

Individual Income Tax Rates and Shares, 2004

by Kyle Mudry and Justin Bryan

Taxpayers filed 132.2 million returns for Tax Year 2004, of which 89.1 million (or 67.4 percent) were classified as taxable returns. A taxable return is a return that has total income tax greater than \$0. This represents an increase of 0.2 percent in the number of taxable returns from 2003, the first increase in the number of such returns in the past 4 years. Adjusted gross income (AGI) on these taxable returns rose 9.0 percent to \$6,266 billion for 2004, while total income tax showed the first increase in 4 years, rising 11.2 percent to \$832 billion. Also, for the first time in 4 years, the average tax rate for taxable returns rose, increasing 0.3 percentage points to 13.3 percent for 2004.

Taxpayers with an AGI of at least \$328,049, the top 1 percent of taxpayers, accounted for 19.0 percent of AGI. This represents an increase in income share of 2.2 percentage points from the previous year. These taxpayers accounted for 36.9 percent of the total income tax reported, an increase from 34.3 percent in 2003. The top 5 percent of taxpayers accounted for 33.5 percent of AGI and 57.1 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported an AGI of at least \$137,056, whereas, in 2003, the cutoff for this group was \$130,080.

This article discusses the individual income tax rates and tax shares and the computation of “total income tax” for 2004. To put this discussion into perspective, the appendices to the article provide explanations of selected terms used in the article and describe the income tax structure, certain tax law changes, income and tax concepts (the “1979 Income Tax Concept,” “modified” taxable income, and marginal tax rates), the computation of “alternative minimum taxable income,” and the data sources and limitations.

Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income. For the statistics in this article, the average tax rate is “total income tax”

(see Appendix A: Explanation of Selected Terms) divided by AGI reported on returns showing some income tax liability.

Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is the statutory rate at which the last dollar of taxable income is taxed. (See Appendix D for a more detailed explanation of marginal tax rates.) The following sections describe the measurement of the average and marginal tax rates in more detail, and discuss the statistics based on these rates for 2004.

Average Tax Rates

Figure A presents statistics for 1986 through 2004 on income (based on each year’s definition of AGI and on the common 1979 Income Concept) and taxes reported. (See Appendix D for an explanation of the 1979 Income Concept.) These tax years can be partitioned into seven distinct periods:

- (1) Tax Year 1986 was the last year under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under the Tax Reform Act of 1986 (TRA86). For 1987, a 1-year, transitional, five-rate tax bracket structure was established with a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.
- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure [1]. The phase-in of the provisions of TRA86 continued with a maximum tax rate of 33 percent.
- (4) Tax Years 1991 and 1992 brought a three-rate tax bracket structure (with a maximum tax rate of 31 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions for some upper income taxpayers.
- (5) Tax Years 1993 through 1996 had a five-rate tax bracket structure (with a maximum statutory

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Figure A

Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-2004

[Money amounts are in billions of dollars, except where indicated]

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns [1]	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) [2], [3]	Average per return (whole dollars) [3]			
							Current dollars		Constant dollars [4]	
							Adjusted gross income (less deficit)	Total income tax	Adjusted gross income (less deficit)	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1986.....	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987.....	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988.....	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989.....	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990.....	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991.....	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992.....	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993.....	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994.....	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995.....	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
1996.....	120,351,208	90,929,350	75.6	4,342	658	15.2	47,750	7,239	30,433	4,614
1997.....	122,421,991	93,471,200	76.4	4,765	731	15.3	50,980	7,824	31,763	4,875
1998.....	124,770,662	93,047,898	74.6	5,160	789	15.3	55,458	8,475	33,836	5,171
1999.....	127,075,145	94,546,080	74.4	5,581	877	15.7	59,028	9,280	35,431	5,570
2000.....	129,373,500	96,817,603	74.8	6,083	981	16.1	62,832	10,129	36,488	5,882
2001.....	130,255,237	94,763,530	72.8	5,847	888	15.2	61,702	9,370	34,840	5,291
2002.....	130,076,443	90,963,896	69.9	5,641	797	14.1	62,015	8,762	34,472	4,870
2003.....	130,423,626	88,921,904	68.2	5,747	748	13.0	64,625	8,412	35,122	4,572
2004.....	132,226,042	89,101,934	67.4	6,266	832	13.3	70,318	9,337	37,225	4,943
Using 1979 Income Concept [5]										
1986.....	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987.....	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988.....	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989.....	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990.....	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991.....	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992.....	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993.....	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994.....	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995.....	118,218,327	89,252,989	75.5	4,075	588	14.4	45,655	6,593	29,957	4,326
1996.....	120,351,208	90,929,350	75.6	4,418	658	14.9	48,582	7,239	30,964	4,614
1997.....	122,421,991	93,471,200	76.4	4,849	731	15.1	51,875	7,824	32,321	4,875
1998.....	124,770,662	93,047,898	74.6	5,299	789	14.9	56,947	8,475	34,745	5,171
1999.....	127,075,145	94,546,080	74.4	5,736	877	15.3	60,666	9,280	36,414	5,570
2000.....	129,373,500	96,817,603	74.8	6,294	981	15.6	65,012	10,129	37,754	5,882
2001.....	130,255,237	94,763,530	72.8	5,943	888	14.9	62,716	9,370	35,413	5,291
2002.....	130,076,443	90,963,896	69.9	5,758	797	13.8	63,297	8,762	35,184	4,870
2003.....	130,423,626	88,921,904	68.2	5,849	748	12.8	65,777	8,412	35,749	4,572
2004.....	132,226,042	89,101,934	67.4	6,399	832	13.0	71,817	9,337	38,019	4,943

[1] Number of taxable returns (column 2) divided by total number of returns (column 1).

[2] Average tax rate is "total income tax" (column 5) divided by adjusted gross income less deficit (AGI) (column 4).

[3] The average adjusted gross income (less deficit), average total income tax, and average tax rate were calculated from unrounded data.

[4] Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2004, the CPI-U = 188.9.

[5] These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see Statistics of Income—Individual Income Tax Returns, for 1986-2004. See Figure G for components of the 1979 Income Concept.

tax rate of 39.6 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions for some upper income taxpayers.

(6) Tax Years 1997 through 2000 were subject to the Taxpayer Relief Act of 1997 which added three new capital gain tax rates to the previous rate structure to form a new eight-rate tax

bracket structure (with maximum statutory tax rate of 39.6 percent). See Appendix D for a more detailed description of the capital gain rates.

(7) Tax Years 2001 through 2004 were affected by two new laws, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax

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Relief Reconciliation Act of 2003 (JGTRRA). EGTRRA included a new 10-percent tax rate bracket, as well as reductions in tax rates for brackets higher than 15 percent of one-half percentage point for 2001 and 1 percentage point for 2002. It also included increases in the child tax credit and an increase in alternative minimum tax exemptions. Tax Year 2003, under JGTRRA, saw additional rate reductions in ordinary marginal tax rates higher than the 15-percent rate, as well as expansions to particular income thresholds in the rates from 15 percent and below. Also, the rate for most long-term capital gains was reduced from 20 percent to 15 percent. Further, qualified dividends were taxed at this same 15-percent rate. These changes are detailed in the previously published article, *“Individual Income Tax Rates and Shares, 2003”* in Appendix C (under *Tax Rate Reduction*). In addition, the Working Families Tax Relief Act increased for 2004 the additional child tax credit refundability rate from 10 percent to 15 percent.

About 89.1 million, or 67.4 percent, of the 132.2 million individual returns filed for 2004 were classified as taxable returns. This was a 0.2-percent increase in the number of taxable returns from 2003. Total AGI reported on taxable returns increased 9.0 percent to \$6,266 billion. Total income on taxable returns rose using the 1979 Income Concept as well, increasing 9.4 percent to \$6,399 billion for 2004. Total income tax rose by almost \$84 billion (11.2 percent) to \$832 billion for 2004. Average AGI for taxable returns rose to \$70,318 for 2004, an 8.8-percent increase from 2003. Average income tax also rose for 2004 by 11.0 percent to \$9,337.

In order to analyze the average tax rate over time, it is necessary to use a more consistent measure of income than AGI because some tax law changes resulted in the definition of AGI changing from year to year. The 1979 Income Concept controls for much of this variation in tax law, and its use provides a more consistent estimate of the average tax rate across years. Under the 1979 Concept, the average tax rate for 2004 rose to 13.0 percent from 12.8 for the previous year.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 13.3 percent for 2004. The average tax rate for the AGI-

size classes ranged from 2.4 percent for the “\$1 under \$10,000” AGI-size class to 24.3 percent for the “\$500,000 under \$1,000,000” AGI-size class. This latter rate was higher than the 23.4-percent average paid by those taxpayers in the “\$1,000,000 or more” class. This was partially due to taxpayers in the “\$1,000,000 or more” class receiving over double the percentage of AGI in the form of capital gains and qualified dividends taxed at preferential tax rates than those in the “\$500,000 under \$1,000,000” AGI-size class. Taxpayers in the \$1,000,000 or more class received 42.5 percent of their AGI through these capital gains and qualified dividends compared to 20.4 percent for the “\$500,000 under \$1,000,000” AGI-size class.

The average tax rate of 13.3 percent for 2004 for all income classes combined was an increase of 0.3 percentage points from the 13.0 percent for 2003. The average tax rate for taxable returns fell or stayed the same in every AGI-size class for 2004. The overall average rate increased despite this decline in each AGI class because individuals tended to move to higher income classes which, in turn, faced higher tax rates. For example, in 2004, the number of returns in every positive AGI class under \$50,000 or less decreased, while the number of returns reporting an AGI of \$1 million or more increased by 32.6 percent from 2003. For 2001 and 2002, many of the higher income tax returns had shifted to lower income brackets partially due to reductions in realized capital gain (less loss). This trend began to reverse for 2003 and continued in 2004.

Marginal Tax Rate Classifications

A return’s marginal tax rate is the highest statutory tax rate bracket applicable to that tax return. Marginal tax rate statistics are presented in Figure C and Table 1. These statistics are based on individual income tax returns showing a positive taxable income amount based on “tax generated” and items of income that were subject to the regular income tax, generally those included in AGI [2]. Appendix D explains the determination of the marginal tax rate bracket into which a return is assumed to fall. Table 2 contains additional data based on ordinary tax rates and presents statistics on the income and tax generated at each ordinary tax rate by size of AGI.

For 2004, the number of individual returns with modified taxable income rose 1.3 percent to 102.7

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Figure B

Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 2003 and 2004

[Number of returns is in thousands—money amounts are in millions of dollars]

Tax year, item	Total	Size of adjusted gross income									
		Under \$1 [1]	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax Year 2004:											
Number of taxable returns.....	89,102	5	4,637	11,817	11,783	20,751	27,372	9,718	2,346	433	240
Adjusted gross income (less deficit).....	6,265,500	-6,536	31,922	178,453	294,228	816,924	1,932,778	1,286,115	676,147	293,123	762,347
Total income tax.....	831,976	86	768	7,710	18,570	62,129	178,513	175,206	139,227	71,339	178,429
Average tax rate (percent) [2].....	13.3	[3]	2.4	4.3	6.3	7.6	9.2	13.6	20.6	24.3	23.4
Tax Year 2003:											
Number of taxable returns.....	88,922	5	4,952	12,347	12,187	21,524	26,511	8,862	1,997	356	181
Adjusted gross income (less deficit).....	5,746,569	-5,095	34,490	186,019	304,724	846,122	1,861,718	1,167,989	575,673	240,944	533,985
Total income tax.....	748,017	79	853	8,155	19,310	64,373	178,509	163,342	120,712	60,181	132,503
Average tax rate (percent) [2].....	13.0	[3]	2.5	4.4	6.3	7.6	9.6	14.0	21.0	25.0	24.8
Change in:											
Number of taxable returns.....	180	(Z)	-315	-530	-404	-773	861	857	349	77	59
Percent.....	0.2	0.1	-6.4	-4.3	-3.3	-3.6	3.2	9.7	17.5	21.7	32.5
Adjusted gross income (less deficit).....	518,932	-1,441	-2,568	-7,566	-10,496	-29,198	71,060	118,126	100,473	52,179	228,362
Percent.....	9.0	28.3	-7.4	-4.1	-3.4	-3.5	3.8	10.1	17.5	21.7	42.8
Total income tax.....	83,959	7	-85	-446	-740	-2,244	3	11,863	18,516	11,159	45,926
Percent.....	11.2	9.5	-10.0	-5.5	-3.8	-3.5	[5]	7.3	15.3	18.5	34.7
Average tax rate:											
Percentage point change.....	0.3	[4]	-0.1	-0.1	[5]	[5]	-0.4	-0.4	-0.4	-0.6	-1.4

[1] Includes returns with adjusted gross deficit. Tax in these returns represents some combination of alternative minimum tax, Form 4972 tax on lump-sum distributions from qualified retirement plans, and Form 8814 tax on a child's interest and dividends not reflected in adjusted gross income or taxable income.

[2] Average tax rate is "total income tax" as a percentage of adjusted gross income less deficit (AGI). The average tax rate was calculated from unrounded data.

[3] Percentage not computed.

[4] Increase not computed.

[5] Less than 0.05.

(Z)—Less than \$500.

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

million. The amount of modified taxable income reported on these returns increased 11.0 percent to \$4,671.2 billion [3]. The tax generated on taxable returns rose by 11.7 percent to \$871.2 billion. Figure C presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal tax rate categories (defined in Appendix D).

Returns with modified taxable income in the "15-percent" (ordinary income) marginal tax rate bracket contained the largest share of returns for 2004, at 39.5 percent. These returns reported 21.5 percent of modified taxable income for 2004 and 14.9 percent of income tax generated. Conversely, taxpayers in the "35-percent" (ordinary income) marginal rate, the least represented bracket, accounted for only 0.8 percent of returns, but reported 18.5 percent of the modified taxable income and 29.1 percent of the tax

generated (the largest of any tax bracket). The "10-percent" (ordinary income) marginal rate bracket reported the second largest share of returns at 22.0 percent. However, they only accounted for 2.2 percent of modified income and 1.2 percent of income tax generated. With a 15.2-percent share of returns, making it the third largest, the "25-percent" (ordinary income) marginal rate bracket reported 19.3 percent of the modified taxable income and 17.3 percent of income tax generated. Returns in the "28-percent" (ordinary income) marginal rate bracket represented 1.6 percent of the total share of returns and accounted for 4.1 percent of the modified taxable income and 4.7 percent of the generated income tax. Returns in the "33-percent" (ordinary income) marginal rate bracket represented the second smallest share of ordinary tax rate returns at 1.3 percent. It also accounted for 7.4 percent of the modified taxable income, as well as 9.5 percent of the tax generated. Returns in

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Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2004

[Money amounts are in thousands of dollars]

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	102,721,593	100.0	4,671,235,965	100.0	871,235,271	100.0
5 percent.....	1,050,924	1.0	7,140,697	0.2	357,108	[1]
8 percent.....	979	[1]	5,847	[1]	468	[1]
10 percent.....	22,551,903	22.0	104,892,909	2.2	10,490,342	1.2
10 percent (capital gains).....	2,670,249	2.6	22,333,898	0.5	1,819,481	0.2
10 percent (Form 8814) [2].....	10,298	[1]	6,926	[1]	693	[1]
15 percent.....	40,584,215	39.5	1,005,860,591	21.5	129,525,438	14.9
15 percent (capital gains) [3].....	7,894,116	7.7	423,550,033	9.1	55,036,233	6.3
20 percent.....	23,907	[1]	2,889,483	0.1	454,485	0.1
25 percent.....	15,575,830	15.2	899,581,246	19.3	150,748,225	17.3
25 percent (capital gains).....	6,455,653	6.3	522,772,894	11.2	88,571,451	10.2
28 percent.....	1,682,276	1.6	192,600,541	4.1	40,999,202	4.7
28 percent (capital gains).....	1,902,565	1.9	277,482,362	5.9	56,884,573	6.5
33 percent.....	1,364,321	1.3	345,720,894	7.4	82,876,707	9.5
35 percent.....	842,741	0.8	864,940,431	18.5	253,166,479	29.1
Form 8615 [4].....	111,617	0.1	1,457,214	[1]	304,384	[1]

[1] Less than 0.05 percent.

[2] Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[3] The 15-percent capital gain rate also includes qualified dividends.

[4] Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,600. The returns in this rate classification are not distributed by tax rate.

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

the capital gain and dividends, 10-percent, 15-percent, 25-percent, and 28-percent tax brackets represented 18.5 percent of returns (with modified taxable income), reported a total of 26.7 percent of modified taxable income and 23.2 percent of the tax.

As shown in Table 2, the total tax generated for 2004 at the 15-percent rate was more than any other rate. The 35.6 percent of income taxed at this rate was reported by 74.0 percent of returns with modified taxable income, producing 28.6 percent of tax generated. The 25-percent rate generated the next largest amount of income tax liability. Tax in that bracket was reported on 27.0 percent of returns, and 14.6 percent of modified taxable income was taxed at this rate, to generate 19.6 percent of tax generated. Only 0.8 percent of returns with taxable income were taxed at the 35-percent rate. However, 9.7 percent of all income was taxed at this rate, generating 18.2 percent of the tax generated.

Components of Total Income Tax

Regular Tax

Regular tax is generally tax determined from a taxpayer's taxable income based on statutory tax

rates. It does not include the "alternative minimum tax" (AMT) nor does it exclude allowable tax credits. Figure D illustrates the derivation of the aggregate tax generated for 2004 returns. Table 1 includes two tax amounts: "tax generated" and "income tax after credits." Tables 5 through 8 and Figures A and B include an additional measure of tax, "total income tax," which also includes distributed tax on trust accumulations.

As shown (Figure D and column 5 of Table 1), the tax generated by applying statutory ordinary income and capital gain tax rates to modified taxable income was \$871.2 billion, an 11.6-percent increase from 2003 [4]. For most taxpayers, tax generated was equal to income tax before credits. However, for some taxpayers, income tax before credits included the alternative minimum tax (AMT) and/or special taxes on lump-sum distributions from qualified retirement plans (when a 10-year averaging method was used) [5]. The AMT increased sharply by 37.6 percent to \$13.0 billion for 2004. Income tax before credits was \$884.3 billion for 2004, up from \$790.0 billion, representing an 11.9-percent increase from 2003. Taxpayers used \$52.4 billion of tax credits to reduce their income tax before credits. The earned

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Figure D

Derivation of Tax Year 2003 and 2004 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

Item	2003	2004	Percentage change
	(1)	(2)	(3)
Tax generated from tax rate schedules or tax table.....	780.3	871.2	11.7
PLUS:			
Tax on lump-sum distributions from qualified retirement plans.....	0.2	0.1	-61.5
Alternative minimum tax.....	9.5	13.0	37.6
EQUALS:			
Income tax before credits.....	790.0	884.3	11.9
LESS: Tax credits, total [1].....	42.0	52.4	24.7
Child-care credit.....	3.2	3.3	4.1
Child tax credit [1].....	22.8	32.3	41.7
Education credit.....	5.8	6.0	3.0
Foreign tax credit.....	5.8	6.8	16.4
General business credit.....	0.6	0.6	3.7
Earned income credit (limited to the amount needed to reduce total income tax to zero)....	0.9	0.8	-17.1
Credit for prior-year minimum tax.....	0.9	0.9	-1.7
Retirement savings contribution credit.....	1.0	1.0	-2.2
Other credits [2].....	0.9	0.6	-28.2
EQUALS:			
Income tax after credits.....	748.0	832.0	11.2
PLUS: Trust accumulation distribution.....	0.0	0.0	-91.0
EQUALS:			
Total income tax.....	748.0	832.0	11.2

[1] Does not include the additional child tax credit that for 2004 was \$14.45 billion which was refunded to taxpayers and not included in total income tax.

[2] Includes the elderly or disabled credit, empowerment zone and community renewal employment credit, mortgage interest credit, New York Liberty Zone credit, adoption credit, DC first time home buyer's credit, rate reduction credit, nonconventional source fuel credit, and other credits.

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

income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer because it exceeds the taxpayer's liability and any portion of the EIC used to reduce taxes other than income taxes are excluded from the computation of income tax after credits [6]. Income tax after credits (Figure D) totaled \$832.0 billion as did total income tax (the sum of income tax after credits and tax on trust accumulation distributions). These taxes both represented an 11.2-percent increase from 2003.

Table 4 provides estimates of income tax before credits by the type of tax computation for returns with modified taxable income. For 2004, the number of returns with the Schedule D and qualified dividend tax computation increased 12.4 percent from

\$18.1 million to \$20.4 million. Along with this was an increase in the income tax before credits and tax generated at these lower rates. These taxpayers paid \$65.6 billion (column 8) less in tentative taxes than they would have if they had not received the benefits of the lower capital gain and qualified dividend tax rates. This was up from the \$38.4 billion in savings from using these rates for 2003 (column 4). The average tax savings for those who had these capital gains rose from \$2,117 per return for 2003 to \$3,219 for 2004. Tax Year 2004 saw a decrease of 1.2 million returns that calculated their taxes with a regular tax computation only. Most of this decline was due to returns moving from the regular tax computation to the Schedule D and qualified dividends tax computation. For 2004, the number of returns filed by children under age 14 with Form 8615 for reporting investment income over \$1,600 increased 11.2 percent to a little over 111,000. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children generated just over \$289.6 million (column 7) of tax revenue which is \$3.8 million (column 8) more than the \$285.9 million (column 6) of tax that would have been generated using ordinary tax computations.

Alternative Minimum Tax

The Revenue Act of 1978 established the alternative minimum tax to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise be able to legally reduce, or totally eliminate, their tax burdens. The AMT provisions may recapture some of the tax reductions under the ordinary income tax. Form 6251, *Alternative Minimum Tax—Individuals*, is used to calculate AMT. (See Appendix E for an explanation of the computation of income for AMT purposes.)

Figure E presents statistics, by size of AGI, on the AMT reported by taxpayers filing Form 6251 with their returns. Some taxpayers included Form 6251 even though their tax liability was not increased due to the AMT. The tabulations in Figure E include such forms. For 2004, AMT liability rose 37.6 percent to \$13.0 billion from \$9.5 billion in 2003. This rise in AMT coincided with a large increase in the number of returns that were subject to paying the AMT. The number of returns subject to paying the AMT increased 31.3 percent from 2003 to 3.1 mil-

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Figure E

Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, by Size of Adjusted Gross Income, Tax Years 2003 and 2004

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences [1]		Alternative minimum taxable income [1]		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Year 2004						
All returns.....	6,305,794	139,132,813	7,079,558	1,513,426,013	3,096,299	13,029,239
Under \$1 [2].....	89,295	1,339,925	124,398	-8,913,784	4,714	88,495
\$1 under \$10,000.....	130,464	210,994	321,011	923,530	* 83	* 932
\$10,000 under \$20,000.....	165,151	520,143	263,404	2,887,139	4,754	5,168
\$20,000 under \$30,000.....	167,635	459,514	240,592	4,875,664	* 2,311	* 2,708
\$30,000 under \$40,000.....	168,727	693,861	239,797	6,980,973	1,664	448
\$40,000 under \$50,000.....	220,623	1,309,171	279,567	10,768,555	11,818	19,019
\$50,000 under \$75,000.....	645,355	5,217,887	742,108	40,686,106	89,396	116,192
\$75,000 under \$100,000.....	637,994	7,577,811	702,786	54,000,442	155,065	224,349
\$100,000 under \$200,000.....	1,909,206	32,232,673	1,947,203	256,536,024	1,095,242	2,058,479
\$200,000 under \$500,000.....	1,755,113	45,602,027	1,791,349	480,002,963	1,529,159	6,831,014
\$500,000 under \$1,000,000.....	267,596	13,587,916	274,871	170,439,189	149,042	1,645,295
\$1,000,000 or more.....	148,635	30,380,890	152,473	494,239,207	53,052	2,037,141
Tax Year 2003						
All returns.....	5,274,864	107,538,541	5,943,102	1,119,412,865	2,357,975	9,469,803
Under \$1 [2].....	90,575	1,255,423	129,582	-10,762,709	5,427	81,262
\$1 under \$10,000.....	130,628	294,876	294,704	752,929	3,344	5,776
\$10,000 under \$20,000.....	164,493	441,193	254,340	2,706,268	2,591	6,294
\$20,000 under \$30,000.....	149,183	654,972	218,232	4,293,145	3,850	21,683
\$30,000 under \$40,000.....	156,007	657,114	197,269	5,127,098	5,090	2,118
\$40,000 under \$50,000.....	240,072	1,578,559	292,648	11,449,018	12,453	16,980
\$50,000 under \$75,000.....	579,162	4,497,946	658,634	35,896,638	85,664	86,149
\$75,000 under \$100,000.....	548,099	5,832,543	605,893	46,371,534	109,977	185,177
\$100,000 under \$200,000.....	1,547,971	27,412,096	1,589,305	206,360,452	844,104	1,875,212
\$200,000 under \$500,000.....	1,371,834	35,270,913	1,397,829	373,453,249	1,148,987	4,700,750
\$500,000 under \$1,000,000.....	192,637	9,199,893	198,104	121,310,271	103,434	1,165,529
\$1,000,000 or more.....	104,204	20,443,011	106,562	322,454,972	33,056	1,322,875

* Estimate should be used with caution due to the small number of sample returns on which it is based.

[1] See Figures I and J for the calculation of alternative minimum taxable income and the list of alternative minimum tax adjustments and preferences.

[2] Includes returns with adjusted gross deficit.

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

lion returns for 2004, and the Alternative Minimum Taxable Income (AMTI) increased 35.2 percent from 2003. In addition, by limiting certain business tax credits, the AMT may increase the tax liability for some taxpayers who do not have any AMT liability.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2004. Much of the variation in the number of taxpayers affected by the AMT and in the amount of AMT liability during the mid-to-late 1980s and early 1990s was attributable to tax law changes such as TRA86, RRA90 (Revenue Reconciliation Act of 1990), and OBRA93, which altered the AMT. Since then, the impact of the AMT has increased partially because the AMT exemptions

have not been automatically indexed annually for the effects of inflation, whereas various parameters of the ordinary income tax (such as tax brackets, exemptions, etc.) have been indexed annually for inflation. In both EGTRRA in 2001 and JGTRRA in 2003, AMT exemptions were increased, while ordinary tax rates declined. For 2003 and 2004, AMT levels rose to \$9.5 billion and \$13.0 billion, respectively. The amount in 2004 set the all-time high paid by individual taxpayers, breaking the previous high of \$9.6 billion in 2000. This marks the third year in a row of increases in AMT levels. Since 2001, the AMT liability has increased a total of 92.8 percent. Also, during this same time, the number of returns paying AMT has almost tripled from 1.1 million to 3.1 million.

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Figure F

Alternative Minimum Tax, Tax Years 1986-2004

[Tax rates are in percentages—money amounts are in thousands of dollars]

Tax year	Highest statutory alternative minimum tax rate	Alternative minimum tax	
		Number of returns	Amount
	(1)	(2)	(3)
1986.....	20	608,907	6,713,149
1987.....	21	139,779	1,674,898
1988.....	21	113,562	1,027,884
1989.....	21	117,483	831,012
1990.....	21	132,103	830,313
1991.....	24	243,672	1,213,426
1992.....	24	287,183	1,357,063
1993.....	28	334,615	2,052,790
1994.....	28	368,964	2,212,094
1995.....	28	414,106	2,290,576
1996.....	28	477,898	2,812,746
1997.....	28	618,072	4,005,101
1998.....	[1] 28	853,433	5,014,549
1999.....	[1] 28	1,018,063	6,477,697
2000.....	[1] 28	1,304,197	9,600,840
2001.....	[1] 28	1,120,047	6,756,705
2002.....	[1] 28	1,910,789	6,853,901
2003.....	[1] 28	2,357,975	9,469,803
2004.....	[1] 28	3,096,299	13,029,239

[1] Top rate on most long-term capital gains was 20 percent, 15 percent for 2003-2004.

Income and Tax Shares

Historical statistics from 1986 through 2004 on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year and tax or income item, by descending and ascending cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among years within the ERTA81 period (i.e., Tax Years 1982 through 1986), and among years within the post-TRA86 period (i.e., Tax Years 1987 through 2004). Since TRA86 redefined AGI, Tables 5 and 6 are not as useful for comparisons between pre- and post-TRA86 years. Thus, Tables 7 and 8, which are based on a consistent definition of income (i.e., the 1979 Income Concept), are included to facilitate such comparisons.

Tables 5 and 7 are based on percentiles of returns cumulated downward from the highest income returns. The data in Tables 5 and 7 are shown for the top 1 percent, 5 percent, 10 percent, 25 percent, and 50 percent of returns. Tables 6 and 8 are based on returns cumulated upward from the lowest income

returns. Data are shown for the bottom 50 percent, 75 percent, 90 percent, 95 percent, and 99 percent of all returns.

Consider, for example, the data in Table 5 for the 130.4 million returns filed for 2004 with positive AGI [7]. The average tax rate for these returns was 12.1 percent, a 0.2-percentage point increase from 2003. (A sizable portion of returns with positive AGI are nontaxable, accounting for the difference in the computation of this particular average tax rate versus the 13.3-percent average tax rate for taxable returns only—Figure A.) The average tax rate increased for 2004 after having fallen for 3 previous years, bottoming out at 11.9 percent in 2003. Despite the overall increase, the average tax rate on the 1 percentile and 5 percentile both decreased, while the rates paid by the 10, 25 and 50 percentiles all increased from 2003. The 1 percentile, 5 percentile, 10 percentile, 25 percentile, and 50 percentiles all also recorded a larger share of the income tax burden than their respective shares of AGI. For 2004, the returns in the top 1 percentile reported 19.0 percent of total AGI and 36.9 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$328,049. For 2003, the returns in this percentile group (i.e., those with at least \$295,495 in AGI) reported 16.8 percent of total AGI and 34.3 percent of total income tax.

For 2004, the returns in the top 5-percentile group (returns reporting AGI of \$137,056 or more) reported 33.5 percent of total AGI and 57.1 percent of income tax, compared to 31.2 percent and 54.4 percent, respectively, for 2003 (when the AGI floor was \$130,080). For 2004, returns in the top 10-percentile group (returns with AGI of at least \$99,112) earned 44.4 percent of AGI and paid 68.2 percent of income tax. For 2003, the returns in this percentile group (with AGI of \$94,891 or more) reported 42.4 percent of total AGI and 65.8 percent of income tax. The top 50-percentile group (earning \$30,122 or more) accounted for 86.6 percent of income and paid almost all (96.7 percent) of the income tax for 2004.

The statistics by percentile in Tables 5 and 6 for years prior to 1991 and in Tables 7 and 8 for years prior to 1994 were estimated, using a mathematical technique called “osculatory interpolation,” applied to aggregated data tabulated by income-size classes, in order to distribute the tax returns within each class [8]. For 1991 and later years, the statistics by

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percentiles in Tables 5 and 6, and Tables 7 and 8 for 1994 through 2004 were computed based on an actual ranking of the returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. The differences under the two methods were judged to be minor enough so that the pre-1991 and post-1990 data are believed to be comparable.

Appendix A: Explanation of Selected Terms

This appendix provides brief explanations of the major tax concepts discussed. For more extensive definitions, see Individual Income Tax Returns 2004, Statistics of Income Division, Internal Revenue Service, Publication 1304.

Adjusted Gross Income.—Adjusted gross income is “total income,” as defined by the Tax Code, less “statutory adjustments” (primarily business, investment, or certain other deductions, such as payments to a Keogh self-employed retirement plan, certain deductible contributions to an Individual Retirement Arrangement (IRA), self-employed health insurance deductions, and one-half of Social Security taxes for the self-employed). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and net amounts from such sources as business income, rents and royalties, and sales of capital assets.

Difference Due to Special Tax Computation.—For this article, the tax difference is the amount of tax resulting from using provisions of one of the special tax computations (Form 8615 or Schedule D and qualified dividends) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

Dividends.—Ordinary dividend income consisted of distributions of money, stock, or other property received by taxpayers from domestic and foreign corporations, either directly or passed through estates, trusts, partnerships, or regulated investment companies. Ordinary dividends also included distributions from money market mutual funds.

Ordinary dividends did not include nontaxable distributions of stock or stock rights, returns of capital, capital gains, or liquidation distributions. Taxpayers were also instructed to exclude amounts paid on deposits or withdrawable accounts in banks, mutual savings banks, cooperative banks, savings and loan associations, and credit unions, which were treated as interest income.

Qualified dividends are the ordinary dividends received in tax years beginning after 2002 that met certain conditions. These conditions include: the dividend must have been paid by a U.S. corporation or a “qualified” foreign corporation; the stock ownership must have met certain holding period requirements; the dividends were not from certain institutions, such as mutual savings banks, cooperative banks, credit unions, tax-exempt organizations, or farmer cooperatives; and the dividends were not for any share of stock which was part of an employee stock ownership plan (ESOP). The maximum tax rate for qualified dividends was 15 percent generally (or 5 percent for amounts that would otherwise have been taxed at the 10-percent or 15-percent regular income rate).

Form 8615 Tax Computation.—Form 8615 was used to compute the tax on investment income of children under age 14 who had investment income of more than \$1,600. Generally, such income was taxed as the marginal income of the parents.

Income Tax Before Credits.—This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Schedule D Tax worksheet, Schedule J, or Form 8615, plus Form (s) 8814, any additional taxes from Form 4972, and the alternative minimum tax.

Income Tax Before Credits (Regular Tax Computation).—This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate schedules, plus any additional tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child’s rate rather than at the rate of the parents. When the Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 5-percent, 8-percent, 10-percent, 15-percent, 25-percent, or 28-percent tax rate for capital gains. When a tax was payable on a qualified dividend, the tax was based on regular tax rates instead of the maximum tax rate for qualified dividends, 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent and 15-percent tax brackets). This is in contrast to the computation of Income Tax Before Credits (see above) in which special tax computations such as those involved on Form 8615, Schedule D and qualified dividends are taken into account. See Table 4.

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Marginal Tax Rate.—See Appendix D.

Modified Taxable Income.—See Appendix D.

Regular Tax Computation.—Depending on marital status and size of taxable income, the taxpayer used one of the four tax rate schedules (or an approximation from the tax table) to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

Schedule D and Qualified Dividend Tax Computation.—Schedule D was used to compute the 5-percent, 8-percent, 10-percent, 15-percent, 25-percent, and 28-percent taxes on net long-term capital gains (in excess of net short-term capital losses) if such computations were beneficial to the taxpayer. Any investment interest allocated to long-term capital gains (on Form 4952) was excluded from this computation. Qualified dividends were taxed at a maximum tax rate of 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent and 15-percent brackets).

Taxable Income.—Taxable income is AGI less the sum of personal exemption amounts and either the standard deduction for nonitemizers or total itemized deductions. The amounts for personal exemptions and total itemized deductions are net of any reductions because of taxpayers' incomes exceeding certain income thresholds.

Taxable Returns.—A return is classified as “taxable” based on the presence of “total income tax.” The following additional taxes were not taken into account for this purpose: self-employment, household employment, Social Security, Railroad Retirement Tax Act (RRTA) taxes, tax from recomputing prior-year investment, low-income housing and a few other business credits, penalty taxes on Individual Retirement Arrangements, section 72 penalty taxes, advance earned income credit payments, or “golden parachute” payments (made to key employees as compensation under certain circumstances).

Tax Generated.—This is the amount of tax computed on modified taxable income either from the tax rate schedules or the tax table. Tax generated does not take into account the alternative minimum tax or the effect of tax credits. For most returns (those without the special tax on lump-sum distributions from qualified retirement plans or alternative minimum tax), tax generated equals “income tax before credits.”

Total Income Tax.—This is the sum of income tax after credits and tax on accumulated trust distribution from Form 4970, less the portion of EIC used to offset other taxes as well as the refundable portion of EIC (with tax limited to zero).

Appendix B: Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 2004 generally were based on the amount of “gross income,” filing status, age, dependency, and blindness [9]. Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file a return for Tax Year 2004 if they had net earnings from self-employment of at least \$400; liability for Social Security or Medicare tax on unreported tip income; Social Security, Medicare, or Railroad Retirement tax on reported tip income or group-term life insurance; “alternative minimum tax”; tax on qualified retirement plan distributions, including an Individual Retirement Arrangement (IRA) or a Medical Savings Account (MSA); tax on the recapture of investment credit, low-income housing credit, or a few other business credits; recapture tax on the disposition of a home purchased with a Federally-subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from Social Security taxes.

Gross income includes all income received as money, goods, property, or services that was not expressly exempt from tax [10]. Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses [11]. “Taxable income,” the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: tax tables or tax rate schedules, both of which vary with taxpayer filing status (single,

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married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children's investment income; Schedule J for farmers and fishermen to income-average; Schedule D and Qualified Dividends worksheet for net long-term capital gains and qualified dividends; or some combination of the above. For 2004, the tax rates for each filing status were 5 percent, 8 percent, 10 percent, 15 percent, 20 percent, 25 percent, 26 percent, 28 percent, 33 percent, and 35 percent. The tax rates of 5 percent, 8 percent, 10 percent, 15 percent, and 20 percent were used for net long-term capital gains (in excess of net short-term capital losses). The 26-percent tax rate was only for the alternative minimum tax. Income tax before credits includes any alternative minimum tax [12].

To calculate their Federal income tax liability for 2004, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax "brackets" up to \$50 wide [13]. The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar. As a result, the tax tables and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax tables could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax tables with taxable income that was subject to the 33-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$8.50 [14]. However, for most taxpayers, the actual difference in tax was smaller.

Appendix C: Changes in Law for 2004

Additional Child Tax Credits.—In Tax Year 2003, the credit limit based on earned income was 10 percent of a taxpayer's earned income that exceeded \$10,500. For 2004, the limit increased to 15 percent of a taxpayer's earned income that exceeded \$10,750. If a taxpayer was a member of the U.S. Armed Forces who served in a combat zone, the taxpayer was able to include their nontaxable combat pay as earned income when figuring the credit limit.

Alternative Minimum Tax (AMT).—For Tax Year 2004, the minimum exemption amount for a child under age 14 increased to \$5,750 from \$5,600 for 2003.

Certain Business Expenses of Reservists.—New in 2004, National Guard or reserve members who traveled more than 100 miles from home and performed services as a National Guard or reserve member were allowed to take a deduction in the form of an adjustment to income for certain expenses.

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, dividend and capital gain income) a taxpayer could have and still claim the credit increased to \$2,650 from \$2,600. The maximum credit for taxpayers with no qualifying children increased to \$390 from \$382. For these taxpayers, earned income and AGI had to be less than \$11,490 (\$12,490 if married filing jointly). For taxpayers with one qualifying child, the maximum credit increased \$57 to \$2,604 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,300 from \$4,204. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$30,338 (\$31,338 for married filing jointly) for one qualifying child, or less than \$34,458 (\$35,458 for married filing jointly) for two or more qualifying children. Taxpayers who served the U.S. Armed Forces in a combat zone could have elected to include nontaxable combat pay in earned income when figuring the EIC (see Nontaxable Combat Pay for further information).

Health Savings Account Deduction.—Beginning in Tax Year 2004, a taxpayer could have taken a deduction for contributions to a Health Savings Account. The deduction was limited to the annual deductible on the qualifying high deductible health plan, but not more than \$2,600 (\$5,150, if family coverage). These limits were \$500 higher if the taxpayer was age 55 or older (\$1,000 if both spouses were 55 or older). A taxpayer could not contribute to an HSA starting the first month he or she was enrolled in Medicare.

Indexing.—The following items increased due to indexing for inflation: personal exemption amounts; the basic standard deduction amounts;

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the tax bracket boundaries; the beginning income amounts for limiting certain itemized deductions; and for the phaseout of personal exemptions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

Individual Retirement Arrangement Deduction.—For 2004, a taxpayer (both taxpayers for taxpayers filing jointly) was able to take an IRA deduction up to \$3,000 (\$3,500 if age 50 or older) if not covered by a retirement plan, or if covered by a retirement plan but his or her modified AGI was less than \$55,000 (\$75,000 if married filing jointly or qualifying widow(er)). This was up from \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)) for 2003.

Nontaxable Combat Pay Election.—For Tax Year 2004, members of the U.S. Armed Forces who served in a combat zone could have excluded certain pay from their incomes. The qualified taxpayer's entitlement to the pay must have been fully accrued in a month during which he or she served in a combat zone or was hospitalized as a result of wounds, disease, or injury incurred while serving in the combat zone. However, this nontaxable pay was used to gain benefits for both the EIC and additional child tax credit purposes.

Sales Tax Deduction.—For Tax Year 2004, a taxpayer could have elected to deduct State and local general sales taxes instead of State and local income taxes as an itemized deduction on Schedule A. This allowed individuals from States with no State income tax, such as Alaska, Florida, Nevada, Texas, Washington, Wyoming, South Dakota, and Tennessee, to take this deduction. Also, this allowed individuals with high sales taxes to take this deduction instead of State income tax. The taxpayer could have elected to base the sales tax deduction on either actual expenses or the amounts from optional State sales tax tables.

Schedule J.—New for 2004, fishermen could have elected to use income-averaging on Schedule J to reduce tax. Previously, only farmers could have taken this benefit. Also, the benefit of income-averaging was extended to farmers and fisherman who owed the alternative minimum tax.

Section 179 Deduction.—The maximum section 179 deduction (full expensing of certain depreciable property) that could be elected for property placed in

service in 2004 increased from \$100,000 to \$102,000 for qualified section 179 property (\$137,000 for qualified zone property, qualified renewal property, or qualified New York Liberty Zone property). This limit was reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeded \$410,000 (increased from \$400,000).

Tuition and Fees Deduction.—A taxpayer was able to deduct in 2004 up to \$4,000 (\$3,000 in 2003) of the qualified tuition and fees paid for self, a spouse, or dependents if the taxpayer's modified AGI was under \$65,000 (\$130,000 if married filing jointly). New for 2004, a taxpayer was able to deduct up to \$2,000 if his or her AGI was higher than the previous limit but not more than \$80,000 (\$160,000 if married filing jointly). This deduction could not be taken if the person could be claimed as a dependent on another taxpayer's return or if the education credit was claimed for the same student.

Appendix D: Income and Tax Concepts

As discussed in Appendix B, gross income is all income received that is not specifically excluded. Total income is the net amount of gross income after certain expenses (i.e., business or rent and royalty expenses) have been deducted. Adjusted gross income (AGI) is total income less statutory adjustments to income (i.e., deductible contributions to an IRA or Keogh plan).

1979 Income Concept

To analyze changes in income and taxes over a period of years, a consistent definition of income should be used. Because the components of AGI may vary from year to year as the law changes, the "1979 Income Concept" was developed to provide a more uniform measure of income across tax years. By including the same income and deduction items in each year's income calculation and using only items available on Federal individual income tax returns, the definition of the 1979 Income Concept is consistent throughout the base years and can be used for future years to compare income by including only income components common to all years. Tax Years 1979 through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 2004 includes many income and deduction items that are also components of AGI (Figure G). However,

Figure G

Components of the 1979 Income Concept, Tax Year 2004

Income or Loss:

- Salaries and wages [1]
- Interest [1]
- Dividends [1]
- Taxable refunds [1]
- Alimony received [1]
- Capital gain distributions not reported on Schedule D [1]
- Capital gains reported on Schedule D minus allowable losses [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], [4]
- Other net income or loss [4], [5]
- 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 2004.

[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] Not fully included in AGI for Tax Year 2004.

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

[6] Not included in AGI for Tax Year 2004.

unlike AGI, the 1979 Income Concept also includes some nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax returns and disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept [15].

Modified Taxable Income

This concept is relevant only for "prior-year returns" (about 4.1 million returns) or certain farm sole proprietor returns using income-averaging on Schedule J (about 41 thousand returns). For all other returns, modified taxable income is identical to taxable income.

This is the term used in the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax

year are being selected for the Statistics of Income sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year. The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable incomes reported on these prior-year returns and those filed with a Schedule J are modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

Marginal Tax Rates

Under the progressive U.S. income tax rate structure, different portions of taxable income are taxed at different rates. Figure H illustrates how income tax is determined for a single taxpayer with AGI of \$393,000 who used the standard deduction. As shown in the example, six different tax rates were applied to the taxable income to arrive at total tax. The first \$7,150 of taxable income were taxed at the 10-percent rate; the next \$21,900 of taxable income were taxed at the 15-percent rate; the next \$41,300 were taxed at the 25-percent rate; the next \$76,400 were taxed at the 28-percent rate; the next \$172,350 were taxed at the 33-percent rate; and the remaining \$69,050 were taxed at the 35-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income

Figure H

Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 2004

[Money amounts are in whole dollars]

Item	Amount
Adjusted gross income.....	393,000
Less: Exemption amount.....	[1] 0
Standard deduction amount.....	4,850
Equals: Taxable income.....	388,150
Tax based on tax rates for single taxpayers:	
First \$7,150 taxed at 10 percent.....	715
Next \$21,900 taxed at 15 percent.....	3,285
Next \$41,300 taxed at 25 percent.....	10,325
Next \$76,400 taxed at 28 percent.....	21,392
Next \$172,350 taxed at 33 percent.....	56,876
Next \$69,050 taxed at 35 percent.....	24,168
Total tax from tax rate schedule.....	116,761

[1] The exemption amount was phased out completely because AGI exceeded \$265,200.

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subject to tax) is the marginal tax rate for that return. In the example, the marginal tax rate is 35 percent.

Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes which are not subject to the same treatment under tax laws, the marginal tax rate is not always apparent. For instance, investment income of a dependent under age 14 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,600 was taxed at the marginal tax rate of the parents, whereas the salaries and wages were taxed at the dependent's own rate.

Calculating marginal tax rates for a specific individual income tax return generally depends both on the types and amounts of income reported and the assumptions made about the order in which the income is taxed, in particular, which type of income is assumed to be received "last." Additional complexity is added by the presence of such items as the alternative minimum tax and various tax credits.

For this article, it is assumed that the income taxed at the marginal rate was the "last" income received. The alternative minimum tax and income tax credits, such as the earned income credit, are excluded in determining the marginal tax rates. The marginal tax rate is defined as follows:

- (1) If a return showed taxable income, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had no taxable income except for net long-term capital gains or qualified dividends and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having an "5-percent, 8-percent, or 10-percent rate" marginal tax rate. If the return had taxable income (from other than net long-term capital gains) to which only the 15-percent tax rate applied, as well as net long-term capital gains to which the 20-percent or 25-percent rate on the net gain applied, the return was defined as having a marginal tax rate equal to the maximum rate at which the net gains were taxed. If the return had taxable income (from other than net long-term capital gains) to which the 25-percent tax rate applied as the highest rate, as well as net long-term

capital gains to which the maximum 28-percent rate on net gain applied, the return was defined as having a "28-percent" marginal tax rate. However, if the return had taxable income (from other than net long-term capital gains) above the maximum amount to which the 25-percent applied, as well as net long-term capital gains to which the 28-percent rate on the net gain applied, the return was classified as having the highest rate at which any amount of taxable income reported on the return was taxed.

- (3) For returns of dependents with a Form 8615 attached when the use of this form resulted in the taxation of some of the dependent's income as if it were that of the parents, the return was classified as having a "Form 8615" marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest, dividend, and capital gain distribution income of their dependents under age 14 on their own (i.e., the parents') return using Form 8814, when the dependent's income generated the only tax liability on the parent's return, the return was classified with a "Form 8814" marginal tax rate of 10 percent.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses) and/or qualified dividends, and presence of Form 8615 or Form 8814. Returns were classified into one of the following fifteen mutually exclusive marginal tax rate categories: (1) 5-percent rate (capital gains); (2) 8-percent rate (capital gains); (3) 10-percent rate; (4) 10-percent (capital gains); (5) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent's income); (6) 15-percent rate; (7) 15-percent (capital gains); (8) 20-percent rate; (9) 25-percent rate; (10) 25-percent capital gains; (11) 28-percent rate; (12) 28-percent capital gains; (13) 33-percent rate; (14) 35-percent rate; and (15) Form 8615 (with income taxed at any rate) [16].

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modi-

fied taxable income. For each marginal rate classification, modified taxable income and “income tax generated” were computed “at all rates” and “at marginal rate.” The “at all rates” computations (columns 3 and 5) show the total amount of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The “at marginal rate” computations (columns 4 and 6) report the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. The alternative minimum tax was not included in the statistics by marginal tax rate.

For example, consider returns in the “joint returns and returns of surviving spouses” filing status that were included in the “35-percent” marginal tax rate classification. The total modified taxable income for the estimated 724,186 returns in this classification “at all rates” was \$732.0 billion (column 3), and the total tax generated was \$213.7 billion (column 5). Approximately \$378.3 billion (column 4) of the modified taxable income were subject to tax at the marginal tax rate of 35 percent. This modified taxable income generated \$132.4 billion (column 6) in tax at the 35-percent tax rate with the remainder generated at some or all of the lower eight tax rates.

Table 2 provides statistics on the tax generated, in total and at each tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI. The tax generated at each tax rate was computed based on the modified taxable income for each individual return.

For example, the 2.3 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$565.6 billion and generated total tax of \$134.1 billion. Of this \$565.6 billion of modified taxable income, \$30.6 billion were taxed at 10 percent (ordinary tax rate); \$92.0 billion were taxed at 15-percent (ordinary tax rate); \$122.1 billion were taxed at the 25-percent (ordinary tax) rate; \$118.4 billion were taxed at the 28-percent (ordinary tax) rate; \$110.8 billion were taxed at the 33-percent rate; and \$16.4 billion were taxed at the 35-percent rate. Approximately \$3.9 billion were taxed at the 5-percent rate; \$0.004 billion were taxed at the 8-percent rate; \$0.02 billion were taxed at the 10-percent capital gain rate; \$68.2 billion were taxed at the 15-per-

cent capital gain and qualified dividend rate; \$0.4 billion were taxed at the 20-percent rate; \$2.4 billion were taxed at the 25-percent capital gain rate; \$0.1 billion were taxed at the 28-percent capital gain rate, with the remainder from tax related to special capital gain tax rates and Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each tax rate by filing status, for returns with modified taxable income. Over 0.7 million of the 44.5 million returns with modified taxable income filed jointly (including surviving spouses) had some income taxed at the 35-percent tax rate. For these returns, the taxable income subject to this rate was \$378.3 billion, and the tax generated was \$132.4 billion.

Appendix E: Computation of Alternative Minimum Taxable Income (AMTI)

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions were taken for personal exemptions (Figures I and J). Although itemized deductions for some taxpayers were limited for regular tax purposes, the full amounts of such itemized deductions were included as adjustments. (To compensate for this, the overall limitation on itemized deductions was then subtracted from taxable income for AMT purposes.) The “net operating loss deduction” was recomputed to allow for the exclusion of the “tax

Figure I

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2004

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences (see Figure J)
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction [1]
EQUALS:	Alternative minimum taxable income

[1] Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In this case, AMTI is recalculated, and the alternative tax net operating loss deduction is limited to 90 percent of the recalculated amount.

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Figure J

Alternative Minimum Tax Adjustments and Preferences, Tax Year 2004

- Medical and dental expenses from Schedule A (the lesser of deductible medical and dental expenses or 2.5 percent of AGI)
- Deductions for State and local income, sales tax, real estate, personal property, and foreign taxes
- Mortgage interest adjustment from line 6 of the worksheet on page 2 of the Form 6251 instructions
- Miscellaneous itemized deductions subject to the 2-percent-of-AGI limitation
- Refunds of State and local income, real estate, personal property, and foreign taxes previously deducted (negative)
- Investment interest expense (the result could be negative)
- Excess of percentage depletion deduction for sections 611 and 613 property over the adjusted basis (the result could be negative)
- Tax-exempt interest from private activity bonds issued after August 7, 1986
- Excluded gain, under the section 1202 gain on qualified small business stock held more than 5 years, multiplied by 7 percent if sold after May 5, 2003, otherwise multiplied by 42 percent
- Incentive stock options which were exercised after 1987 (the amount by which the value of the option when exercised exceeded the price paid by the taxpayer; the result could be negative)
- Difference between income distributions to beneficiaries of estates and trusts for regular tax purposes and the amounts refigured for AMT purposes (the result could be negative)
- Electing large partnerships, enter the amount from Schedule K-1 (Form 1065-B), box 6.
- Adjustment of gain or loss on property, the basis of which was affected by accelerated depreciation or rapid amortization and which was reduced for AMT purposes (the result could be negative)
- Excess of depreciation on property placed in service after 1986 over less liberal methods allowed for alternative minimum tax (AMT) purposes (straight-line or 150-percent declining balance method, depending on the type of property; the result could be negative)
- Passive activity gains and losses allowed for regular tax purposes for activities acquired before October 23, 1986, taking into account AMT adjustments and preference items and any AMT prior-year unallowed losses (the result could be negative)
- Adjustment for refigured loss from activities in which allowable losses from partnerships or S corporations were limited by "at-risk" and other rules, taking into account AMT adjustments and preference items (the result could be negative)
- Excess of circulation expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Deferred income from long-term contracts entered into after February 28, 1986, with certain exceptions and limitations (the result could be negative)
- Excess of mining exploration and development costs paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Excess of research and experimental expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Adjustment from disallowing the installment sales method of accounting for sales of inventory and stock in trade after March 1, 1986, with certain exceptions (the result is negative)
- Amount by which excess intangible drilling costs deducted currently over allowable amortization (if these costs were capitalized) was more than 65 percent of the taxpayer's "net income" from oil, gas, and geothermal wells, with exceptions for independent oil producers and royalty owners
- Excess of accelerated depreciation on property placed in service using pre-1987 rules over straight-line depreciation as refigured for AMT purposes
- Adjustment for taxable distributions received from a cooperative (total AMT patronage dividend and per-unit retain allocation adjustment)
- Excess of rapid amortization of pollution control facilities placed in service after 1986 over otherwise allowable depreciation (the result could be negative)
- Adjustment for charitable contributions of certain property for which section 170(e) of the Internal Revenue Code applies.
- Adjustment for Alcohol Fuel Credit included in taxable income (the amount is included as a negative).
- Adjustment for refigured tax shelter farm losses, taking into account AMT adjustments and preference items (the result could be negative)
- Related adjustments, refigured for AMT purposes, including section 179 expense deduction, expenses for business or rental use of the home, conservation expenses, taxable IRA distributions, self-employed health insurance deduction, Keogh retirement plan or self-employed SEP deduction, and IRA deductions (the result could be negative)

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preference items” and “adjustments” used to reduce regular tax liability. The recomputed net operating loss deduction, termed the “alternative net operating loss deduction,” was limited to 90 percent of AMTI (with certain minor exceptions for 2004).

AMTI was reduced by an exemption amount which depended on the filing status of the individual and which was subject to phaseout at higher AMTI levels. The AMTI exemption for single filers (and heads of households) for 2004 was \$40,250; for joint filers and surviving spouses, \$58,000; and for married persons filing separately, \$29,000. The exemption was reduced (but not below zero) by 25 percent of the amount by which the AMTI exceeded threshold levels of \$112,500 for single filers and heads of households, \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single or head of household, married filing jointly, and married filing separately, at \$273,500, \$382,000, and \$191,000, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI was subject to tax at a 26-percent rate, with any excess taxed at a 28-percent rate. However, capital gains and qualified dividends (recalculated for AMT purposes) that were taxed at lower rates (5 percent, 8 percent, 10 percent, 15 percent, 20 percent, and 25 percent) were taxed at these same rates for the AMT, with the rest of AMTI being taxed at the rates mentioned above (26 percent or 28 percent). The resulting tax was reduced by the “alternative minimum tax foreign tax credit,” which produced a “tentative minimum tax.” Tentative minimum tax was further reduced by the individual’s regular tax before credits (excluding tax on lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 14 with investment income over a certain amount who filed their own returns were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have paid if the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$5,750 plus their “earned incomes.” The dependent’s

AMT could be reduced if the parents had regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 14 of the same parents had regular tax greater than this dependent’s own tentative minimum tax.)

Appendix F: Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically-filed returns) filed during Calendar Year 2005. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for tax policy modeling purposes [17]. Returns were then selected at rates ranging from 0.05 percent to 100 percent. The 2004 data are based on a sample of 200,778 returns and an estimated final population of 133,189,982 returns. The corresponding sample and population for the 2003 data were 182,810 and 131,291,334 returns, respectively.

Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CVs) are used to measure that magnitude. Figure K shows estimated CVs for the numbers of returns and money amounts for selected income items. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in the appendix to this issue of the *Bulletin*.

Endnotes

- [1] For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to a 33-percent tax rate to phase out the benefit of the 15-percent tax bracket (as compared to the 28-percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.
- [2] Nontaxable (i.e., tax-exempt) forms of income, such as interest on State and local govern-

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Figure K

Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2004

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated	Income tax after credits	Total income tax
	Number of returns	Amount			
	(1)	(2)	(3)	(4)	(5)
Total	0.17	0.15	0.17	0.19	0.19
Under \$2,000 [1].....	7.28	8.98	9.58	6.65	6.65
\$2,000 under \$4,000.....	7.38	8.50	9.39	9.46	9.46
\$4,000 under \$6,000.....	4.37	5.99	6.41	6.39	6.39
\$6,000 under \$8,000.....	4.01	4.30	4.30	4.32	4.32
\$8,000 under \$10,000.....	2.60	3.44	3.52	4.06	4.06
\$10,000 under \$12,000.....	2.58	2.91	2.93	3.14	3.14
\$12,000 under \$14,000.....	2.58	2.81	2.86	3.08	3.08
\$14,000 under \$16,000.....	2.45	2.69	2.75	3.07	3.07
\$16,000 under \$18,000.....	2.26	2.57	2.63	2.94	2.94
\$18,000 under \$20,000.....	2.14	2.49	2.56	2.99	2.99
\$20,000 under \$25,000.....	1.35	1.52	1.59	1.90	1.90
\$25,000 under \$30,000.....	1.41	1.55	1.62	1.91	1.91
\$30,000 under \$40,000.....	1.06	1.14	1.19	1.35	1.35
\$40,000 under \$50,000.....	1.07	1.14	1.21	1.35	1.35
\$50,000 under \$75,000.....	0.73	0.78	0.83	0.91	0.91
\$75,000 under \$100,000.....	0.91	0.94	1.00	1.06	1.06
\$100,000 under \$200,000.....	0.91	0.86	0.87	0.87	0.87
\$200,000 under \$500,000.....	0.90	0.81	0.82	0.82	0.82
\$500,000 under \$1,000,000.....	1.05	0.94	0.97	0.97	0.97
\$1,000,000 under \$1,500,000.....	1.30	1.23	1.29	1.29	1.29
\$1,500,000 under \$2,000,000.....	1.04	1.06	1.11	1.11	1.11
\$2,000,000 under \$5,000,000.....	0.56	0.48	0.53	0.53	0.53
\$5,000,000 under \$10,000,000.....	0.61	0.50	0.55	0.55	0.55
\$10,000,000 or more.....	0.03	0.01	0.01	0.01	0.01

[1] Includes returns with adjusted gross deficit.

ment obligations, were not included in AGI and generally did not affect the marginal tax rate. However, in some situations, the receipt of some forms of tax-exempt income, such as tax-exempt interest, could have influenced the taxability of other income, in particular Social Security benefits. When this situation occurred, the income made taxable by the receipt of other forms of nontaxable income was included in AGI.

[3] The 2003 are data from Mudry, Kyle and Parisi, Michael, *Individual Income Tax Rates and Shares, 2003, Statistics of Income Bulletin*, Winter 2005-2006, Volume 25, Number 3, p. 18-56.

[4] Tax generated does not include certain other taxes reported on the individual income tax return, such as self-employment tax (the Social Security and Medicare tax on income from self-employment), the Social Security tax on certain tip income, household employment taxes, tax from the recapture of prior-year investment or low-income housing credits, penalty tax applicable to early withdrawals from an Individual

Retirement Arrangement (IRA) or other qualified retirement plans, and tax on trusts, accumulation, and distributions. The statistics for “total tax liability,” shown in Parisi, Michael and Hollenbeck, Scott, *Individual Income Tax Returns: 2004, Statistics of Income Bulletin*, Fall 2006, Volume 26, Number 2, include these taxes.

[5] The income amounts on which these special computations for lump-sum distributions were based were not reflected in current-year AGI or current-year taxable income.

[6] For 2004, the total earned income credit was \$40.0 billion. This amount includes the amount used to reduce the income tax (\$0.8 billion), the amount used to reduce other taxes reported on individual income tax returns (\$4.0 billion), and the amount refunded to taxpayers (\$35.3 billion). Table 4 in Parisi, Michael and Hollenbeck, Scott, *Individual Income Tax Returns: 2004, Statistics of Income Bulletin*, Fall 2006, Volume 26, Number 2, shows these amounts.

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- [7] The percentile groupings of tax filers exclude returns with zero or negative AGI.
- [8] For an explanation of the osculatory interpolation technique, see Oh, H. Lock, *Osculatory Interpolation with a Monotonicity Constraint*, 1977 *Proceedings of the American Statistical Association, Section on Statistical Computing*, 1978.
- [9] Taxpayers fall into one of five filing statuses: single; married filing jointly; married filing separately; head of household; or surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on the general filing requirements, see Parisi, Michael and Hollenbeck, Scott, *Individual Income Tax Returns: 2004, Statistics of Income Bulletin*, Fall 2006, Volume 26, Number 2.
- [10] As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross income from sole proprietorships and farming, income from partnerships and S corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, *U.S. Individual Income Tax Return*, concept of “total income,” which is a component of the adjusted gross income (AGI) calculation on Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from such items as business income and rents and royalties.
- [11] As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, moving expenses, health insurance deduction for certain self-employed taxpayers, or one-half of self-employment tax.
- [12] Income tax before credits includes tax on lump-sum distributions from qualified retirement plans.
- [13] For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. For taxable income above \$3,000 the brackets were \$50 wide.
- [14] For example, assume a taxpayer filing as “married filing separately” reported taxable income of \$98,000. Using the tax table, the tax would be \$22,861, but, using the tax rate schedules, the tax would be \$22,852.50, a difference of \$8.50.
- [15] For more details on the income computation under the 1979 Income Concept for 2004, see *Individual Income Tax Returns 2004*, Statistics of Income Division, Internal Revenue Service, Publication 1304.
- [16] For some taxpayers, the statutory marginal tax rate may differ from the effective marginal tax rate. For example, extra income received by certain taxpayers may result in the phaseout of their personal exemptions as well as some of their itemized deductions. Therefore, an extra \$1 of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 35 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.
- [17] Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Nonresident Alien Individual)*; Schedule C, *Profit or Loss from Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*.

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Table 1.—Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2004

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

Tax rate classes	Classified by the highest marginal rate at which tax was computed								
	Number of returns	Adjusted gross income less deficit	Modified taxable income		Tax generated		Income tax after credits		
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of	
								Adjusted gross income less deficit	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All returns									
All tax rates.....	102,721,593	6,633,918,423	4,671,235,965	1,648,021,625	871,235,271	373,981,958	831,651,188	12.54	17.80
5 percent.....	1,050,924	23,461,140	7,140,697	7,139,895	357,108	356,995	312,599	1.33	4.38
8 percent.....	979	6,988	5,847	5,847	468	468	466	6.67	7.97
10 percent.....	22,551,903	415,765,037	104,892,909	104,887,271	10,490,342	10,488,727	5,164,426	1.24	4.92
10 percent (capital gains).....	2,670,249	65,057,813	22,333,898	96,515	1,819,481	9,652	1,393,653	2.14	6.24
10 percent (Form 8814) [1].....	10,298	-253,059	6,926	6,926	693	693	4,692	[4]	[4]
15 percent.....	40,584,215	1,676,097,980	1,005,860,591	578,769,078	129,525,438	86,815,362	103,669,190	6.19	10.31
15 percent (capital gains) [2].....	7,894,116	615,168,897	423,550,033	149,386,077	55,036,233	22,407,912	52,296,646	8.50	12.35
20 percent.....	23,907	3,697,630	2,889,483	1,097,082	454,485	219,416	450,627	12.19	15.60
25 percent.....	15,575,830	1,209,645,283	899,581,246	239,674,078	150,748,225	59,918,520	145,304,980	12.01	16.15
25 percent (capital gains).....	6,455,653	681,342,607	522,772,894	5,354,958	88,571,451	1,338,740	87,597,903	12.86	16.76
28 percent.....	1,682,276	240,355,615	192,600,541	35,316,078	40,999,202	9,888,502	41,322,341	17.19	21.45
28 percent (capital gains).....	1,902,565	341,028,461	277,482,362	616,277	56,884,573	172,558	58,515,667	17.16	21.09
33 percent.....	1,364,321	405,239,381	345,720,894	72,013,180	82,876,707	23,764,349	85,597,768	21.12	24.76
35 percent.....	842,741	955,745,268	864,940,431	452,330,772	253,166,479	158,315,770	249,728,932	26.13	28.87
Form 8615 [3].....	111,617	1,559,382	1,457,214	1,327,593	304,384	284,294	291,298	18.68	19.99
Joint returns and returns of surviving spouses									
All tax rates.....	44,461,823	4,454,047,702	3,206,818,540	1,084,545,532	619,823,881	261,632,669	592,944,251	13.31	18.49
5 percent.....	322,546	13,596,948	4,025,412	4,025,372	201,279	201,269	163,738	1.20	4.07
8 percent.....	8	607	194	194	16	16	13	2.14	6.70
10 percent.....	6,249,263	181,477,548	43,476,696	43,473,715	4,347,993	4,347,372	1,880,052	1.04	4.32
10 percent (capital gains).....	1,325,767	44,529,037	14,857,914	62,776	1,230,176	6,278	897,670	2.02	6.04
10 percent (Form 8814) [1].....	3,722	-281,600	2,049	2,049	206	206	4,692	[4]	[4]
15 percent.....	16,630,637	980,640,218	582,661,748	344,840,087	75,508,506	51,726,013	58,030,078	5.92	9.96
15 percent (capital gains) [2].....	5,230,050	471,504,031	322,164,121	105,461,151	41,948,422	15,819,173	39,241,089	8.32	12.18
20 percent.....	18,978	2,667,645	2,007,767	675,521	308,678	135,104	300,758	11.27	14.98
25 percent.....	6,737,416	713,716,297	519,904,037	128,458,943	86,015,020	32,114,736	81,565,004	11.43	15.69
25 percent (capital gains).....	4,089,522	512,763,418	389,835,189	3,907,504	65,622,558	976,876	64,615,596	12.60	16.58
28 percent.....	818,307	145,576,188	114,755,503	18,808,817	23,913,673	5,266,469	24,158,587	16.60	21.05
28 percent (capital gains).....	1,249,947	252,224,411	203,619,048	400,086	41,204,137	112,024	42,574,774	16.88	20.91
33 percent.....	1,061,475	326,459,308	277,475,410	56,156,417	65,845,567	18,531,618	68,138,175	20.87	24.56
35 percent.....	724,186	809,173,647	732,033,452	378,272,901	213,677,651	132,395,515	211,374,026	26.12	28.87
Form 8615 [3].....	0	0	0	0	0	0	0	[4]	[4]
Returns of married persons filing separately									
All tax rates.....	2,141,439	119,024,614	88,236,961	39,823,240	17,544,746	9,798,383	17,069,747	14.34	19.35
5 percent.....	9,510	232,601	42,721	42,721	2,136	2,136	3,843	1.65	9.00
8 percent.....	0	0	0	0	0	0	0	[4]	[4]
10 percent.....	297,644	4,325,108	1,099,848	1,099,848	109,987	109,985	86,170	1.99	7.83
10 percent (capital gains).....	11,836	277,626	75,126	17,357	7,317	1,736	5,971	2.15	7.95
10 percent (Form 8814) [1].....	8	-26,844	18	18	2	2	0	[4]	[4]
15 percent.....	1,025,710	29,661,191	17,864,086	10,530,258	2,312,948	1,579,539	2,041,627	6.88	11.43
15 percent (capital gains) [2].....	93,381	10,245,812	7,869,402	5,832,951	1,100,591	874,943	1,160,373	11.33	14.75
20 percent.....	258	293,518	263,167	93,257	43,513	18,651	46,504	15.84	17.67
25 percent.....	445,220	23,306,655	17,578,939	4,645,286	2,942,256	1,161,322	2,855,391	12.25	16.24
25 percent (capital gains).....	95,021	6,732,778	5,246,231	137,737	881,672	34,434	905,298	13.45	17.26
28 percent.....	70,541	6,169,818	4,961,712	826,236	1,035,078	231,346	1,042,762	16.90	21.02
28 percent (capital gains).....	34,444	3,575,123	2,949,136	69,173	589,204	19,368	606,088	16.95	20.55
33 percent.....	35,068	5,697,868	4,819,595	1,000,895	1,137,033	330,295	1,191,917	20.92	24.73
35 percent.....	22,797	28,533,361	25,466,980	15,527,502	7,383,008	5,434,626	7,123,804	24.97	27.97
Form 8615 [3].....	0	0	0	0	0	0	0	[4]	[4]

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

**Table 1.—Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2004
—Continued**

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

Tax rate classes	Classified by the highest marginal rate at which tax was computed								
	Number of returns	Adjusted gross income less deficit	Modified taxable income		Tax generated		Income tax after credits		
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of	
								Adjusted gross income less deficit	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Returns of heads of households									
All tax rates.....	13,352,406	508,103,161	276,759,483	120,763,876	42,356,910	20,765,207	32,968,963	6.49	11.91
5 percent.....	25,133	823,698	236,568	235,806	11,869	11,790	8,184	0.99	3.46
8 percent.....	0	0	0	0	0	0	0	[4]	[4]
10 percent.....	5,409,279	113,320,955	26,266,120	26,263,463	2,626,902	2,626,346	284,990	0.25	1.09
10 percent (capital gains).....	113,493	2,803,074	880,611	0	75,272	0	28,111	1.00	3.19
10 percent (Form 8814) [1].....	5,593	55,605	4,622	4,622	462	462	0	[4]	[4]
15 percent.....	5,901,891	220,698,917	121,535,948	61,335,900	15,220,525	9,200,385	9,064,195	4.11	7.46
15 percent (capital gains) [2].....	361,993	21,179,091	13,704,841	4,028,988	1,751,460	604,348	1,550,304	7.32	11.31
20 percent.....	4	25,778	24,557	7,129	4,024	1,426	4,404	17.08	17.93
25 percent.....	1,188,444	87,046,797	62,997,593	16,767,136	10,520,392	4,191,784	9,879,630	11.35	15.68
25 percent (capital gains).....	207,987	19,862,547	14,737,081	117,861	2,546,257	29,465	2,537,201	12.77	17.22
28 percent.....	45,924	6,927,748	5,456,486	841,090	1,187,289	235,505	1,215,863	17.55	22.28
28 percent (capital gains).....	36,489	6,481,103	5,120,177	21,584	1,088,736	6,044	1,175,116	18.13	22.95
33 percent.....	38,815	10,653,208	9,169,468	2,072,568	2,284,262	683,947	2,382,892	22.37	25.99
35 percent.....	17,362	18,224,640	16,625,412	9,067,728	5,039,460	3,173,705	4,838,072	26.55	29.10
Form 8615 [3].....	0	0	0	0	0	0	0	[4]	[4]
Returns of single persons									
All tax rates.....	42,765,925	1,552,742,946	1,099,420,981	402,888,976	191,509,734	81,785,700	188,668,226	12.15	17.16
5 percent.....	693,734	8,807,893	2,835,996	2,835,996	141,824	141,800	136,834	1.55	4.82
8 percent.....	971	6,381	5,652	5,652	453	452	453	7.10	8.01
10 percent.....	10,595,717	116,641,427	34,050,245	34,050,245	3,405,461	3,405,025	2,913,213	2.50	8.56
10 percent (capital gains).....	1,219,154	17,448,076	6,520,247	16,382	506,716	1,638	461,900	2.65	7.08
10 percent (Form 8814) [1].....	975	-220	236	236	24	24	0	[4]	[4]
15 percent.....	17,025,977	445,097,653	283,798,809	162,062,833	36,483,459	24,309,425	34,533,290	7.76	12.17
15 percent (capital gains) [2].....	2,208,692	112,239,963	79,811,669	34,062,987	10,235,760	5,109,448	10,344,879	9.22	12.96
20 percent.....	4,667	710,689	593,993	321,175	98,270	64,235	98,961	13.92	16.66
25 percent.....	7,204,749	385,575,534	299,100,678	89,802,712	51,270,557	22,450,678	51,004,956	13.23	17.05
25 percent (capital gains).....	2,063,123	141,983,863	112,954,393	1,191,856	19,520,963	297,964	19,539,808	13.76	17.30
28 percent.....	747,504	81,681,862	67,426,839	14,839,935	14,863,163	4,155,182	14,905,129	18.25	22.11
28 percent (capital gains).....	581,685	78,747,824	65,794,001	125,434	14,002,495	35,122	14,159,689	17.98	21.52
33 percent.....	228,963	62,428,998	54,256,421	12,783,299	13,609,846	4,218,489	13,884,784	22.24	25.59
35 percent.....	78,396	99,813,621	90,814,586	49,462,641	27,066,360	17,311,924	26,393,031	26.44	29.06
Form 8615 [3].....	111,617	1,559,382	1,457,214	1,327,593	304,384	284,294	291,298	18.68	19.99

[1] Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15-percent capital gain rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,600. The returns in this rate classification are not distributed by tax rate.

[4] Percentage not computed.

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

Individual Income Tax Rates and Shares, 2004

Table 2.—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2004

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

Size of adjusted gross income	Number of returns	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate		
					5 percent		
					Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Total.....	102,721,593	4,670,165,330	4,671,235,965	871,235,271	11,669,158	54,487,388	2,724,758
Under \$2,000 [1].....	300,578	123,999	125,052	9,080	178,409	70,805	3,544
\$2,000 under \$4,000.....	287,958	349,852	349,852	30,383	164,411	157,443	7,872
\$4,000 under \$6,000.....	974,788	807,681	808,159	78,535	139,263	149,793	7,494
\$6,000 under \$8,000.....	1,160,208	2,453,732	2,456,939	237,820	110,338	165,584	8,283
\$8,000 under \$10,000.....	2,609,023	5,009,507	5,009,825	495,293	174,108	213,759	10,681
\$10,000 under \$12,000.....	2,636,751	8,591,163	8,591,563	845,086	239,643	320,142	16,019
\$12,000 under \$14,000.....	2,638,601	12,253,742	12,267,261	1,225,668	229,867	369,233	18,469
\$14,000 under \$16,000.....	2,945,589	17,073,794	17,086,060	1,734,325	244,173	449,420	22,489
\$16,000 under \$18,000.....	3,405,686	22,454,271	22,469,272	2,406,610	299,958	603,413	30,184
\$18,000 under \$20,000.....	3,753,538	27,214,656	27,229,368	3,041,159	345,744	605,459	30,286
\$20,000 under \$25,000.....	8,868,444	88,185,848	88,218,442	10,242,795	806,300	1,671,210	83,592
\$25,000 under \$30,000.....	8,190,375	113,029,248	113,062,553	13,603,201	866,820	2,077,076	103,900
\$30,000 under \$40,000.....	13,665,157	269,409,154	269,501,146	33,865,146	1,662,248	4,480,012	224,048
\$40,000 under \$50,000.....	10,483,796	290,235,986	290,396,767	39,622,738	1,255,888	4,626,160	231,341
\$50,000 under \$75,000.....	17,969,102	729,503,069	729,767,801	105,987,893	2,916,611	11,931,173	596,630
\$75,000 under \$100,000.....	10,092,901	610,458,946	610,671,582	94,028,152	1,346,045	9,578,898	478,993
\$100,000 under \$200,000.....	9,722,070	962,802,162	963,012,179	178,200,665	511,321	11,017,707	550,909
\$200,000 under \$500,000.....	2,344,773	565,602,397	565,577,396	134,052,737	126,774	3,886,711	194,348
\$500,000 under \$1,000,000.....	432,469	260,116,504	260,109,074	70,921,028	28,665	1,115,294	55,767
\$1,000,000 under \$1,500,000.....	103,839	112,688,920	112,695,770	31,285,276	9,000	371,714	18,587
\$1,500,000 under \$2,000,000.....	45,055	69,942,269	69,937,281	19,605,837	3,781	163,827	8,192
\$2,000,000 under \$5,000,000.....	65,425	176,063,515	176,031,643	48,518,222	6,366	293,735	14,687
\$5,000,000 under \$10,000,000.....	15,813	97,901,784	97,945,958	26,124,134	1,982	96,156	4,808
\$10,000,000 or more.....	9,656	227,893,131	227,915,024	55,073,487	1,445	72,664	3,633

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 2.—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2004—Continued

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

Size of adjusted gross income	Tax generated at specified rate—Continued								
	8 percent			10 percent			10 percent (capital gains)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Total.....	11,553	99,717	7,978	101,368,631	946,805,321	94,680,532	44,199	289,572	28,942
Under \$2,000 [1].....	0	0	0	153,496	51,695	5,170	0	0	0
\$2,000 under \$4,000.....	0	0	0	174,240	143,000	14,300	0	0	0
\$4,000 under \$6,000.....	0	0	0	918,365	601,848	60,185	0	0	0
\$6,000 under \$8,000.....	* 971	* 5,652	* 453	1,134,655	2,242,523	224,252	0	0	0
\$8,000 under \$10,000.....	0	0	0	2,527,648	4,743,997	474,400	* 973	* 1,384	* 138
\$10,000 under \$12,000.....	0	0	0	2,569,125	8,232,995	823,300	0	0	0
\$12,000 under \$14,000.....	0	0	0	2,595,136	11,561,179	1,156,118	0	0	0
\$14,000 under \$16,000.....	* 2,000	* 162	* 12	2,899,025	15,717,175	1,571,718	* 5,919	* 5,277	* 528
\$16,000 under \$18,000.....	0	0	0	3,360,804	18,070,599	1,807,060	* 952	* 617	* 62
\$18,000 under \$20,000.....	* 960	* 753	* 60	3,672,360	19,676,318	1,967,632	* 3,999	* 3,745	* 374
\$20,000 under \$25,000.....	0	0	0	8,770,396	56,612,993	5,661,299	* 971	* 12,899	* 1,290
\$25,000 under \$30,000.....	* 1,906	* 13,869	* 1,109	8,120,596	63,044,150	6,304,415	* 971	* 31	* 3
\$30,000 under \$40,000.....	* 1,356	* 5,886	* 472	13,560,647	125,114,351	12,511,435	* 6,751	* 33,194	* 3,320
\$40,000 under \$50,000.....	* 935	* 19,349	* 1,548	10,434,042	109,719,333	10,971,933	* 954	* 571	* 57
\$50,000 under \$75,000.....	* 1,902	* 26,944	* 2,156	17,883,973	213,099,670	21,309,967	8,689	72,134	7,213
\$75,000 under \$100,000.....	* 363	* 2,070	* 166	10,025,771	130,542,254	13,054,225	8,290	12,676	1,267
\$100,000 under \$200,000.....	* 999	* 18,994	* 1,520	9,632,217	128,559,743	12,855,974	4,341	110,401	11,040
\$200,000 under \$500,000.....	* 92	* 4,179	* 334	2,297,965	30,584,115	3,058,412	* 1,102	* 24,521	* 2,452
\$500,000 under \$1,000,000.....	* 46	* 1,365	* 109	415,574	5,548,979	554,898	233	9,721	972
\$1,000,000 under \$1,500,000.....	* 17	* 328	* 26	97,916	1,295,360	129,536	* 17	* 956	* 96
\$1,500,000 under \$2,000,000.....	0	0	0	42,283	559,505	55,951	* 11	* 330	* 33
\$2,000,000 under \$5,000,000.....	* 3	* 2	[4]	60,129	793,513	79,351	* 12	* 541	* 48
\$5,000,000 under \$10,000,000.....	** 4	** 163	** 13	13,999	183,015	18,302	** 13	** 575	** 48
\$10,000,000 or more.....	**	**	**	8,270	107,011	10,701	**	**	**

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 2.—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2004—Continued

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

Size of adjusted gross income	Tax generated at specified rate—Continued								
	10 percent (from Form 8814) [2]			15 percent			15 percent (capital gains and qualified dividends)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Total	109,147	61,851	6,187	75,970,951	1,663,794,661	249,569,199	11,332,216	442,179,782	66,327,177
Under \$2,000 [1].....	1,441	989	99	0	0	0	0	0	0
\$2,000 under \$4,000.....	0	0	0	0	0	0	0	0	0
\$4,000 under \$6,000.....	* 973	* 510	* 52	0	0	0	0	0	0
\$6,000 under \$8,000.....	* 1,942	* 3,108	* 311	0	0	0	0	0	0
\$8,000 under \$10,000.....	* 971	* 233	* 23	* 9,864	* 8,165	* 1,225	0	0	0
\$10,000 under \$12,000.....	* 940	* 227	* 23	* 9,771	* 17,430	* 2,615	0	0	0
\$12,000 under \$14,000.....	0	0	0	267,882	285,021	42,753	0	0	0
\$14,000 under \$16,000.....	* 940	* 226	* 23	877,600	847,847	127,177	0	0	0
\$16,000 under \$18,000.....	* 3,999	* 1,200	* 120	1,925,415	3,766,809	565,021	0	0	0
\$18,000 under \$20,000.....	* 3,128	* 1,653	* 165	1,908,789	6,907,125	1,036,069	0	0	0
\$20,000 under \$25,000.....	* 7,924	* 2,078	* 208	4,764,556	29,832,054	4,474,808	0	0	0
\$25,000 under \$30,000.....	* 4,001	* 1,840	* 184	5,274,317	47,878,867	7,181,830	0	0	0
\$30,000 under \$40,000.....	* 6,938	* 2,578	* 257	11,028,553	138,324,259	20,748,639	105,752	69,284	10,388
\$40,000 under \$50,000.....	* 6,998	* 1,314	* 132	9,878,983	154,722,954	23,208,443	614,042	1,176,977	176,544
\$50,000 under \$75,000.....	16,338	8,538	854	17,583,029	415,491,155	62,323,673	1,380,016	5,310,062	796,523
\$75,000 under \$100,000.....	11,604	4,907	491	9,953,945	363,215,486	54,482,323	2,283,477	9,418,072	1,412,754
\$100,000 under \$200,000.....	24,601	19,179	1,919	9,572,173	384,891,800	57,733,770	4,609,638	45,425,760	6,813,971
\$200,000 under \$500,000.....	10,386	8,112	812	2,281,828	91,994,275	13,799,141	1,743,614	68,159,112	10,223,906
\$500,000 under \$1,000,000.....	3,193	2,670	267	413,032	16,734,838	2,510,226	374,626	49,479,031	7,421,862
\$1,000,000 under \$1,500,000.....	1,154	1,093	109	97,145	3,898,435	584,765	94,300	28,409,292	4,261,396
\$1,500,000 under \$2,000,000.....	507	381	38	42,035	1,689,431	253,415	41,353	18,840,574	2,826,087
\$2,000,000 under \$5,000,000.....	834	716	72	59,830	2,406,365	360,955	60,922	56,857,825	8,528,676
\$5,000,000 under \$10,000,000.....	194	166	17	13,952	556,212	83,432	15,095	38,368,428	5,755,265
\$10,000,000 or more.....	140	134	13	8,253	326,134	48,920	9,381	120,665,365	18,099,805

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 2.—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2004—Continued

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

Size of adjusted gross income	Tax generated at specified rate—Continued								
	20 percent			25 percent			25 percent (capital gains)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)
Total.....	55,751	3,136,866	627,369	27,762,690	682,440,467	170,610,117	510,813	11,038,064	2,759,579
Under \$2,000 [1].....	0	0	0	0	0	0	0	0	0
\$2,000 under \$4,000.....	0	0	0	0	0	0	0	0	0
\$4,000 under \$6,000.....	0	0	0	0	0	0	0	0	0
\$6,000 under \$8,000.....	0	0	0	0	0	0	0	0	0
\$8,000 under \$10,000.....	0	0	0	0	0	0	0	0	0
\$10,000 under \$12,000.....	0	0	0	0	0	0	0	0	0
\$12,000 under \$14,000.....	0	0	0	0	0	0	0	0	0
\$14,000 under \$16,000.....	0	0	0	0	0	0	0	0	0
\$16,000 under \$18,000.....	0	0	0	0	0	0	0	0	0
\$18,000 under \$20,000.....	0	0	0	0	0	0	0	0	0
\$20,000 under \$25,000.....	0	0	0	0	0	0	0	0	0
\$25,000 under \$30,000.....	0	0	0	0	0	0	0	0	0
\$30,000 under \$40,000.....	* 935	* 1,029	* 206	966,196	1,410,122	352,531	0	0	0
\$40,000 under \$50,000.....	* 3,817	* 3,923	* 784	3,359,324	20,125,107	5,031,277	* 5,068	* 1,080	* 272
\$50,000 under \$75,000.....	9,805	62,752	12,550	5,354,107	83,405,285	20,851,321	39,707	81,602	20,404
\$75,000 under \$100,000.....	8,457	33,780	6,755	6,231,834	93,597,553	23,399,388	57,687	103,163	25,797
\$100,000 under \$200,000.....	19,690	318,712	63,741	9,042,283	327,583,271	81,895,818	203,900	1,603,897	401,002
\$200,000 under \$500,000.....	9,424	410,591	82,119	2,196,585	122,110,126	30,527,532	129,181	2,426,035	606,523
\$500,000 under \$1,000,000.....	2,179	293,435	58,687	398,207	22,254,323	5,563,581	41,828	2,094,936	523,739
\$1,000,000 under \$1,500,000.....	474	113,917	22,783	93,578	5,237,079	1,309,270	12,462	730,566	182,643
\$1,500,000 under \$2,000,000.....	295	110,119	22,024	40,742	2,272,429	568,107	5,930	505,113	126,279
\$2,000,000 under \$5,000,000.....	419	329,482	65,896	58,150	3,243,692	810,923	9,974	1,388,404	347,102
\$5,000,000 under \$10,000,000.....	130	204,028	40,806	13,608	755,974	188,994	2,917	699,686	174,922
\$10,000,000 or more.....	126	1,255,100	251,020	8,076	445,507	111,377	2,158	1,403,581	350,895

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 2.—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2004—Continued

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

Size of adjusted gross income	Tax generated at specified rate—Continued								
	28 percent			28 percent (capital gains)			33 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)
Total.....	5,781,344	220,414,909	61,716,175	21,661	1,239,277	346,997	2,207,069	191,554,312	63,212,923
Under \$2,000 [1].....	0	0	0	0	0	0	0	0	0
\$2,000 under \$4,000.....	0	0	0	0	0	0	0	0	0
\$4,000 under \$6,000.....	0	0	0	0	0	0	0	0	0
\$6,000 under \$8,000.....	0	0	0	0	0	0	0	0	0
\$8,000 under \$10,000.....	0	0	0	0	0	0	0	0	0
\$10,000 under \$12,000.....	0	0	0	0	0	0	0	0	0
\$12,000 under \$14,000.....	0	0	0	0	0	0	0	0	0
\$14,000 under \$16,000.....	0	0	0	0	0	0	0	0	0
\$16,000 under \$18,000.....	0	0	0	0	0	0	0	0	0
\$18,000 under \$20,000.....	0	0	0	0	0	0	0	0	0
\$20,000 under \$25,000.....	0	0	0	0	0	0	0	0	0
\$25,000 under \$30,000.....	0	0	0	0	0	0	0	0	0
\$30,000 under \$40,000.....	0	0	0	0	0	0	0	0	0
\$40,000 under \$50,000.....	0	0	0	0	0	0	0	0	0
\$50,000 under \$75,000.....	21,942	59,834	16,754	* 2,037	* 524	* 147	0	0	0
\$75,000 under \$100,000.....	554,122	4,148,004	1,161,441	* 1,000	* 11,724	* 3,283	* 2,037	* 2,995	* 988
\$100,000 under \$200,000.....	2,536,936	61,401,057	17,192,296	9,746	62,717	17,561	100,681	1,962,717	647,697
\$200,000 under \$500,000.....	2,076,948	118,433,505	33,161,381	4,941	122,838	34,395	1,531,980	110,787,023	36,559,718
\$500,000 under \$1,000,000.....	382,758	23,507,024	6,581,967	1,789	102,850	28,798	369,296	50,570,096	16,688,132
\$1,000,000 under \$1,500,000.....	90,957	5,622,973	1,574,432	513	53,976	15,113	88,242	12,260,195	4,045,864
\$1,500,000 under \$2,000,000.....	39,508	2,433,599	681,408	396	43,341	12,136	38,393	5,342,628	1,763,067
\$2,000,000 under \$5,000,000.....	56,794	3,494,217	978,381	706	348,446	97,565	55,382	7,693,130	2,538,733
\$5,000,000 under \$10,000,000.....	13,383	824,174	230,769	271	202,840	56,795	13,149	1,833,360	605,009
\$10,000,000 or more.....	7,996	490,522	137,346	262	290,022	81,206	7,909	1,102,169	363,716

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 2.—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2004—Continued

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

Size of adjusted gross income	Tax generated at specified rate—Continued					
	35 percent			Form 8615 [3]		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(44)	(45)	(46)	(47)	(48)	(49)
Total.....	842,749	452,366,186	158,328,165	111,617	1,327,593	284,294
Under \$2,000 [1].....	0	0	0	* 9,833	* 1,563	* 269
\$2,000 under \$4,000.....	0	0	0	40,395	49,410	8,183
\$4,000 under \$6,000.....	0	0	0	18,073	56,008	10,761
\$6,000 under \$8,000.....	0	0	0	* 7,830	* 40,071	* 4,468
\$8,000 under \$10,000.....	0	0	0	* 5,865	* 42,287	* 8,707
\$10,000 under \$12,000.....	0	0	0	* 2,177	* 20,768	* 3,067
\$12,000 under \$14,000.....	0	0	0	* 4,837	* 51,828	* 8,196
\$14,000 under \$16,000.....	0	0	0	* 4,958	* 65,954	* 12,194
\$16,000 under \$18,000.....	0	0	0	* 1,942	* 26,634	* 4,012
\$18,000 under \$20,000.....	0	0	0	* 1,923	* 34,313	* 6,384
\$20,000 under \$25,000.....	0	0	0	* 4,837	* 87,209	* 21,170
\$25,000 under \$30,000.....	0	0	0	* 1,923	* 46,720	* 11,351
\$30,000 under \$40,000.....	0	0	0	* 1,906	* 60,430	* 13,367
\$40,000 under \$50,000.....	0	0	0	0	0	0
\$50,000 under \$75,000.....	0	0	0	* 4,094	* 218,129	* 48,812
\$75,000 under \$100,000.....	0	0	0	0	0	0
\$100,000 under \$200,000.....	2,364	30,949	10,832	* 41	* 5,276	* 1,838
\$200,000 under \$500,000.....	308,211	16,384,080	5,734,428	* 862	* 242,174	* 67,066
\$500,000 under \$1,000,000.....	339,550	88,363,416	30,927,196	* 41	* 31,096	* 4,784
\$1,000,000 under \$1,500,000.....	82,728	54,676,345	19,136,721	* 17	* 23,542	* 3,923
\$1,500,000 under \$2,000,000.....	36,694	37,959,440	13,285,804	* 8	* 16,566	* 3,293
\$2,000,000 under \$5,000,000.....	52,809	99,089,255	34,681,239	* 38	* 92,320	* 14,587
\$5,000,000 under \$10,000,000.....	12,663	54,106,013	18,937,105	16	115,296	27,862
\$10,000,000 or more.....	7,730	101,756,688	35,614,841	0	0	0

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data combined to prevent disclosure of specific taxpayer information.

[1] Includes returns with adjusted gross deficit.

[2] Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

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

Individual Income Tax Rates and Shares, 2004

Table 3.—Returns with Modified Taxable Income: Taxable Income and Tax, Classified by Tax Rate and by Filing Status, Tax Year 2004

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

Tax rate class	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All tax rates.....	102,721,593	4,671,235,965	871,229,750	44,461,823	3,206,818,540	619,821,457	2,141,439	88,236,961	17,544,727
5 percent.....	11,669,158	54,487,388	2,724,369	6,873,253	36,448,536	1,822,427	112,046	542,852	27,143
8 percent.....	11,553	99,717	7,977	3,449	39,627	3,170	* 43	* 1,228	* 98
10 percent.....	101,368,631	946,805,321	94,680,532	44,038,329	574,137,817	57,413,782	2,123,230	14,125,945	1,412,595
10 percent (capital gains).....	44,199	289,572	28,957	25,747	210,349	21,035	* 2,899	* 18,712	* 1,871
10 percent (Form 8814) [1].....	109,147	61,851	6,187	78,820	48,885	4,890	937	1,864	186
15 percent.....	75,970,951	1,663,794,661	249,569,199	36,398,647	1,104,833,489	165,725,023	1,813,039	26,859,821	4,028,973
15 percent (capital gains) [2].....	11,332,216	442,179,782	66,326,967	7,504,203	330,973,121	49,645,968	187,591	14,415,115	2,162,267
20 percent.....	55,751	3,136,866	627,373	36,590	2,218,584	443,717	392	170,357	34,071
25 percent.....	27,762,690	682,440,467	170,610,117	14,641,434	453,005,255	113,251,314	701,160	10,611,391	2,652,848
25 percent (capital gains).....	510,813	11,038,064	2,759,516	347,828	8,506,490	2,126,622	10,952	315,016	78,754
28 percent.....	5,781,344	220,414,909	61,716,174	3,846,799	159,337,910	44,614,615	162,838	2,968,037	831,050
28 percent (capital gains).....	21,661	1,239,277	346,998	16,598	917,249	256,830	69	77,294	21,642
33 percent.....	2,207,069	191,554,312	63,212,923	1,785,661	157,868,330	52,096,549	57,865	2,601,825	858,602
35 percent.....	842,749	452,366,186	158,328,165	724,186	378,272,901	132,395,515	22,797	15,527,502	5,434,626
Form 8615 [3].....	111,617	1,327,593	284,294	0	0	0	0	0	0

Tax rate class	Returns of heads of households			Returns of single persons		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(10)	(11)	(12)	(13)	(14)	(15)
All tax rates.....	13,352,406	276,759,483	42,356,182	42,765,925	1,099,420,981	191,507,384
5 percent.....	497,689	1,752,886	87,644	4,186,170	15,743,114	787,156
8 percent.....	* 934	* 13,831	* 1,106	* 7,125	* 45,030	* 3,602
10 percent.....	13,310,384	106,284,986	10,628,499	41,896,688	252,256,572	25,225,657
10 percent (capital gains).....	* 2,210	* 3,363	* 336	13,342	57,148	5,715
10 percent (Form 8814) [1].....	26,347	10,596	1,060	3,044	506	51
15 percent.....	7,782,512	110,247,095	16,537,064	29,976,754	421,854,257	63,278,139
15 percent (capital gains) [2].....	316,630	9,549,782	1,432,467	3,323,792	87,241,764	13,086,265
20 percent.....	433	41,578	8,316	18,335	706,348	141,270
25 percent.....	1,532,486	29,602,345	7,400,586	10,887,610	189,221,476	47,305,369
25 percent (capital gains).....	13,742	196,104	49,026	138,291	2,020,454	505,113
28 percent.....	138,577	5,174,643	1,448,900	1,633,129	52,934,319	14,821,609
28 percent (capital gains).....	* 28	* 26,562	* 7,437	4,964	218,171	61,088
33 percent.....	56,177	4,787,984	1,580,035	307,367	26,296,175	8,677,738
35 percent.....	17,362	9,067,728	3,173,705	78,404	49,498,055	17,324,319
Form 8615 [3].....	0	0	0	111,617	1,327,593	284,294

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15-percent capital gain rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

Individual Income Tax Rates and Shares, 2004

Table 4.—Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2003 and 2004

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

Type of tax computation by size of adjusted gross income	Tax Year 2003				Tax Year 2004			
	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with regular tax computation only								
Total.....	82,147,347	381,712,020	381,631,905	0	80,944,402	383,230,289	383,068,983	0
Under \$5,000 [3].....	498,096	23,906	23,963	0	354,057	17,824	17,824	0
\$5,000 under \$10,000.....	4,485,904	772,467	773,686	0	4,183,091	713,487	713,487	0
\$10,000 under \$15,000.....	6,566,178	2,924,231	2,924,231	0	6,102,723	2,642,981	2,642,981	0
\$15,000 under \$20,000.....	8,136,494	6,136,778	6,136,555	0	7,897,196	5,944,174	5,944,143	0
\$20,000 under \$25,000.....	8,249,208	9,897,516	9,897,334	0	8,058,258	9,474,192	9,473,729	0
\$25,000 under \$30,000.....	7,484,672	12,745,641	12,745,380	0	7,320,695	12,354,285	12,353,942	0
\$30,000 under \$40,000.....	12,126,516	30,991,127	30,997,763	0	11,936,618	30,101,945	30,104,975	0
\$40,000 under \$50,000.....	8,714,704	33,417,662	33,416,902	0	8,732,922	33,367,725	33,366,399	0
\$50,000 under \$75,000.....	13,668,482	81,292,197	81,284,030	0	13,825,744	81,607,794	81,599,369	0
\$75,000 under \$100,000.....	6,749,566	63,748,432	63,742,626	0	6,874,978	63,947,577	63,938,595	0
\$100,000 under \$200,000.....	4,844,605	86,684,577	86,663,837	0	4,991,827	88,038,103	88,003,336	0
\$200,000 under \$500,000.....	554,869	32,361,381	32,333,999	0	592,065	33,135,773	33,076,409	0
\$500,000 under \$1,000,000.....	51,396	9,408,199	9,401,367	0	56,095	10,099,552	10,080,698	0
\$1,000,000 under \$1,500,000.....	8,588	3,008,567	2,997,805	0	9,295	3,208,009	3,201,892	0
\$1,500,000 under \$2,000,000.....	3,209	1,656,493	1,655,714	0	3,593	1,821,791	1,815,909	0
\$2,000,000 under \$5,000,000.....	3,936	3,581,615	3,580,726	0	4,327	3,850,317	3,830,670	0
\$5,000,000 under \$10,000,000.....	681	1,442,482	1,438,779	0	663	1,394,976	1,394,841	0
\$10,000,000 or more.....	244	1,618,749	1,617,209	0	253	1,509,785	1,509,785	0
Returns with Form 8615 tax computation								
Total.....	100,337	161,140	191,617	30,477	111,617	285,867	289,640	3,773
Under \$5,000 [3].....	57,824	9,676	13,949	4,273	65,681	14,785	20,127	5,342
\$5,000 under \$10,000.....	22,370	14,429	28,950	14,521	16,315	10,950	16,670	5,721
\$10,000 under \$15,000.....	* 4,762	* 5,901	* 10,664	* 4,762	* 9,020	* 12,260	* 15,358	* 3,097
\$15,000 under \$20,000.....	* 4,762	* 9,609	* 15,110	* 5,500	* 6,817	* 13,172	* 19,001	* 5,830
\$20,000 under \$25,000.....	* 2,982	* 8,432	* 13,207	* 4,775	* 4,837	* 11,761	* 21,368	* 9,607
\$25,000 under \$30,000.....	* 983	* 3,167	* 8,051	* 4,885	* 1,923	* 6,438	* 11,427	* 4,990
\$30,000 under \$40,000.....	0	0	0	0	* 1,906	* 9,096	* 13,406	* 4,310
\$40,000 under \$50,000.....	* 927	* 5,658	* 8,316	* 2,658	0	0	0	0
\$50,000 under \$75,000.....	* 3,707	* 45,083	* 53,974	* 8,891	* 4,094	* 41,513	* 48,900	* 7,387
\$75,000 under \$100,000.....	0	0	0	0	0	0	0	0
\$100,000 under \$200,000.....	* 1,996	* 42,109	* 28,178	* -13,931	* 41	* 1,254	* 1,838	* 583
\$200,000 under \$500,000.....	* 6	* 417	* 493	* 75	* 862	* 69,347	* 67,095	* -2,252
\$500,000 under \$1,000,000.....	* 3	* 626	* 348	* -278	* 41	* 10,092	* 4,784	* -5,308
\$1,000,000 under \$1,500,000.....	0	0	0	0	* 17	* 7,924	* 3,923	* -4,001
\$1,500,000 under \$2,000,000.....	0	0	0	0	* 8	* 5,641	* 3,294	* -2,347
\$2,000,000 under \$5,000,000.....	* 11	* 9,099	* 5,267	* -3,832	* 38	* 31,588	* 14,588	* -17,001
\$5,000,000 under \$10,000,000.....	* 3	* 6,935	* 5,111	* -1,824	16	40,047	27,862	-12,185
\$10,000,000 or more.....	0	0	0	0	0	0	0	0

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 4.—Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2003 and 2004—Continued

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

Type of tax computation by size of adjusted gross income	Tax Year 2003				Tax Year 2004			
	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with Schedule D and qualified dividends tax computation								
Total.....	18,130,947	426,097,569	387,710,790	-38,386,778	20,374,141	537,893,884	472,303,099	-65,590,785
Under \$5,000 [3].....	133,283	14,969	12,196	-2,773	93,317	11,038	8,463	-2,575
\$5,000 under \$10,000.....	211,955	58,272	50,693	-7,579	240,585	60,983	50,611	-10,372
\$10,000 under \$15,000.....	507,209	211,263	189,838	-21,426	463,203	203,863	174,835	-29,028
\$15,000 under \$20,000.....	659,170	504,952	446,728	-58,224	628,433	476,315	412,646	-63,669
\$20,000 under \$25,000.....	663,998	770,651	690,889	-79,762	709,244	807,511	719,430	-88,081
\$25,000 under \$30,000.....	709,789	1,199,604	1,111,016	-88,588	798,930	1,334,828	1,211,353	-123,475
\$30,000 under \$40,000.....	1,533,086	3,913,709	3,680,071	-233,637	1,622,307	3,980,670	3,687,066	-293,604
\$40,000 under \$50,000.....	1,600,422	6,303,544	5,948,858	-354,686	1,701,120	6,671,410	6,205,803	-465,607
\$50,000 under \$75,000.....	3,581,292	23,132,266	22,071,678	-1,060,588	4,056,360	25,616,195	24,165,388	-1,450,807
\$75,000 under \$100,000.....	2,730,047	27,241,080	26,131,200	-1,109,881	3,150,793	31,468,075	29,856,581	-1,611,494
\$100,000 under \$200,000.....	3,948,233	81,148,935	77,705,196	-3,443,739	4,640,389	94,786,835	89,389,627	-5,397,207
\$200,000 under \$500,000.....	1,405,648	90,627,525	84,270,561	-6,356,964	1,705,544	109,518,743	99,591,954	-9,926,789
\$500,000 under \$1,000,000.....	293,070	54,920,124	49,865,007	-5,055,117	359,479	67,704,672	59,591,438	-8,113,234
\$1,000,000 under \$1,500,000.....	69,171	24,869,061	22,192,520	-2,676,541	88,621	31,865,533	27,257,294	-4,608,239
\$1,500,000 under \$2,000,000.....	28,964	15,165,888	13,437,905	-1,727,983	38,681	20,328,653	17,242,660	-3,085,992
\$2,000,000 under \$5,000,000.....	41,098	37,663,505	32,624,470	-5,039,035	55,788	51,809,705	42,774,555	-9,035,151
\$5,000,000 under \$10,000,000.....	9,470	20,411,266	17,306,079	-3,105,187	13,331	28,969,078	23,182,633	-5,786,445
\$10,000,000 or more.....	5,041	37,940,955	29,975,886	-7,965,069	8,017	62,279,778	46,780,761	-15,499,016

* Estimate should be used with caution due to the small number of sample returns on which it is based.

** Data combined to prevent disclosure of certain taxpayer information.

[1] Includes special tax not included in tax generated.

[2] The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

[3] Includes returns with adjusted gross deficit.

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

Individual Income Tax Rates and Shares, 2004

Table 5.—Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986–2004

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: [1]						
1986.....	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987.....	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988.....	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989.....	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990.....	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991.....	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992.....	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993.....	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994.....	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995.....	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
1996.....	119,441,767	1,194,418	5,972,088	11,944,177	29,860,442	59,720,884
1997.....	121,503,284	1,215,033	6,075,164	12,150,328	30,375,821	60,751,642
1998.....	123,775,831	1,237,758	6,188,792	12,377,583	30,943,958	61,887,915
1999.....	126,008,974	1,260,090	6,300,449	12,600,897	31,502,244	63,004,487
2000.....	128,227,143	1,282,271	6,411,357	12,822,714	32,056,786	64,113,572
2001.....	128,817,051	1,288,171	6,440,853	12,881,705	32,204,263	64,408,526
2002.....	128,323,986	1,283,240	6,416,199	12,832,399	32,080,997	64,161,993
2003.....	128,609,786	1,286,098	6,430,489	12,860,979	32,152,447	64,304,893
2004.....	130,371,156	1,303,712	6,518,558	13,037,116	32,592,789	65,185,578
Adjusted gross income floor on percentiles (current dollars):						
1986.....	N/A	118,818	62,377	48,656	32,242	17,302
1987.....	N/A	139,289	68,414	52,921	33,983	17,768
1988.....	N/A	157,136	72,735	55,437	35,398	18,367
1989.....	N/A	163,869	76,933	58,263	36,839	18,993
1990.....	N/A	167,421	79,064	60,287	38,080	19,767
1991.....	N/A	170,139	81,720	61,944	38,929	20,097
1992.....	N/A	181,904	85,103	64,457	40,378	20,803
1993.....	N/A	185,715	87,386	66,077	41,210	21,179
1994.....	N/A	195,726	91,226	68,753	42,742	21,802
1995.....	N/A	209,406	96,221	72,094	44,207	22,344
1996.....	N/A	227,546	101,141	74,986	45,757	23,174
1997.....	N/A	250,736	108,048	79,212	48,173	24,393
1998.....	N/A	269,496	114,729	83,220	50,607	25,491
1999.....	N/A	293,415	120,846	87,682	52,965	26,415
2000.....	N/A	313,469	128,336	92,144	55,225	27,682
2001.....	N/A	292,913	127,904	92,754	56,085	28,528
2002.....	N/A	285,424	126,525	92,663	56,401	28,654
2003.....	N/A	295,495	130,080	94,891	57,343	29,019
2004.....	N/A	328,049	137,056	99,112	60,041	30,122
Adjusted gross income floor on percentiles (constant dollars): [2]						
1986.....	N/A	108,411	56,913	44,394	29,418	15,786
1987.....	N/A	122,614	60,224	46,585	29,915	15,641
1988.....	N/A	132,828	61,484	46,861	29,922	15,526
1989.....	N/A	132,152	62,043	46,986	29,709	15,317
1990.....	N/A	128,096	60,493	46,126	29,135	15,124
1991.....	N/A	124,919	60,000	45,480	28,582	14,756
1992.....	N/A	129,654	60,658	45,942	28,780	14,828
1993.....	N/A	128,522	60,475	45,728	28,519	14,657
1994.....	N/A	132,069	61,556	46,392	28,841	14,711
1995.....	N/A	137,406	63,137	47,306	29,007	14,661
1996.....	N/A	145,026	64,462	47,792	29,163	14,769
1997.....	N/A	156,222	67,320	49,353	30,014	15,198
1998.....	N/A	164,427	69,999	50,775	30,877	15,553
1999.....	N/A	176,119	72,537	52,630	31,792	15,855
2000.....	N/A	182,038	74,527	53,510	32,070	16,075
2001.....	N/A	165,394	72,221	52,374	31,669	16,108
2002.....	N/A	158,657	70,331	51,508	31,351	15,928
2003.....	N/A	160,595	70,696	51,571	31,165	15,771
2004.....	N/A	173,663	72,555	52,468	31,785	15,946

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 5.—Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986–2004—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income (millions of dollars):						
1986.....	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987.....	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988.....	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989.....	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990.....	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991.....	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992.....	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993.....	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994.....	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995.....	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542
1996.....	4,590,527	736,545	1,393,805	1,909,149	2,952,637	3,944,383
1997.....	5,023,457	872,826	1,597,107	2,151,401	3,267,600	4,327,992
1998.....	5,469,211	1,010,245	1,796,647	2,393,716	3,589,600	4,721,430
1999.....	5,909,329	1,152,820	2,011,763	2,652,835	3,927,308	5,126,164
2000.....	6,423,977	1,336,773	2,267,403	2,955,386	4,313,786	5,589,755
2001.....	6,241,036	1,094,296	1,996,492	2,690,589	4,071,034	5,379,286
2002.....	6,113,778	985,781	1,867,787	2,553,475	3,935,504	5,244,029
2003.....	6,287,586	1,054,567	1,960,676	2,663,470	4,078,227	5,407,851
2004.....	6,875,123	1,306,417	2,299,595	3,049,275	4,546,401	5,952,781
Total income tax (millions of dollars): [3]						
1986.....	366,979	94,491	156,240	200,703	278,976	343,289
1987.....	369,046	91,559	159,642	205,230	283,857	346,655
1988.....	412,761	113,841	188,303	236,411	321,297	389,145
1989.....	432,838	109,259	190,188	241,458	334,258	407,599
1990.....	447,061	112,338	195,088	247,514	344,340	421,075
1991.....	448,349	111,267	194,480	250,282	346,511	423,759
1992.....	476,163	131,156	218,479	276,213	373,700	452,070
1993.....	502,720	145,836	238,083	297,808	398,516	478,563
1994.....	534,754	154,337	254,106	317,902	425,402	509,256
1995.....	588,331	178,035	287,741	357,402	472,808	561,225
1996.....	658,124	212,626	335,433	411,404	535,164	629,684
1997.....	727,303	241,239	377,241	459,639	594,007	696,161
1998.....	788,452	274,009	424,506	512,836	651,964	755,240
1999.....	877,292	317,419	486,464	583,002	732,890	842,168
2000.....	980,521	366,929	553,670	660,150	823,706	942,179
2001.....	887,882	300,898	472,823	576,163	736,053	852,642
2002.....	796,862	268,608	428,680	523,812	668,558	768,963
2003.....	747,939	256,340	406,597	492,452	627,380	722,027
2004.....	831,890	306,902	475,224	567,273	705,915	804,471
Average tax rate (percentage): [4]						
1986.....	14.54	33.13	25.68	22.64	18.72	16.32
1987.....	13.12	26.41	22.10	19.77	16.61	14.60
1988.....	13.21	24.04	21.14	19.18	16.47	14.64
1989.....	13.12	23.34	20.71	18.77	16.27	14.53
1990.....	12.95	23.25	20.46	18.50	16.06	14.36
1991.....	12.75	24.37	20.62	18.63	15.93	14.20
1992.....	12.94	25.05	21.19	19.13	16.25	14.44
1993.....	13.32	28.01	22.71	20.20	16.90	14.90
1994.....	13.50	28.23	23.04	20.48	17.15	15.11
1995.....	13.86	28.73	23.53	20.97	17.58	15.47
1996.....	14.34	28.87	24.07	21.55	18.12	15.96
1997.....	14.48	27.64	23.62	21.36	18.18	16.09
1998.....	14.42	27.12	23.63	21.42	18.16	16.00
1999.....	14.85	27.53	24.18	21.98	18.66	16.43
2000.....	15.26	27.45	24.42	22.34	19.09	16.86
2001.....	14.23	27.50	23.68	21.41	18.08	15.85
2002.....	13.03	27.25	22.95	20.51	16.99	14.66
2003.....	11.90	24.31	20.74	18.49	15.38	13.35
2004.....	12.10	23.49	20.67	18.60	15.53	13.51

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 5.—Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986–2004—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986.....	100.00	11.30	24.11	35.12	59.04	83.34
1987.....	100.00	12.32	25.67	36.90	60.75	84.37
1988.....	100.00	15.16	28.51	39.45	62.44	85.07
1989.....	100.00	14.19	27.84	39.00	62.28	85.04
1990.....	100.00	14.00	27.62	38.77	62.13	84.97
1991.....	100.00	12.99	26.83	38.20	61.85	84.87
1992.....	100.00	14.23	28.01	39.23	62.47	85.08
1993.....	100.00	13.79	27.76	39.05	62.45	85.08
1994.....	100.00	13.80	27.85	39.19	62.64	85.11
1995.....	100.00	14.60	28.81	40.16	63.37	85.46
1996.....	100.00	16.04	30.36	41.59	64.32	85.92
1997.....	100.00	17.38	31.79	42.83	65.05	86.16
1998.....	100.00	18.47	32.85	43.77	65.63	86.33
1999.....	100.00	19.51	34.04	44.89	66.46	86.75
2000.....	100.00	20.81	35.30	46.01	67.15	87.01
2001.....	100.00	17.53	31.99	43.11	65.23	86.19
2002.....	100.00	16.12	30.55	41.77	64.37	85.77
2003.....	100.00	16.77	31.18	42.36	64.86	86.01
2004.....	100.00	19.00	33.45	44.35	66.13	86.58
Total income tax share (percentage):						
1986.....	100.00	25.75	42.57	54.69	76.02	93.54
1987.....	100.00	24.81	43.26	55.61	76.92	93.93
1988.....	100.00	27.58	45.62	57.28	77.84	94.28
1989.....	100.00	25.24	43.94	55.78	77.22	94.17
1990.....	100.00	25.13	43.64	55.36	77.02	94.19
1991.....	100.00	24.82	43.38	55.82	77.29	94.52
1992.....	100.00	27.54	45.88	58.01	78.48	94.94
1993.....	100.00	29.01	47.36	59.24	79.27	95.19
1994.....	100.00	28.86	47.52	59.45	79.55	95.23
1995.....	100.00	30.26	48.91	60.75	80.36	95.39
1996.....	100.00	32.31	50.97	62.51	81.32	95.68
1997.....	100.00	33.17	51.87	63.20	81.67	95.72
1998.....	100.00	34.75	53.84	65.04	82.69	95.79
1999.....	100.00	36.18	55.45	66.45	83.54	96.00
2000.....	100.00	37.42	56.47	67.33	84.01	96.09
2001.....	100.00	33.89	53.25	64.89	82.90	96.03
2002.....	100.00	33.71	53.80	65.73	83.90	96.50
2003.....	100.00	34.27	54.36	65.84	83.88	96.54
2004.....	100.00	36.89	57.13	68.19	84.86	96.70

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, was excluded from Table 5. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2004, there were 4,556 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$86.1 million.

[2] For Table 1, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2004, the CPI-U=188.9.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income.

Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[4] The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2004

Table 6.—Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986–2004

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: [1]						
1986.....	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987.....	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988.....	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989.....	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990.....	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991.....	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992.....	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993.....	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994.....	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995.....	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
1996.....	119,441,767	59,720,883	89,581,325	107,497,590	113,469,679	118,247,349
1997.....	121,503,284	60,751,642	91,127,463	109,352,956	115,428,120	120,288,251
1998.....	123,775,831	61,887,916	92,831,873	111,398,248	117,587,039	122,538,073
1999.....	126,008,974	63,004,487	94,506,731	113,408,077	119,708,525	124,748,884
2000.....	128,227,143	64,113,572	96,170,357	115,404,429	121,815,786	126,944,872
2001.....	128,817,051	64,408,526	96,612,788	115,935,346	122,376,198	127,528,880
2002.....	128,323,986	64,161,993	96,242,990	115,491,587	121,907,787	127,040,746
2003.....	128,609,786	64,304,893	96,457,340	115,748,807	122,179,297	127,323,688
2004.....	130,371,156	65,185,578	97,778,367	117,334,040	123,852,598	129,067,444
Adjusted gross income (millions of dollars):						
1986.....	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987.....	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988.....	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989.....	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990.....	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991.....	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992.....	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993.....	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994.....	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995.....	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
1996.....	4,590,527	646,144	1,637,891	2,681,378	3,196,723	3,853,983
1997.....	5,023,457	695,465	1,755,857	2,872,056	3,426,350	4,150,631
1998.....	5,469,211	747,781	1,879,611	3,075,495	3,672,564	4,458,967
1999.....	5,909,329	783,164	1,982,021	3,256,494	3,897,565	4,756,509
2000.....	6,423,977	834,222	2,110,190	3,468,590	4,156,573	5,087,204
2001.....	6,241,036	861,750	2,170,001	3,550,447	4,244,543	5,146,740
2002.....	6,113,778	869,750	2,178,274	3,560,303	4,245,991	5,127,997
2003.....	6,287,586	879,735	2,209,359	3,624,117	4,326,911	5,233,019
2004.....	6,875,123	922,342	2,328,722	3,825,848	4,575,529	5,568,706
Total income tax (millions of dollars): [2]						
1986.....	366,979	23,690	88,002	166,276	210,739	272,488
1987.....	369,046	22,391	85,189	163,816	209,404	277,488
1988.....	412,761	23,616	91,464	176,350	224,459	298,920
1989.....	432,838	25,239	98,580	191,380	242,650	323,579
1990.....	447,061	25,986	102,721	199,547	251,973	334,723
1991.....	448,349	24,554	101,837	198,067	253,869	337,081
1992.....	476,163	24,093	102,463	199,950	257,683	345,007
1993.....	502,720	24,157	104,203	204,912	264,637	356,884
1994.....	534,754	25,499	109,353	216,852	280,648	380,418
1995.....	588,331	27,106	115,523	230,929	300,590	410,296
1996.....	658,124	28,440	122,960	246,720	322,691	445,498
1997.....	727,303	31,134	133,296	267,664	350,062	486,064
1998.....	788,452	33,212	136,488	275,615	363,946	514,442
1999.....	877,292	35,126	144,402	294,290	390,828	559,874
2000.....	980,521	38,343	156,816	320,371	426,851	613,592
2001.....	887,882	35,239	151,826	311,719	415,059	586,984
2002.....	796,862	27,899	128,304	273,050	368,182	528,254
2003.....	747,932	25,912	120,564	255,486	341,341	491,597
2004.....	831,890	27,418	125,973	264,617	356,666	524,988

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 6.—Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986–2004—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Average tax rate (percentage): [3]						
1986.....	14.54	5.63	8.51	10.15	11.00	12.17
1987.....	13.12	5.09	7.71	9.23	10.01	11.25
1988.....	13.21	5.06	7.80	9.32	10.05	11.28
1989.....	13.12	5.11	7.92	9.51	10.19	11.43
1990.....	12.95	5.01	7.86	9.44	10.09	11.28
1991.....	12.75	4.61	7.59	9.12	9.87	11.04
1992.....	12.94	4.39	7.42	8.94	9.73	10.93
1993.....	13.32	4.29	7.35	8.90	9.70	10.96
1994.....	13.50	4.32	7.39	9.00	9.82	11.14
1995.....	13.86	4.39	7.43	9.09	9.95	11.32
1996.....	14.34	4.40	7.51	9.20	10.09	11.56
1997.....	14.48	4.48	7.59	9.32	10.22	11.71
1998.....	14.42	4.44	7.26	8.96	9.91	11.54
1999.....	14.85	4.49	7.29	9.04	10.03	11.77
2000.....	15.26	4.60	7.43	9.24	10.27	12.06
2001.....	14.23	4.09	7.00	8.78	9.78	11.41
2002.....	13.03	3.21	5.89	7.67	8.67	10.30
2003.....	11.90	2.95	5.46	7.05	7.89	9.39
2004.....	12.10	2.97	5.41	6.92	7.80	9.43
Adjusted gross income share (percentage):						
1986.....	100.00	16.66	40.96	64.88	75.89	88.70
1987.....	100.00	15.63	39.25	63.10	74.33	87.68
1988.....	100.00	14.93	37.56	60.55	71.49	84.84
1989.....	100.00	14.96	37.72	61.00	72.16	85.81
1990.....	100.00	15.03	37.87	61.23	72.38	86.00
1991.....	100.00	15.13	38.15	61.80	73.17	87.01
1992.....	100.00	14.92	37.53	60.77	71.99	85.77
1993.....	100.00	14.92	37.55	60.95	72.24	86.21
1994.....	100.00	14.89	37.36	60.81	72.15	86.20
1995.....	100.00	14.54	36.63	59.84	71.19	85.40
1996.....	100.00	14.08	35.68	58.41	69.64	83.96
1997.....	100.00	13.84	34.95	57.17	68.21	82.63
1998.....	100.00	13.67	34.37	56.23	67.15	81.53
1999.....	100.00	13.25	33.54	55.11	65.96	80.49
2000.....	100.00	12.99	32.85	53.99	64.70	79.19
2001.....	100.00	13.81	34.77	56.89	68.01	82.47
2002.....	100.00	14.23	35.63	58.23	69.45	83.88
2003.....	100.00	13.99	35.14	57.64	68.82	83.23
2004.....	100.00	13.42	33.87	55.65	66.55	81.00
Total income tax share (percentage):						
1986.....	100.00	6.46	23.98	45.31	57.43	74.25
1987.....	100.00	6.07	23.08	44.39	56.74	75.19
1988.....	100.00	5.72	22.16	42.72	54.38	72.42
1989.....	100.00	5.83	22.78	44.22	56.06	74.76
1990.....	100.00	5.81	22.98	44.64	56.36	74.87
1991.....	100.00	5.48	22.71	44.18	56.62	75.18
1992.....	100.00	5.06	21.52	41.99	54.12	72.46
1993.....	100.00	4.81	20.73	40.76	52.64	70.99
1994.....	100.00	4.77	20.45	40.55	52.48	71.14
1995.....	100.00	4.61	19.64	39.25	51.09	69.74
1996.....	100.00	4.32	18.68	37.49	49.03	67.69
1997.....	100.00	4.28	18.33	36.80	48.13	66.83
1998.....	100.00	4.21	17.31	34.96	46.16	65.25
1999.....	100.00	4.00	16.46	33.55	44.55	63.82
2000.....	100.00	3.91	15.99	32.67	43.53	62.58
2001.....	100.00	3.97	17.10	35.11	46.75	66.11
2002.....	100.00	3.50	16.10	34.27	46.20	66.29
2003.....	100.00	3.46	16.12	34.16	45.64	65.73
2004.....	100.00	3.30	15.14	31.81	42.87	63.11

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2004, there were 4,556 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$86.1 million.

[2] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2004

Table 7.—Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986–2004

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: [1]						
1986.....	101,988,805	1,019,888	5,099,440	10,198,881	25,497,201	50,994,402
1987.....	106,191,624	1,061,916	5,309,581	10,619,162	26,547,906	53,095,812
1988.....	108,879,154	1,088,792	5,443,958	10,887,915	27,219,788	54,439,577
1989.....	111,328,835	1,113,288	5,566,442	11,132,884	27,832,209	55,664,418
1990.....	112,717,959	1,127,180	5,635,898	11,271,796	28,179,490	56,358,980
1991.....	113,823,123	1,138,231	5,691,156	11,382,312	28,455,781	56,911,562
1992.....	112,687,747	1,126,877	5,634,387	11,268,775	28,171,937	56,343,874
1993.....	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994.....	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995.....	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
1996.....	119,487,813	1,194,878	5,974,391	11,948,781	29,871,953	59,743,906
1997.....	121,555,156	1,215,552	6,077,758	12,155,516	30,388,789	60,777,578
1998.....	123,852,016	1,238,520	6,192,601	12,385,202	30,963,004	61,926,008
1999.....	126,107,596	1,261,076	6,305,380	12,610,760	31,526,899	63,053,798
2000.....	128,340,271	1,283,403	6,417,014	12,834,027	32,085,068	64,170,135
2001.....	128,863,007	1,288,630	6,443,150	12,886,301	32,215,752	64,431,504
2002.....	128,415,184	1,284,152	6,420,759	12,841,518	32,103,796	64,207,592
2003.....	128,757,145	1,287,571	6,437,857	12,875,715	32,189,286	64,378,573
2004.....	130,508,966	1,305,090	6,525,448	13,050,897	32,627,242	65,254,483
Income floor on percentiles (current dollars):						
1986.....	N/A	147,863	68,362	52,035	33,623	17,909
1987.....	N/A	145,624	69,222	53,094	34,165	17,959
1988.....	N/A	161,774	73,451	55,532	35,432	18,534
1989.....	N/A	169,603	77,542	58,429	36,783	19,152
1990.....	N/A	174,813	80,400	60,623	38,026	19,947
1991.....	N/A	180,268	83,300	62,413	38,913	20,302
1992.....	N/A	197,031	87,370	65,283	40,423	21,041
1993.....	N/A	199,698	88,992	66,685	41,013	21,390
1994.....	N/A	210,742	93,186	69,118	42,480	22,000
1995.....	N/A	224,523	98,420	72,210	43,860	22,575
1996.....	N/A	246,268	103,489	75,574	45,508	23,378
1997.....	N/A	268,889	110,949	79,598	47,738	24,551
1998.....	N/A	301,513	120,262	84,904	50,232	25,612
1999.....	N/A	332,253	126,643	89,172	52,399	26,487
2000.....	N/A	353,945	134,128	93,715	54,592	27,647
2001.....	N/A	323,861	131,728	93,633	55,203	28,404
2002.....	N/A	315,937	132,253	93,833	55,695	28,541
2003.....	N/A	327,160	134,818	96,021	56,573	28,896
2004.....	N/A	363,905	142,975	100,957	59,112	29,899
Income floor on percentiles (constant dollars): [2]						
1986.....	N/A	134,912	62,374	47,477	30,678	16,340
1987.....	N/A	128,190	60,935	46,738	30,075	15,809
1988.....	N/A	136,749	62,089	46,942	29,951	15,667
1989.....	N/A	136,777	62,534	47,120	29,664	15,445
1990.....	N/A	133,751	61,515	46,383	29,094	15,262
1991.....	N/A	132,355	61,160	45,825	28,571	14,906
1992.....	N/A	140,436	62,274	46,531	28,812	14,997
1993.....	N/A	138,199	61,586	46,149	28,383	14,803
1994.....	N/A	142,201	62,879	46,638	28,664	14,845
1995.....	N/A	147,325	64,580	47,382	28,780	14,813
1996.....	N/A	156,959	65,959	48,167	29,004	14,900
1997.....	N/A	167,532	69,127	49,594	29,743	15,297
1998.....	N/A	183,962	73,375	51,802	30,648	15,627
1999.....	N/A	199,432	76,016	53,525	31,452	15,899
2000.....	N/A	205,543	77,891	54,422	31,703	16,055
2001.....	N/A	182,869	74,381	52,870	31,171	16,038
2002.....	N/A	175,618	73,515	52,158	30,959	15,865
2003.....	N/A	177,804	73,271	52,185	30,746	15,704
2004.....	N/A	192,644	75,688	53,445	31,293	15,828

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 7.—Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986–2004—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income (millions of dollars):						
1986.....	2,804,691	427,513	796,935	1,097,550	1,732,231	2,368,620
1987.....	2,856,118	363,880	749,240	1,067,438	1,741,747	2,411,715
1988.....	3,153,639	484,675	911,170	1,255,108	1,973,061	2,683,524
1989.....	3,336,571	486,976	947,363	1,317,619	2,085,003	2,838,481
1990.....	3,497,118	504,687	987,582	1,376,162	2,182,091	2,973,847
1991.....	3,577,337	478,756	985,590	1,390,924	2,224,979	3,038,428
1992.....	3,763,002	556,421	1,090,019	1,509,728	2,369,701	3,206,490
1993.....	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994.....	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995.....	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267
1996.....	4,670,644	772,868	1,462,979	1,984,931	3,025,107	4,015,461
1997.....	5,112,706	918,007	1,679,877	2,242,353	3,353,245	4,409,075
1998.....	5,626,390	1,072,779	1,925,214	2,542,399	3,742,006	4,869,467
1999.....	6,082,931	1,236,081	2,166,370	2,825,789	4,099,929	5,290,805
2000.....	6,601,494	1,424,436	2,430,957	3,138,299	4,495,910	5,758,808
2001.....	6,361,523	1,159,037	2,121,055	2,828,677	4,202,776	5,491,703
2002.....	6,262,714	1,057,775	2,005,658	2,712,226	4,092,069	5,383,263
2003.....	6,429,711	1,122,582	2,091,401	2,813,645	4,226,517	5,539,087
2004.....	7,044,141	1,383,978	2,453,830	3,228,229	4,726,625	6,111,786
Total income tax (millions of dollars): [3]						
1986.....	366,763	93,128	155,553	198,862	277,578	342,296
1987.....	368,924	89,908	158,485	204,050	282,970	346,228
1988.....	412,549	112,208	186,793	235,121	320,152	388,631
1989.....	432,643	107,508	188,588	240,229	333,285	407,106
1990.....	446,906	110,530	192,991	245,856	342,926	420,345
1991.....	448,177	107,926	192,548	246,745	345,168	423,180
1992.....	476,067	127,361	216,303	272,361	372,352	451,494
1993.....	502,638	142,329	235,908	294,238	397,261	477,997
1994.....	534,693	150,133	250,770	314,909	423,743	508,540
1995.....	588,292	173,877	284,036	354,427	471,035	560,748
1996.....	658,059	208,071	331,404	407,726	532,750	628,918
1997.....	731,123	238,978	376,046	459,674	595,060	699,131
1998.....	783,437	262,464	413,303	503,577	644,182	749,547
1999.....	877,199	307,382	479,531	577,903	729,679	841,172
2000.....	980,459	355,911	546,102	654,155	819,937	941,304
2001.....	887,770	291,907	466,057	570,430	732,094	851,539
2002.....	796,763	259,192	420,834	517,937	664,670	767,890
2003.....	747,800	248,107	400,202	487,657	624,070	720,861
2004.....	831,815	297,199	467,728	562,092	702,203	803,521
Average tax rate (percentage): [4]						
1986.....	13.08	21.78	19.52	18.12	16.02	14.45
1987.....	12.92	24.71	21.15	19.12	16.25	14.36
1988.....	13.08	23.15	20.50	18.73	16.23	14.48
1989.....	12.97	22.08	19.91	18.23	15.98	14.34
1990.....	12.78	21.90	19.54	17.87	15.72	14.13
1991.....	12.53	22.54	19.54	17.74	15.51	13.93
1992.....	12.65	22.89	19.84	18.04	15.71	14.08
1993.....	13.06	25.69	21.35	19.14	16.40	14.58
1994.....	13.26	25.90	21.58	19.47	16.65	14.80
1995.....	13.63	26.60	22.11	19.99	17.10	15.19
1996.....	14.09	26.92	22.65	20.54	17.61	15.66
1997.....	14.30	26.03	22.39	20.50	17.75	15.86
1998.....	13.92	24.47	21.47	19.81	17.21	15.39
1999.....	14.42	24.87	22.14	20.45	17.80	15.90
2000.....	14.85	24.99	22.46	20.84	18.24	16.35
2001.....	13.96	25.19	21.97	20.17	17.42	15.51
2002.....	12.72	24.50	20.98	19.10	16.24	14.26
2003.....	11.63	22.10	19.14	17.33	14.77	13.01
2004.....	11.81	21.47	19.06	17.41	14.86	13.15

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 7.—Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986–2004—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986.....	100.00	15.24	28.41	39.13	61.76	84.45
1987.....	100.00	12.74	26.23	37.37	60.98	84.44
1988.....	100.00	15.37	28.89	39.80	62.56	85.09
1989.....	100.00	14.60	28.39	39.49	62.49	85.07
1990.....	100.00	14.43	28.24	39.35	62.40	85.04
1991.....	100.00	13.38	27.55	38.88	62.20	84.94
1992.....	100.00	14.79	28.97	40.12	62.97	85.21
1993.....	100.00	14.39	28.71	39.93	62.93	85.18
1994.....	100.00	14.37	28.81	40.09	63.08	85.19
1995.....	100.00	15.14	29.76	41.06	63.81	85.52
1996.....	100.00	16.55	31.32	42.50	64.77	85.97
1997.....	100.00	17.96	32.86	43.86	65.59	86.24
1998.....	100.00	19.07	34.22	45.19	66.51	86.55
1999.....	100.00	20.32	35.61	46.45	67.40	86.98
2000.....	100.00	21.58	36.82	47.54	68.10	87.23
2001.....	100.00	18.22	33.34	44.47	66.07	86.33
2002.....	100.00	16.89	32.03	43.31	65.34	85.96
2003.....	100.00	17.46	32.53	43.76	65.73	86.15
2004.....	100.00	19.65	34.84	45.83	67.10	86.76
Total income tax share (percentage):						
1986.....	100.00	25.39	42.41	54.22	75.68	93.33
1987.....	100.00	24.37	42.96	55.31	76.70	93.85
1988.....	100.00	27.20	45.28	56.99	77.60	94.20
1989.....	100.00	24.85	43.59	55.53	77.03	94.10
1990.....	100.00	24.73	43.18	55.01	76.73	94.06
1991.....	100.00	24.08	42.96	55.06	77.02	94.42
1992.....	100.00	26.75	45.44	57.21	78.21	94.84
1993.....	100.00	28.32	46.93	58.54	79.04	95.10
1994.....	100.00	28.08	46.90	58.90	79.25	95.11
1995.....	100.00	29.56	48.28	60.25	80.07	95.32
1996.....	100.00	31.62	50.36	61.96	80.96	95.57
1997.....	100.00	32.69	51.43	62.87	81.39	95.62
1998.....	100.00	33.50	52.76	64.28	82.23	95.67
1999.....	100.00	35.04	54.67	65.88	83.18	95.89
2000.....	100.00	36.30	55.70	66.72	83.63	96.01
2001.....	100.00	32.88	52.50	64.25	82.46	95.92
2002.....	100.00	32.53	52.82	65.01	83.42	96.38
2003.....	100.00	33.18	53.52	65.21	83.45	96.40
2004.....	100.00	35.73	56.23	67.57	84.42	96.60

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 7. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2004, there were 4,556 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$86.1 million.

[2] For Table 1, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2004, the CPI-U = 188.9.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[4] The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2004

Table 8.—Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986–2004

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: [1]						
1986.....	101,988,805	50,994,402	76,491,604	91,789,924	96,889,365	100,968,917
1987.....	106,191,624	53,095,812	79,643,718	95,572,462	100,882,043	105,129,708
1988.....	108,879,154	54,439,577	81,659,366	97,991,239	103,435,196	107,790,362
1989.....	111,328,835	55,664,417	83,496,626	100,195,951	105,762,393	110,215,547
1990.....	112,717,959	56,358,980	84,538,469	101,446,163	107,082,061	111,590,779
1991.....	113,823,123	56,911,562	85,367,342	102,440,811	108,131,967	112,684,892
1992.....	112,687,747	56,343,874	84,515,810	101,418,972	107,053,360	111,560,870
1993.....	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994.....	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995.....	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
1996.....	119,487,813	59,743,907	89,615,860	107,539,032	113,513,422	118,292,935
1997.....	121,555,156	60,777,578	91,166,367	109,399,640	115,477,398	120,339,604
1998.....	123,852,016	61,926,008	92,889,012	111,466,814	117,659,415	122,613,496
1999.....	126,107,596	63,053,798	94,580,697	113,496,836	119,802,216	124,846,520
2000.....	128,340,271	64,170,135	96,255,203	115,506,243	121,923,257	127,056,868
2001.....	128,863,007	64,431,504	96,647,255	115,976,706	122,419,857	127,574,377
2002.....	128,415,184	64,207,592	96,311,388	115,573,666	121,994,425	127,131,032
2003.....	128,757,145	64,378,573	96,567,859	115,881,431	122,319,288	127,469,574
2004.....	130,508,966	65,254,483	97,881,725	117,458,069	123,983,518	129,203,876
Income (millions of dollars):						
1986.....	2,804,691	436,071	1,072,460	1,707,142	2,007,756	2,377,178
1987.....	2,856,118	444,403	1,114,372	1,788,680	2,106,878	2,492,238
1988.....	3,153,639	470,115	1,180,578	1,898,531	2,242,469	2,668,964
1989.....	3,336,571	498,089	1,251,567	2,018,952	2,389,207	2,849,595
1990.....	3,497,118	523,271	1,315,027	2,120,956	2,509,535	2,992,431
1991.....	3,577,337	538,910	1,352,358	2,186,413	2,591,748	3,098,582
1992.....	3,763,002	556,512	1,393,300	2,253,273	2,672,983	3,206,581
1993.....	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994.....	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995.....	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
1996.....	4,670,644	655,183	1,645,537	2,685,713	3,207,665	3,897,777
1997.....	5,112,706	703,631	1,759,461	2,870,353	3,432,828	4,194,699
1998.....	5,626,390	756,923	1,884,384	3,083,991	3,701,176	4,553,611
1999.....	6,082,931	792,125	1,983,002	3,257,142	3,916,561	4,846,850
2000.....	6,601,494	842,686	2,105,584	3,463,195	4,170,537	5,177,058
2001.....	6,361,523	869,820	2,158,748	3,532,846	4,240,468	5,202,486
2002.....	6,262,714	879,451	2,170,646	3,550,488	4,257,056	5,204,939
2003.....	6,429,711	890,624	2,203,193	3,616,066	4,338,310	5,307,129
2004.....	7,044,141	932,354	2,317,516	3,815,911	4,590,311	5,660,163
Total income tax (millions of dollars): [2]						
1986.....	366,763	24,467	89,186	167,901	211,210	273,635
1987.....	368,924	22,696	85,954	164,874	210,439	279,016
1988.....	412,549	23,918	92,397	177,429	225,756	300,341
1989.....	432,643	25,537	99,358	192,414	244,055	325,135
1990.....	446,906	26,562	103,980	201,050	253,915	336,376
1991.....	448,177	24,997	103,009	201,432	255,629	340,251
1992.....	476,067	24,573	103,715	203,706	259,764	348,706
1993.....	502,638	24,641	105,377	208,400	266,730	360,309
1994.....	534,693	26,153	110,950	219,783	283,923	384,560
1995.....	588,292	27,544	117,257	233,864	304,256	414,415
1996.....	658,059	29,142	125,310	250,333	326,655	449,988
1997.....	731,123	31,992	136,063	271,450	355,078	492,146
1998.....	783,437	33,889	139,249	279,860	370,134	520,973
1999.....	877,199	36,027	147,520	299,294	397,669	569,817
2000.....	980,459	39,155	160,521	326,304	434,357	624,548
2001.....	887,770	36,230	155,676	317,341	421,713	595,863
2002.....	796,763	28,872	132,093	278,827	375,930	537,571
2003.....	747,800	26,939	123,731	260,143	347,598	499,694
2004.....	831,815	28,294	129,610	269,723	364,087	534,616

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2004

Table 8.—Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986–2004—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Average tax rate (percentage): [3]						
1986.....	13.08	5.61	8.32	9.84	10.52	11.51
1987.....	12.92	5.11	7.71	9.22	9.99	11.20
1988.....	13.08	5.09	7.83	9.35	10.07	11.25
1989.....	12.97	5.13	7.94	9.53	10.21	11.41
1990.....	12.78	5.08	7.91	9.48	10.12	11.24
1991.....	12.53	4.64	7.62	9.21	9.86	10.98
1992.....	12.65	4.42	7.44	9.04	9.72	10.87
1993.....	13.06	4.32	7.38	9.01	9.72	10.93
1994.....	13.26	4.38	7.45	9.10	9.89	11.13
1995.....	13.63	4.41	7.50	9.19	10.03	11.31
1996.....	14.09	4.45	7.62	9.32	10.18	11.54
1997.....	14.30	4.55	7.73	9.46	10.34	11.73
1998.....	13.92	4.48	7.39	9.07	10.00	11.44
1999.....	14.42	4.55	7.44	9.19	10.15	11.76
2000.....	14.85	4.65	7.62	9.42	10.41	12.06
2001.....	13.96	4.17	7.21	8.98	9.95	11.45
2002.....	12.72	3.28	6.09	7.85	8.83	10.33
2003.....	11.63	3.02	5.62	7.19	8.01	9.42
2004.....	11.81	3.03	5.59	7.07	7.93	9.45
Income share (percentage):						
1986.....	100.00	15.55	38.24	60.87	71.59	84.76
1987.....	100.00	15.56	39.02	62.63	73.77	87.26
1988.....	100.00	14.91	37.44	60.20	71.11	84.63
1989.....	100.00	14.93	37.51	60.51	71.61	85.40
1990.....	100.00	14.96	37.60	60.65	71.76	85.57
1991.....	100.00	15.06	37.80	61.12	72.45	86.62
1992.....	100.00	14.79	37.03	59.88	71.03	85.21
1993.....	100.00	14.82	37.07	60.07	71.29	85.61
1994.....	100.00	14.81	36.92	59.91	71.19	85.63
1995.....	100.00	14.48	36.19	58.94	70.24	84.86
1996.....	100.00	14.03	35.23	57.50	68.68	83.45
1997.....	100.00	13.76	34.41	56.14	67.14	82.04
1998.....	100.00	13.45	33.49	54.81	65.78	80.93
1999.....	100.00	13.02	32.60	53.55	64.39	79.68
2000.....	100.00	12.77	31.90	52.46	63.18	78.42
2001.....	100.00	13.67	33.93	55.53	66.66	81.78
2002.....	100.00	14.04	34.66	56.69	67.97	83.11
2003.....	100.00	13.85	34.27	56.24	67.47	82.54
2004.....	100.00	13.24	32.90	54.17	65.16	80.35
Total income tax share (percentage):						
1986.....	100.00	6.67	24.32	45.78	57.59	74.61
1987.....	100.00	6.15	23.30	44.69	57.04	75.63
1988.....	100.00	5.80	22.40	43.01	54.72	72.80
1989.....	100.00	5.90	22.97	44.47	56.41	75.15
1990.....	100.00	5.94	23.27	44.99	56.82	75.27
1991.....	100.00	5.58	22.98	44.94	57.04	75.92
1992.....	100.00	5.16	21.79	42.79	54.56	73.25
1993.....	100.00	4.90	20.96	41.46	53.07	71.68
1994.....	100.00	4.89	20.75	41.10	53.10	71.92
1995.....	100.00	4.68	19.93	39.75	51.72	70.44
1996.....	100.00	4.43	19.04	38.04	49.64	68.38
1997.....	100.00	4.38	18.61	37.13	48.57	67.31
1998.....	100.00	4.33	17.77	35.72	47.24	66.50
1999.....	100.00	4.11	16.82	34.12	45.33	64.96
2000.....	100.00	3.99	16.37	33.28	44.30	63.70
2001.....	100.00	4.08	17.54	35.75	47.50	67.12
2002.....	100.00	3.62	16.58	34.99	47.18	67.47
2003.....	100.00	3.60	16.55	34.79	46.48	66.82
2004.....	100.00	3.40	15.58	32.43	43.77	64.27

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 8. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2004, there were 4,556 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$86.1 million.

[2] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.