,582	45,258	3,604,449	223,159	3,439,444	211,429
\$90,000 under \$100,000.....	2,203,122	41,109	2,097,558	37,187	2,631,154	184,699	2,522,692	174,504
\$100,000 under \$125,000.....	3,609,669	77,357	3,511,288	72,204	4,119,101	344,682	4,036,095	331,922
\$125,000 under \$150,000.....	1,844,776	45,377	1,858,050	42,858	2,022,255	213,710	2,052,918	208,145
\$150,000 under \$175,000.....	1,089,211	30,690	1,101,979	29,174	1,176,452	149,354	1,219,518	146,678
\$175,000 under \$200,000.....	706,311	21,777	730,049	21,206	758,864	113,959	795,507	109,803
\$200,000 under \$300,000.....	1,308,747	48,800	1,403,261	48,325	1,393,468	278,852	1,523,585	280,114
\$300,000 under \$400,000.....	461,592	22,734	533,868	23,638	493,573	146,899	585,948	154,014
\$400,000 under \$500,000.....	224,051	13,081	280,418	14,162	245,669	96,192	310,468	100,989
\$500,000 under \$1,000,000.....	361,512	29,660	424,814	30,865	395,408	239,349	472,679	248,179
\$1,000,000 or more.....	218,949	78,932	253,418	80,102	239,213	738,907	277,446	750,554

  

Size of income	Total tax credits				Total income tax			
	2000 Adjusted Gross Income		1979 Income Concept		2000 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
<b>All returns, total.....</b>	<b>37,736,095</b>	<b>37,722</b>	<b>37,736,095</b>	<b>37,722</b>	<b>96,817,603</b>	<b>380,645</b>	<b>96,817,603</b>	<b>980,645</b>
Under \$10,000.....	1,228,761	125	1,200,986	129	7,837,160	2,355	7,755,415	2,457
\$10,000 under \$20,000.....	5,407,242	2,606	5,387,531	2,609	14,476,025	14,408	14,409,658	14,396
\$20,000 under \$30,000.....	6,364,326	5,632	6,449,022	5,662	14,863,043	29,533	15,364,685	31,102
\$30,000 under \$40,000.....	4,677,401	4,149	4,771,410	4,162	13,002,482	40,229	13,468,252	43,675
\$40,000 under \$50,000.....	4,193,202	3,870	4,137,394	3,803	10,250,253	45,739	10,108,078	47,235
\$50,000 under \$60,000.....	3,426,686	3,456	3,410,039	3,460	8,080,758	47,400	7,923,009	48,008
\$60,000 under \$70,000.....	2,910,317	3,021	2,850,731	2,902	6,280,852	45,801	6,000,135	45,101
\$70,000 under \$80,000.....	2,470,078	2,662	2,371,640	2,561	4,948,186	45,002	4,577,004	42,274
\$80,000 under \$90,000.....	1,818,464	1,821	1,766,188	1,835	3,600,440	41,371	3,425,379	39,014
\$90,000 under \$100,000.....	1,371,321	1,241	1,301,746	1,186	2,631,286	35,976	2,521,214	34,159
\$100,000 under \$125,000.....	1,783,740	1,627	1,789,816	1,531	4,118,904	72,328	4,028,798	69,412
\$125,000 under \$150,000.....	545,939	400	605,326	419	2,022,669	48,068	2,052,065	46,533
\$150,000 under \$175,000.....	304,587	285	315,510	223	1,176,831	35,390	1,218,923	34,603
\$175,000 under \$200,000.....	195,832	205	215,223	226	759,466	28,249	796,296	26,867
\$200,000 under \$300,000.....	425,022	784	482,345	855	1,394,509	74,940	1,522,003	74,277
\$300,000 under \$400,000.....	186,232	453	206,297	575	493,804	42,408	586,161	43,774
\$400,000 under \$500,000.....	102,550	308	117,537	390	245,732	29,107	310,503	29,889
\$500,000 under \$1,000,000.....	183,416	1,092	203,257	1,187	395,756	76,022	473,283	78,041
\$1,000,000 or more.....	140,979	3,985	154,096	4,008	239,448	226,320	276,742	229,827

1 Individual Retirement Arrangements are included in the calculation of "Pensions and annuities."

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

## Comparison of AGI with 1979 Income Concept

The Tax Reform Act of 1986 (TRA 86) made extensive changes to the calculation of AGI beginning with 1987. These changes made necessary a revision of the calculation of the 1979 Income Concept, in order to make tax years beginning with 1987 comparable to the base years, 1979 through 1986. The law changes limited the

deduction of passive losses and eliminated unreimbursed employee business expenses and moving expenses as "adjustments" (moving expenses changed back for 1994) in figuring AGI beginning with Tax Year 1987. Since passive losses had been fully deductible for both income measures prior to 1987, the disallowed passive losses had to be deducted in the 1979 Income Concept calculation for tax years after 1986.

Some income items, such as capital gains, that had been partially excluded from AGI under prior law were fully included. The new law also eliminated

or restricted some deductions. Therefore, if AGI is used to measure income, comparisons between 1986 are misleading. A more accurate comparison can be made using the 1979 Income Concept because it measures income in the same way for all years. Table B shows total income and selected tax items for 2000 using AGI and the 1979 Income Concept, classified by size of 2000 AGI.

Before TRA 86 became effective, a comparison of income measured by AGI with that measured by the 1979 Income Concept showed significant differences at income levels of \$200,000 or more. But, with the elimination of preferential treatment of various income items by TRA 86, such as the exclusion of a portion of capital gains, much of the difference disappeared. Under tax law prior to 1987, the capital gains exclusion accounted for the largest difference at the higher income levels between the two income measures. For 2000, 1979 Concept income was 2.8 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$226.2 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, increased 8.5 percent for 2000; income for the group \$200,000 and above increased 17.6 percent, after increasing 18.6 percent for 1999. Total income tax for all returns increased 11.8 percent; and total income tax reported for the \$200,000 and above income group increased 18.1 percent for 2000, following an increase of 19.2 percent for 1999.

The average tax rates (income tax as a percentage of total income) for each income class and both

1986 income and tax data with that for years after income concepts for years 1986 through 2000 are shown in Figure 4.

For the population as a whole, average tax rates for 2000 (based on the 1979 Income Concept) are higher than those for 1986 (before tax reform). However, between these 2 years, the average tax rates declined in all income categories below \$500,000. The remaining two income categories show the following increases in average tax rates between 1986 and 2000: returns with income between \$500,000 and \$1,000,000 increased 0.6 percentage points; and returns with income exceeding \$1,000,000 increased 4.6 percentage points. Although the average tax rate for 2000 was calculated using a lower maximum marginal tax rate of 39.6 percent for 2000 compared to 50 percent for 1986, it was calculated on income which included all capital gains (long-term gains could be partially excluded from income for 1986). Also, certain deductions from income that were allowed for 1986 were limited or eliminated beginning with 1987.



**Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-2000**

Size of 2000 AGI	Total income tax as a percentage of adjusted gross income														
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
<b>All returns, total.....</b>	<b>14.8</b>	<b>13.3</b>	<b>13.4</b>	<b>13.3</b>	<b>13.1</b>	<b>12.9</b>	<b>13.1</b>	<b>13.5</b>	<b>13.7</b>	<b>14.0</b>	<b>14.5</b>	<b>14.7</b>	<b>14.6</b>	<b>15.0</b>	<b>6.0</b>
Under \$10,000.....	4.3	4.0	4.0	3.8	3.7	3.5	3.2	3.0	3.0	3.0	3.1	3.2	2.9	3.0	3.3
\$10,000 under \$20,000.....	7.8	6.8	6.5	6.4	6.1	5.5	5.1	4.9	4.8	4.7	4.6	4.3	4.3	4.1	4.1
\$20,000 under \$30,000.....	10.6	9.4	9.3	9.3	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.6	6.8	6.7	6.5
\$30,000 under \$40,000.....	12.2	10.6	10.9	10.9	10.6	10.5	10.2	10.1	10.0	9.8	9.7	9.6	8.8	8.6	8.5
\$40,000 under \$50,000.....	13.8	11.8	11.6	11.5	11.4	11.0	10.8	10.7	10.8	10.7	10.8	10.7	10.0	9.8	9.8
\$50,000 under \$60,000.....	15.5	13.5	13.2	12.9	12.4	12.1	11.6	11.5	11.4	11.4	11.3	11.3	10.7	10.6	10.6
\$60,000 under \$70,000.....	16.9	15.1	14.5	14.2	13.8	13.2	12.9	12.7	12.6	12.5	12.3	12.1	11.4	11.2	11.2
\$70,000 under \$80,000.....	18.7	16.5	15.6	15.3	14.9	14.4	14.0	13.9	13.8	13.6	13.6	13.4	12.6	12.4	12.1
\$80,000 under \$90,000.....	19.9	17.8	16.6	16.2	15.8	15.4	15.0	15.1	14.9	14.6	14.6	14.4	13.5	13.5	13.5
\$90,000 under \$100,000.....	20.8	18.8	17.4	17.3	16.6	16.0	15.9	15.7	15.9	15.8	15.4	15.2	14.8	14.5	14.4
\$100,000 under \$125,000.....	23.1	20.1	18.8	18.4	17.5	17.3	16.9	17.0	17.0	16.9	16.7	16.5	16.0	15.8	15.8
\$125,000 under \$150,000.....	25.2	21.8	20.3	19.8	19.2	18.6	18.7	18.6	18.6	18.3	18.4	17.7	17.7	17.6	17.4
\$150,000 under \$175,000.....	28.0	23.0	21.6	21.1	20.4	19.8	19.6	19.7	19.9	19.9	19.8	19.3	18.8	19.0	18.6
\$175,000 under \$200,000.....	29.3	23.9	22.5	21.8	21.1	21.0	20.7	21.2	21.4	20.9	20.9	20.5	20.0	20.0	19.9
\$200,000 under \$300,000.....	31.1	25.8	23.7	22.8	22.6	22.7	22.9	23.8	23.9	23.8	23.4	22.9	22.4	22.4	22.4
\$300,000 under \$400,000.....	33.7	27.0	24.0	23.6	23.7	24.3	24.4	26.9	26.9	26.8	26.6	26.1	25.4	25.4	25.0
\$400,000 under \$500,000.....	36.2	28.2	24.1	23.9	23.6	24.9	25.3	28.4	28.6	28.7	28.2	27.4	26.9	26.7	26.6
\$500,000 under \$1,000,000.....	38.4	29.0	24.6	24.0	24.0	25.7	26.0	30.0	30.2	30.2	30.1	29.0	28.2	28.4	28.3
\$1,000,000 or more.....	40.2	28.6	25.0	24.2	24.1	26.2	26.8	31.2	31.1	31.4	30.8	28.8	27.5	27.9	27.7

  

Size of 2000 AGI	Total income tax as a percentage of 1979 Income Concept														
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
<b>All returns, total.....</b>	<b>13.3</b>	<b>13.1</b>	<b>13.3</b>	<b>13.2</b>	<b>13.0</b>	<b>12.7</b>	<b>12.8</b>	<b>13.3</b>	<b>13.5</b>	<b>13.8</b>	<b>14.3</b>	<b>14.5</b>	<b>14.2</b>	<b>14.6</b>	<b>15.0</b>
Under \$10,000.....	4.9	4.2	4.4	4.3	4.3	4.0	3.5	3.2	3.2	3.1	3.2	3.4	3.1	3.2	3.6
\$10,000 under \$20,000.....	7.6	6.7	6.5	6.4	6.1	5.5	5.1	4.8	4.8	4.7	4.6	4.4	4.2	4.1	4.0
\$20,000 under \$30,000.....	10.0	9.3	9.3	9.3	9.1	8.7	8.3	8.2	8.1	7.9	7.8	7.6	6.9	6.8	6.6
\$30,000 under \$40,000.....	11.6	10.7	10.7	10.9	10.7	10.5	10.2	10.2	10.1	10.1	10.0	9.8	9.1	8.9	9.0
\$40,000 under \$50,000.....	12.6	11.7	11.7	11.5	11.5	11.1	10.9	10.8	11.0	11.0	11.1	11.0	10.3	10.1	10.2
\$50,000 under \$60,000.....	13.8	13.4	13.2	12.9	12.5	12.0	11.6	11.6	11.6	11.6	11.6	11.5	11.0	10.9	10.9
\$60,000 under \$70,000.....	14.9	15.0	14.5	14.2	13.8	13.2	12.9	12.7	12.7	12.5	12.5	12.4	11.4	11.4	11.5
\$70,000 under \$80,000.....	15.8	16.2	15.4	15.2	14.6	14.2	13.7	13.7	13.6	13.6	13.5	13.3	12.6	12.4	12.3
\$80,000 under \$90,000.....	16.7	17.5	16.1	16.2	15.5	15.1	14.6	14.7	14.6	14.4	14.5	14.2	13.3	13.4	13.4
\$90,000 under \$100,000.....	16.8	18.1	17.1	16.8	16.1	15.5	15.2	15.3	15.4	15.5	15.2	15.2	14.5	14.0	14.2
\$100,000 under \$125,000.....	18.3	19.3	18.0	17.7	16.9	16.6	16.2	16.3	16.3	16.2	16.1	16.0	15.2	15.4	15.4
\$125,000 under \$150,000.....	19.0	20.6	19.6	18.8	18.0	17.3	17.2	17.7	17.4	17.4	17.3	16.7	16.6	16.6	16.6
\$150,000 under \$175,000.....	19.3	21.2	20.6	20.0	19.1	18.3	17.8	18.0	18.5	18.1	18.4	18.2	17.1	17.5	17.5
\$175,000 under \$200,000.....	20.3	22.5	21.6	20.7	20.0	18.6	19.0	19.1	19.4	19.2	18.9	18.8	18.1	18.4	18.0
\$200,000 under \$300,000.....	22.6	23.8	22.3	21.5	21.4	20.5	20.2	21.4	21.5	21.5	21.3	20.4	19.4	19.9	20.2
\$300,000 under \$400,000.....	22.6	24.5	22.6	21.9	21.5	21.6	21.6	23.5	23.7	23.7	23.1	24.0	21.5	21.3	21.7
\$400,000 under \$500,000.....	23.4	26.5	23.2	22.7	22.3	23.0	21.4	25.4	24.8	25.1	25.0	24.3	22.6	23.2	21.5
\$500,000 under \$1,000,000.....	23.7	26.7	23.5	22.0	21.7	23.5	22.6	26.3	26.1	26.7	27.1	26.1	24.3	24.0	24.3
\$1,000,000 or more.....	21.4	26.8	24.5	23.2	23.2	25.2	26.1	29.5	30.1	30.4	29.8	27.5	26.2	26.1	26.0