

# Section 1

# Introduction and Changes in Law

---

## Introduction

This report contains complete individual income tax data for Tax Year 2006. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 138 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2006.

Table A on the following pages presents selected income and tax items for Tax Years 2002 through 2006 as they appear on the forms and provides the percentage change for each item between 2005 and 2006. 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 year-to-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 2006, the number of individual tax returns filed increased by just over 4.0 million, or 3.0 percent. Adjusted gross income (AGI) rose \$608.3 billion, or 8.2 percent from 2005 to 2006, compared to the 9.3 percent increase recorded from 2004 to 2005. Total tax liability increased 9.3 percent to \$1.1 trillion. Several components of AGI showed large increases between 2005 and 2006. The most notable of these were net capital gains less loss, which increased 16.3 percent, and taxable interest, which increased 37.1 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2006, 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. Within this section, tables classified by the age of the taxpayer has been introduced for the first time. These tables (1.5, 2.6, and 3.7) are the initial

## Individual Returns 2006

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars [1]**

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

| Item  | Current dollars    |                    |                    |                    |                    | Percent change,<br>2005 to 2006 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------------------|
|   | 2002               | 2003               | 2004               | 2005               | 2006               |                                 |
|   | (1)                | (2)                | (3)                | (4)                | (5)                | (6)                             |
| <b>All returns</b>  | <b>130,076,443</b> | <b>130,423,626</b> | <b>132,226,042</b> | <b>134,372,678</b> | <b>138,394,754</b> | <b>3.0</b>                      |
| Electronically filed returns                                    | 52,798,823         | 61,154,815         | 68,380,152         | 73,471,852         | 80,095,643         | 9.0                             |
| Form 1040 returns   | 80,748,948         | 80,420,043         | 80,603,689         | 81,497,559         | 83,805,545         | 2.8                             |
| Electronically filed returns                                    | 24,843,419         | 30,472,170         | 34,900,171         | 39,465,536         | 43,470,129         | 10.1                            |
| Form 1040A returns  | 28,714,328         | 29,631,494         | 30,572,631         | 31,326,141         | 32,018,556         | 2.2                             |
| Electronically filed returns                                    | 16,839,599         | 18,910,697         | 20,771,324         | 22,224,396         | 23,888,067         | 7.5                             |
| Form 1040EZ returns   | 20,613,167         | 20,372,089         | 21,049,722         | 21,548,977         | ** 22,570,653      | 4.7                             |
| Electronically filed returns                                    | * 11,115,806       | * 11,771,948       | * 12,708,657       | 11,781,921         | 12,737,447         | 8.1                             |
| Salaries and wages  |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 110,938,441        | 110,890,993        | 112,369,812        | 114,070,880        | 116,379,376        | 2.0                             |
| Amount  | 4,559,690,903      | 4,649,900,493      | 4,921,806,344      | 5,155,407,373      | 5,469,370,119      | 6.1                             |
| Taxable interest received                                       |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 63,584,806         | 59,459,344         | 57,605,888         | 59,249,357         | 62,401,235         | 5.3                             |
| Amount  | 149,024,899        | 127,159,692        | 125,474,158        | 162,432,720        | 222,707,445        | 37.1                            |
| Tax-exempt interest   |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 4,453,829          | 4,524,955          | 4,416,851          | 4,497,973          | 6,038,822          | 34.3                            |
| Amount  | 54,564,456         | 53,750,230         | 52,031,763         | 57,693,924         | 72,970,971         | 26.5                            |
| Ordinary dividends in AGI                                       |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 31,409,759         | 30,475,097         | 30,687,178         | 31,175,376         | 31,619,775         | 1.4                             |
| Amount  | 103,241,332        | 115,141,232        | 146,838,808        | 166,482,004        | 199,359,146        | 19.7                            |
| Qualified dividends in AGI                                      |                    |                    |                    |                    |                    |                                 |
| Number of returns   | N/A                | 22,449,379         | 24,549,867         | 25,853,686         | 26,584,184         | 2.8                             |
| Amount  | N/A                | 80,994,736         | 110,500,411        | 118,980,474        | 137,195,800        | 15.3                            |
| State income tax refund   |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 23,838,529         | 24,655,907         | 23,621,296         | 22,110,769         | 22,964,214         | 3.9                             |
| Amount  | 23,875,813         | 23,425,623         | 22,735,928         | 22,204,760         | 24,206,006         | 9.0                             |
| Alimony received  |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 425,963            | 431,368            | 439,608            | 457,488            | 441,514            | -3.5                            |
| Amount  | 6,523,019          | 6,470,712          | 7,262,338          | 7,979,270          | 8,120,381          | 1.8                             |
| Business or profession net income, less loss                    |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 18,597,305         | 19,415,648         | 20,252,079         | 21,057,329         | 21,656,409         | 2.8                             |
| Amount  | 220,783,572        | 229,655,285        | 247,217,287        | 269,701,056        | 281,527,260        | 4.4                             |
| Net capital gain in AGI less loss                               |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 23,249,625         | 21,889,687         | 22,388,659         | 22,040,458         | 22,069,069         | 0.1                             |
| Amount  | 238,368,458        | 294,021,717        | 471,735,648        | 663,057,140        | 771,045,623        | 16.3                            |
| Capital gain distributions reported on Form 1040                |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 939,523            | 1,095,371          | 2,878,263          | 4,155,219          | 4,599,135          | 10.7                            |
| Amount  | 420,312            | 332,293            | 1,925,990          | 4,958,078          | 8,416,731          | 69.8                            |
| Sales of property other than capital assets, net gain less loss |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 1,728,377          | 1,753,860          | 1,749,934          | 1,777,203          | 1,778,803          | 0.1                             |
| Amount  | -2,386,530         | -330,359           | 2,502,516          | 3,662,932          | 4,201,647          | 14.7                            |
| Total IRA distributions   |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 8,889,787          | 9,240,253          | 9,516,936          | 10,024,085         | 10,635,115         | 6.1                             |
| Amount  | 120,418,135        | 120,948,781        | 131,491,539        | 146,906,503        | 165,503,242        | 12.7                            |
| Taxable IRA distributions in AGI                                |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 8,291,357          | 8,611,702          | 8,913,846          | 9,387,189          | 9,965,065          | 6.2                             |
| Amount  | 88,219,481         | 88,335,605         | 101,672,181        | 112,277,199        | 124,705,552        | 11.1                            |
| Total pensions and annuities                                    |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 24,857,470         | 24,767,067         | 25,130,018         | 25,352,088         | 26,511,367         | 4.6                             |
| Amount  | 561,031,602        | 565,420,626        | 627,664,241        | 685,308,391        | 780,831,489        | 13.9                            |
| Taxable pensions and annuities in AGI                           |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 22,794,417         | 22,822,842         | 23,123,390         | 23,247,374         | 24,098,220         | 3.7                             |
| Amount  | 357,840,960        | 372,931,442        | 394,285,849        | 420,144,855        | 450,454,465        | 7.2                             |
| Rents, royalties, partnerships, estates, trusts, etc.           |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 14,683,765         | 14,824,475         | 15,191,999         | 15,510,991         | 15,624,588         | 0.7                             |
| Amount  | 278,192,647        | 295,698,600        | 357,378,135        | 447,047,895        | 466,087,829        | 4.3                             |
| Farm net income less loss                                       |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 1,995,073          | 1,997,116          | 2,004,898          | 1,981,249          | 1,958,273          | -1.2                            |
| Amount  | -14,419,719        | -12,371,492        | -13,239,205        | -12,168,786        | -15,331,319        | -26.0                           |
| Unemployment compensation in AGI                                |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 10,334,639         | 10,065,230         | 9,094,911          | 7,887,700          | 7,378,438          | -6.5                            |
| Amount  | 43,129,155         | 44,007,879         | 32,740,272         | 27,857,367         | 26,523,665         | -4.8                            |
| Social security benefits (received)                             |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 13,869,265         | 14,120,202         | 14,759,589         | 15,510,458         | 20,609,364         | 32.9                            |
| Amount  | 205,658,281        | 214,011,279        | 231,873,220        | 252,239,705        | 339,754,476        | 34.7                            |
| Taxable social security benefits in AGI                         |                    |                    |                    |                    |                    |                                 |
| Number of returns   | 10,702,502         | 10,975,002         | 11,691,859         | 12,660,754         | 13,749,185         | 8.6                             |
| Amount  | 93,459,494         | 97,768,201         | 110,462,387        | 124,829,069        | 144,403,839        | 15.7                            |

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item  | Current dollars |               |               |               |               | Percent change,<br>2005 to 2006 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------------------------|
|   | 2002            | 2003          | 2004          | 2005          | 2006          |                                 |
|   | (1)             | (2)           | (3)           | (4)           | (5)           | (6)                             |
| Foreign earned income exclusion [2]   |                 |               |               |               |               |                                 |
| Number of returns   | 316,931         | 306,393       | 295,313       | 303,940       | 329,264       | 8.3                             |
| Amount  | 14,936,779      | 15,076,406    | 15,446,376    | 16,275,890    | 18,154,653    | 11.5                            |
| Net operating loss [2]  |                 |               |               |               |               |                                 |
| Number of returns   | 670,081         | 712,076       | 829,838       | 862,791       | 916,899       | 6.3                             |
| Amount  | 58,126,147      | 62,824,777    | 75,011,556    | 79,451,741    | 80,795,920    | 1.7                             |
| Other income, net gain less loss [2]  |                 |               |               |               |               |                                 |
| Number of returns   | 5,467,631       | 5,703,893     | 5,891,550     | 6,811,025     | 6,176,952     | -9.3                            |
| Amount  | 19,100,950      | 21,289,227    | 23,197,673    | 26,863,382    | 29,938,461    | 11.4                            |
| Total income  |                 |               |               |               |               |                                 |
| Number of returns   | 129,837,130     | 130,171,008   | 131,924,074   | 134,114,986   | 137,228,802   | 2.3                             |
| Amount  | 6,110,746,964   | 6,294,684,470 | 6,886,851,809 | 7,531,892,210 | 8,144,688,302 | 8.1                             |
| Archer MSA deduction  |                 |               |               |               |               |                                 |
| Number of returns   | 61,118          | 67,347        | 32,334        | 18,808        | 18,668        | -0.7                            |
| Amount  | 121,282         | 129,214       | 66,602        | 41,341        | 35,106        | -15.1                           |
| Educator expenses   |                 |               |               |               |               |                                 |
| Number of returns   | 2,884,403       | 3,240,673     | 3,402,468     | 3,503,719     | 3,166,931     | -9.6                            |
| Amount  | 712,505         | 805,734       | 858,457       | 877,796       | 805,568       | -8.2                            |
| Certain business expenses of reservists, performing artists, and fee-basis government officials |                 |               |               |               |               |                                 |
| Number of returns   | N/A             | N/A           | 105,135       | 100,111       | 120,468       | 20.3                            |
| Amount  | N/A             | N/A           | 252,597       | 285,073       | 368,258       | 29.2                            |
| Health savings account deduction  |                 |               |               |               |               |                                 |
| Number of returns   | N/A             | N/A           | 90,857        | 215,781       | 358,968       | 66.4                            |
| Amount  | N/A             | N/A           | 190,732       | 510,690       | 868,560       | 70.1                            |
| Moving expenses   |                 |               |               |               |               |                                 |
| Number of returns   | 947,470         | 1,023,888     | 1,096,436     | 1,134,137     | 1,082,576     | -4.5                            |
| Amount  | 2,215,391       | 2,439,835     | 2,952,043     | 3,076,563     | 3,159,251     | 2.7                             |
| One-half of self-employment tax   |                 |               |               |               |               |                                 |
| Number of returns   | 14,664,473      | 15,373,279    | 15,920,203    | 16,694,655    | 17,074,708    | 2.3                             |
| Amount  | 18,687,162      | 19,791,285    | 21,109,366    | 22,733,881    | 23,925,376    | 5.2                             |
| Self-employed health insurance  |                 |               |               |               |               |                                 |
| Number of returns   | 3,571,152       | 3,802,277     | 3,883,687     | 3,901,082     | 3,804,190     | -2.5                            |
| Amount  | 10,494,247      | 16,454,211    | 18,457,063    | 19,645,889    | 20,302,533    | 3.3                             |
| Keogh retirement plan   |                 |               |               |               |               |                                 |
| Number of returns   | 1,186,947       | 1,208,801     | 1,201,332     | 1,256,900     | 1,228,299     | -2.3                            |
| Amount  | 16,349,738      | 17,795,957    | 19,295,952    | 21,268,404    | 22,011,551    | 3.5                             |
| Penalty on early withdrawal of savings  |                 |               |               |               |               |                                 |
| Number of returns   | 804,926         | 736,121       | 780,327       | 805,625       | 1,164,171     | 44.5                            |
| Amount  | 192,750         | 150,214       | 209,833       | 265,870       | 429,850       | 61.7                            |
| Alimony paid adjustment   |                 |               |               |               |               |                                 |
| Number of returns   | 587,219         | 587,368       | 574,001       | 588,463       | 585,286       | -0.5                            |
| Amount  | 7,183,522       | 7,520,335     | 8,470,128     | 8,954,038     | 9,115,764     | 1.8                             |
| Total taxpayer IRA adjustment   |                 |               |               |               |               |                                 |
| Number of returns   | 3,277,671       | 3,418,494     | 3,330,763     | 3,256,066     | 3,230,531     | -0.8                            |
| Amount  | 9,462,404       | 10,006,814    | 10,028,607    | 12,003,037    | 12,533,506    | 4.4                             |
| Student loan interest deduction   |                 |               |               |               |               |                                 |
| Number of returns   | 6,640,784       | 6,953,370     | 7,527,249     | 8,072,896     | 8,540,900     | 5.8                             |
| Amount  | 4,659,546       | 4,409,816     | 4,398,734     | 5,052,720     | 6,156,865     | 21.9                            |
| Jury duty pay   |                 |               |               |               |               |                                 |
| Number of returns   | N/A             | N/A           | N/A           | N/A           | 57,259        | [7]                             |
| Amount  | N/A             | N/A           | N/A           | N/A           | 51,814        | [7]                             |
| Tuition and fees deduction  |                 |               |               |               |               |                                 |
| Number of returns   | 3,444,941       | 3,571,154     | 4,710,253     | 4,696,013     | 4,015,828     | -14.5                           |
| Amount  | 6,154,145       | 6,683,631     | 10,589,279    | 10,846,990    | 9,620,615     | -11.3                           |
| Domestic production activities deduction  |                 |               |               |               |               |                                 |
| Number of returns   | N/A             | N/A           | N/A           | 336,959       | 421,128       | 25.0                            |
| Amount  | N/A             | N/A           | N/A           | 2,360,983     | 3,303,121     | 39.9                            |
| Foreign housing deductions  |                 |               |               |               |               |                                 |
| Number of returns   | 2,074           | 1,491         | 3,352         | 2,417         | 3,942         | 63.1                            |
| Amount  | 54,614          | 51,765        | 59,899        | 70,962        | 83,632        | 17.9                            |
| Other adjustments   |                 |               |               |               |               |                                 |
| Number of returns   | 208,348         | 272,647       | 188,210       | 257,014       | 137,296       | -46.6                           |
| Amount  | 1,064,125       | 1,314,285     | 1,107,387     | 1,402,311     | 1,073,988     | -23.4                           |
| Total statutory adjustments   |                 |               |               |               |               |                                 |
| Number of returns   | 28,911,078      | 30,382,069    | 32,153,965    | 33,591,124    | 33,980,524    | 1.2                             |
| Amount  | 77,161,432      | 87,575,677    | 98,046,679    | 109,396,547   | 113,845,357   | 4.1                             |
| Adjusted gross income or loss (AGI)   |                 |               |               |               |               |                                 |
| Amount  | 6,033,585,532   | 6,207,108,793 | 6,788,805,130 | 7,422,495,663 | 8,030,842,945 | 8.2                             |
| Total itemized deductions   |                 |               |               |               |               |                                 |
| Number of returns   | 45,647,551      | 43,949,591    | 46,335,237    | 47,755,427    | 49,123,555    | 2.9                             |
| Amount  | 898,047,320     | 901,864,834   | 998,238,457   | 1,121,810,935 | 1,229,237,288 | 9.6                             |

Footnotes at end of table.

## Individual Returns 2006

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item                                    | Current dollars |               |               |               |               | Percent change,<br>2005 to 2006 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------------------------|
|   | 2002            | 2003          | 2004          | 2005          | 2006          |                                 |
|   | (1)             | (2)           | (3)           | (4)           | (5)           | (6)                             |
| Total standard deduction                |                 |               |               |               |               |                                 |
| Number of returns                       | 82,655,191      | 84,643,281    | 84,016,753    | 84,841,222    | 86,583,732    | 2.1                             |
| Amount                                  | 492,067,532     | 555,780,052   | 560,932,618   | 580,747,711   | 607,464,186   | 4.6                             |
| Basic standard deduction                |                 |               |               |               |               |                                 |
| Number of returns                       | 82,655,191      | 84,643,281    | 84,016,753    | 84,841,222    | 86,583,732    | 2.1                             |
| Amount                                  | 477,170,045     | 539,921,089   | 545,082,218   | 564,186,053   | 590,487,763   | 4.7                             |
| Additional standard deduction           |                 |               |               |               |               |                                 |
| Number of returns                       | 10,857,098      | 11,200,647    | 10,985,079    | 10,996,440    | 11,261,327    | 2.4                             |
| Amount                                  | 14,897,487      | 15,858,963    | 15,850,401    | 16,561,658    | 16,976,422    | 2.5                             |
| AGI less deductions                     |                 |               |               |               |               |                                 |
| Number of returns                       | 114,976,167     | 114,402,877   | 116,042,570   | 118,115,885   | 120,676,830   | 2.2                             |
| Amount                                  | 4,760,885,833   | 4,873,784,147 | 5,360,753,836 | 5,859,016,944 | 6,340,706,374 | 8.2                             |
| Number of exemptions                    | 258,716,374     | 261,126,373   | 263,896,304   | 269,043,070   | 275,256,944   | 2.3                             |
| Exemption amount                        | 761,440,430     | 781,305,067   | 800,690,043   | 839,904,186   | 891,911,609   | 6.2                             |
| Taxable income                          |                 |               |               |               |               |                                 |
| Number of returns                       | 102,275,969     | 101,392,812   | 102,737,959   | 104,330,653   | 106,667,402   | 2.2                             |
| Amount                                  | 4,096,127,651   | 4,200,218,439 | 4,670,165,637 | 5,137,165,874 | 5,579,145,443 | 8.6                             |
| Tax from table, rate schedules, etc.    |                 |               |               |               |               |                                 |
| Number of returns                       | 102,266,930     | 101,386,201   | 102,721,593   | 104,321,332   | 106,658,774   | 2.2                             |
| Amount                                  | 829,839,121     | 780,315,781   | 871,227,853   | 972,706,955   | 1,061,247,534 | 9.1                             |
| Additional taxes                        |                 |               |               |               |               |                                 |
| Number of returns                       | 13,291          | 21,370        | 9,884         | 10,595        | 12,787        | 20.7                            |
| Amount                                  | 153,564         | 222,088       | 85,611        | 23,740        | 43,250        | 82.2                            |
| Alternative minimum tax                 |                 |               |               |               |               |                                 |
| Number of returns                       | 1,910,789       | 2,357,975     | 3,096,299     | 4,004,756     | 3,966,540     | -1.0                            |
| Amount                                  | 6,853,901       | 9,469,803     | 13,029,239    | 17,421,071    | 21,564,586    | 23.8                            |
| Income tax before credits               |                 |               |               |               |               |                                 |
| Number of returns                       | 102,293,722     | 101,412,777   | 102,740,921   | 104,345,964   | 106,688,255   | 2.2                             |
| Amount                                  | 836,842,718     | 790,005,881   | 884,342,703   | 990,151,766   | 1,082,855,370 | 9.4                             |
| Foreign tax credit                      |                 |               |               |               |               |                                 |
| Number of returns                       | 3,748,974       | 4,145,174     | 4,700,259     | 5,398,046     | 6,418,317     | 18.9                            |
| Amount                                  | 5,933,600       | 5,805,555     | 6,757,994     | 9,361,989     | 10,958,470    | 17.1                            |
| Child care credit                       |                 |               |               |               |               |                                 |
| Number of returns                       | 6,185,855       | 6,313,297     | 6,316,649     | 6,500,596     | 6,466,792     | -0.5                            |
| Amount                                  | 2,706,539       | 3,206,890     | 3,337,984     | 3,462,104     | 3,486,637     | 0.7                             |
| Credit for elderly or disabled          |                 |               |               |               |               |                                 |
| Number of returns                       | 133,538         | 123,147       | 107,914       | 101,627       | 98,261        | -3.3                            |
| Amount                                  | 21,119          | 20,257        | 18,740        | 14,127        | 14,571        | 3.1                             |
| Education credits                       |                 |               |               |               |               |                                 |
| Number of returns                       | 6,544,536       | 7,298,227     | 7,180,884     | 7,057,251     | 7,725,138     | 9.5                             |
| Amount                                  | 5,012,744       | 5,843,029     | 6,016,805     | 6,119,631     | 7,022,420     | 14.8                            |
| Retirement savings contributions credit |                 |               |               |               |               |                                 |
| Number of returns                       | 5,307,176       | 5,296,688     | 5,288,732     | 5,293,605     | 5,192,133     | -1.9                            |
| Amount                                  | 1,058,219       | 1,034,394     | 1,011,506     | 944,531       | 893,957       | -5.4                            |
| Residential energy credit               |                 |               |               |               |               |                                 |
| Number of returns                       | N/A             | N/A           | N/A           | N/A           | 4,344,189     | [7]                             |
| Amount                                  | N/A             | N/A           | N/A           | N/A           | 1,000,149     | [7]                             |
| Child tax credit                        |                 |               |               |               |               |                                 |
| Number of returns                       | 25,939,801      | 25,672,254    | 25,988,711    | 25,950,568    | 25,741,511    | -0.8                            |
| Amount                                  | 21,520,271      | 22,788,025    | 32,300,455    | 32,047,620    | 31,741,551    | -1.0                            |
| Adoption credit                         |                 |               |               |               |               |                                 |
| Number of returns                       | 55,905          | 63,980        | 71,136        | 84,793        | 93,369        | 10.1                            |
| Amount                                  | 234,109         | 348,793       | 301,890       | 319,558       | 351,184       | 9.9                             |
| General business credit                 |                 |               |               |               |               |                                 |
| Number of returns                       | 284,720         | 262,738       | 248,506       | 251,386       | 386,681       | 53.8                            |
| Amount                                  | 750,855         | 612,744       | 635,391       | 877,850       | 1,302,464     | 48.4                            |
| Prior year minimum tax credit           |                 |               |               |               |               |                                 |
| Number of returns                       | 193,776         | 250,605       | 274,596       | 290,376       | 359,098       | 23.7                            |
| Amount                                  | 976,398         | 916,538       | 902,000       | 1,081,252     | 1,032,247     | -4.5                            |
| Total credits [1][3]                    |                 |               |               |               |               |                                 |
| Number of returns                       | 38,846,217      | 39,247,449    | 39,841,978    | 40,526,374    | 44,397,533    | 9.6                             |
| Amount                                  | 38,747,463      | 41,069,375    | 51,599,346    | 54,571,100    | 58,141,809    | 6.5                             |
| Income tax less credits [1]             |                 |               |               |               |               |                                 |
| Number of returns                       | 93,565,243      | 91,109,363    | 90,876,672    | 92,343,186    | 94,509,890    | 2.3                             |
| Amount                                  | 798,095,255     | 748,936,506   | 832,743,358   | 935,580,666   | 1,024,713,561 | 9.5                             |
| Self-employment tax                     |                 |               |               |               |               |                                 |
| Number of returns                       | 14,664,473      | 15,373,279    | 15,920,203    | 16,694,655    | 17,074,708    | 2.3                             |
| Amount                                  | 37,367,003      | 39,574,991    | 42,210,737    | 45,459,427    | 47,842,244    | 5.2                             |
| Recapture taxes                         |                 |               |               |               |               |                                 |
| Number of returns                       | 14,684          | 15,797        | 41,161        | 15,206        | 12,536        | -17.6                           |
| Amount                                  | 117,943         | 87,939        | 173,122       | 299,191       | 320,788       | 7.2                             |

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item   | Current dollars |             |               |               |               | Percent change,<br>2005 to 2006 |
|--|-----------------|-------------|---------------|---------------|---------------|---------------------------------|
|  | 2002            | 2003        | 2004          | 2005          | 2006          |                                 |
|  | (1)             | (2)         | (3)           | (4)           | (5)           | (6)                             |
| Social security, Medicare tax on tip income not reported |                 |             |               |               |               |                                 |
| Number of returns  | 238,185         | 557,717     | 517,609       | 335,818       | 355,457       | 5.8                             |
| Amount   | 31,446          | 148,746     | 107,929       | 79,220        | 73,109        | -7.7                            |
| Tax on qualified retirement plans                        |                 |             |               |               |               |                                 |
| Number of returns  | 4,896,938       | 4,877,670   | 4,924,584     | 4,822,297     | 5,148,030     | 6.8                             |
| Amount   | 3,498,067       | 3,407,940   | 3,640,374     | 3,820,152     | 4,347,720     | 13.8                            |
| Advanced earned income credit payments                   |                 |             |               |               |               |                                 |
| Number of returns  | 156,376         | 142,694     | 142,639       | 122,078       | 129,124       | 5.8                             |
| Amount   | 73,904          | 66,986      | 62,360        | 58,167        | 62,149        | 6.8                             |
| Household employment taxes                               |                 |             |               |               |               |                                 |
| Number of returns  | 229,722         | 240,601     | 243,702       | 228,381       | 225,441       | -1.3                            |
| Amount   | 703,931         | 810,442     | 885,832       | 936,858       | 917,524       | -2.1                            |
| Total tax liability [1,4]                                |                 |             |               |               |               |                                 |
| Number of returns  | 99,559,612      | 97,875,142  | 98,115,557    | 99,880,223    | 102,363,945   | 2.5                             |
| Amount   | 839,977,103     | 793,111,460 | 879,962,609   | 986,460,793   | 1,078,601,440 | 9.3                             |
| Income tax withheld                                      |                 |             |               |               |               |                                 |
| Number of returns  | 114,861,744     | 114,861,706 | 116,312,978   | 118,161,380   | 120,500,889   | 2.0                             |
| Amount   | 717,492,263     | 703,758,484 | 731,734,362   | 782,659,594   | 843,094,979   | 7.7                             |
| Estimated tax payments                                   |                 |             |               |               |               |                                 |
| Number of returns  | 12,434,579      | 11,576,213  | 10,996,504    | 11,053,213    | 11,128,072    | 0.7                             |
| Amount   | 198,177,595     | 182,906,911 | 188,770,357   | 221,001,524   | 252,998,613   | 14.5                            |
| Earned income credit [1]                                 |                 |             |               |               |               |                                 |
| Number of returns  | 21,703,187      | 22,024,227  | 22,270,550    | 22,751,904    | 23,042,200    | 1.3                             |
| Amount   | 38,198,572      | 38,657,067  | 40,024,074    | 42,410,290    | 44,387,566    | 4.7                             |
| Nontaxable combat pay election                           |                 |             |               |               |               |                                 |
| Number of returns  | N/A             | N/A         | 10,024        | 21,973        | 8,323         | -62.1                           |
| Amount   | N/A             | N/A         | 9,283         | 328,268       | 90,997        | -72.3                           |
| Additional child tax credit                              |                 |             |               |               |               |                                 |
| Number of returns  | 10,937,417      | 12,570,455  | 14,528,434    | 15,219,712    | 15,590,592    | 2.4                             |
| Amount   | 6,415,753       | 9,112,716   | 14,450,019    | 15,495,160    | 16,248,889    | 4.9                             |
| Payment with an extension request                        |                 |             |               |               |               |                                 |
| Number of returns  | 1,235,156       | 1,333,579   | 1,518,779     | 1,627,572     | 1,758,125     | 8.0                             |
| Amount   | 36,321,934      | 38,303,188  | 59,268,206    | 77,833,848    | 86,530,919    | 11.2                            |
| Excess social security tax withheld                      |                 |             |               |               |               |                                 |
| Number of returns  | 1,145,352       | 1,121,141   | 1,242,604     | 1,383,240     | 1,443,437     | 4.4                             |
| Amount   | 1,564,478       | 1,566,411   | 1,727,641     | 2,023,314     | 2,288,807     | 13.1                            |
| Other payments:  |                 |             |               |               |               |                                 |
| Form 2439  |                 |             |               |               |               |                                 |
| Number of returns  | 19,422          | 12,717      | 9,608         | 19,812        | 84,547        | 326.7                           |
| Amount   | 37,701          | 123,633     | 33,754        | 52,976        | 52,199        | -1.5                            |
| Form 4136  |                 |             |               |               |               |                                 |
| Number of returns  | 365,868         | 349,860     | 345,020       | 340,769       | 318,754       | -6.5                            |
| Amount   | 101,459         | 82,154      | 86,378        | 101,712       | 85,905        | -15.5                           |
| Form 8885 [5]  |                 |             |               |               |               |                                 |
| Number of returns  | 5,322           | 17,834      | 16,314        | 13,380        | 22,397        | 67.4                            |
| Amount   | 1,967           | 32,514      | 23,595        | 27,078        | 27,567        | 1.8                             |
| Federal telephone excise tax credit                      |                 |             |               |               |               |                                 |
| Number of returns  | N/A             | N/A         | N/A           | N/A           | 96,873,353    | [7]                             |
| Amount   | N/A             | N/A         | N/A           | N/A           | 4,164,063     | [7]                             |
| Total payments [1]                                       |                 |             |               |               |               |                                 |
| Number of returns  | 123,462,930     | 123,461,513 | 124,989,700   | 126,781,067   | 134,948,299   | 6.4                             |
| Amount   | 998,311,722     | 974,543,079 | 1,036,118,363 | 1,141,605,497 | 1,249,879,508 | 9.5                             |
| Overpayment, total                                       |                 |             |               |               |               |                                 |
| Number of returns  | 103,462,884     | 105,361,848 | 103,706,648   | 104,778,359   | 109,915,823   | 4.9                             |
| Amount   | 239,784,002     | 254,553,541 | 255,064,839   | 272,110,056   | 295,796,995   | 8.7                             |
| Overpayment refunded                                     |                 |             |               |               |               |                                 |
| Number of returns  | 100,143,606     | 102,004,984 | 100,674,244   | 101,870,385   | 107,001,071   | 5.0                             |
| Amount   | 205,987,348     | 219,751,889 | 221,371,474   | 232,975,616   | 250,941,390   | 7.7                             |
| Refund credited to next year                             |                 |             |               |               |               |                                 |
| Number of returns  | 5,418,534       | 5,199,186   | 4,314,593     | 4,055,960     | 3,978,421     | -1.9                            |
| Amount   | 33,796,653      | 34,801,652  | 33,693,366    | 39,134,446    | 44,855,606    | 14.6                            |
| Tax due at time of filing                                |                 |             |               |               |               |                                 |
| Number of returns  | 22,818,761      | 21,072,333  | 24,452,350    | 25,659,937    | 26,694,105    | 4.0                             |
| Amount   | 82,287,723      | 73,741,408  | 99,683,779    | 118,232,296   | 126,289,889   | 6.8                             |
| Tax penalty  |                 |             |               |               |               |                                 |
| Number of returns  | 5,149,988       | 4,829,886   | 5,641,853     | 5,882,477     | 6,496,924     | 10.4                            |
| Amount   | 838,341         | 619,485     | 774,697       | 1,266,944     | 1,770,962     | 39.8                            |

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item  | Constant 1990 dollars [6] |                    |                    |                    |                    | Percent change,<br>2005 to 2006 |
|---|---------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------------|
|   | 2002                      | 2003               | 2004               | 2005               | 2006               |                                 |
|   | (7)                       | (8)                | (9)                | (10)               | (11)               | (12)                            |
| <b>All returns</b>  | <b>130,076,443</b>        | <b>130,423,626</b> | <b>132,226,042</b> | <b>134,372,678</b> | <b>138,394,754</b> | <b>3.0</b>                      |
| Electronically filed returns                                    | 52,798,823                | 61,154,815         | 68,380,152         | 73,471,852         | 80,095,643         | 9.0                             |
| Form 1040 returns   | 80,748,948                | 80,420,043         | 80,603,689         | 81,497,559         | 83,805,545         | 2.8                             |
| Electronically filed returns                                    | 24,843,419                | 30,472,170         | 34,900,171         | 39,465,536         | 43,470,129         | 10.1                            |
| Form 1040A returns  | 28,714,328                | 29,631,494         | 30,572,631         | 31,326,141         | 32,018,556         | 2.2                             |
| Electronically filed returns                                    | 16,839,599                | 18,910,697         | 20,771,324         | 22,224,396         | 23,888,067         | 7.5                             |
| Form 1040EZ returns   | 20,613,167                | 20,372,089         | 21,049,722         | 21,548,977         | ** 22,570,653      | 4.7                             |
| Electronically filed returns                                    | * 11,115,806              | * 11,771,948       | * 12,708,657       | 11,781,921         | 12,737,447         | 8.1                             |
| Salaries and wages  |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 110,938,441               | 110,890,993        | 112,369,812        | 114,070,880        | 116,379,376        | 2.0                             |
| Amount  | 3,313,728,854             | 3,302,486,146      | 3,406,094,356      | 3,450,741,214      | 3,546,932,632      | 2.8                             |
| Taxable interest received                                       |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 63,584,806                | 59,459,344         | 57,605,888         | 59,249,357         | 62,401,235         | 5.3                             |
| Amount  | 108,302,979               | 90,312,281         | 86,833,327         | 108,723,373        | 144,427,656        | 32.8                            |
| Tax-exempt interest   |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 4,453,829                 | 4,524,955          | 4,416,851          | 4,497,973          | 6,038,822          | 34.3                            |
| Amount  | 39,654,401                | 38,174,879         | 36,008,140         | 38,617,084         | 47,322,290         | 22.5                            |
| Ordinary dividends in AGI                                       |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 31,409,759                | 30,475,097         | 30,687,178         | 31,175,376         | 31,619,775         | 1.4                             |
| Amount  | 75,030,038                | 81,776,443         | 101,618,552        | 111,433,738        | 129,286,087        | 16.0                            |
| Qualified dividends in AGI                                      |                           |                    |                    |                    |                    |                                 |
| Number of returns   | N/A                       | 22,449,379         | 24,549,867         | 25,853,686         | 26,584,184         | 2.8                             |
| Amount  | N/A                       | 57,524,670         | 76,470,873         | 79,638,871         | 88,972,633         | 11.7                            |
| State income tax refund   |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 23,838,529                | 24,655,907         | 23,621,296         | 22,110,769         | 22,964,214         | 3.9                             |
| Amount  | 17,351,608                | 16,637,516         | 15,734,206         | 14,862,624         | 15,697,799         | 5.6                             |
| Alimony received  |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 425,963                   | 431,368            | 439,608            | 457,488            | 441,514            | -3.5                            |
| Amount  | 4,740,566                 | 4,595,676          | 5,025,839          | 5,340,877          | 5,266,136          | -1.4                            |
| Business or profession net income, less loss                    |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 18,597,305                | 19,415,648         | 20,252,079         | 21,057,329         | 21,656,409         | 2.8                             |
| Amount  | 160,453,177               | 163,107,447        | 171,084,628        | 180,522,795        | 182,572,802        | 1.1                             |
| Net capital gain in AGI less loss                               |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 23,249,625                | 21,889,687         | 22,388,659         | 22,040,458         | 22,069,069         | 0.1                             |
| Amount  | 173,232,891               | 208,822,242        | 326,460,656        | 443,813,347        | 500,029,587        | 12.7                            |
| Capital gain distributions reported on Form 1040                |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 939,523                   | 1,095,371          | 2,878,263          | 4,155,219          | 4,599,135          | 10.7                            |
| Amount  | 305,459                   | 236,004            | 1,332,865          | 3,318,660          | 5,458,321          | 64.5                            |
| Sales of property other than capital assets, net gain less loss |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 1,728,377                 | 1,753,860          | 1,749,934          | 1,777,203          | 1,778,803          | 0.1                             |
| Amount  | -1,734,397                | -234,630           | 1,731,845          | 2,451,762          | 2,724,804          | 11.1                            |
| Total IRA distributions   |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 8,889,787                 | 9,240,253          | 9,516,936          | 10,024,085         | 10,635,115         | 6.1                             |
| Amount  | 87,513,180                | 85,901,123         | 90,997,605         | 98,330,993         | 107,330,248        | 9.2                             |
| Taxable IRA distributions in AGI                                |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 8,291,357                 | 8,611,702          | 8,913,846          | 9,387,189          | 9,965,065          | 6.2                             |
| Amount  | 64,112,995                | 62,738,356         | 70,361,371         | 75,152,074         | 80,872,602         | 7.6                             |
| Total pensions and annuities                                    |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 24,857,470                | 24,767,067         | 25,130,018         | 25,352,088         | 26,511,367         | 4.6                             |
| Amount  | 407,726,455               | 401,577,149        | 434,369,717        | 458,707,089        | 506,375,804        | 10.4                            |
| Taxable pensions and annuities in AGI                           |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 22,794,417                | 22,822,842         | 23,123,390         | 23,247,374         | 24,098,220         | 3.7                             |
| Amount  | 260,058,837               | 264,866,081        | 272,862,179        | 281,221,456        | 292,123,518        | 3.9                             |
| Rents, royalties, partnerships, estates, trusts, etc.           |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 14,683,765                | 14,824,475         | 15,191,999         | 15,510,991         | 15,624,588         | 0.7                             |
| Amount  | 202,174,889               | 210,013,210        | 247,320,509        | 299,228,845        | 302,261,887        | 1.0                             |
| Farm net income less loss                                       |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 1,995,073                 | 1,997,116          | 2,004,898          | 1,981,249          | 1,958,273          | -1.2                            |
| Amount  | -10,479,447               | -8,786,571         | -9,162,080         | -8,145,104         | -9,942,490         | -22.1                           |
| Unemployment compensation in AGI                                |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 10,334,639                | 10,065,230         | 9,094,911          | 7,887,700          | 7,378,438          | -6.5                            |
| Amount  | 31,343,863                | 31,255,596         | 22,657,628         | 18,646,163         | 17,200,820         | -7.8                            |
| Social security benefits (received)                             |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 13,869,265                | 14,120,202         | 14,759,589         | 15,510,458         | 20,609,364         | 32.9                            |
| Amount  | 149,460,960               | 151,996,647        | 160,465,896        | 168,835,144        | 220,333,642        | 30.5                            |
| Taxable social security benefits in AGI                         |                           |                    |                    |                    |                    |                                 |
| Number of returns   | 10,702,502                | 10,975,002         | 11,691,859         | 12,660,754         | 13,749,185         | 8.6                             |
| Amount  | 67,921,144                | 69,437,643         | 76,444,558         | 83,553,594         | 93,647,107         | 12.1                            |

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item  | Constant 1990 dollars [6] |               |               |               |               | Percent change,<br>2005 to 2006 |
|---|---------------------------|---------------|---------------|---------------|---------------|---------------------------------|
|   | 2002                      | 2003          | 2004          | 2005          | 2006          |                                 |
|   | (7)                       | (8)           | (9)           | (10)          | (11)          | (12)                            |
| Foreign earned income exclusion [2]   |                           |               |               |               |               |                                 |
| Number of returns   | 316,931                   | 306,393       | 295,313       | 303,940       | 329,264       | 8.3                             |
| Amount  | 10,855,217                | 10,707,675    | 10,689,534    | 10,894,170    | 11,773,446    | 8.1                             |
| Net operating loss [2]  |                           |               |               |               |               |                                 |
| Number of returns   | 670,081                   | 712,076       | 829,838       | 862,791       | 916,899       | 6.3                             |
| Amount  | 42,242,839                | 44,619,870    | 51,911,111    | 53,180,550    | 52,396,835    | -1.5                            |
| Other income, net gain less loss [2]  |                           |               |               |               |               |                                 |
| Number of returns   | 5,467,631                 | 5,703,893     | 5,891,550     | 6,811,025     | 6,176,952     | -9.3                            |
| Amount  | 13,881,504                | 15,120,190    | 16,053,753    | 17,980,845    | 19,415,344    | 8.0                             |
| Total income  |                           |               |               |               |               |                                 |
| Number of returns   | 129,837,130               | 130,171,008   | 131,924,074   | 134,114,986   | 137,228,802   | 2.3                             |
| Amount  | 4,440,949,828             | 4,470,656,584 | 4,765,987,411 | 5,041,427,182 | 5,281,899,029 | 4.8                             |
| Archer MSA deduction  |                           |               |               |               |               |                                 |
| Number of returns   | 61,118                    | 67,347        | 32,334        | 18,808        | 18,668        | -0.7                            |
| Amount  | 88,141                    | 91,771        | 46,091        | 27,671        | 22,767        | -17.7                           |
| Educator expenses   |                           |               |               |               |               |                                 |
| Number of returns   | 2,884,403                 | 3,240,673     | 3,402,468     | 3,503,719     | 3,166,931     | -9.6                            |
| Amount  | 517,809                   | 572,254       | 594,088       | 587,548       | 522,418       | -11.1                           |
| Certain business expenses of reservists, performing artists, and fee-basis government officials |                           |               |               |               |               |                                 |
| Number of returns   | N/A                       | N/A           | 105,135       | 100,111       | 120,468       | 20.3                            |
| Amount  | N/A                       | N/A           | 174,808       | 190,812       | 238,818       | 25.2                            |
| Health savings account deduction  |                           |               |               |               |               |                                 |
| Number of returns   | N/A                       | N/A           | 90,857        | 215,781       | 358,968       | 66.4                            |
| Amount  | N/A                       | N/A           | 131,994       | 341,827       | 563,268       | 64.8                            |
| Moving expenses   |                           |               |               |               |               |                                 |
| Number of returns   | 947,470                   | 1,023,888     | 1,096,436     | 1,134,137     | 1,082,576     | -4.5                            |
| Amount  | 1,610,023                 | 1,732,837     | 2,042,936     | 2,059,279     | 2,048,801     | -0.5                            |
| One-half of self-employment tax   |                           |               |               |               |               |                                 |
| Number of returns   | 14,664,473                | 15,373,279    | 15,920,203    | 16,694,655    | 17,074,708    | 2.3                             |
| Amount  | 13,580,786                | 14,056,310    | 14,608,558    | 15,216,788    | 15,515,808    | 2.0                             |
| Self-employed health insurance  |                           |               |               |               |               |                                 |
| Number of returns   | 3,571,152                 | 3,802,277     | 3,883,687     | 3,901,082     | 3,804,190     | -2.5                            |
| Amount  | 7,626,633                 | 11,686,229    | 12,773,054    | 13,149,859    | 13,166,364    | 0.1                             |
| Keogh retirement plan   |                           |               |               |               |               |                                 |
| Number of returns   | 1,186,947                 | 1,208,801     | 1,201,332     | 1,256,900     | 1,228,299     | -2.3                            |
| Amount  | 11,882,077                | 12,639,174    | 13,353,600    | 14,235,880    | 14,274,676    | 0.3                             |
| Penalty on early withdrawal of savings  |                           |               |               |               |               |                                 |
| Number of returns   | 804,926                   | 736,121       | 780,327       | 805,625       | 1,164,171     | 44.5                            |
| Amount  | 140,080                   | 106,686       | 145,213       | 177,959       | 278,761       | 56.6                            |
| Alimony paid adjustment   |                           |               |               |               |               |                                 |
| Number of returns   | 587,219                   | 587,368       | 574,001       | 588,463       | 585,286       | -0.5                            |
| Amount  | 5,220,583                 | 5,341,147     | 5,861,680     | 5,993,332     | 5,911,650     | -1.4                            |
| Total taxpayer IRA adjustment   |                           |               |               |               |               |                                 |
| Number of returns   | 3,277,671                 | 3,418,494     | 3,330,763     | 3,256,066     | 3,230,531     | -0.8                            |
| Amount  | 6,876,747                 | 7,107,112     | 6,940,212     | 8,034,161     | 8,128,084     | 1.2                             |
| Student loan interest deduction   |                           |               |               |               |               |                                 |
| Number of returns   | 6,640,784                 | 6,953,370     | 7,527,249     | 8,072,896     | 8,540,900     | 5.8                             |
| Amount  | 3,386,298                 | 3,131,972     | 3,044,107     | 3,382,008     | 3,992,779     | 18.1                            |
| Jury duty pay   |                           |               |               |               |               |                                 |
| Number of returns   | N/A                       | N/A           | N/A           | N/A           | 57,259        | [7]                             |
| Amount  | N/A                       | N/A           | N/A           | N/A           | 33,602        | [7]                             |
| Tuition and fees deduction  |                           |               |               |               |               |                                 |
| Number of returns   | 3,444,941                 | 3,571,154     | 4,710,253     | 4,696,013     | 4,015,828     | -14.5                           |
| Amount  | 4,472,489                 | 4,746,897     | 7,328,221     | 7,260,368     | 6,239,050     | -14.1                           |
| Domestic production activities deduction  |                           |               |               |               |               |                                 |
| Number of returns   | N/A                       | N/A           | N/A           | 336,959       | 421,128       | 25.0                            |
| Amount  | N/A                       | N/A           | N/A           | 1,580,310     | 2,142,102     | 35.5                            |
| Foreign housing deductions  |                           |               |               |               |               |                                 |
| Number of returns   | 2,074                     | 1,491         | 3,352         | 2,417         | 3,942         | 63.1                            |
| Amount  | 39,690                    | 36,765        | 41,453        | 47,498        | 54,236        | 14.2                            |
| Other adjustments   |                           |               |               |               |               |                                 |
| Number of returns   | 208,348                   | 272,647       | 188,210       | 257,014       | 137,296       | -46.6                           |
| Amount  | 773,347                   | 933,441       | 766,358       | 938,629       | 696,490       | -25.8                           |
| Total statutory adjustments   |                           |               |               |               |               |                                 |
| Number of returns   | 28,911,078                | 30,382,069    | 32,153,965    | 33,591,124    | 33,980,524    | 1.2                             |
| Amount  | 56,076,622                | 62,198,634    | 67,852,373    | 73,223,927    | 73,829,674    | 0.8                             |
| Adjusted gross income or loss (AGI)   |                           |               |               |               |               |                                 |
| Amount  | 4,384,873,206             | 4,408,457,950 | 4,698,135,038 | 4,968,203,255 | 5,208,069,355 | 4.8                             |
| Total itemized deductions   |                           |               |               |               |               |                                 |
| Number of returns   | 45,647,551                | 43,949,591    | 46,335,237    | 47,755,427    | 49,123,555    | 2.9                             |
| Amount  | 652,650,669               | 640,529,001   | 690,822,462   | 750,877,467   | 797,170,744   | 6.2                             |

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item                                    | Constant 1990 dollars [6] |               |               |               |               | Percent change,<br>2005 to 2006 |
|---|---------------------------|---------------|---------------|---------------|---------------|---------------------------------|
|   | 2002                      | 2003          | 2004          | 2005          | 2006          |                                 |
|   | (7)                       | (8)           | (9)           | (10)          | (11)          | (12)                            |
| Total standard deduction                |                           |               |               |               |               |                                 |
| Number of returns                       | 82,655,191                | 84,643,281    | 84,016,753    | 84,841,222    | 86,583,732    | 2.1                             |
| Amount                                  | 357,607,218               | 394,730,151   | 388,188,663   | 388,720,021   | 393,945,646   | 1.3                             |
| Basic standard deduction                |                           |               |               |               |               |                                 |
| Number of returns                       | 82,655,191                | 84,643,281    | 84,016,753    | 84,841,222    | 86,583,732    | 2.1                             |
| Amount                                  | 346,780,556               | 383,466,683   | 377,219,528   | 377,634,574   | 382,936,292   | 1.4                             |
| Additional standard deduction           |                           |               |               |               |               |                                 |
| Number of returns                       | 10,857,098                | 11,200,647    | 10,985,079    | 10,996,440    | 11,261,327    | 2.4                             |
| Amount                                  | 10,826,662                | 11,263,468    | 10,969,136    | 11,085,447    | 11,009,353    | -0.7                            |
| AGI less deductions                     |                           |               |               |               |               |                                 |
| Number of returns                       | 114,976,167               | 114,402,877   | 116,042,570   | 118,115,885   | 120,676,830   | 2.2                             |
| Amount                                  | 3,459,946,100             | 3,461,494,423 | 3,709,864,246 | 3,921,698,088 | 4,112,001,540 | 4.9                             |
| Number of exemptions                    | 258,716,374               | 261,126,373   | 263,896,304   | 269,043,070   | 275,256,944   | 2.3                             |
| Exemption amount                        | 553,372,406               | 554,904,167   | 554,110,756   | 562,184,863   | 578,412,198   | 2.9                             |
| Taxable income                          |                           |               |               |               |               |                                 |
| Number of returns                       | 102,275,969               | 101,392,812   | 102,737,959   | 104,330,653   | 106,667,402   | 2.2                             |
| Amount                                  | 2,976,836,956             | 2,983,109,687 | 3,231,948,538 | 3,438,531,375 | 3,618,122,855 | 5.2                             |
| Tax from table, rate schedules, etc.    |                           |               |               |               |               |                                 |
| Number of returns                       | 102,266,930               | 101,386,201   | 102,721,593   | 104,321,332   | 106,658,774   | 2.2                             |
| Amount                                  | 603,080,757               | 554,201,549   | 602,925,850   | 651,075,606   | 688,227,973   | 5.7                             |
| Additional taxes                        |                           |               |               |               |               |                                 |
| Number of returns                       | 13,291                    | 21,370        | 9,884         | 10,595        | 12,787        | 20.7                            |
| Amount                                  | 111,602                   | 157,733       | 59,246        | 15,890        | 28,048        | 76.5                            |
| Alternative minimum tax                 |                           |               |               |               |               |                                 |
| Number of returns                       | 1,910,789                 | 2,357,975     | 3,096,299     | 4,004,756     | 3,966,540     | -1.0                            |
| Amount                                  | 4,981,033                 | 6,725,712     | 9,016,774     | 11,660,690    | 13,984,816    | 19.9                            |
| Income tax before credits               |                           |               |               |               |               |                                 |
| Number of returns                       | 102,293,722               | 101,412,777   | 102,740,921   | 104,345,964   | 106,688,255   | 2.2                             |
| Amount                                  | 608,170,580               | 561,083,722   | 612,001,871   | 662,752,186   | 702,240,837   | 6.0                             |
| Foreign tax credit                      |                           |               |               |               |               |                                 |
| Number of returns                       | 3,748,974                 | 4,145,174     | 4,700,259     | 5,398,046     | 6,418,317     | 18.9                            |
| Amount                                  | 4,312,209                 | 4,123,263     | 4,676,812     | 6,266,392     | 7,106,660     | 13.4                            |
| Child care credit                       |                           |               |               |               |               |                                 |
| Number of returns                       | 6,185,855                 | 6,313,297     | 6,316,649     | 6,500,596     | 6,466,792     | -0.5                            |
| Amount                                  | 1,966,961                 | 2,277,621     | 2,310,024     | 2,317,339     | 2,261,113     | -2.4                            |
| Credit for elderly or disabled          |                           |               |               |               |               |                                 |
| Number of returns                       | 133,538                   | 123,147       | 107,914       | 101,627       | 98,261        | -3.3                            |
| Amount                                  | 15,348                    | 14,387        | 12,969        | 9,456         | 9,449         | -0.1                            |
| Education credits                       |                           |               |               |               |               |                                 |
| Number of returns                       | 6,544,536                 | 7,298,227     | 7,180,884     | 7,057,251     | 7,725,138     | 9.5                             |
| Amount                                  | 3,642,983                 | 4,149,879     | 4,163,879     | 4,096,139     | 4,554,099     | 11.2                            |
| Retirement savings contributions credit |                           |               |               |               |               |                                 |
| Number of returns                       | 5,307,176                 | 5,296,688     | 5,288,732     | 5,293,605     | 5,192,133     | -1.9                            |
| Amount                                  | 769,055                   | 734,655       | 700,004       | 632,216       | 579,739       | -8.3                            |
| Residential energy credit               |                           |               |               |               |               |                                 |
| Number of returns                       | N/A                       | N/A           | N/A           | N/A           | 2,817,243     | [7]                             |
| Amount                                  | N/A                       | N/A           | N/A           | N/A           | 648,605       | [7]                             |
| Child tax credit                        |                           |               |               |               |               |                                 |
| Number of returns                       | 25,939,801                | 25,672,254    | 25,988,711    | 25,950,568    | 25,741,511    | -0.8                            |
| Amount                                  | 15,639,732                | 16,184,677    | 22,353,256    | 21,450,884    | 20,584,663    | -4.0                            |
| Adoption credit                         |                           |               |               |               |               |                                 |
| Number of returns                       | 55,905                    | 63,980        | 71,136        | 84,793        | 93,369        | 10.1                            |
| Amount                                  | 170,137                   | 247,722       | 208,920       | 213,894       | 227,746       | 6.5                             |
| General business credit                 |                           |               |               |               |               |                                 |
| Number of returns                       | 284,720                   | 262,738       | 248,506       | 251,386       | 386,681       | 53.8                            |
| Amount                                  | 545,680                   | 435,188       | 439,717       | 587,584       | 844,659       | 43.8                            |
| Prior year minimum tax credit           |                           |               |               |               |               |                                 |
| Number of returns                       | 193,776                   | 250,605       | 274,596       | 290,376       | 359,098       | 23.7                            |
| Amount                                  | 709,592                   | 650,950       | 624,221       | 723,730       | 669,421       | -7.5                            |
| Total credits [3]                       |                           |               |               |               |               |                                 |
| Number of returns                       | 38,846,217                | 39,247,449    | 39,841,978    | 40,526,374    | 44,397,533    | 9.6                             |
| Amount                                  | 28,159,493                | 29,168,590    | 35,708,890    | 36,526,841    | 37,705,453    | 3.2                             |
| Income tax less credits [1]             |                           |               |               |               |               |                                 |
| Number of returns                       | 93,565,243                | 91,109,363    | 90,876,672    | 92,343,186    | 94,509,890    | 2.3                             |
| Amount                                  | 580,011,086               | 531,915,132   | 576,292,981   | 626,225,345   | 664,535,383   | 6.1                             |
| Self-employment tax                     |                           |               |               |               |               |                                 |
| Number of returns                       | 14,664,473                | 15,373,279    | 15,920,203    | 16,694,655    | 17,074,708    | 2.3                             |
| Amount                                  | 27,156,252                | 28,107,238    | 29,211,583    | 30,427,997    | 31,026,099    | 2.0                             |
| Recapture taxes                         |                           |               |               |               |               |                                 |
| Number of returns                       | 14,684                    | 15,797        | 41,161        | 15,206        | 12,536        | -17.6                           |
| Amount                                  | 85,714                    | 62,457        | 119,808       | 200,262       | 208,034       | 3.9                             |

Footnotes at end of table.



**Table A--Selected Income and Tax Items for Selected Years, 2002-2006, in Current and Constant 1990 Dollars--Continued [1]**

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

| Item   | Constant 1990 dollars [6] |             |             |             |             | Percent change,<br>2005 to 2006 |
|--|---------------------------|-------------|-------------|-------------|-------------|---------------------------------|
|  | 2002                      | 2003        | 2004        | 2005        | 2006        |                                 |
|  | (7)                       | (8)         | (9)         | (10)        | (11)        | (12)                            |
| Social security, Medicare tax on tip income not reported |                           |             |             |             |             |                                 |
| Number of returns  | 238,185                   | 557,717     | 517,609     | 335,818     | 355,457     | 5.8                             |
| Amount   | 22,853                    | 105,643     | 74,691      | 53,025      | 47,412      | -10.6                           |
| Tax on qualified retirement plans                        |                           |             |             |             |             |                                 |
| Number of returns  | 4,896,938                 | 4,877,670   | 4,924,584   | 4,822,297   | 5,148,030   | 6.8                             |
| Amount   | 2,542,200                 | 2,420,412   | 2,519,290   | 2,556,996   | 2,819,533   | 10.3                            |
| Advanced earned income credit payments                   |                           |             |             |             |             |                                 |
| Number of returns  | 156,376                   | 142,694     | 142,639     | 122,078     | 129,124     | 5.8                             |
| Amount   | 53,709                    | 47,575      | 43,156      | 38,934      | 40,304      | 3.5                             |
| Household employment taxes                               |                           |             |             |             |             |                                 |
| Number of returns  | 229,722                   | 240,601     | 243,702     | 228,381     | 225,441     | -1.3                            |
| Amount   | 511,578                   | 575,598     | 613,033     | 627,080     | 595,022     | -5.1                            |
| Total tax liability [1,4]                                |                           |             |             |             |             |                                 |
| Number of returns  | 99,559,612                | 97,875,142  | 98,115,557  | 99,880,223  | 102,363,945 | 2.5                             |
| Amount   | 610,448,476               | 563,289,389 | 608,970,664 | 660,281,655 | 699,482,127 | 5.9                             |
| Income tax withheld                                      |                           |             |             |             |             |                                 |
| Number of returns  | 114,861,744               | 114,861,706 | 116,312,978 | 118,161,380 | 120,500,889 | 2.0                             |
| Amount   | 521,433,331               | 499,828,469 | 506,390,562 | 523,868,537 | 546,754,202 | 4.4                             |
| Estimated tax payments                                   |                           |             |             |             |             |                                 |
| Number of returns  | 12,434,579                | 11,576,213  | 10,996,504  | 11,053,213  | 11,128,072  | 0.7                             |
| Amount   | 144,024,415               | 129,905,477 | 130,636,925 | 147,926,054 | 164,071,733 | 10.9                            |
| Earned income credit [1]                                 |                           |             |             |             |             |                                 |
| Number of returns  | 21,703,187                | 22,024,227  | 22,270,550  | 22,751,904  | 23,042,200  | 1.3                             |
| Amount   | 27,760,590                | 27,455,303  | 27,698,321  | 28,387,075  | 28,785,711  | 1.4                             |
| Nontaxable combat pay election                           |                           |             |             |             |             |                                 |
| Number of returns  | N/A                       | N/A         | 10,024      | 21,973      | 8,323       | -62.1                           |
| Amount   | N/A                       | N/A         | 6,424       | 219,724     | 59,012      | -73.1                           |
| Additional child tax credit                              |                           |             |             |             |             |                                 |
| Number of returns  | 10,937,417                | 12,570,455  | 14,528,434  | 15,219,712  | 15,590,592  | 2.4                             |
| Amount   | 4,662,611                 | 6,472,099   | 10,000,013  | 10,371,593  | 10,537,542  | 1.6                             |
| Payment with an extension request                        |                           |             |             |             |             |                                 |
| Number of returns  | 1,235,156                 | 1,333,579   | 1,518,779   | 1,627,572   | 1,758,125   | 8.0                             |
| Amount   | 26,396,754                | 27,203,969  | 41,016,060  | 52,097,622  | 56,116,030  | 7.7                             |
| Excess social security tax withheld                      |                           |             |             |             |             |                                 |
| Number of returns  | 1,145,352                 | 1,121,141   | 1,242,604   | 1,383,240   | 1,443,437   | 4.4                             |
| Amount   | 1,136,975                 | 1,112,508   | 1,195,599   | 1,354,293   | 1,484,311   | 9.6                             |
| Other payments:  |                           |             |             |             |             |                                 |
| Form 2439  |                           |             |             |             |             |                                 |
| Number of returns  | 19,422                    | 12,717      | 9,608       | 19,812      | 84,547      | 326.7                           |
| Amount   | 27,399                    | 87,808      | 23,359      | 35,459      | 33,851      | -4.5                            |
| Form 4136  |                           |             |             |             |             |                                 |
| Number of returns  | 365,868                   | 349,860     | 345,020     | 340,769     | 318,754     | -6.5                            |
| Amount   | 73,735                    | 58,348      | 59,777      | 68,080      | 55,710      | -18.2                           |
| Form 8885 [5]  |                           |             |             |             |             |                                 |
| Number of returns  | 5,322                     | 17,834      | 16,314      | 13,380      | 22,397      | 67.4                            |
| Amount   | 1,430                     | 23,092      | 16,329      | 18,124      | 17,877      | -1.4                            |
| Federal telephone excise tax credit                      |                           |             |             |             |             |                                 |
| Number of returns  | N/A                       | N/A         | N/A         | N/A         | 96,873,353  | [7]                             |
| Amount   | N/A                       | N/A         | N/A         | N/A         | 2,700,430   | [7]                             |
| Total payments [1]                                       |                           |             |             |             |             |                                 |
| Number of returns  | 123,462,930               | 123,461,513 | 124,989,700 | 126,781,067 | 134,948,299 | 6.4                             |
| Amount   | 725,517,240               | 692,147,073 | 717,036,929 | 764,126,839 | 810,557,398 | 6.1                             |
| Overpayment, total                                       |                           |             |             |             |             |                                 |
| Number of returns  | 103,462,884               | 105,361,848 | 103,706,648 | 104,778,359 | 109,915,823 | 4.9                             |
| Amount   | 174,261,629               | 180,790,867 | 176,515,460 | 182,135,245 | 191,826,845 | 5.3                             |
| Overpayment refunded                                     |                           |             |             |             |             |                                 |
| Number of returns  | 100,143,606               | 102,004,984 | 100,674,244 | 101,870,385 | 107,001,071 | 5.0                             |
| Amount   | 149,700,108               | 156,073,785 | 153,198,252 | 155,940,841 | 162,737,607 | 4.4                             |
| Refund credited to next year                             |                           |             |             |             |             |                                 |
| Number of returns  | 5,418,534                 | 5,199,186   | 4,314,593   | 4,055,960   | 3,978,421   | -1.9                            |
| Amount   | 24,561,521                | 24,717,082  | 23,317,208  | 26,194,408  | 29,089,239  | 11.1                            |
| Tax due at time of filing                                |                           |             |             |             |             |                                 |
| Number of returns  | 22,818,761                | 21,072,333  | 24,452,350  | 25,659,937  | 26,694,105  | 4.0                             |
| Amount   | 59,802,124                | 52,373,159  | 68,985,314  | 79,138,083  | 81,900,058  | 3.5                             |
| Tax penalty  |                           |             |             |             |             |                                 |
| Number of returns  | 5,149,988                 | 4,829,886   | 5,641,853   | 5,882,477   | 6,496,924   | 10.4                            |
| Amount   | 609,259                   | 439,975     | 536,122     | 848,021     | 1,148,484   | 35.4                            |

[1] 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.

N/A = Not applicable.

[2] Line 21 on Form 1040 consists of other income minus foreign earned income exclusion and net operating loss.

[3] Total credits includes the values for mortgage interest tax credit and "other credits" not tabulated here.

[4] Total tax liability includes the values for "other taxes" not tabulated here.

[5] The data for 2002 cover only the health coverage credit for insurance premiums paid in December 2002.

[6] Inflation-adjusted data were calculated using the consumer price index from the Bureau of Labor Statistics; based on 1990=100 when 1990 CPI-U = 130.7; 2006 CPI-U = 201.6; 2005 CPI-U = 195.3; 2004 CPI-U = 188.9; 2003 CPI-U = 184.0; 2002 CPI-U = 179.9

[7] Percentage not computed.

\* Includes Form 1040 Telefile.

\*\* Includes 742,859 Form 1040EZ-T returns.

**Figure 1--General Filing Requirements**

| Marital Status   | Filing Status            | Age   | Gross Income            |
|--|--------------------------|---|-------------------------|
| Single (including divorced and legally separated)                                    | Single                   | under 65<br>65 or older                             | \$8,450<br>\$9,700      |
|  | Head of household        | under 65<br>65 or older                             | \$10,850<br>\$11,750    |
| Married with a child and living apart from spouse during the last six months of 2006 | Head of household        | under 65<br>65 or older                             | \$10,850<br>\$12,100    |
| Married and living with spouse at the end of 2006 (or on the date spouse died)       | Married, joint return    | under 65 (both spouses)<br>65 or older (one spouse) | \$16,900<br>\$17,900    |
|  |                          | 65 or older (both spouses)                          | \$18,900                |
| Married, not living with spouse at the end of 2006 (or on the date spouse died)      | Married, separate return | any age   | \$3,300                 |
|  |                          | any age   | \$3,300                 |
| Widowed in 2004 or 2005 and not remarried in 2006                                    | Single                   | under 65<br>65 or older                             | \$8,450<br>\$9,700      |
|  | Head of household        | under 65<br>65 or older                             | \$10,850<br>\$11,750    |
|  |                          | Qualifying widow(er) with dependent child           | under 65<br>65 or older |

improvement in a series of planned innovations to the content and scope of this report. 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.

### Requirements for Filing

The filing requirements for Tax Year 2006 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 2006 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 various credits, including investment credits or low-income housing credits;
  - Household employment taxes (unless only filing because taxpayer owed this tax, then taxpayer could have filed only schedule H);

## 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.

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

- Earned income was more than \$5,150, or
- Unearned income was over \$850, or
- Gross income was more than the larger of (a) \$850 or (b) earned income (up to \$4,850) plus \$300.

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

- Earned income was more than \$6,400 (\$7,650 if 65 or older and blind), or
- Unearned income was more than \$2,100 (\$3,350 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,850) plus \$300 or \$850, whichever is larger; plus \$1,250 (\$2,500 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 and itemizes deductions.
- Earned income was more than \$5,150, or
- Unearned income was over \$850, or
- Gross income was more than the larger of \$850 or earned income (up to \$4,850) plus \$300.

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

- Earned income was more than \$6,150 (\$7,150 if 65 or older and blind), or
- Unearned was more than \$1,850 (\$2,850 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,850) plus \$300 or \$850, whichever is larger, plus \$1,000 (\$2,000 if 65 or older and blind)
- Gross income was at least \$5 and spouse files a separate return 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 2006 that 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.

### Additional Child Tax Credits

Modifications were made to the additional child tax credit for 2006. In Tax Year 2005, the credit limit based on earned income was 15 percent of a taxpayer's earned income that exceeded \$11,000. For 2006, the limit was 15 percent of a taxpayer's earned income that exceeded \$11,300.

### Alternative Minimum Tax

For Tax Year 2006, the minimum exemption rose to \$62,550 for a married couple filing a joint return, up from \$58,000 in 2005, and to \$42,500 for singles and heads of household, up from \$40,250, and to \$31,275 from \$29,000 for a married person filing separately.

### Earned Income Credit

The maximum amount of the earned income credit increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,800 from \$2,700. The maximum credit for taxpayers with no qualifying children increased to \$412 from \$399. For these taxpayers, earned income and AGI had to be less than \$12,120 (\$14,120 if married filing jointly) to get any EIC. For taxpayers with one qualifying child, the maximum credit increased \$85 to \$2,747 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,536 from \$4,400. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$32,001 (\$34,001 for married filing jointly) for one qualifying child, or less than \$36,348 (\$38,348 for married filing jointly) for two or more qualifying children.

## Exemption Amount

Indexing for inflation increased to \$3,300 the deduction for each exemption to which the taxpayer was entitled for 2006, an increase from the \$3,200 allowed for 2005. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$145,950 to \$150,500 for single filers; \$218,950 to \$225,750 for married persons filing jointly and surviving spouses; \$182,450 to \$188,150 for heads of household; and \$109,475 to \$112,875 for married persons filing separately. The phase-out of the deduction for exemptions was completed at AGI levels above \$273,000 for single filers; \$348,250 for married persons filing jointly and surviving spouses; \$310,650 for heads of household; and \$183,750 for married persons filing separately. For 2006, a taxpayer could lose no more than 2/3 of the dollar amount of their exemption. This meant each exemption could not be reduced to less than \$1,100 for 2006. For 2005 and previous years, exemption amounts could be limited to zero.

### Federal Telephone Excise Tax Credit

Taxpayers who were billed after February 28, 2003 and before August 1, 2006, for federal telephone excise tax on long distance or bundled service may have taken a credit or refund for Tax Year 2006. Individuals were eligible to receive this credit even if they owed no tax or had not received a refund of this excise tax from their service provider. Taxpayers could request the standard amount based on the number of exemptions claimed on their return (number of exemptions: 0 = \$0, 1 = \$30, 2 = \$40, 3 = \$50, 4 or more = \$60) or the actual amount shown on the taxpayer's long distance records. Individuals who did not otherwise have to file an income tax return filed a Form 1040EZ-T, Request for Refund of Federal Telephone Excise Tax, in order to obtain their refund. A total of 742,859 Form 1040EZ-T returns were filed for Tax Year 2006. This number is included in the "All returns, total" (138,394,754) shown throughout this publication.

### **Foreign-earned Income**

Taxpayers who claimed the foreign earned income exclusion or the foreign housing deduction on Form 2555, *Foreign Earned Income*, had to use the foreign earned income tax worksheet to figure their tax. Taxpayers had to refigure their tax on nonexcluded income using the tax tables that would have applied had they not claimed the exclusion.

### **General Business Credits**

The Energy Tax Incentives Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 provided tax incentives for energy efficient buildings and appliances, alternative and clean fuel vehicle credits, and other incentives and credits related to energy production and excise taxes.

### **Health Savings Account Deduction**

The deduction was limited to the annual deductible on the qualifying high deductible health plan, but not more than \$2,700 (\$5,450 if family coverage), an increase from \$2,650 (\$5,250 if family coverage) in 2005. These limits were \$700 higher if the taxpayer was age 55 or older (\$1,400 if both spouses were 55 or older). For 2005, these limits were \$600 and \$1,200 respectively.

### **Individual Retirement Arrangement Deduction**

For 2006, a taxpayer (both taxpayers for taxpayers filing jointly), was able to take an IRA deduction up to \$4,000 (\$5,000 if age 50 or older) if not covered by a retirement plan, or if covered by a retirement plan but their modified AGI was less than \$60,000 (\$85,000 if married filing jointly or qualifying widow(er)). This was up from \$80,000 if married filing jointly or qualifying widow(er) for 2005. Military members serving in combat zone localities could count tax free combat pay in figuring how much to contribute to a Roth or traditional IRA. This allowed members of the military to make contributions with no taxable earned income, unlike in previous years.

### **Itemized Deductions**

If a taxpayer's AGI was greater than \$150,500 (\$75,250 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$145,950 (\$72,975 if married filing separately) for 2005, 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. For Tax Year 2006, the reduction amount was then divided by 3 and subtracted from the original reduction amount. As a result, the amount by which the deduction was reduced was only 2/3 of the amount of the reduction that would have otherwise applied (for 2005 and previous years).

### **Katrina Emergency Tax Relief Act of 2005**

The Katrina Emergency Tax Relief Act of 2005 provided an additional exemption of \$500 in years 2005 or 2006 for each Hurricane Katrina displaced individual claimed by the taxpayer. The total additional exemption claimed for all years cannot exceed: \$2,000 for married taxpayers filing jointly, \$1,000 for married taxpayers filing separately, and \$2,000 for all other taxpayers. A Hurricane Katrina displaced individual is a person (1) whose main home on August 28, 2005 was in the Hurricane Katrina disaster area, (2) who is displaced from the home, and (3) who is provided housing free of charge in the taxpayer's main home for a period of 60 consecutive days which ends in the taxable year in which the exemption is claimed. The additional exemption is not subject to the income-based phaseouts applicable to personal exemptions, and is allowed as a deduction in computing alternative minimum taxable income.

### Figure 3.-Calculation of the 1979 Income Concept for 2006

#### 1979 Total Income Concept=

##### Income or Loss:

- Salaries and wages [1]
- Interest [1]
- Dividends [1]
- Taxable refunds [1]
- Alimony received [1]
- Sales of capital assets, net gain or loss [1]
- Other gains and losses (Form 4797) [1]
- Business net income or loss [1]
- Farm net income or loss [1]
- Rent net income or loss [1]
- Royalty net income or loss [1]
- Partnership net income or loss [1]
- S Corporation net income or loss [1]
- Farm rental net income or loss [1]
- Estate or trust net income or loss [1]
- Unemployment compensation [1]
- Depreciation in excess of straight-line depreciation [2]
- Total pension income [3,5]
- Other net income or loss [4]
- Net operating loss [1]

##### Deductions:

- Disallowed passive losses (Form 8582) [6]
- Moving expenses [1]
- Alimony paid [1]
- Unreimbursed business expenses [6]

[1] Included in adjusted gross income (less deficit) (AGI) for Tax Year 2006.

[2] 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.

[3] Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

[4] Includes an adjustment to add back amounts reported for the foreign-earned income exclusion."

[5] Not fully included in AGI for Tax Year 2006.

[6] Not included in AGI for Tax Year 2006.

### Kiddie Tax

For Tax Year 2006, the age limit for children who received taxable income and needed to figure tax using their parent's higher marginal rates increased from 14 to 18. Also, the amount of taxable investment income a child could have before being taxed at their parent's rate rose to \$1,700, up from \$1,600.

### Residential Energy Credit

For 2006, taxpayers could receive a 10 percent credit for buying qualified energy efficiency improvements for their main home. The maximum credit is \$500 and no more than \$200 of the credit can be attributable to expenses for windows.

### Self-employment Tax

The ceiling on taxable "self-employment income" was raised, for 2006, to \$94,200 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$90,000 for 2005.

### Standard Deduction

For married persons filing jointly or surviving spouses, the standard deduction was increased in 2006, from \$10,000 to \$10,300.

For single filers and married persons filing separately, the standard deduction rose from \$5,000 to \$5,150; and for heads of household, from \$7,300 to \$7,550. The amount of standard deduction for a dependent was the greater of \$850 or the dependent's earned income plus \$300 (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 \$1,000 or \$1,250 depending on marital status.

### 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

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2006**

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

| Size of income                 | Income                     |                  |                     |                  | Salaries and wages         |                  |                     |                  |
|--------------------------------|----------------------------|------------------|---------------------|------------------|----------------------------|------------------|---------------------|------------------|
|                                | 2006 Adjusted Gross Income |                  | 1979 Income Concept |                  | 2006 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>138,394,754</b>         | <b>8,030,843</b> | <b>138,394,754</b>  | <b>8,267,914</b> | <b>116,379,376</b>         | <b>5,469,370</b> | <b>116,379,376</b>  | <b>5,469,370</b> |
| Under \$10,000                 | 26,095,710                 | 27,801           | 25,375,987          | 18,939           | 18,860,514                 | 113,482          | 18,581,531          | 109,311          |
| \$10,000 under \$20,000        | 22,649,374                 | 337,396          | 22,862,807          | 340,984          | 18,057,847                 | 255,089          | 18,262,690          | 259,606          |
| \$20,000 under \$30,000        | 18,662,022                 | 463,115          | 19,469,649          | 482,792          | 16,208,518                 | 381,074          | 16,549,439          | 390,917          |
| \$30,000 under \$40,000        | 14,151,824                 | 492,158          | 14,756,183          | 513,029          | 12,585,820                 | 408,124          | 12,851,992          | 418,804          |
| \$40,000 under \$50,000        | 10,687,193                 | 478,796          | 10,817,266          | 484,442          | 9,481,258                  | 389,321          | 9,523,293           | 393,908          |
| \$50,000 under \$60,000        | 8,737,131                  | 478,756          | 8,533,497           | 467,653          | 7,769,958                  | 382,605          | 7,686,564           | 383,462          |
| \$60,000 under \$70,000        | 7,015,854                  | 454,804          | 6,643,970           | 430,553          | 6,236,960                  | 358,026          | 5,957,871           | 350,681          |
| \$70,000 under \$80,000        | 5,864,866                  | 438,764          | 5,520,997           | 413,048          | 5,259,746                  | 345,286          | 5,027,684           | 334,918          |
| \$80,000 under \$90,000        | 4,699,669                  | 398,383          | 4,383,870           | 371,780          | 4,216,268                  | 311,581          | 3,990,086           | 300,850          |
| \$90,000 under \$100,000       | 3,677,804                  | 348,521          | 3,375,395           | 319,770          | 3,339,373                  | 273,004          | 3,129,298           | 259,458          |
| \$100,000 under \$125,000      | 5,908,809                  | 656,794          | 5,698,483           | 633,943          | 5,358,253                  | 513,685          | 5,223,671           | 499,385          |
| \$125,000 under \$150,000      | 3,122,919                  | 426,919          | 3,118,749           | 425,879          | 2,798,150                  | 317,222          | 2,804,671           | 313,345          |
| \$150,000 under \$175,000      | 1,897,211                  | 306,222          | 1,903,120           | 307,067          | 1,694,335                  | 222,086          | 1,718,155           | 219,167          |
| \$175,000 under \$200,000      | 1,159,484                  | 216,387          | 1,230,057           | 229,734          | 1,037,581                  | 152,057          | 1,089,882           | 150,134          |
| \$200,000 under \$300,000      | 2,052,633                  | 492,248          | 2,301,167           | 554,144          | 1,792,886                  | 315,506          | 1,988,474           | 323,908          |
| \$300,000 under \$400,000      | 712,339                    | 244,464          | 848,089             | 291,557          | 607,735                    | 143,216          | 716,553             | 150,039          |
| \$400,000 under \$500,000      | 356,513                    | 158,440          | 436,758             | 194,224          | 300,724                    | 85,910           | 363,576             | 88,997           |
| \$500,000 under \$1,000,000    | 589,306                    | 399,609          | 713,367             | 482,725          | 487,691                    | 188,814          | 587,835             | 199,578          |
| \$1,000,000 under \$1,500,000  | 150,431                    | 182,044          | 176,106             | 212,447          | 121,544                    | 70,189           | 141,957             | 73,360           |
| \$1,500,000 under \$2,000,000  | 64,007                     | 110,212          | 77,679              | 133,669          | 51,234                     | 37,610           | 61,810              | 40,141           |
| \$2,000,000 under \$5,000,000  | 98,724                     | 295,129          | 109,242             | 324,425          | 79,672                     | 89,553           | 87,848              | 92,356           |
| \$5,000,000 under \$10,000,000 | 24,975                     | 171,408          | 26,195              | 179,321          | 20,365                     | 44,037           | 21,414              | 44,968           |
| \$10,000,000 and over          | 15,956                     | 452,475          | 16,119              | 455,790          | 12,944                     | 71,895           | 13,083              | 72,080           |

  

| Size of income                 | Taxable interest received  |                |                     |                | Ordinary dividends received |                | Ordinary dividends received |                |
|--------------------------------|----------------------------|----------------|---------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|
|                                | 2006 Adjusted Gross Income |                | 1979 Income Concept |                | 2006 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>62,401,235</b>          | <b>222,707</b> | <b>62,401,235</b>   | <b>222,707</b> | <b>31,619,775</b>           | <b>199,359</b> | <b>31,619,775</b>           | <b>199,359</b> |
| Under \$10,000                 | 6,491,634                  | 10,859         | 6,111,408           | 10,798         | 3,258,358                   | 4,954          | 3,082,383                   | 4,925          |
| \$10,000 under \$20,000        | 6,047,067                  | 9,581          | 5,942,438           | 9,289          | 2,575,173                   | 4,582          | 2,508,262                   | 4,444          |
| \$20,000 under \$30,000        | 5,570,463                  | 9,081          | 6,104,669           | 11,150         | 2,279,094                   | 4,449          | 2,553,357                   | 5,485          |
| \$30,000 under \$40,000        | 5,351,616                  | 8,491          | 5,839,838           | 10,323         | 2,133,918                   | 4,174          | 2,462,063                   | 6,433          |
| \$40,000 under \$50,000        | 5,113,117                  | 8,360          | 5,316,841           | 9,984          | 2,210,312                   | 5,242          | 2,294,713                   | 5,702          |
| \$50,000 under \$60,000        | 4,917,069                  | 8,685          | 4,805,010           | 9,130          | 2,201,969                   | 5,603          | 2,171,186                   | 5,917          |
| \$60,000 under \$70,000        | 4,450,296                  | 9,093          | 4,176,839           | 8,154          | 2,109,257                   | 5,726          | 1,930,749                   | 5,733          |
| \$70,000 under \$80,000        | 4,014,124                  | 8,608          | 3,773,216           | 7,239          | 1,962,077                   | 5,756          | 1,805,145                   | 5,428          |
| \$80,000 under \$90,000        | 3,408,705                  | 7,281          | 3,133,089           | 6,367          | 1,738,884                   | 5,692          | 1,586,722                   | 5,217          |
| \$90,000 under \$100,000       | 2,859,776                  | 6,662          | 2,598,327           | 5,270          | 1,507,785                   | 5,108          | 1,314,351                   | 4,052          |
| \$100,000 under \$125,000      | 4,843,566                  | 11,934         | 4,627,851           | 11,215         | 2,781,388                   | 11,512         | 2,609,540                   | 10,371         |
| \$125,000 under \$150,000      | 2,700,547                  | 9,561          | 2,687,362           | 8,720          | 1,743,718                   | 9,109          | 1,711,138                   | 8,134          |
| \$150,000 under \$175,000      | 1,698,745                  | 7,194          | 1,704,974           | 6,601          | 1,172,019                   | 7,125          | 1,173,416                   | 6,328          |
| \$175,000 under \$200,000      | 1,060,729                  | 5,267          | 1,116,254           | 4,889          | 778,139                     | 5,104          | 804,945                     | 5,130          |
| \$200,000 under \$300,000      | 1,916,127                  | 13,163         | 2,134,862           | 13,269         | 1,477,081                   | 15,384         | 1,620,298                   | 14,941         |
| \$300,000 under \$400,000      | 682,746                    | 7,175          | 807,836             | 7,351          | 561,302                     | 9,373          | 654,098                     | 9,226          |
| \$400,000 under \$500,000      | 346,643                    | 5,020          | 421,612             | 5,234          | 295,912                     | 6,073          | 356,421                     | 6,107          |
| \$500,000 under \$1,000,000    | 577,126                    | 14,078         | 697,046             | 14,810         | 508,531                     | 16,967         | 610,219                     | 17,529         |
| \$1,000,000 under \$1,500,000  | 148,607                    | 7,402          | 173,774             | 7,396          | 135,761                     | 8,818          | 158,193                     | 8,989          |
| \$1,500,000 under \$2,000,000  | 63,647                     | 4,876          | 77,297              | 4,980          | 58,893                      | 5,424          | 71,260                      | 5,713          |
| \$2,000,000 under \$5,000,000  | 98,086                     | 13,487         | 108,518             | 13,639         | 90,849                      | 15,016         | 100,746                     | 15,242         |
| \$5,000,000 under \$10,000,000 | 24,891                     | 8,969          | 26,107              | 9,086          | 23,849                      | 9,455          | 24,903                      | 9,588          |
| \$10,000,000 and over          | 15,906                     | 27,880         | 16,068              | 27,814         | 15,505                      | 28,715         | 15,666                      | 28,724         |

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, 2006--Continued**

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

| Size of income                 | Business or profession net income less loss            |                |                     |                | Sales of capital assets                            |                |                     |                |
|--------------------------------|--|----------------|---------------------|----------------|--|----------------|---------------------|----------------|
|                                | 2006 Adjusted Gross Income                             |                | 1979 Income Concept |                | 2006 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>21,656,409</b>                                      | <b>281,527</b> | <b>21,656,409</b>   | <b>281,527</b> | <b>26,668,205</b>                                  | <b>779,462</b> | <b>26,668,205</b>   | <b>779,462</b> |
| Under \$10,000                 | 4,073,073  | 5,303          | 3,780,104           | 2,052          | 2,954,743  | 11,064         | 2,821,257           | 11,836         |
| \$10,000 under \$20,000        | 3,345,918  | 25,527         | 3,320,152           | 22,983         | 2,014,522  | 2,807          | 1,942,310           | 2,824          |
| \$20,000 under \$30,000        | 2,108,150  | 17,752         | 2,187,003           | 16,557         | 1,783,037  | 3,336          | 2,013,504           | 3,931          |
| \$30,000 under \$40,000        | 1,765,939  | 14,711         | 1,854,413           | 13,846         | 1,672,552  | 4,028          | 1,925,400           | 5,085          |
| \$40,000 under \$50,000        | 1,565,876  | 13,569         | 1,589,814           | 12,961         | 1,784,377  | 5,115          | 1,855,190           | 5,774          |
| \$50,000 under \$60,000        | 1,378,831  | 12,313         | 1,364,025           | 11,513         | 1,725,580  | 5,813          | 1,693,647           | 6,672          |
| \$60,000 under \$70,000        | 1,188,670  | 11,132         | 1,201,587           | 11,368         | 1,657,967  | 6,517          | 1,534,568           | 7,036          |
| \$70,000 under \$80,000        | 1,034,837  | 11,290         | 1,035,951           | 11,054         | 1,627,355  | 8,116          | 1,507,055           | 8,306          |
| \$80,000 under \$90,000        | 853,471  | 10,696         | 819,573             | 9,815          | 1,415,450  | 8,020          | 1,303,314           | 8,119          |
| \$90,000 under \$100,000       | 704,380  | 10,776         | 614,289             | 8,137          | 1,254,442  | 8,350          | 1,079,662           | 6,209          |
| \$100,000 under \$125,000      | 1,177,196  | 19,908         | 1,208,081           | 20,756         | 2,319,984  | 18,158         | 2,168,708           | 17,264         |
| \$125,000 under \$150,000      | 674,100  | 16,336         | 673,098             | 14,968         | 1,522,190  | 17,317         | 1,501,450           | 16,859         |
| \$150,000 under \$175,000      | 430,107  | 13,736         | 434,816             | 13,130         | 1,059,468  | 16,057         | 1,039,986           | 14,199         |
| \$175,000 under \$200,000      | 270,743  | 10,921         | 298,274             | 11,478         | 723,985  | 13,794         | 741,018             | 13,267         |
| \$200,000 under \$300,000      | 547,356  | 28,045         | 627,774             | 32,050         | 1,435,874  | 45,535         | 1,558,963           | 44,460         |
| \$300,000 under \$400,000      | 189,644  | 13,761         | 229,073             | 17,029         | 568,002  | 29,054         | 645,737             | 28,648         |
| \$400,000 under \$500,000      | 100,501  | 8,546          | 119,359             | 9,847          | 295,544  | 23,314         | 350,483             | 23,335         |
| \$500,000 under \$1,000,000    | 156,591  | 15,866         | 193,158             | 19,083         | 518,804  | 74,779         | 607,749             | 75,392         |
| \$1,000,000 under \$1,500,000  | 37,964   | 5,143          | 46,436              | 5,950          | 139,923  | 43,744         | 159,678             | 43,903         |
| \$1,500,000 under \$2,000,000  | 16,159   | 2,728          | 18,885              | 2,968          | 60,155   | 30,412         | 72,992              | 30,593         |
| \$2,000,000 under \$5,000,000  | 26,003   | 9,434          | 29,219              | 9,783          | 94,231   | 92,753         | 104,306             | 93,586         |
| \$5,000,000 under \$10,000,000 | 6,508  | 1,771          | 6,892               | 1,904          | 24,317   | 68,260         | 25,368              | 68,820         |
| \$10,000,000 and over          | 4,394  | 2,263          | 4,436               | 2,298          | 15,700   | 243,121        | 15,859              | 243,344        |
| Size of income                 | Rents, royalties, and farm rental net income less loss |                |                     |                | Partnership and S corporation net income less loss |                |                     |                |
|                                | 2006 Adjusted Gross Income                             |                | 1979 Income Concept |                | 2006 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>9,987,998</b>                                       | <b>23,427</b>  | <b>9,987,998</b>    | <b>23,427</b>  | <b>7,619,301</b>                                   | <b>425,477</b> | <b>7,619,301</b>    | <b>425,477</b> |
| Under \$10,000                 | 954,035  | -6,148         | 926,570             | -6,680         | 617,160  | -34,895        | 586,165             | -35,009        |
| \$10,000 under \$20,000        | 885,479  | -322           | 849,413             | -336           | 354,096  | 20             | 345,247             | -13            |
| \$20,000 under \$30,000        | 839,475  | -879           | 918,821             | -763           | 409,616  | 1,296          | 416,772             | 920            |
| \$30,000 under \$40,000        | 790,576  | -961           | 866,371             | -639           | 398,754  | 2,234          | 409,053             | 1,748          |
| \$40,000 under \$50,000        | 745,500  | -959           | 768,234             | -442           | 443,341  | 2,249          | 460,594             | 2,039          |
| \$50,000 under \$60,000        | 694,108  | -308           | 690,285             | -356           | 416,279  | 3,390          | 437,952             | 3,392          |
| \$60,000 under \$70,000        | 682,318  | -479           | 645,632             | -219           | 405,906  | 3,406          | 405,715             | 3,224          |
| \$70,000 under \$80,000        | 659,758  | -384           | 632,517             | -728           | 399,454  | 4,407          | 380,092             | 4,098          |
| \$80,000 under \$90,000        | 568,425  | 36             | 512,998             | 153            | 381,357  | 4,333          | 341,795             | 3,886          |
| \$90,000 under \$100,000       | 477,000  | 286            | 425,911             | 810            | 317,808  | 4,299          | 305,560             | 4,313          |
| \$100,000 under \$125,000      | 816,640  | 1,107          | 781,505             | 698            | 643,974  | 11,588         | 629,319             | 10,734         |
| \$125,000 under \$150,000      | 498,180  | 2,263          | 471,800             | 2,334          | 447,194  | 10,300         | 429,023             | 9,795          |
| \$150,000 under \$175,000      | 253,179  | 2,174          | 253,563             | 1,520          | 346,482  | 11,060         | 326,512             | 9,467          |
| \$175,000 under \$200,000      | 175,464  | 1,565          | 193,625             | 2,069          | 260,608  | 9,980          | 264,684             | 9,575          |
| \$200,000 under \$300,000      | 393,567  | 4,928          | 418,418             | 4,419          | 661,645  | 36,535         | 680,607             | 35,806         |
| \$300,000 under \$400,000      | 161,834  | 2,715          | 186,858             | 2,550          | 307,932  | 27,449         | 329,576             | 27,090         |
| \$400,000 under \$500,000      | 88,749   | 2,187          | 106,256             | 2,246          | 182,111  | 22,570         | 198,303             | 23,223         |
| \$500,000 under \$1,000,000    | 166,768  | 5,695          | 188,894             | 5,733          | 356,985  | 73,457         | 384,228             | 75,139         |
| \$1,000,000 under \$1,500,000  | 50,944   | 2,454          | 57,030              | 2,467          | 106,507  | 39,782         | 115,109             | 40,544         |
| \$1,500,000 under \$2,000,000  | 24,410   | 1,487          | 27,674              | 1,537          | 48,403   | 25,335         | 53,935              | 26,358         |
| \$2,000,000 under \$5,000,000  | 40,716   | 3,254          | 44,185              | 3,298          | 77,745   | 65,431         | 82,168              | 66,810         |
| \$5,000,000 under \$10,000,000 | 12,046   | 1,469          | 12,553              | 1,497          | 21,442   | 33,815         | 22,265              | 34,487         |
| \$10,000,000 and over          | 8,829  | 2,248          | 8,885               | 2,262          | 14,503   | 67,434         | 14,627              | 67,852         |

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, 2006--Continued**

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

| Size of income                 | Nondeductible passive losses      |                |                            |                | Estate and trust net income less loss |                |                     |               |
|--------------------------------|-----------------------------------|----------------|----------------------------|----------------|---------------------------------------|----------------|---------------------|---------------|
|                                | 2006 Adjusted Gross Income        |                | 1979 Income Concept        |                | 2006 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>1,891,387</b>                  | <b>33,824</b>  | <b>1,891,387</b>           | <b>33,824</b>  | <b>595,604</b>                        | <b>17,183</b>  | <b>595,604</b>      | <b>17,183</b> |
| Under \$10,000                 | 150,104                           | 4,512          | 203,675                    | 11,560         | 47,973                                | -284           | 46,411              | -288          |
| \$10,000 under \$20,000        | 60,091                            | 1,012          | 66,012                     | 630            | 35,064                                | 173            | 33,594              | 156           |
| \$20,000 under \$30,000        | 69,377                            | 1,137          | 77,450                     | 992            | 28,208                                | 171            | 39,218              | 220           |
| \$30,000 under \$40,000        | 71,150                            | 655            | 78,234                     | 696            | 33,852                                | 162            | 33,923              | 194           |
| \$40,000 under \$50,000        | 67,308                            | 666            | 62,855                     | 527            | 30,019                                | 195            | 31,506              | 277           |
| \$50,000 under \$60,000        | 73,173                            | 829            | 68,884                     | 563            | 31,938                                | 272            | 35,013              | 237           |
| \$60,000 under \$70,000        | 65,328                            | 574            | 67,625                     | 570            | 33,992                                | 301            | 31,570              | 380           |
| \$70,000 under \$80,000        | 83,234                            | 839            | 64,573                     | 580            | 27,558                                | 374            | 29,183              | 374           |
| \$80,000 under \$90,000        | 59,204                            | 835            | 46,530                     | 404            | 26,429                                | 301            | 24,603              | 263           |
| \$90,000 under \$100,000       | 52,356                            | 544            | 55,590                     | 635            | 28,808                                | 279            | 18,305              | 227           |
| \$100,000 under \$125,000      | 142,473                           | 1,931          | 146,983                    | 1,525          | 49,532                                | 648            | 52,612              | 632           |
| \$125,000 under \$150,000      | 140,087                           | 2,466          | 148,975                    | 1,812          | 41,186                                | 732            | 35,098              | 643           |
| \$150,000 under \$175,000      | 179,853                           | 2,360          | 145,264                    | 1,405          | 31,807                                | 478            | 28,294              | 476           |
| \$175,000 under \$200,000      | 120,587                           | 2,200          | 106,449                    | 1,183          | 20,633                                | 532            | 17,464              | 490           |
| \$200,000 under \$300,000      | 242,044                           | 3,458          | 222,126                    | 2,367          | 42,992                                | 1,436          | 46,061              | 1,298         |
| \$300,000 under \$400,000      | 93,267                            | 1,457          | 94,509                     | 1,404          | 21,865                                | 757            | 22,902              | 778           |
| \$400,000 under \$500,000      | 51,946                            | 1,005          | 54,044                     | 807            | 14,088                                | 561            | 15,165              | 654           |
| \$500,000 under \$1,000,000    | 97,674                            | 2,534          | 105,262                    | 2,061          | 23,691                                | 1,743          | 26,721              | 1,750         |
| \$1,000,000 under \$1,500,000  | 28,009                            | 900            | 29,356                     | 740            | 8,422                                 | 1,127          | 9,242               | 1,105         |
| \$1,500,000 under \$2,000,000  | 12,545                            | 541            | 13,589                     | 470            | 4,180                                 | 711            | 4,883               | 760           |
| \$2,000,000 under \$5,000,000  | 21,481                            | 1,273          | 23,157                     | 1,073          | 8,038                                 | 1,943          | 8,427               | 1,947         |
| \$5,000,000 under \$10,000,000 | 5,917                             | 670            | 6,116                      | 601            | 2,837                                 | 1,384          | 2,913               | 1,401         |
| \$10,000,000 and over          | 4,178                             | 1,425          | 4,126                      | 1,220          | 2,491                                 | 3,189          | 2,497               | 3,209         |
| Size of income                 | Pensions and annuities in AGI [1] |                | Pensions and annuities [1] |                | Total statutory adjustments           |                |                     |               |
|                                | 2006 Adjusted Gross Income        |                | 1979 Income Concept        |                | 2006 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>28,176,513</b>                 | <b>575,160</b> | <b>30,717,104</b>          | <b>946,335</b> | <b>33,980,524</b>                     | <b>113,845</b> | <b>17,245,795</b>   | <b>87,876</b> |
| Under \$10,000                 | 2,444,711                         | 13,232         | 2,261,393                  | 13,260         | 4,318,488                             | 6,137          | 309,986             | 2,990         |
| \$10,000 under \$20,000        | 4,158,856                         | 40,403         | 4,193,391                  | 41,443         | 4,159,929                             | 5,916          | 786,092             | 5,323         |
| \$20,000 under \$30,000        | 3,291,742                         | 43,313         | 3,949,738                  | 56,518         | 3,422,825                             | 6,260          | 1,326,459           | 7,537         |
| \$30,000 under \$40,000        | 2,794,978                         | 43,127         | 3,403,466                  | 60,057         | 3,120,636                             | 6,107          | 1,646,551           | 8,402         |
| \$40,000 under \$50,000        | 2,433,009                         | 44,204         | 2,718,361                  | 57,320         | 2,868,416                             | 6,545          | 1,709,703           | 7,894         |
| \$50,000 under \$60,000        | 2,193,026                         | 44,584         | 2,203,878                  | 49,717         | 2,537,807                             | 5,991          | 1,728,228           | 7,490         |
| \$60,000 under \$70,000        | 2,005,237                         | 45,099         | 1,879,072                  | 46,866         | 2,109,181                             | 5,413          | 1,549,465           | 6,678         |
| \$70,000 under \$80,000        | 1,687,078                         | 40,700         | 1,614,160                  | 43,590         | 1,831,336                             | 4,936          | 1,396,126           | 5,694         |
| \$80,000 under \$90,000        | 1,393,495                         | 38,739         | 1,317,332                  | 38,622         | 1,566,692                             | 4,667          | 1,247,570           | 5,183         |
| \$90,000 under \$100,000       | 1,130,211                         | 31,582         | 1,073,996                  | 32,590         | 1,385,118                             | 4,549          | 1,033,560           | 4,086         |
| \$100,000 under \$125,000      | 1,752,628                         | 56,754         | 1,834,295                  | 65,857         | 2,489,086                             | 10,085         | 1,810,742           | 8,030         |
| \$125,000 under \$150,000      | 940,656                           | 37,389         | 1,106,304                  | 52,364         | 1,330,531                             | 6,527          | 910,282             | 4,225         |
| \$150,000 under \$175,000      | 557,847                           | 23,242         | 709,080                    | 37,253         | 684,821                               | 4,949          | 535,202             | 2,850         |
| \$175,000 under \$200,000      | 341,885                           | 14,896         | 502,126                    | 33,119         | 387,853                               | 3,526          | 336,119             | 1,865         |
| \$200,000 under \$300,000      | 566,717                           | 28,802         | 952,424                    | 83,374         | 797,158                               | 9,401          | 522,723             | 3,858         |
| \$300,000 under \$400,000      | 185,953                           | 10,514         | 363,130                    | 47,812         | 303,042                               | 5,055          | 165,352             | 1,603         |
| \$400,000 under \$500,000      | 81,261                            | 4,406          | 185,443                    | 33,759         | 167,063                               | 3,262          | 77,488              | 812           |
| \$500,000 under \$1,000,000    | 136,018                           | 7,911          | 294,807                    | 71,953         | 298,496                               | 6,878          | 108,347             | 1,675         |
| \$1,000,000 under \$1,500,000  | 34,425                            | 2,147          | 69,452                     | 26,831         | 81,600                                | 2,231          | 21,902              | 508           |
| \$1,500,000 under \$2,000,000  | 14,915                            | 1,038          | 32,719                     | 19,784         | 36,587                                | 1,161          | 8,737               | 236           |
| \$2,000,000 under \$5,000,000  | 22,454                            | 1,819          | 39,054                     | 24,897         | 58,180                                | 2,196          | 11,352              | 481           |
| \$5,000,000 under \$10,000,000 | 5,652                             | 613            | 8,468                      | 5,981          | 15,304                                | 809            | 2,538               | 232           |
| \$10,000,000 and over          | 3,758                             | 645            | 5,016                      | 3,369          | 10,376                                | 1,246          | 1,269               | 223           |

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, 2006--Continued**

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

| Size of income                 | Total itemized deductions  |                  |                     |                  | Taxable income             |                  |                     |                  |
|--------------------------------|----------------------------|------------------|---------------------|------------------|----------------------------|------------------|---------------------|------------------|
|                                | 2006 Adjusted Gross Income |                  | 1979 Income Concept |                  | 2006 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>49,123,555</b>          | <b>1,229,237</b> | <b>49,099,251</b>   | <b>1,173,295</b> | <b>106,667,402</b>         | <b>5,579,145</b> | <b>106,667,402</b>  | <b>5,579,145</b> |
| Under \$10,000                 | 922,978                    | 13,933           | 974,212             | 13,996           | 4,812,195                  | 7,987            | 4,797,813           | 9,297            |
| \$10,000 under \$20,000        | 2,306,005                  | 34,215           | 2,487,320           | 32,523           | 14,590,659                 | 81,561           | 14,642,214          | 82,888           |
| \$20,000 under \$30,000        | 3,358,387                  | 48,571           | 3,743,337           | 50,611           | 17,082,754                 | 196,552          | 17,656,602          | 208,727          |
| \$30,000 under \$40,000        | 4,363,179                  | 65,218           | 4,600,273           | 64,527           | 13,733,631                 | 265,074          | 14,255,046          | 289,398          |
| \$40,000 under \$50,000        | 4,546,362                  | 71,839           | 4,571,173           | 68,205           | 10,511,657                 | 284,972          | 10,600,232          | 303,539          |
| \$50,000 under \$60,000        | 4,512,370                  | 77,818           | 4,411,906           | 72,819           | 8,655,927                  | 299,265          | 8,417,956           | 303,513          |
| \$60,000 under \$70,000        | 4,230,494                  | 78,351           | 3,975,108           | 69,996           | 6,972,897                  | 295,448          | 6,570,876           | 286,624          |
| \$70,000 under \$80,000        | 3,966,402                  | 78,355           | 3,711,748           | 70,409           | 5,832,236                  | 293,506          | 5,463,195           | 279,632          |
| \$80,000 under \$90,000        | 3,491,422                  | 72,024           | 3,246,848           | 64,523           | 4,684,616                  | 273,253          | 4,350,620           | 254,501          |
| \$90,000 under \$100,000       | 2,916,231                  | 64,954           | 2,649,064           | 55,644           | 3,665,857                  | 242,662          | 3,354,600           | 222,641          |
| \$100,000 under \$125,000      | 5,040,862                  | 124,995          | 4,809,323           | 113,423          | 5,898,229                  | 468,332          | 5,662,854           | 443,252          |
| \$125,000 under \$150,000      | 2,793,613                  | 80,097           | 2,759,380           | 75,094           | 3,117,109                  | 315,050          | 3,097,027           | 302,932          |
| \$150,000 under \$175,000      | 1,738,700                  | 56,237           | 1,715,747           | 52,221           | 1,893,363                  | 230,910          | 1,894,637           | 220,520          |
| \$175,000 under \$200,000      | 1,082,756                  | 38,016           | 1,108,380           | 36,985           | 1,158,475                  | 166,942          | 1,226,274           | 164,620          |
| \$200,000 under \$300,000      | 1,947,901                  | 82,288           | 2,115,710           | 82,678           | 2,049,784                  | 392,308          | 2,288,216           | 395,927          |
| \$300,000 under \$400,000      | 676,401                    | 37,162           | 780,840             | 38,569           | 710,797                    | 204,491          | 844,070             | 211,686          |
| \$400,000 under \$500,000      | 337,936                    | 22,306           | 399,564             | 23,410           | 355,631                    | 135,058          | 432,809             | 140,107          |
| \$500,000 under \$1,000,000    | 552,797                    | 49,649           | 653,971             | 52,342           | 588,218                    | 348,056          | 709,667             | 363,964          |
| \$1,000,000 under \$1,500,000  | 142,284                    | 20,078           | 165,343             | 20,889           | 150,188                    | 161,556          | 175,132             | 166,195          |
| \$1,500,000 under \$2,000,000  | 61,068                     | 11,936           | 73,507              | 12,427           | 63,844                     | 98,152           | 76,484              | 102,319          |
| \$2,000,000 under \$5,000,000  | 95,326                     | 30,052           | 105,204             | 30,756           | 98,492                     | 265,082          | 108,849             | 270,499          |
| \$5,000,000 under \$10,000,000 | 24,348                     | 17,654           | 25,405              | 17,811           | 24,914                     | 153,833          | 26,133              | 156,321          |
| \$10,000,000 and over          | 15,735                     | 53,490           | 15,889              | 53,437           | 15,931                     | 399,093          | 16,094              | 400,043          |
| Size of income                 | Total tax credits          |                  |                     |                  | Total income tax           |                  |                     |                  |
|                                | 2006 Adjusted Gross Income |                  | 1979 Income Concept |                  | 2006 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>46,091,502</b>          | <b>58,939</b>    | <b>46,091,502</b>   | <b>58,939</b>    | <b>92,740,927</b>          | <b>1,023,920</b> | <b>92,740,927</b>   | <b>1,023,920</b> |
| Under \$10,000                 | 813,403                    | 55               | 774,192             | 62               | 4,231,224                  | 924              | 4,259,870           | 1,150            |
| \$10,000 under \$20,000        | 4,897,990                  | 1,374            | 4,947,895           | 1,412            | 11,496,426                 | 7,132            | 11,496,998          | 7,260            |
| \$20,000 under \$30,000        | 7,860,566                  | 5,225            | 7,904,309           | 5,231            | 11,630,302                 | 17,898           | 12,275,746          | 19,332           |
| \$30,000 under \$40,000        | 5,849,213                  | 5,688            | 6,062,000           | 5,826            | 11,156,227                 | 27,293           | 11,621,410          | 30,494           |
| \$40,000 under \$50,000        | 4,699,854                  | 5,611            | 4,613,982           | 5,527            | 9,329,664                  | 32,510           | 9,436,991           | 35,468           |
| \$50,000 under \$60,000        | 3,660,996                  | 5,394            | 3,677,626           | 5,370            | 8,078,633                  | 36,989           | 7,856,837           | 37,860           |
| \$60,000 under \$70,000        | 3,241,445                  | 5,094            | 3,162,848           | 4,994            | 6,734,304                  | 38,015           | 6,337,130           | 36,905           |
| \$70,000 under \$80,000        | 2,939,293                  | 4,834            | 2,818,562           | 4,671            | 5,710,311                  | 38,353           | 5,343,526           | 36,849           |
| \$80,000 under \$90,000        | 2,465,438                  | 4,175            | 2,366,523           | 4,020            | 4,636,829                  | 36,730           | 4,288,327           | 34,373           |
| \$90,000 under \$100,000       | 1,994,524                  | 3,279            | 1,867,676           | 3,070            | 3,638,992                  | 34,376           | 3,329,496           | 31,990           |
| \$100,000 under \$125,000      | 3,151,787                  | 4,491            | 3,071,352           | 4,407            | 5,880,912                  | 74,242           | 5,632,407           | 70,124           |
| \$125,000 under \$150,000      | 1,405,671                  | 1,257            | 1,422,839           | 1,326            | 3,111,490                  | 56,666           | 3,078,993           | 54,177           |
| \$150,000 under \$175,000      | 740,196                    | 541              | 754,099             | 558              | 1,890,588                  | 44,352           | 1,888,820           | 42,199           |
| \$175,000 under \$200,000      | 460,323                    | 333              | 487,002             | 386              | 1,158,392                  | 34,121           | 1,224,877           | 33,223           |
| \$200,000 under \$300,000      | 833,061                    | 984              | 925,014             | 1,064            | 2,048,654                  | 88,904           | 2,284,659           | 87,993           |
| \$300,000 under \$400,000      | 315,069                    | 798              | 366,886             | 819              | 710,871                    | 52,060           | 840,980             | 52,698           |
| \$400,000 under \$500,000      | 179,027                    | 547              | 205,630             | 659              | 355,719                    | 36,076           | 432,022             | 36,528           |
| \$500,000 under \$1,000,000    | 342,863                    | 1,745            | 393,311             | 1,862            | 588,046                    | 94,214           | 709,200             | 97,561           |
| \$1,000,000 under \$1,500,000  | 96,453                     | 942              | 109,597             | 1,006            | 150,100                    | 44,125           | 175,043             | 45,206           |
| \$1,500,000 under \$2,000,000  | 43,087                     | 629              | 50,993              | 634              | 63,863                     | 26,721           | 76,488              | 27,876           |
| \$2,000,000 under \$5,000,000  | 69,452                     | 1,821            | 76,385              | 1,891            | 98,525                     | 71,647           | 108,872             | 73,098           |
| \$5,000,000 under \$10,000,000 | 18,816                     | 1,039            | 19,690              | 1,057            | 24,924                     | 39,557           | 26,142              | 40,274           |
| \$10,000,000 and over          | 12,972                     | 3,084            | 13,090              | 3,087            | 15,929                     | 91,014           | 16,093              | 91,282           |

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

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

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.

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.

### **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 income and tax data with that for years after 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 2006 using AGI and the 1979 Income Concept, classified by size of 2006 income.

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 2006, 1979 Concept income was 3.0 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$371.2 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, increased 8.6 percent for 2006; income for the \$200,000 and above group increased 16.8 percent. Total income tax for all returns increased 9.5 percent in 2006 after an increase of 12.4 percent in 2005; and total income tax reported for the \$200,000 and above income group increased 13.7 percent for 2005, down significantly from the

23.3 percent increase for 2005. The average tax rates (income tax as a percentage of total income) for each income class and both income concepts for years 1986 through 2005 are shown in Figure 4.

For the population as a whole, average tax rates for 2006 (based on the 1979 Income Concept) were 0.1 percentage point higher than those for 2005. Between 1986 and 2006, the average tax rates declined in all income categories except below \$10,000. For the first time, the \$1,000,000 or more income category showed a decrease in average tax rates between 1986 and 2006 of 0.1 percentage point. Although the average tax rate for 2006 was calculated using a lower maximum marginal tax rate of 35.0 percent compared to 50 percent for 1986, it was calculated on income that included all capital gains (long-term gains could be partially excluded from income for 1986).

**Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-2005**

| Size of<br>2005 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        | 2001        | 2002        | 2003        | 2004        | 2005        | 2006        |
|                                | (1)   | (2)         | (3)         | (4)         | (5)         | (6)         | (7)         | (8)         | (9)         | (10)        | (11)        | (12)        | (13)        | (14)        | (15)        | (16)        | (17)        | (18)        | (19)        | (20)        | (21)        |
| <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>15.4</b> | <b>14.4</b> | <b>13.2</b> | <b>12.1</b> | <b>12.3</b> | <b>12.6</b> | <b>12.7</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         | 2.4         | 2.3         | 2.1         | 2.4         | 2.5         | 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         | 3.4         | 2.6         | 2.4         | 2.3         | 2.2         | 2.1         |
| \$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         | 5.9         | 4.7         | 4.2         | 4.1         | 4.0         | 3.9         |
| \$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         | 8.0         | 6.7         | 6.1         | 5.8         | 5.6         | 5.5         |
| \$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         | 9.4         | 8.1         | 7.4         | 7.2         | 6.9         | 6.8         |
| \$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        | 10.2        | 9.2         | 8.5         | 8.1         | 7.8         | 7.7         |
| \$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        | 10.8        | 9.6         | 9.0         | 8.5         | 8.4         | 8.4         |
| \$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        | 11.6        | 10.6        | 9.4         | 9.0         | 8.8         | 8.7         |
| \$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        | 12.9        | 11.6        | 10.1        | 9.5         | 9.4         | 9.2         |
| \$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        | 13.7        | 12.7        | 11.0        | 10.5        | 10.1        | 9.9         |
| \$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        | 15.2        | 14.2        | 12.4        | 12.0        | 11.5        | 11.3        |
| \$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        | 16.8        | 16.0        | 14.2        | 13.7        | 13.4        | 13.3        |
| \$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        | 18.2        | 17.3        | 15.4        | 15.1        | 14.8        | 14.5        |
| \$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        | 19.1        | 18.4        | 16.8        | 16.4        | 16.2        | 15.8        |
| \$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        | 21.6        | 21.0        | 19.2        | 18.9        | 18.6        | 18.1        |
| \$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        | 24.7        | 24.2        | 22.4        | 22.1        | 21.6        | 21.3        |
| \$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        | 26.1        | 25.7        | 23.8        | 23.2        | 22.9        | 22.8        |
| \$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        | 28.1        | 27.9        | 24.9        | 24.3        | 23.8        | 23.6        |
| \$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        | 28.3        | 28.5        | 24.8        | 23.4        | 23.0        | 22.5        |

  

| Size of<br>2005 Income         | 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        | 2001        | 2002        | 2003        | 2004        | 2005        | 2006        |
|                                | (21)  | (22)        | (23)        | (24)        | (25)        | (26)        | (27)        | (28)        | (29)        | (30)        | (31)        | (32)        | (33)        | (34)        | (35)        | (36)        | (37)        | (38)        | (39)        | (40)        | (41)        |
| <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> | <b>14.1</b> | <b>12.9</b> | <b>11.8</b> | <b>12.0</b> | <b>12.3</b> | <b>12.4</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         | 2.9         | 3.0         | 2.8         | 3.0         | 3.7         | 6.1         |
| \$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         | 3.4         | 2.6         | 2.4         | 2.3         | 2.2         | 2.1         |
| \$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         | 6.1         | 4.8         | 4.4         | 4.2         | 4.1         | 4.0         |
| \$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         | 8.4         | 7.1         | 6.5         | 6.2         | 6.0         | 5.9         |
| \$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        | 9.9         | 8.5         | 7.8         | 7.6         | 7.4         | 7.3         |
| \$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        | 10.6        | 9.5         | 8.7         | 8.4         | 8.1         | 8.1         |
| \$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        | 11.1        | 9.8         | 9.1         | 8.7         | 8.7         | 8.6         |
| \$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        | 11.8        | 10.8        | 9.5         | 9.1         | 9.0         | 8.9         |
| \$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        | 12.9        | 11.5        | 10.1        | 9.6         | 9.4         | 9.2         |
| \$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        | 13.6        | 12.7        | 11.0        | 10.4        | 10.1        | 10.0        |
| \$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        | 14.9        | 13.8        | 12.0        | 11.7        | 11.3        | 11.1        |
| \$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        | 16.2        | 15.2        | 13.6        | 13.0        | 12.8        | 12.7        |
| \$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        | 17.0        | 15.9        | 14.3        | 14.1        | 13.8        | 13.7        |
| \$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        | 17.8        | 16.8        | 15.3        | 14.9        | 15.0        | 14.5        |
| \$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        | 19.5        | 18.5        | 17.1        | 17.0        | 16.4        | 15.9        |
| \$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        | 21.3        | 20.5        | 19.2        | 18.9        | 18.4        | 18.1        |
| \$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        | 22.2        | 21.8        | 20.2        | 19.7        | 19.5        | 18.8        |
| \$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        | 24.2        | 23.7        | 21.7        | 20.7        | 21.0        | 20.2        |
| \$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        | 27.0        | 26.7        | 23.4        | 22.3        | 21.8        | 21.3        |

