

SOI BULLETIN



Department of the Treasury
Internal Revenue Service

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Department of the Treasury
Internal Revenue Service

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The SOI Bulletin provides the earliest published annual financial statistics from various types of tax and information returns filed with the Internal Revenue Service. It also includes information from periodic or special analytical studies of particular interest to tax administrators. In addition, historical data are provided for selected types of taxpayers, as well as on gross internal revenue collections and other tax related items.

Information on the availability of additional unpublished data concerning the topics in this issue may be obtained by writing to the Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

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Washington, DC 20224

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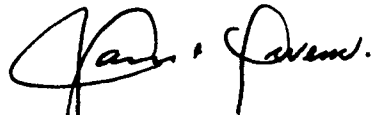
The Honorable Donald T. Regan
Secretary of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

I am transmitting the Winter 1983-1984 issue of the Statistics of Income Bulletin. This report has been produced in accordance with the mandate of section 6108 of the Internal Revenue Code which requires the preparation and publication of statistics reasonably available with respect to the operation of the internal revenue laws. Presented in this issue are recent financial and tax data obtained from tax returns and associated supporting schedules.

With kind regards,

Sincerely,

A handwritten signature in cursive script, appearing to read "James F. Rowland".

Acting Commissioner

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70th Year of Individual Income and Tax Statistics, 1913-1982

By David Paris and Cecelia Hilgert*

Since enactment of the modern income tax in 1913, statistics based on information reported on Federal tax returns filed by U.S. individual taxpayers have been made available to the public. These detailed income and tax statistics have been published since 1916 as annual Statistics of Income reports.

This article presents an overview of the individual income tax data series from 1913 to 1982. Included are some background on the history of Statistics of Income, an analysis of the tremendous growth and change in the nature of individual return filings, as well as a review of the average individual income tax rate and its recent decline. Finally presented is a detailed historical tabulation which summarizes the 70 years of the modern individual income tax.

BACKGROUND AND HISTORY

After an 18-year lapse in Federal income taxation, the Sixteenth Amendment to the Constitution became effective on February 25, 1913. This amendment provided that "...Congress shall have the power to lay and collect tax on incomes, from whatever sources derived, without apportionment among the several States, and without regard to any census or enumeration." Shortly thereafter, on October 3, the Income Tax Act of 1913 was enacted and imposed a tax (retroactive to March 13) on the income of both individuals and corporations. The only data for the period March to December 1913 show that there were fewer than 400,000 tax returns filed which met the \$3,000 minimum income filing requirement. The income tax for 1913 amounted to about \$28 million. In its first full year of operation income tax rose only to \$41 million--a far cry from the 1982 income tax before credits figure of \$283 billion.

The initial volume of the annual Statistics of Income (SOI) series contained detailed data for Income Year 1916, as well as the few statistics shown below for 1913-1915.

Income Year	Number of Returns	Net Income (millions)	Income Tax (millions)
1913	357,598	\$3,900	\$28
1914	357,515	\$4,000	\$41
1915	336,652	\$4,600	\$68

During the early years of the Statistics of Income, the individual income tax tabulations were few in number and relatively uncomplicated. Until the late 1920's the individual income statistics particularly emphasized the tax, the size of income producing the tax, and where the returns were filed. A major portion of each book related to geography. Not only were there State tables showing number of returns, income, and tax, classified by size of income, but the number of returns for each county, city, and town were available for 21 years.

As numerous Congressional, Federal, State and private economic research organizations were created, and as the needs of tax administrators and the estimators of future tax revenue grew, requests were received for new data showing many detailed characteristics of the income of all persons in the United States. Consequently, by the early 1930's the Statistics of Income had developed gradually into a leading source of basic economic data. The SOI data were especially important to the development of the first National Income and Product Accounts which was taking place at this time.

By Income Year 1946 the SOI reports had increased to fourteen basic tables, largely through the introduction of cross-tabulations. New data added along the way covered such items as detailed sources of income (including gain from sales of capital assets), standard and itemized deductions (including types of itemized deductions), number of exemptions and tax payments. New classifiers included size of specific income sources and net income.

*Coordination and Publications Staff. Prepared under the direction of Robert A. Wilson, Chief.

In more recent years the SOI reports have shown a further increase in the number of basic tables. Added detail, for instance, is shown for number of returns filed, sources of income, marital status and taxable and nontaxable returns. There is more information for types of dependents, types of tax computation and for several types of tax credits. Examples of items more recently added are statutory adjustments to income and minimum tax. New classifiers include taxpayers age 65 and over, marginal tax rates and alternative income concepts (data for which are specifically required by Congress). Data from tax return schedules are also being tabulated. These data include income averaging, tax preferences, residential energy investments and energy investment credit.

Today, individual income tax return data, as well as other tax return statistics produced as part of Statistics of Income program [1], serve as keystones to economic analysis for both the public and the private sectors. Among the users of SOI are the Treasury Department's Office of Tax Analysis, the Joint Committee on Taxation of the U.S. Congress, the Bureau of the Census and Bureau of Economic Analysis (both in the Department of Commerce), private non-profit research organizations, universities and businesses, as well as many State and local Government agencies.

In the future as more and more researchers have access to computers of their own, many of the SOI statistics will be provided in the form of computer tape output [2], rather than in the form of tabulations in SOI publications.

CHANGES IN THE LAW

The growth in the number of returns filed and the amount and types of income reported, as well as the sharp increase in the yield of the individual income tax since 1913 has resulted primarily from: changes in the law, long-term growth in the U.S. population, real growth in the economy and price inflation.

In general, increased demands for additional revenues to finance World War I, World War II, and the Korean conflict caused rapid and numerous changes in the tax law. The most drastic revisions occurred in the early 1940's; however, prior to 1940 many important tax law changes also occurred. Some of these changes were elimination of collection of taxes at the source (1916), credit for dependents and deduction for charitable contributions (1917), and adoption of preferential tax rates on long-term capital gains and introduction of the gross income filing requirements (1921). In addition, in 1939, for the first time all revenue laws were incorporated into a single body which came to be known as the Internal Revenue Code.

In the early 1940's revisions to the law occurred when the individual income tax was broadened to cover most of the working population. During the 1960's and throughout the 1970's there were several tax law changes affecting individuals which, in addition to revenue objectives, reflected a concern with social objectives.

The beginning of the decade of the 1980's again shows an emphasis on revenue objectives. For example, there were a series of tax cuts introduced by the Economic Recovery Tax Act of 1981; the thrust of these, however, was to lessen the individual tax burden, rather than to increase it. Figure A summarizes the major changes to the individual income tax law over the last 40 years.

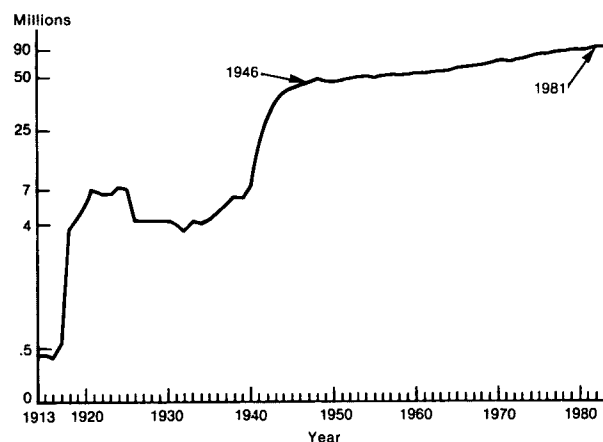
Figure A.--MAJOR TAX LAW CHANGES AFFECTING INDIVIDUALS, 1943-1982

- 1943 - Reenactment of income tax withholding on wages and salaries (originally enacted in 1913, but repealed in 1916).
- 1944 - Adoption of the standard deduction and per capita personal exemption of \$600.
- 1948 - Introduction of "income splitting" for married couples.
- 1954 - A complete revision of the Internal Revenue Code including changes to the tax rates, institution of retirement income credit, credit for dividends, credit for partially tax-exempt interest, and major modifications to the definition of adjusted gross income and itemized deductions.
- 1960 - Liberalization of allowable medical and dental expense deductions for taxpayers' parents.
- 1963 - Introduction of a deduction for contributions to a self-employed retirement plan.
- 1964 - Institution of statutory adjustments for employee moving expenses and employee business expenses, institution of income averaging tax computation, increase in dividend exclusion, and introduction of minimum standard deduction.
- 1965 - Tax rates were reduced.
- 1966 - Introduction of a system of graduated rates for taxes withheld from salaries and wages.
- 1967 - Deduction of part of the premiums paid for medical care insurance, and application of the exclusion of one percent of adjusted gross income for drug expenses and three percent of adjusted gross income for all medical and dental expenses to persons age 65 or over formerly exempt from those limitations.
- 1968 - Imposition of a 10-percent income tax surcharge beginning April 1, 1968, and liberalization of rules governing self-employed retirement plan deductions.

- 1969 - Extension of the 10-percent income tax surcharge to cover all of Calendar Year 1969.
- 1970 - Introduction of a new minimum standard deduction or low-income allowance, increase in the deduction allowed for each exemption, liberalization of the tax return filing requirements, changes in tax withholding, introduction of a tax on specified "tax preferences", imposition of higher tax rates on capital gains, and limitations on capital loss deductions.
- 1971 - Introduction of a maximum tax on earned income, and an increase in the exemption amount to \$675.
- 1972 - Increase in the exemption amount to \$750, introduction of work incentive (WIN) credit and Presidential Campaign Fund checkoff.
- 1974 - Comprehensive revisions to pension and employee benefit plan rules, and a tax rebate for 1974.
- 1975 - Increase in standard deduction, establishment of personal exemption credit, earned income credit, and purchase-of-residence credit. Establishment of deduction for contributions to individual retirement accounts.
- 1976 - Change in standard deduction, institution of child care credit, general tax credit, credit for the elderly, and extension of earned income credit through 1977.
- 1977 - Establishment of the "zero bracket amount" and new jobs credit, and implementation of disability pay exclusion.
- 1978 - Change in treatment of capital gains, institution of residential energy and business energy investment credits, and alteration of treatment of income earned abroad.
- 1979 - Repeal of the "alternative tax", political contributions deduction, and nonbusiness State and local gasoline tax deduction. Increase in the amount of political contributions credit, personal exemption amount, and the zero bracket amount. Widening of tax brackets and lowering of some tax rates. Introduction of a tax on certain unemployment compensation, expiration of the general tax credit, and introduction of the advance earned income credit and the alternative minimum tax.
- 1981 - Reduction in tax rates and increase in the combined (for 1981 only) interest and dividend exclusion. Introduction of an alternative tax on net capital gains.
- 1982 - Further reduction in tax rates, introduction of a limited deduction from income for a two-earner married couple filing a joint return, changes in the deduction for individual retirement account contributions to include individuals who were also participants

in qualified or Government retirement plans, and allowance for a once-in-a-lifetime exclusion of interest income from an "all-savers" certificate.

Figure B
Number of Individual Returns, 1913-1982



1946 — The first year that the number of returns filed passed the 50 million level at over 52.8 million

1981 — The number of returns filed reached an all-time high of 95.3 million

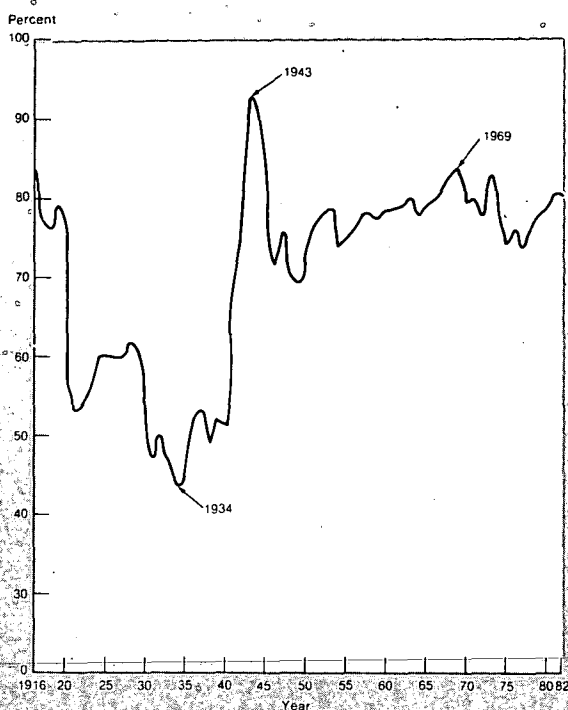
NUMBER OF RETURNS

As shown in Figure B, the number of returns filed prior to 1940 ranged from approximately 300 thousand to 7 million. However, with the introduction of lower income filing requirements for 1940, the number of returns filed doubled to more than 14.7 million. By 1946 the number of returns had reached more than 50 million and by 1950 the number was slightly more than 53 million. During each of the decades of the 1950's and 1960's the number increased by an average of approximately 10 million returns. For Tax Year 1973 the number of returns passed 80 million and rose to over 93 million for the first time for 1980.

Preliminary Income Year 1982 estimates for the number of returns filed show only a very slight decline to 95.3 from the all-time high of 95.4 million reached for 1981. The current level of return filings is more than twice the number of returns filed for 1943 which was the first year of the current system of income tax withholding on wages and salaries.

Over the 70-year history of the modern individual income tax the proportion of returns with income tax before credits has also changed (see Figure C). Prior to the broadening of the individual income tax base in the early 1940's, the percent of taxable returns ranged from a high of approximately 83 percent for 1916 to a low of about 44 percent during the depths of the Great Depression year 1934.

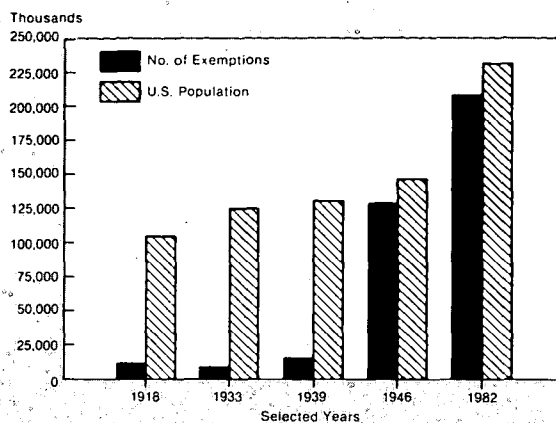
Figure C
Taxable Returns as a Percent of All Returns Filed
1916-1982



During World War II, the highest percentages of taxable returns ever recorded were experienced when, for both 1943 and 1944, more than 90 percent of all individual returns filed were taxable. In more recent years, for 1968 and 1969 the percentages climbed to the second highest levels ever experienced--83 and 84 percent, respectively. Preliminary estimates for Income Year 1982 show the percent of taxable returns remaining about the same as for 1981--at approximately 80 percent.

The percent of the total U.S. population represented on tax returns is illustrated in Figure D. This percent has increased quite dramatically over time. For instance, for 1918 approximately 10 percent of the population was represented by a taxpayer or a dependent on an individual income tax return. The percent remained relatively low until the broadening in the coverage of individuals having to file returns that occurred in the early 1940's. By 1946, more than 87 percent of the population was covered. In the 1950's, the percentage grew still further, then stabilized at where it stands today--at approximately 90 percent of the population. It is because of this widespread representation of the U.S. population on individual tax returns that the idea of using tax records has surfaced as a possible viable alternative to the traditional ways of conducting the decennial population census [3].

Figure D
Number of Exemptions (Other Than Age and Blindness)
Claimed on Individual Tax Returns vs. U.S. Population



1918 — About 10% of the population covered by tax returns.
1933 — Because of the Great Depression the percentage dropped to approximately 7%.
1939 — Population covered by returns grows to slightly more than the 1918 level.
1946 — Broadening of the tax base caused the percentage to increase dramatically to almost 87%.
1982 — Approximately 90% of the population is now covered.

TRENDS IN INDIVIDUAL INCOME

Since 1944, the Statistics of Income reports have presented yearly data centered around the concept of adjusted gross income--positive sources of income less negative amounts and statutory adjustments. Prior to then, the statistics centered around the concept of net income--positive sources of income less negative amounts and allowable deductions [4]. Because of this conceptual difference it is difficult, but not impossible, to make any direct and meaningful long-run income comparisons. However, for the entire 70-year period of the individual income tax, a concept of "total income"--positive sources less negative amounts (as provided for under the tax law for the particular year)--can be constructed [5]. Table 1 shows for the period 1913-1982 the estimated total income, as well as the five components which have historically accounted for the majority of the total.

As expected, the total income reported in current dollars on all individual returns has grown dramatically during this century from about \$20 billion for 1919 to almost \$2 trillion for 1982. During the Depression, however, there was a long period when total income declined. For example, for 1928 the total income reported on returns was approximately \$27.3 billion. During Income Year 1929, the nation experienced the stock market crash and huge losses of \$1.8 billion (associated with the sale of real estate, stocks and bonds) were reported. For that year total income dropped to \$26.6 billion and continued on a downward trend as the Great

Depression progressed, to a low point of \$10.6 billion for 1932. During the rest of the Depression total income reported grew rather slowly and only by 1939 did it again surpass \$25 billion.

Because of the dramatic increase in the number of returns filed during the 1940's, by 1945 the total income had increased to \$120 billion. Over the next fifteen years, total income grew steadily and reached more than \$316 billion for 1960. During the decade of the 1960's, total income doubled again; and, with the rapid inflation of the 1970's and early 1980's, it grew even more to over three times the level of the late 1960's.

Changes in Real Total Income

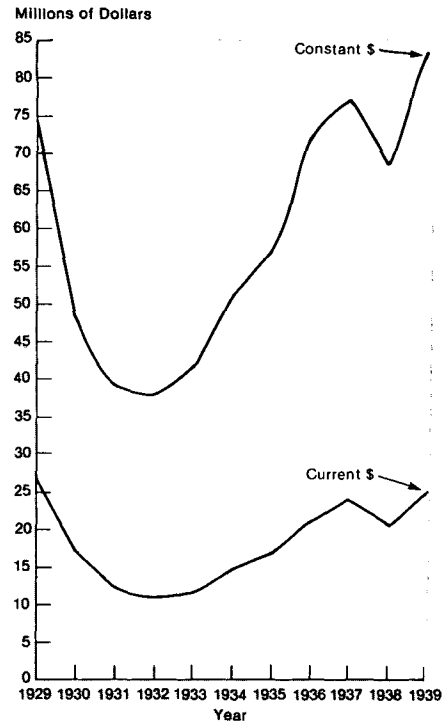
Presented below in Figure E for selected years is the total income in constant dollars adjusted for inflation [6] compared to the current dollar total for the same year.

Figure E.--Total Income for Selected Years, 1929-1982

Selected Income Year	Total Income	
	Current Dollars (millions)	Constant (1972) Dollars (millions)
1929.....	26.7	61.1
1930.....	17.0	38.0
1935.....	12.2	38.6
1940.....	40.2	130.0
1945.....	120.0	272.1
1950.....	179.1	314.9
1955.....	249.0	386.7
1960.....	316.1	439.7
1965.....	432.3	560.0
1970.....	639.4	691.2
1975.....	962.9	769.1
1980.....	1,642.3	916.5
1981.....	1,804.0	927.5
1982.....	1,912.2	928.3

An examination of the data shows that the 11-fold real growth in total income over these 54 years is consistent with, but less staggering than, the 72-fold growth rate in the current dollar total. As seen in Figure F, the constant-dollar total income in the Great Depression of the 1930's declined in the same pattern as current-dollar total income and reached a low point of \$38.2 billion for 1932. However, unlike the current-dollar totals, real growth in total income was more rapid because of falling prices. By Income Year 1937 the constant dollar total had passed the pre-Depression level of \$74.3 billion. Furthermore, for the 11-year period of 1929 to 1939, there was a 12 percent real growth in total income in contrast to a very small decline in the current dollar total.

Figure F
Current and Constant Dollar Total Income, 1929-1939
(1972 = 100)



Generally, growth in real total income reported on individual income tax returns has continued at a steady pace over the years since 1940 (see Figure G). However, unlike the current dollar total for each year, which over the last 43 years has experienced only one downturn from the previous year (1949), the pattern of change in the constant-dollar total income has generally coincided with the expansion and contraction of the U.S. economy.

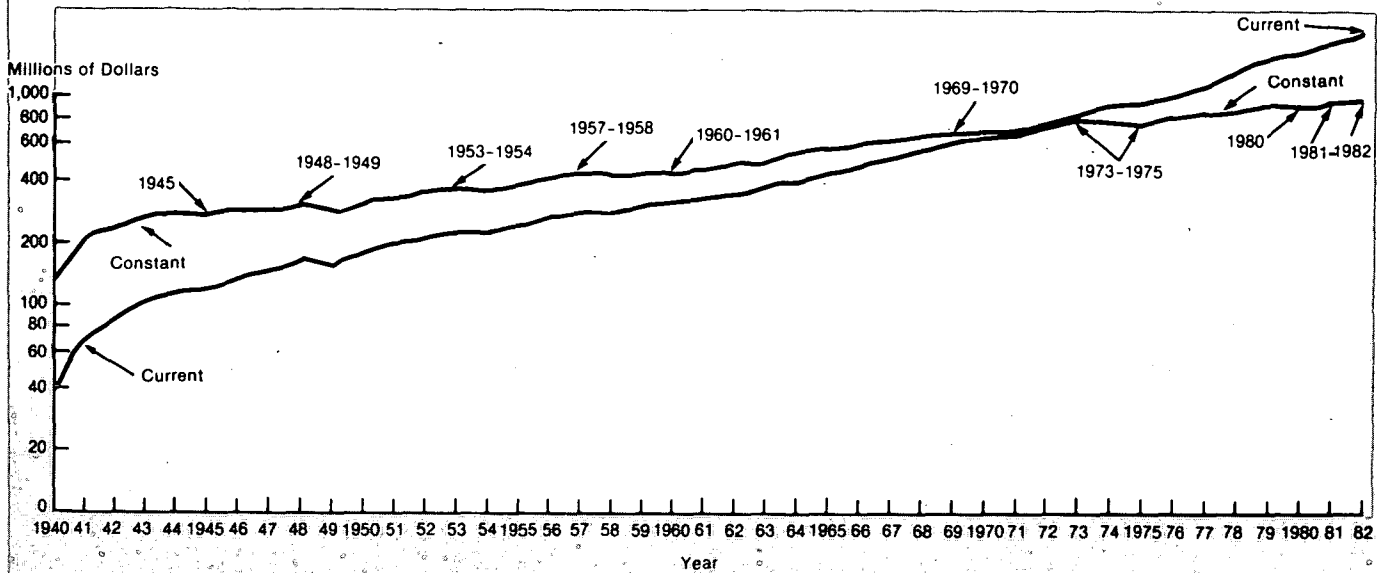
For each of the nine time periods highlighted in Figure G, the U.S. economy experienced the end of a business cycle expansion, the beginning and ending of a recession and the beginning of a new period of growth [7]. As shown during each of the periods the growth in real total income reported on individual returns was flat or in decline. This pattern of change in real total income was especially prevalent in the 10-year period ending with 1982, during which time the economy experienced three economic downturns, in 1973-1975, 1980 and 1981-1982.

During the recession of 1973-1975, real total income dropped by 0.3 percent for 1974 and by 2.6 percent for 1975; and in the recession of 1980 total income dropped slightly (0.1 percent) from the 1979 total. For the most recent recessionary period of 1981-1982 there was a very slow growth rate of only about 1.2 percent for 1981 and less than 0.1 percent for 1982. However, despite this slow growth, real

Figure G

Current and Constant Dollar Total Income, 1940-1982

(1972 = 100)



total income reported on individual income tax returns reached an all-time high for Income Year 1982.

Year	Real Total Income (thousands)	Percent Change from Previous Year
1973.....	792,630	4.9
1974.....	789,881	-0.3
1975.....	769,078	-2.6
1979.....	917,038	3.2
1980.....	916,495	-0.1
1981.....	927,533	1.2
1982.....	928,279	0.1

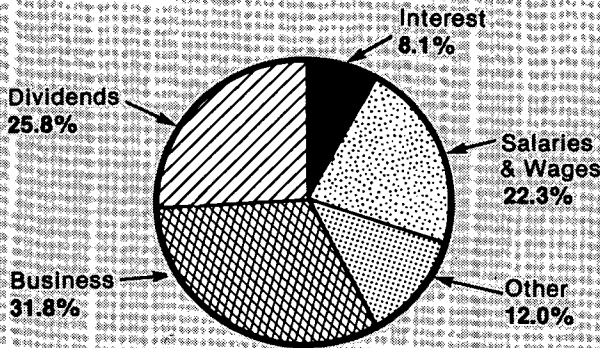
Major Sources of Individual Income

Historically, the most important sources of income reported on individual returns have been

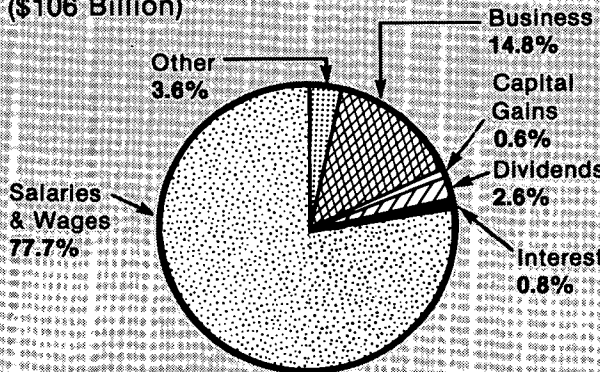
salaries and wages, interest, dividends, business income from sole proprietorships and partnerships, and gains from the sale of capital assets. For most of the 70-year period, these five sources of income have accounted for more than 90 percent of the total individual income reported for tax purposes. However, during this period there was a significant change in the composition of income. Over the years, salaries and wages accounted for the largest single source of income. Since 1918, they represented more than 40 percent of the total. Interest income which was once the smallest of these five major sources increased rapidly. Since 1967, it exceeded dividend income as the second largest source. Furthermore, reflecting an overall change in the form of business arrangements from unincorporated to incorporated, business income (mostly from partnerships and sole proprietorships) showed a sharp, consistent, proportional decline from almost 42 percent of the total for 1916 to less than 3 percent for 1982. This change in the composition of individual income over the years is shown in Figure H.

Figure H
Major Sources of Individual
Income — Percent of Total
— 1916, 1943 and 1982

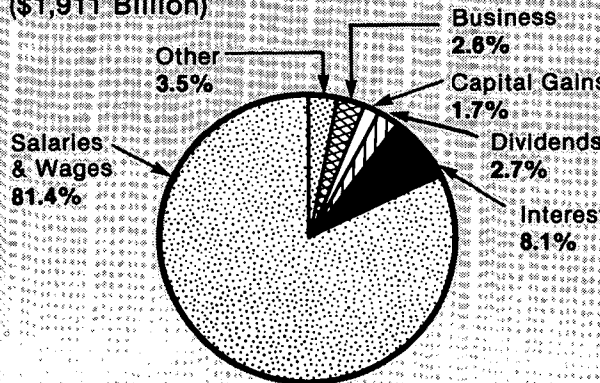
1916
 (\$6.3 Billion)



1943
 (\$106 Billion)



1982
 (\$1,911 Billion)



INCOME TAX BEFORE CREDITS

The Statistics of Income reports have presented yearly statistics dating back to 1913 on income tax before credits (as defined under the tax law for the particular year) [8]. As shown in Table 1, in general, during the first 23 years (1913-1940), the total income tax before credits shown on the returns tabulated in SOI fluctuated (because of the effect tax law changes and economic events had on total income) between approximately \$28 million and \$1.3 billion.

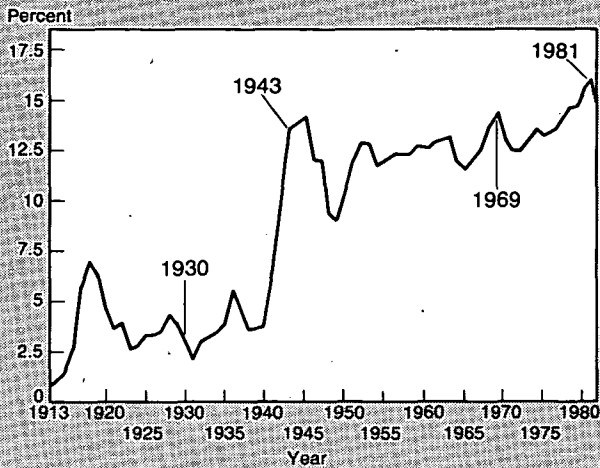
However, beginning with the growth of individual income in the 1940's total income tax before credits rose almost steadily, peaking for 1981 at more than \$290 billion. For 1982, total income tax before credits dropped by approximately \$7.1 billion, largely reflecting the tax cutting provisions of the Economic Recovery Tax Act of 1981.

AVERAGE TAX RATE

Along with the historical increase in total income tax before credits there was also steady increase over the past 70 years in the "average individual income tax rate" [9] (see Figure I). The many different economic events and tax law changes which affected both the definition of income reported on a tax return and the calculation of tax before credits on this income have, naturally, caused the rate to fluctuate between less than 1.0 percent for 1913 and 16.0 percent, the all-time high, for 1981. However, since the mid-1960's the effect of inflation or "bracket creep" was an important economic event which caused the average rate to increase.

This phenomenon of bracket creep was caused by the fact that, under the U.S. graduated system of taxation, income increases, intended to compensate workers for rising living costs, pushed taxpayers into higher tax brackets with the result of both larger total and average tax burdens for individuals. This continued increase in the average tax rate occurred despite several tax lowering measures, such as the general tax credit which was given to taxpayers for each of the years 1975 through 1978 and the 1.25 percent rate reduction credit for 1981 (which was the first of several tax cuts introduced by the Economic Recovery Tax Act of 1981). The drop in the rate to 14.8 percent for 1982 reflects the first full year of the tax-cutting provisions of the Act.

Figure 1
Average Individual Income Tax Rate, 1913-1982



1930—Beginning of the Great Depression
 1943—First year of tax withholding from wages and salaries
 1969—Vietnam War tax surcharge
 1981—Economic Recovery Tax Act

tions exceeded gross income) because the emphasis of Statistics of Income was on net income and whether the returns were taxable or nontaxable (exemptions exceeded net income). Data from all individual returns filed were not included in SOI until 1928.

In addition, prior to 1937 the income of an estate or trust which yielded a tax for which the estate or trust was liable (usually income received while the estate was being settled or income from a trust which was not yet distributed to beneficiaries) was required to be filed on an individual return, Form 1040. The tax rates were the same as for individuals and a separate Form 1041 was not used for this purpose until 1937. Consequently, for 1916-1936 data for individuals and estates and trusts with net income were all combined (though labelled as "individual returns") and they were not separated in the statistics [12].

A general description of sampling procedures and data limitations applicable to the SOI tabulations is contained in the Appendix to this report. See also the applicable SOI report for more information on data sources and limitations for a specific year.

DATA SOURCES AND LIMITATIONS

Throughout the history of the Statistics of Income data series for individuals the data for the most part have been based on stratified probability samples of unaudited individual income tax returns. The use of systematic stratified sampling was introduced as early as the 1925 Statistics of Income report. Its use is indicated in this portion of the text excerpted from the 1925 volume "...In addition, a fair average sample of the returns filed by persons having net income of less than \$5,000 approximating 250,000 returns are sent in to the Bureau (of Internal Revenue) by the 64 collectors' offices and are analyzed for information bearing on this income class, the data fairly representing the distribution of income of all the returns filed having net income of less than \$5,000" [10]. This was, so far as is known, the first use of stratified sampling in a major Federal statistical program.

The largest number of returns included in the SOI sample for any one year was 1.1 million for 1948. Today, with sophisticated automatic data processing, better statistical techniques and recent budgetary constraints, the size of the sample has fallen to less than 100,000 returns [11].

The aggregate number of returns and money amounts shown in the early Statistics of Income reports are undoubtedly different from those that were actually reported on all individual income tax returns filed. These reports did not contain data from deficit returns (deduc-

NOTES AND REFERENCES

- [1] See for the annual Statistics of Income reports: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--Individual Income Tax Returns Publication 79, and Statistics of Income--Corporation Income Tax Returns, Publication 16.
- [2] Public-use tape files available from the Statistics of Income program include: Individual Tax Model for each year 1966 to 1981; Corporation Source Book for each year 1965 to 1980; Estate Tax Returns, 1972 and 1976; Private Foundations, 1974 and 1979; Sole Proprietorships, 1980 and County Migration Data, 1980-1981. Further details, including ordering information, can be obtained by writing to: Director, Statistics of Income Division, D:R:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.
- [3] The number of exemptions claimed on tax returns gives a count of the number of individuals actually covered by the tax filing system. There are, however, some adjustments that have to be made to the number of exemptions to compensate for over- and undercounting of individuals. These include: subtraction of the extra exemptions for age and blindness, elimination of duplicate counting of dependents with unearned income, and adjustments to compensate for overcounting

of certain deceased taxpayers, dependents with earned income and dependents of divorced tax return filers. For more information on comparability of Census Population information with tax record information see, for example, Alvey, Wendy and Scheuren, Fritz, "Background for an Administrative Record Census", 1982 American Statistical Association Proceedings, Section on Survey Research Methods.

- [4] In general, allowable deductions included, but were not limited to, such items as interest paid, taxes paid, contributions, losses from fires and storms and bad debts. See the applicable SOI report for those deductions allowable in a specific year.
- [5] For each tax year the total income figure computed for the year was derived from the data shown in the applicable SOI report. This was accomplished by adding the positive amounts of income less the net loss amounts of income. The total amount of "net income" shown in the SOI reports prior to 1944 differs from the total income amount for the same years shown in this article. In the original SOI reports prior to 1944 allowable deductions were subtracted from the total income in arriving at net income. These deductions are discussed in note 4 above.

In addition, the total amount of adjusted gross income (AGI) shown in the SOI reports since 1944 also differs from the total income amount shown in this article. In the SOI reports since 1944 statutory adjustments were subtracted from total income in arriving at AGI. Statutory adjustments include, but are not limited to, such items as the moving expense adjustment, employee business expenses and the sick pay exclusion. See the applicable SOI report for those statutory adjustments allowable in a specific year.

- [6] Implicit Price Deflator for Personal Consumption Expenditures, U.S. Department of Commerce, Bureau of Economic Analysis, The National Income and Product Accounts of the United States, 1929-76 and Survey of Current Business, July 1982.
- [7] U.S. Department of Commerce, Bureau of Economic Analysis, Business Conditions Digest, November 1983.
- [8] For a few years the total amount for income tax before credits shown in this article differs slightly from the total shown in the appropriate SOI report. This difference is the result of the slight

adjustments made for certain general tax credits which were added to the tax law in order to lower tax liability without changing the tax rates.

- [9] The average individual income tax rate is defined as the ratio of total income to income tax before credits. Income tax before credits is the focus in this article rather than income tax after credits, because of the desire to look at the impact of the differing rates over time. The general pattern shown in this article would however be little changed if the calculations had been made with income tax after credits instead. Total tax liability, as shown in Table 1, includes not only income tax after credits but also additional tax for tax preferences, self-employment taxes, etc.
- [10] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1925, page 1.
- [11] For further information on the 1982 sample see the Data Sources and Limitations section of the "Preliminary Income and Tax Statistics for 1982 Individual Income Tax Returns" found on page 15 of this Statistics of Income Bulletin.
- [12] It is conjectured that the data in this article are impacted to a negligible degree by the absence of deficit returns prior to 1928 and the presence of fiduciary returns prior to 1937. The number of such returns was quite small and their effects on the data would tend to cancel in any case.

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Individual Income and Taxes, 1913-1982

Table 1.--Number of Returns, Major Sources of Income and Income Tax, 1913-1982

[Numbers of returns are in thousands--money amounts are in millions]

Year	Number of returns	Total income	Major sources of income					Income tax before credits ⁶	Total tax liability ⁷	
			Salaries and wages ¹	Interest received ²	Dividends ³	Net capital gain less loss ⁴	Business net income less loss ⁵			All other income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1913.....	358	3,900	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28	28
1914.....	358	4,000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41	41
1915.....	337	4,600	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	68	68
1916.....	437	6,299	1,851	667	2,136	N/A	2,637	-992	173	173
1917.....	3,473	13,652	3,648	936	2,849	N/A	3,640	2,579	795	795
1918.....	4,425	15,925	8,267	1,403	2,469	N/A	4,339	-553	1,128	1,128
1919.....	5,333	19,859	10,756	1,500	2,454	N/A	5,709	-560	1,270	1,270
1920.....	7,260	23,736	15,323	1,709	2,736	N/A	4,922	-954	1,075	1,075
1921.....	6,662	19,577	13,813	1,690	2,477	462	3,707	-2,572	719	719
1922.....	6,787	21,761	13,694	1,738	2,664	742	4,267	-1,344	861	861
1923.....	7,698	25,313	14,193	2,183	3,120	866	6,399	-1,448	662	662
1924.....	7,370	26,189	13,618	2,281	3,251	1,124	6,565	-650	735	704
1925.....	4,171	22,337	9,742	1,814	3,465	940	5,516	860	759	735
1926.....	4,138	22,442	9,994	1,936	4,012	1,287	5,306	-93	757	732
1927.....	4,102	23,854	10,218	2,026	4,255	1,585	5,043	727	856	830
1928.....	4,144	27,338	10,945	2,143	4,440	1,708	5,223	2,879	1,199	1,164
1929.....	4,133	26,692	11,373	2,210	5,081	1,341	5,282	1,405	1,024	1,002
1930.....	3,852	17,047	10,206	1,940	4,632	676	3,101	-3,508	502	477
1931.....	3,411	12,221	8,631	1,337	3,600	990	2,016	-4,353	264	246
1932.....	4,083	10,671	8,356	1,307	2,189	325	1,229	-2,735	330	330
1933.....	3,892	11,473	7,565	1,106	1,711	232	1,746	-887	374	374
1934.....	4,198	14,957	8,681	995	2,041	18	2,125	1,097	511	511
1935.....	4,670	17,193	9,972	980	2,288	363	2,387	1,203	657	657
1936.....	5,486	21,773	11,718	955	3,228	852	3,210	1,810	1,214	1,214
1937.....	6,350	24,120	14,206	856	3,248	158	3,359	2,293	1,142	1,142
1938.....	6,251	21,436	13,307	823	2,212	-176	3,120	2,150	766	766
1939.....	7,652	25,363	16,491	832	2,544	321	3,674	1,501	929	929
1940.....	14,711	40,155	27,707	1,003	2,999	332	5,407	2,707	1,496	1,496
1941.....	25,870	63,433	47,140	1,029	3,299	430	8,455	3,080	3,908	3,908
1942.....	36,619	85,780	65,617	982	2,833	112	12,833	3,403	8,927	8,927
1943.....	43,722	106,555	82,755	886	2,780	595	15,717	3,822	14,590	14,590
1944.....	47,111	116,465	91,125	(⁸)	3,924 ⁸	917	17,250	3,249	16,224	16,216
1945.....	49,932	120,009	91,700	(⁸)	3,925 ⁸	2,114	19,003	3,267	17,061	17,050
1946.....	52,817	134,083	99,174	1,067	3,674	3,068	23,267	3,833	16,091	16,076
1947.....	55,099	149,736	114,804	1,125	4,295	2,154	23,295	4,063	18,092	18,076
1948.....	52,072	163,516	125,881	1,293	4,971	2,201	24,506	4,664	15,442	15,442
1949.....	51,814	160,574	124,883	1,528	5,246	1,604	21,705	5,608	14,538	14,538
1950.....	53,060	179,148	139,073	1,595	6,157	2,927	23,429	5,967	18,375	18,375
1951.....	55,447	202,337	160,482	1,702	6,056	2,997	24,878	6,222	24,439	24,439
1952.....	56,529	215,290	174,339	1,847	5,860	2,470	24,754	6,020	27,822	28,020
1953.....	57,838	228,708	187,734	2,043	5,828	2,075	24,951	6,077	29,450	29,657
1954.....	56,747	229,573	185,953	2,370	7,048	3,352	25,452	5,398	26,873	26,967
1955.....	58,250	248,974	200,712	2,584	7,851	4,751	27,454	5,622	29,982	30,077
1956.....	59,197	268,268	215,618	2,872	8,606	4,553	30,137	6,482	33,134	33,265
1957.....	59,825	280,895	228,077	3,319	9,124	3,485	29,698	7,192	34,816	34,975
1958.....	59,085	281,777	227,551	3,659	9,741	4,330	29,906	6,590	34,755	34,925
1959.....	60,271	305,772	247,370	4,395	9,356	6,275	30,994	12,382	39,092	39,347
1960.....	61,028	316,141	257,918	5,057	9,530	5,300	30,038	8,298	39,909	40,298
1961.....	61,499	330,617	266,902	5,683	9,890	7,621	31,578	8,943	42,714	43,066
1962.....	62,712	349,484	283,373	7,155	10,640	5,771	33,269	9,276	45,691	45,790
1963.....	63,943	369,675	299,443	9,212	11,452	6,449	33,184	9,935	49,117	49,216
1964.....	65,376	399,539	323,266	10,125	11,917	7,939	35,358	10,934	47,896	48,185
1965.....	67,596	432,344	347,150	11,296	12,961	10,180	38,559	12,198	50,144	50,632
1966.....	70,160	472,132	381,067	13,225	13,998	9,941	40,984	12,917	56,773	51,627
1967.....	71,651	509,151	411,646	14,899	14,202	13,682	42,280	12,442	63,655	64,525
1968.....	73,729	559,760	451,505	16,782	15,222	17,990	45,503	12,758	77,440	78,419
1969.....	75,834	603,546	498,865	19,626	15,740	14,583	45,842	8,890	87,336	88,524
1970.....	74,280	639,358	531,884	22,021	15,807	9,007	44,242	16,397	84,156	85,767
1971.....	74,576	682,467	564,967	24,731	15,671	13,155	45,029	18,914	85,942	87,469
1972.....	77,573	755,540	622,599	27,400	16,794	17,076	49,616	22,055	94,442	95,949
1973.....	80,693	837,813	687,179	32,174	18,734	16,672	56,489	26,565	109,394	111,175
1974.....	83,340	918,626	758,628	39,543	20,887	13,470	55,055	31,043	125,079	127,003
1975.....	82,229	962,887	795,399	43,434	21,892	14,072	53,736	34,354	127,432	127,939
1976.....	84,670	1,070,180	880,998	48,588	24,461	18,562	59,637	37,934	144,186	145,749
1977.....	86,635	1,177,821	969,403	54,603	27,020	20,777	63,271	42,747	162,587	164,024
1978.....	89,772	1,324,811	1,090,292	61,223	30,206	23,321	75,156	44,703	193,555	193,185
1979.....	92,694	1,490,173	1,229,251	73,875	33,483	28,448	69,013	56,103	220,099	220,100
1980.....	93,902	1,642,345	1,349,843	102,009	36,761	29,660	64,557	59,515	256,294	256,251
1981.....	95,396	1,804,046	1,486,100	140,559 ⁹	48,161 ⁹	30,819	52,933	45,474	290,207	291,127
1982p.....	95,298	1,912,244	1,564,594	157,207	52,454	31,966	50,948	62,796	283,098	285,627

¹Salaries and wages reported on individual returns include "Professions and vocations" for 1916; the taxpayer's earned income from partnerships for 1916-1926; and earned income of the individual, spouse, or dependent minors derived from business conducted as a sole proprietorship prior to 1924. For 1944-1960 they exclude amounts of less than \$100 per return, reported on Form W-2, from which no tax was withheld; such wages and salaries are tabulated as other income.

²Because of tax law changes the amounts shown for interest received may not be comparable for each year. For a specific year see the applicable SOI report for those amounts of interest received which were required to be reported on individual tax returns. The 1981 data are for dividends received before exclusion. See footnote 7 for further information.

³Because of tax law changes the amounts shown for dividend income may not be comparable for each year. For a specific year see the applicable SOI report for those amounts of dividend income which were required to be reported on individual tax returns. Amounts shown for 1954-1982 are for dividends after the exclusion amount. The 1981 data are for dividends before exclusion. See footnote 7 for further information.

⁴Because of tax law changes the amounts shown for net capital gain less loss may not be comparable for each year. For a specific year see the applicable SOI report for those amounts of net capital gain less loss which were required to be reported on individual tax returns.

⁵Business net income less loss includes income from sole proprietorships and partnerships. Because of tax law changes the amounts of business income from sole proprietorships and partnerships may not be comparable for each year. See footnote 1 above for further information on sole proprietorship and partnership income included as salaries and wages for 1916-1926. See the applicable SOI report for those amounts of sole proprietorship and partnership income which were required to be reported on individual tax returns.

⁶The total amount for income tax before credits for a few years differs slightly from the total shown in the appropriate SOI report. This difference is the result of slight adjustments made for certain general tax credits which were added to the tax law to lower tax liability without changing the tax rates.

⁷Total tax liability includes all income taxes reported on individual returns.

⁸For 1944 and 1945 the total amounts for interest and dividend income were combined in the SOI reports and shown as dividend income.

⁹Because of a one-time combined interest and dividend exclusion in 1981 data for interest and dividends are before exclusion. The combined amount of interest and dividends after the exclusion was \$178,097,705,000, reported on 31,144,410 returns.

p - Preliminary data.

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

Preliminary Income and Tax Statistics for 1982 Individual Income Tax Returns

By Marshall S. Epstein*

Although the number of returns with total income tax increased slightly to 76.7 million, based on preliminary tabulations from Tax Year 1982 returns, total income tax decreased by \$7.4 billion to \$278.5 billion. This represented a 2.6 percent drop from the 1981 level, and it was the first yearly decline registered in total income tax since 1970. The tax cuts provided by the Economic Recovery Tax Act of 1981 (5 percent implemented on October 1, 1981 and 10 percent implemented on July 1, 1982) were the primary factors in the decline. A sharp increase in the amount of income placed into individual retirement arrangements (IRA) and the introduction of the two-earner, married couple, deduction also contributed to the decrease. The average tax bill for 1982 decreased to \$2,922 from \$3,000 for 1981, even though salaries and wages increased by 5.0 percent.

RETURN FILINGS

For the first time in 22 years, many individuals had the option of selecting among three principal tax forms in meeting their obligations to comply with the Internal Revenue Code [1]. These forms were the 1040, 1040A and the 1040EZ. About 15 million 1040EZ forms were filed for Income Year 1982. Individuals could use the Form 1040EZ only if their filing status was single and their taxable income was less than \$50,000. In addition, taxable income could only consist of salaries, wages, tips and interest of \$400 or less. Furthermore, the taxpayer could not claim any exemptions for age, blindness or dependents.

Type of Return	Returns Filed for Tax Year 1982
Total	95,297,502
1040	59,444,368
1040A	21,009,718
1040EZ	14,843,416

Between Tax Years 1976 and 1981, the number of returns filed increased by at least 1 percent each year. Between 1981 and 1982, however, there was almost no change in the number of returns filed.

One factor possibly causing the decline in the growth rate of individual tax returns was the increase in unemployment during 1982 [2]. In most years there appears to be an inverse relationship between unemployment and growth in the number of individual returns.

Tax Year	Annual Growth Rate for Returns Filed	Civilian Unemployment Rate
1977	2.3%	6.9%
1978	3.9	6.0
1979	3.0	5.8
1980	1.1	7.0
1981	1.8	7.5
1982	0.0	9.5

INCOME

As shown in Figure A, preliminary data for 1982 indicated that individuals reported \$1.85 trillion dollars of adjusted gross income (AGI). This is a 3.9 percent increase over the amount of AGI reported for 1981. This increase, while substantial, fell well below that for recent years, primarily because of a slowing of the growth of wages and salaries [3].

Salaries and wages typically have accounted for over 80 percent of AGI, hence, there is a high correlation between the growth of salaries and AGI [4]. The decline in wage growth has been quite visible in recent wage bargaining agreements [5]. Reduced inflationary pressure and poor economic conditions resulted in lower wage and salary growth for 1982.

*Individual Returns Analysis Section. Prepared under the direction of Dan Trevors, Acting Chief.

Individual Returns, 1982

Figure A.--Sources of Income and Selected Tax Items, 1981 and 1982

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

Item	1981	1982	Change, 1981 to 1982
	(Preliminary)	(Preliminary)	
	(1)	(2)	(3)
Number of returns, total.....	95,284,813	95,297,502	12,689
Taxable.....	76,682,212	76,704,684	22,472
Nontaxable.....	18,602,601	18,592,818	-9,783
Adjusted gross income less deficit.....	1,779,359,494	1,847,801,109	68,441,615
Sources of income:			
Salaries and wages.....	1,489,233,708	1,564,594,371	75,360,663
Interest and dividends:			
Interest received.....	139,901,533	157,207,367	17,305,834
Dividends received.....	48,470,224	54,178,729	5,708,505
Interest and dividends in adjusted gross income ¹	177,710,959	209,661,134	31,950,175
State income tax refunds.....	4,362,596	4,953,990	591,394
Alimony received.....	1,743,964	1,811,914	67,950
Business or profession net profit less loss.....	53,611,092	49,250,126	-4,360,966
Sales of capital assets net gain less loss.....	29,281,172	31,965,913	2,684,741
Sales of property other than capital assets net gain less loss...	333,743	483,894	150,151
Pensions and annuities in adjusted gross income.....	52,079,899	59,936,646	7,856,747
Rent net income less loss.....	-2,101,589	-7,515,646	-5,414,057
Royalty net income less loss.....	5,623,239	5,924,963	301,724
Farm rental net income less loss.....	2,101,199	2,207,639	106,440
Estate or trust net income less loss.....	3,875,019	5,363,009	1,487,990
Partnership net profit less loss.....	2,074,628	1,942,910	-131,718
Small Business Corporation net profit less loss.....	-444,879	168,741	613,350
Credit-refund-for-overpayment-of-windfall-profit-tax.....	-129,761	86,507	-43,254
Deduction for windfall profit tax withheld.....	-1,071,335	-756,001	315,334
Farm net profit less loss.....	-7,431,503	-9,234,792	-1,803,289
Unemployment compensation in adjusted gross income.....	2,316,661	7,470,253	5,153,592
Other income less loss.....	-501,258	-7,714,298	-7,213,040
Total statutory adjustments.....	31,466,384	64,443,164	32,976,780
Total itemized deductions.....	255,370,622	284,693,336	29,322,714
Number of exemptions.....	230,987,875	233,123,345	2,135,470
Taxable income.....	1,415,615,526	1,468,859,887	53,244,361
Zero bracket amount.....	240,791,112	240,333,587	-457,525
Income tax before credits.....	295,662,844	283,097,983	-12,564,861
Total credits.....	11,430,046	7,472,762	-3,957,284
Income tax after credit.....	284,232,797	275,625,221	-8,607,576
Additional tax for tax preferences:			
Total.....	1,617,053	1,311,473	-305,580
Minimum tax.....	513,145	364,710	-148,435
Alternative minimum tax.....	1,103,909	946,763	-157,146
Total income tax.....	285,849,851	278,473,358	-7,376,493
Self-employment tax.....	6,579,434	6,528,454	-50,980
Total tax liability.....	292,724,067	285,627,470	-7,096,597

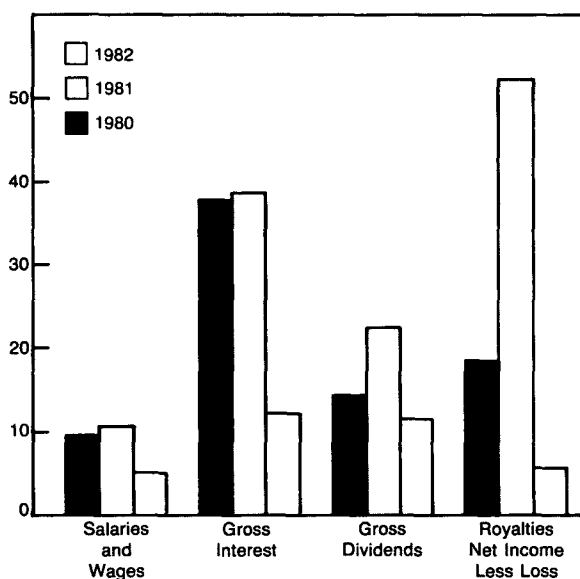
¹In 1981 there was a \$200 (\$400 on a joint return) exclusion on combined dividends and interest. In 1982 there was a \$100 (\$200 on a joint return) exclusion which applied only to dividends.

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

Although their rates of growth have also slowed markedly, certain types of investment income continued to increase at a more rapid rate than both AGI and salaries and wages [6]. Due mainly to falling oil prices, royalties (net income less loss) experienced the largest decline in annual growth rates, falling from 52.0 percent to 5.4 percent. The reduction in oil prices resulted from a decrease in U.S. demand for oil and gasoline and an abundant supply of foreign crude oil relative to worldwide demand [7]. The slowdown in the annual growth rate of interest income may be related to a general decline in interest rates from their historical highs of 1980-1981. [8].

Figure B
Annual Rate of Change of Certain
Selected Income Items: 1980, 1981, 1982

Annual Rate of Growth
(percent)



Income Type	1982 Amount (millions)	Percent Increase from 1981
Royalties (net income less loss)	\$ 5,925	5.4%
Gross interest	157,207	12.4
Gross dividends	54,179	11.8
Salaries and wages ...	1,564,594	5.1

There is a strong connection between the decline in annual dividend growth rates and the decline in corporate profits. Corporations use their profits mainly to expand their operations and pay dividends to their shareholders. In an era of high real interest rates, there is a strong incentive to use undistributed corporate

profits as a source of financing instead of costly debt and equity instruments. By contrast, for 1979-1981, corporations devoted increasing portions of their after-tax profits to dividend payments. Over this same time period, after-tax profits declined each year [9]. These two trends placed many corporations in a situation in which they were forced to reduce dividend increases paid in order to provide low-cost equity financing for their operations.

As noted for 1981, overall business profits of individuals for 1982 showed a slower rate of growth than the various types of investment income. The table below reflects the changes in the number of businesses reporting a profit or loss. Farmers showed a decrease in the number of businesses reporting a net profit while other categories of income showed only modest increases, continuing a trend noted for 1981. In contrast to 1981, the number of businesses reporting a net loss increased at a much lower rate. Interestingly, Small Business Corporations which, as a class, had the smallest growth in net losses for 1981 showed the largest change for 1982.

Income Type	Net Profit Returns (thousands)	Percent Change from 1981
Business (nonfarm)	6,678	2.3%
Farm	936	-4.6
Partnership	1,757	.5
Small Business Corporation	400	1.3

Income Type	Net Loss Returns (thousands)	Percent Change from 1981
Business (nonfarm)	3,328	9.4%
Farm	1,744	5.8
Partnership	2,051	6.2
Small Business Corporation	386	11.9

Beginning in 1982, the base amount for including unemployment compensation in adjusted gross income was lowered from \$25,000 to \$18,000 in the case of a joint return, zero in the case of a married taxpayer who lived with his or her spouse during the year but was not filing a joint return, and lowered from \$20,000 to \$12,000 for all other taxpayers. The base amount was the maximum amount of unemployment compensation excludible from adjusted gross income. This change in the tax law combined with a 2 percent increase in the unemployment rate caused the number of returns with unemployment compensation in adjusted gross income to more than double to 5.5 million

returns. In addition, a comparable rise in the amount of unemployment compensation in adjusted gross income also occurred, increasing by 222 percent to \$7.5 billion dollars [10].

ITEMIZED DEDUCTIONS

The number of returns with itemized deductions climbed by 6.8 percent to 33.7 million for 1982. An even larger increase occurred in total itemized deductions which increased by 11.5 percent to \$284.7 billion. For 1982, the largest increase was in medical deductions, up 22.1 percent, while the smallest change occurred in miscellaneous deductions, up 1.2 percent from last year. The increase in medical deductions resulted primarily from substantial increases in physician fees and private hospital charges [11].

Three quarters of the 11.5 percent increase in the taxes paid deduction was due to rising State and local income tax and real estate tax payments. Continued high home mortgage and credit card interest rates caused the interest paid deduction to increase by 12.1 percent.

earned income included wages, salaries, tips and commissions after reduction for employee business expenses, payments to an individual retirement account (IRA) or Keogh plan and repayment of supplemental unemployment benefits. For 1982, almost 22 million filers claimed this deduction. These filers reduced their total taxable income by \$9 billion dollars, an average of \$409 apiece.

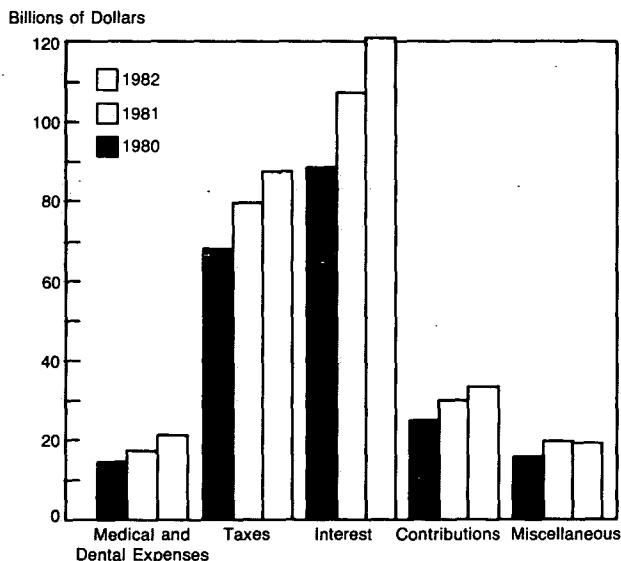
For Tax Years beginning after 1981, several changes were made to the rules covering retirement savings for individuals. First, more individuals were eligible to make payments to retirement plans, and these payments were deductible from gross income. Before 1982, filers covered by a pension plan could not deduct payments to an IRA. However, beginning in 1982, active participants in qualified employer plans or Government retirement plans could deduct payments to IRA's. Second, deductible payments could be made to more kinds of plans. Third, the annual limit on deductible payments was increased by \$500 to \$2,000 for individuals (\$2,250 if a nonemployed spousal IRA is involved.) Finally, the rules covering payments to spousal IRA's were liberalized as a consequence of the above changes. The number of returns with payments to an individual retirement arrangement—almost tripled to 12 million for 1982. Total payments to individual retirement arrangements increased by 492 percent to \$28.4 billion.

In spite of significant changes in the tax law affecting it, the child and dependent care credit played only a small part in bringing about the reduction in total income tax for 1982. The credit increased to 30 percent of qualified child and dependent care expenses for taxpayers with adjusted gross income of \$10,000 or less and remained at 20 percent for taxpayers with adjusted gross income of more than \$28,000. For taxpayers between these two ranges, the allowable credit was reduced one percentage point for each \$2,000 or fraction thereof of adjusted gross income in excess of \$10,000. Chiefly as a result of increased day care center enrollments, due to greater labor force participation rates among wives and female headed households, the number of returns with the child care credit increased by 401,000, to 5 million, for Tax Year 1982 [13]. In addition, the total amount of child care credit used to offset income tax before credits increased by almost \$350 million, to \$1.5 billion. This represented a 30.5 percent increase over 1981. However, this increase in the credit only accounted for 4.7 percent of the \$7.4 billion tax decline for 1982.

SUMMARY

Preliminary data for Tax Year 1982 were influenced by several changes in the tax law and economic and demographic conditions. These

Figure C
Itemized Deductions by Type: 1980,
1981, 1982



ADJUSTMENTS AND TAX CREDITS

To redress the so-called "marriage tax penalty," a special deduction from gross income could be taken by two-earner, married couples who file a joint return, effective for Tax Years beginning after 1981 [12]. For 1982, the deduction was 5 percent of the lesser of \$30,000 or the earned income of the lower earning spouse. For purposes of the deduction,

factors caused total income tax to decline from the level of the previous year for the first time in over a decade. The tax law change contributing most to the decline in total income tax was the second stage of the tax cuts mandated by the Economic Recovery Tax Act of 1981. Other tax law changes included the sharp increase in the number of people eligible for individual retirement arrangements, and introduction of the two-earner, married couple deduction.

Between Tax Years 1976 and 1981, the number of returns filed increased each year. However, this trend was interrupted for Tax Year 1982. As in 1981, salaries and wages and business income failed to grow as rapidly as certain sources of investment income. The number of returns with itemized deductions increased for Tax Year 1982. Total itemized deductions increased as a consequence of rising medical expenses, larger home mortgage interest payments, and greater State and local taxes, plus the fact that more filers itemized deductions. Finally, more taxpayers took advantage of the child care credit due to modifications in the tax law affecting it and increasing day care center enrollments.

DEFINITIONS AND TAX LAW CHANGES

In general, the definitions of the terms used here are the same as those shown in the complete report, Statistics of Income--1981, Individual Income Tax Returns and the Statistics of Income Bulletin, Winter 1982-83. Updated definitions will be available in the Statistics of Income--1982, Individual Tax Returns, complete report. However, the statistics shown for 1982 were affected by two tax law changes not previously mentioned in this article. For Tax Year 1981, there was a combined dividend and interest exclusion of up to \$200 per year--\$400 on a joint return, regardless of which spouse received the income. However, starting with Tax Year 1982, Congress stated there would be a \$100 exclusion applying only to dividends--\$200 on a joint return regardless of which spouse received any of the income. Thus, all interest income was taxable in Income Year 1982. Also, starting in 1983 individuals could obtain an automatic four-month extension of time (up from a two-month extension for 1981 returns) in which to file their income tax returns.

DATA SOURCES AND LIMITATIONS

These preliminary statistics are based on a sample of individual income tax returns, Forms 1040, 1040A and 1040EZ, filed for Tax Year 1982. Returns in the sample were stratified based on the presence or absence of Schedule C, Profit (or Loss) from Business or Profession; Schedule F, Profit (or Loss) from Farms; the larger of total income or total loss and the size of business plus farm receipts. For 1982, returns were selected at rates ranging from

0.02 percent to 100 percent. There were 77,637 returns in the 1982 preliminary sample estimating a total population of 95,297,502. The corresponding sample size and population for 1981 were 134,818 and 95,284,813, respectively.

Because the data presented in this article are estimates based on a sample of returns filed with the Internal Revenue Service, they are subject to sampling error. To use properly the statistical data provided, the magnitude of the potential sampling error must be known. Coefficients of variation (CV's) are used to measure that magnitude.

The table below presents approximated coefficients of variation (CV's) for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of sample estimates based on samples, are discussed in the Appendix.

<u>Number of Returns</u>	<u>Approximate Coefficient of Variation</u>
49,990,000	.01
12,498,000	.02
2,000,000	.05
500,000	.10
125,000	.20
56,000	.30
41,000	.35
20,000	.50

These preliminary estimates are subject to several types of nonsampling error. While the estimates are intended to represent the full year's taxpayer reporting, they are actually based on returns filed through the middle of September 1983. Returns filed after that (which are sampled and included in the revised estimates for the year) tend to have slightly different characteristics than earlier-filed returns. These characteristics include larger income (including gains or losses), a heavier proportion of investment income (such as capital gains), and a larger proportion of certain other items (such as minimum tax and the alternative minimum tax).

In addition to the "filing" characteristics, some of the data may be particularly affected by tax law changes and resulting taxpayer reporting. For example, the two month automatic extension for filing of the taxpayer's return was increased to four months. Therefore, estimates derived from previous years' preliminary samples were probably based on a larger proportion of the total filed population for the year than was available for 1982.

NOTES AND REFERENCES

- [1] For Tax Year 1981, the two principal forms available for use by individuals were Form 1040 and a shorter return, Form 1040A. For further information on filing requirements, see Statistics of Income--Individual Income Tax Returns, appropriate years.
- [2] U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, Volume 106, Number 9, September 1983, page 49.
- [3] This conclusion was reached by comparing preliminary data for individuals for Tax Years 1978-82.
- [4] For further information on the historical trends of the major sources of individual income, see the Trends in Individual Income section of the "70th Year of Individual Income and Tax Statistics, 1913-1982" found on pages 4-7 of this Statistics of Income Bulletin.
- [5] Congress of the United States, Congressional Budget Office, The Economic and Budget Outlook: An Update, August 1983, pp. 27-30. This treatise explains some elements contained in recent wage bargain agreements. It also discusses the decline in wage and salary growth.
- [6] Waits, Norman, "Preliminary Income and Tax Statistics for 1981 Individual Income Tax Returns," Statistics of Income Bulletin, Volume 2, Number 3, page 1.
- [7] Alexander, Michael, "Crude Oil Windfall Profit Tax for 1982," Statistics of Income Bulletin, Volume 3, Number 2, page 35.
- [8] U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, Volume 63, Number 7, July 1983, page S-14.
- [9] Ibid., page 27, table 1.11.
- [10] U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review, op. cit.
- [11] U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, op. cit., page 36, table 2.4.
- [12] See Sailer, Peter J., "Using Tax Returns to Study Wage and Taxpaying Patterns by Sex, 1969 and 1974," 1976 American Statistical Association Proceedings, Social Statistics Section, pp. 734-740.
- [13] Data confirming the trend of increasing day care center enrollment are found in U.S. Department of Commerce, Bureau of the Census, Current Population Reports, series P-20, No. 298, and unpublished data; and Abt Associates, Inc., Day Care Centers in the U.S.: A National Profile, 1976-77, 1979. The data were from the survey conducted for U.S. Department of Health and Human Services, Administration for Children, Youth, and Families. Figures showing the growth of women who maintain families and wives in the labor force are shown in U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, monthly, and unpublished data.

Table 1.— All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income

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

Size of adjusted gross income	Number of returns	Adjusted gross income less deficit	Salaries and Wages		Interest received		Domestic and foreign dividends received				Business income less loss	
			Number of returns	Amount	Number of returns	Amount	Total		Dividends in adjusted gross income		Number of returns	Amount
							Number of returns	Amount	Number of returns	Amount		
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns, total	95,297,502	1,847,801,109	83,109,906	1,564,594,371	52,591,868	157,207,367	17,368,018	54,178,729	13,301,729	52,453,767	10,005,946	49,250,126
No adjusted gross income.....	822,704	- 23,553,456	333,344	4,393,905	510,972	2,078,084	153,179	528,909	110,714	514,264	423,036	- 4,139,761
\$1 under \$1,000.....	2,570,474	1,403,760	2,226,304	2,478,314	640,197	193,786	85,880	57,319	67,741	50,591	140,302	80,421
\$1,000 under \$2,000.....	3,849,025	5,783,608	3,258,567	5,364,364	1,132,838	656,698	223,759	138,580	192,555	121,368	173,305	49,726
\$2,000 under \$3,000.....	3,804,230	9,277,659	3,358,057	8,512,306	1,181,220	814,392	205,976	158,481	183,736	147,827	234,760	141,946
\$3,000 under \$4,000.....	3,450,462	11,899,350	2,917,328	10,481,489	1,214,663	1,168,843	211,903	247,944	181,401	232,482	263,148	334,873
\$4,000 under \$5,000.....	3,559,628	15,838,548	2,960,440	13,203,164	1,425,274	1,741,460	362,396	317,927	276,191	284,728	260,764	489,495
\$5,000 under \$6,000.....	3,528,420	19,169,415	2,326,559	15,093,430	1,475,551	2,573,784	418,216	418,418	350,759	382,703	267,236	525,838
\$6,000 under \$7,000.....	3,149,038	20,181,699	2,562,426	16,622,530	1,321,585	2,282,237	252,279	321,364	192,424	299,037	279,220	720,020
\$7,000 under \$8,000.....	3,426,978	25,329,243	2,742,731	19,942,696	1,464,928	3,147,525	390,798	505,906	303,030	468,824	250,943	698,218
\$8,000 under \$9,000.....	3,777,790	31,658,006	3,101,651	25,578,585	1,495,315	3,809,515	464,697	610,950	371,521	568,790	250,270	745,753
\$9,000 under \$10,000.....	3,204,184	30,076,025	2,706,027	24,769,924	1,408,467	3,153,720	335,752	461,165	247,748	426,985	245,981	847,259
\$10,000 under \$11,000.....	3,236,887	33,947,872	2,688,969	27,122,713	1,386,291	3,761,055	344,262	461,014	284,199	426,683	254,574	865,831
\$11,000 under \$12,000.....	2,849,178	32,778,161	2,433,685	26,891,988	1,339,017	3,304,023	255,317	418,816	181,821	393,870	255,735	743,805
\$12,000 under \$13,000.....	2,776,049	34,701,704	2,856,221	28,127,875	1,409,997	3,488,765	376,995	516,815	313,079	478,414	247,537	839,787
\$13,000 under \$14,000.....	2,732,764	36,873,238	2,820,490	30,057,953	1,347,300	4,024,502	381,036	621,225	303,487	586,982	233,314	804,413
\$14,000 under \$15,000.....	2,647,804	38,356,511	2,342,085	32,615,716	1,346,581	3,232,584	297,601	622,501	256,183	592,347	242,021	798,453
\$15,000 under \$16,000.....	2,491,767	38,662,125	2,209,794	32,807,487	1,310,476	3,460,389	350,248	638,469	277,515	599,543	238,225	900,446
\$16,000 under \$17,000.....	2,234,620	36,813,496	2,003,841	31,797,251	1,208,529	3,090,461	359,266	418,876	225,029	389,950	236,308	871,412
\$17,000 under \$18,000.....	2,014,453	35,243,476	1,746,173	29,273,182	1,156,413	3,061,430	346,015	588,666	261,838	555,348	198,030	855,846
\$18,000 under \$19,000.....	1,933,220	35,771,454	1,728,553	30,679,557	1,074,229	2,712,688	322,668	594,793	251,514	562,953	212,234	849,469
\$19,000 under \$20,000.....	1,828,372	35,599,846	1,589,018	29,459,465	1,114,932	3,153,438	339,818	677,896	277,973	643,783	225,313	847,984
\$20,000 under \$25,000.....	8,766,489	197,077,045	7,997,299	172,269,298	5,468,695	14,834,500	1,640,284	2,642,769	1,154,575	2,481,348	1,063,756	4,268,710
\$25,000 under \$30,000.....	7,589,962	208,643,698	7,083,127	186,181,435	5,411,031	12,945,275	1,717,188	2,998,391	1,253,889	2,811,585	898,912	4,196,588
\$30,000 under \$40,000.....	9,809,629	338,176,424	9,255,746	306,086,486	7,558,082	19,613,551	2,860,817	5,101,054	2,031,757	4,760,971	1,296,506	7,414,983
\$40,000 under \$50,000.....	4,691,587	207,926,018	4,371,856	184,745,722	4,019,514	13,489,608	1,841,762	4,760,624	1,360,811	4,532,776	662,687	5,001,355
\$50,000 under \$75,000.....	3,104,158	182,060,231	2,786,005	149,233,308	2,787,310	17,062,798	1,724,621	7,332,918	1,380,245	7,290,054	594,109	8,568,623
\$75,000 under \$100,000.....	699,982	59,533,561	586,132	41,608,531	658,076	7,499,297	498,542	4,001,196	440,974	3,927,393	174,192	4,344,260
\$100,000 under \$200,000.....	574,621	75,632,449	476,477	49,403,386	547,068	8,797,489	452,479	6,368,271	419,941	6,298,337	136,508	4,390,105
\$200,000 under \$500,000.....	142,798	40,702,278	117,066	21,438,201	137,829	4,549,311	126,056	5,518,380	121,396	5,497,551	37,445	1,457,423
\$500,000 under \$1,000,000.....	22,026	14,685,249	17,479	5,176,518	21,480	1,638,497	20,432	2,672,906	20,031	2,669,406	6,650	379,983
\$1,000,000 or more.....	8,203	17,552,416	6,456	3,177,592	8,008	1,867,662	7,776	3,456,206	7,652	3,454,874	2,925	517,704
Taxable returns, total	76,704,684	1,796,257,429	67,919,199	1,496,428,040	46,338,287	145,620,897	15,620,819	51,429,019	11,946,155	49,673,851	7,683,288	48,696,927
Nontaxable returns, total	18,592,818	51,543,680	15,190,707	68,166,331	6,253,581	1,586,470	1,747,199	2,749,710	1,355,574	2,779,916	2,322,658	553,199

Footnotes at end of table.

Table 1.— All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income—Continued

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

Size of adjusted gross income	Farm income less loss		Unemployment Compensation				Payments to an individual retirement arrangement		Deduction for working married couple		Exemptions	
	Number of returns	Amount	Total		In adjusted gross income		Number of returns	Amount	Number of returns	Amount	Number of exemptions	Exemptions other than age or blindness
			Number of returns	Amount	Number of returns	Amount						
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total	2,680,375	- 9,234,792	10,225,923	20,334,091	5,476,859	7,470,253	12,098,006	28,416,038	21,811,699	9,075,077	233,123,345	218,857,869
No adjusted gross income	306,074	- 6,904,290	41,343	113,341	—	—	26,330	57,631	21,090	4,882	2,258,427	2,130,949
\$1 under \$1,000	50,136	- 116,386	180,461	660,213	—	—	7,633	23,833	12,700	575	3,497,128	3,418,817
\$1,000 under \$2,000	59,158	- 157,784	245,589	720,379	—	—	10,198	16,326	41,206	1,178	5,320,132	5,142,024
\$2,000 under \$3,000	54,886	- 133,685	319,964	763,064	10,787	7,848	24,262	36,960	30,007	1,342	5,728,151	5,412,209
\$3,000 under \$4,000	66,945	- 163,654	353,678	865,047	5,023	316	28,488	70,899	52,482	3,711	5,253,829	4,959,050
\$4,000 under \$5,000	61,458	- 50,239	388,723	1,009,676	20,091	42,830	30,201	56,551	58,012	4,907	6,097,340	5,581,307
\$5,000 under \$6,000	79,597	- 79,311	385,081	839,312	5,022	4,655	71,623	119,824	115,832	7,851	6,340,784	5,612,060
\$6,000 under \$7,000	69,703	- 49,472	418,637	813,102	5,023	4,988	54,600	78,655	120,402	8,395	6,271,620	5,659,555
\$7,000 under \$8,000	76,417	- 74,329	398,023	979,029	741	153	72,146	122,488	192,834	23,432	7,517,513	6,626,343
\$8,000 under \$9,000	72,465	- 62,091	426,262	990,139	25,855	9,696	114,712	175,868	186,797	21,474	7,894,526	7,002,734
\$9,000 under \$10,000	65,206	- 100,616	328,012	672,563	21,630	9,632	122,008	193,697	264,530	29,704	6,727,879	6,046,476
\$10,000 under \$11,000	69,599	- 140,276	362,585	716,073	81,161	48,986	96,681	141,632	240,311	32,637	7,416,422	6,765,129
\$11,000 under \$12,000	80,961	- 52,525	305,757	672,526	105,042	75,099	117,520	192,513	288,131	41,053	6,568,892	5,992,593
\$12,000 under \$13,000	64,232	- 45,485	299,005	487,263	117,542	61,834	162,659	310,634	343,441	56,064	6,242,031	5,678,005
\$13,000 under \$14,000	63,191	- 54,930	324,954	681,274	131,174	137,800	161,308	265,887	423,482	69,050	6,555,070	5,941,566
\$14,000 under \$15,000	75,340	- 92,817	330,601	557,490	135,784	104,497	192,395	354,630	437,633	81,823	6,344,844	5,889,727
\$15,000 under \$16,000	60,457	- 26,605	295,005	558,248	143,473	139,227	193,629	359,610	461,720	90,026	6,095,710	5,622,834
\$16,000 under \$17,000	54,382	- 12,425	266,127	562,465	174,622	164,590	196,822	307,449	484,254	97,117	5,645,719	5,298,622
\$17,000 under \$18,000	53,352	- 36,096	223,098	525,223	174,836	204,739	205,756	394,238	444,704	93,185	5,057,710	4,702,480
\$18,000 under \$19,000	54,737	- 84,341	219,892	394,428	219,892	207,806	203,730	352,981	491,290	122,117	4,985,324	4,686,989
\$19,000 under \$20,000	59,662	15,231	222,746	423,563	216,959	276,481	219,804	437,479	502,239	139,510	4,992,084	4,641,166
\$20,000 under \$25,000	276,033	- 194,957	1,806,753	2,124,161	1,299,262	1,839,123	1,192,275	2,313,991	2,340,768	848,244	24,457,561	23,376,394
\$25,000 under \$30,000	211,584	336	1,049,269	1,747,509	1,048,606	1,678,504	1,475,037	3,158,841	3,175,245	1,175,240	22,979,459	22,198,890
\$30,000 under \$40,000	272,799	- 53,033	1,105,931	1,809,986	1,105,931	1,802,747	2,684,843	6,398,203	5,503,255	2,640,820	31,977,111	31,111,565
\$40,000 under \$50,000	124,726	181,813	801,746	438,480	301,746	438,480	1,849,696	4,854,442	2,378,099	1,362,165	15,513,961	14,942,009
\$50,000 under \$75,000	108,622	3,365	112,680	171,076	112,680	171,076	1,662,368	4,893,506	1,705,238	1,285,549	10,364,242	9,844,198
\$75,000 under \$100,000	38,098	- 20,775	9,633	19,352	9,633	19,352	449,958	1,360,599	280,590	190,954	2,398,005	2,224,277
\$100,000 under \$200,000	35,300	- 247,968	4,042	8,291	4,042	8,291	370,986	1,077,009	171,139	110,490	2,023,434	1,843,108
\$200,000 under \$500,000	11,667	- 295,588	242	10,671	218	10,556	86,008	249,335	37,758	27,203	497,939	440,911
\$500,000 under \$1,000,000	2,453	- 78,309	72	132	72	132	11,074	31,208	4,995	3,712	73,357	62,966
\$1,000,000 or more	1,135	- 86,050	12	15	12	15	3,256	9,119	1,515	1,167	27,141	22,916
Taxable returns, total	1,732,659	- 1,969,253	8,120,607	14,416,526	5,303,359	7,005,533	11,745,226	27,762,297	20,832,768	8,948,814	190,710,288	179,174,098
Nontaxable returns, total	947,716	- 7,265,539	2,105,316	5,917,565	173,500	464,720	352,780	653,741	978,931	126,263	42,413,057	39,683,771

Footnotes at end of table.

Table 1.— All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income — Continued

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

Size of adjusted gross income	Returns with itemized deductions										Taxable income	
	Number of returns	Total itemized deductions	Medical and dental expense deduction		Taxes paid deduction		Interest paid deduction		Contributions deduction		Number of returns	Amount
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	
All returns, total	33,689,465	284,693,336	22,161,614	21,521,513	33,318,538	89,093,280	30,456,299	120,758,035	30,774,238	33,844,531	89,916,245	1,468,659,887
No adjusted gross income.....	—	—	—	—	—	—	—	—	—	—	—	—
\$1 under \$1,000.....	15,603	118,974	12,960	23,325	15,603	11,857	14,559	78,461	12,571	1,901	15,559	29,831
\$1,000 under \$2,000.....	143,803	143,436	29,870	43,051	76,501	23,394	17,390	44,733	37,879	9,960	3,072,800	2,121,758
\$2,000 under \$3,000.....	134,106	321,511	51,617	85,779	90,804	52,963	37,927	121,413	65,398	20,637	3,261,487	4,547,832
\$3,000 under \$4,000.....	168,123	444,277	56,217	99,942	138,608	86,989	64,570	177,059	97,799	27,377	3,167,362	7,145,588
\$4,000 under \$5,000.....	224,660	883,820	103,846	261,645	167,147	145,649	120,709	320,613	110,210	71,704	3,388,719	9,937,285
\$5,000 under \$6,000.....	267,936	1,110,294	173,205	300,075	230,067	199,455	161,539	486,434	163,102	61,537	3,427,391	12,784,799
\$6,000 under \$7,000.....	247,109	1,387,565	192,934	439,656	230,288	222,262	163,723	554,839	185,026	132,441	3,094,318	13,558,080
\$7,000 under \$8,000.....	325,586	1,664,503	240,649	508,190	304,409	288,778	217,961	601,871	269,088	154,337	3,375,403	17,407,499
\$8,000 under \$9,000.....	372,321	2,084,356	307,766	654,999	366,482	299,633	294,464	623,750	321,511	226,329	3,740,602	23,185,184
\$9,000 under \$10,000.....	460,325	2,559,630	399,980	774,675	460,325	450,552	370,217	949,809	397,536	288,793	3,161,208	22,426,557
\$10,000 under \$11,000.....	475,895	2,570,592	328,956	458,043	470,131	521,690	409,067	1,070,559	389,582	258,795	3,212,006	25,436,804
\$11,000 under \$12,000.....	441,013	2,238,518	349,382	653,018	410,876	414,928	329,486	841,745	323,293	165,325	2,832,701	25,249,089
\$12,000 under \$13,000.....	538,772	3,052,059	398,508	706,682	538,772	636,887	468,105	1,180,697	481,117	397,040	2,753,642	27,013,845
\$13,000 under \$14,000.....	637,445	3,267,495	464,541	561,820	637,445	802,482	561,899	1,324,553	556,769	420,698	2,722,047	28,893,196
\$14,000 under \$15,000.....	631,270	3,355,813	489,887	545,749	631,270	809,302	560,689	1,479,197	546,104	346,247	2,643,657	30,455,362
\$15,000 under \$16,000.....	629,820	3,273,794	466,980	435,684	618,608	815,129	579,829	1,344,231	552,245	445,048	2,495,358	31,172,759
\$16,000 under \$17,000.....	542,680	3,030,573	412,161	376,901	542,680	748,185	490,634	1,388,639	476,601	315,653	2,236,916	29,780,625
\$17,000 under \$18,000.....	656,675	3,571,778	474,555	476,903	656,675	656,402	916,620	592,005	1,565,743	578,640	4,107,037	28,560,504
\$18,000 under \$19,000.....	667,924	3,785,157	452,175	352,809	667,924	1,005,460	638,364	1,778,402	617,279	381,598	1,941,598	28,978,632
\$19,000 under \$20,000.....	734,749	4,194,131	523,614	451,572	731,315	1,168,809	675,319	1,375,278	656,218	433,118	1,835,325	28,656,266
\$20,000 under \$25,000.....	4,285,849	26,225,112	2,817,196	2,560,486	4,277,322	7,829,750	3,936,081	11,673,356	3,838,309	2,768,157	8,796,908	159,464,292
\$25,000 under \$30,000.....	4,759,225	31,828,338	3,083,046	2,319,774	4,751,407	9,777,145	4,458,505	14,245,112	4,452,599	3,260,445	7,821,108	169,036,403
\$30,000 under \$40,000.....	7,736,230	60,022,423	4,899,124	3,363,407	7,735,517	19,923,709	7,373,523	26,516,340	7,328,164	6,291,270	9,853,597	271,839,280
\$40,000 under \$50,000.....	4,250,509	41,449,261	2,750,393	2,319,188	4,248,816	13,756,587	3,998,072	17,922,381	4,107,055	4,718,018	4,705,004	165,393,654
\$50,000 under \$75,000.....	2,916,155	38,705,848	1,907,636	1,711,043	2,914,597	13,332,803	2,690,408	16,794,345	2,840,809	4,407,106	3,097,763	142,105,307
\$75,000 under \$100,000.....	676,429	12,899,486	401,546	412,932	676,370	4,679,452	595,715	5,194,080	658,356	1,661,164	697,930	46,297,211
\$100,000 under \$200,000.....	558,706	16,181,052	291,330	453,539	558,702	5,653,772	490,162	6,820,653	545,003	2,532,805	572,970	59,043,014
\$200,000 under \$500,000.....	140,645	8,056,592	67,414	139,956	140,561	2,376,240	119,852	2,646,917	136,860	1,701,611	142,224	32,491,463
\$500,000 under \$1,000,000.....	21,768	2,837,089	10,280	22,845	21,755	982,419	18,508	836,209	21,175	736,506	21,940	11,783,190
\$1,000,000 or more.....	8,134	3,429,859	3,846	7,825	8,129	1,160,379	7,017	300,615	7,940	1,191,874	8,184	14,054,578
Taxable returns, total	31,551,267	264,589,827	20,554,726	17,232,623	31,265,709	85,405,889	28,679,782	111,894,880	29,013,410	32,056,792	76,653,547	1,440,977,821
Nontaxable returns, total	2,118,198	20,103,509	1,606,888	4,288,890	2,052,829	3,687,891	1,776,517	8,863,155	1,760,828	1,787,739	13,262,698	27,882,066

Footnotes at end of table.

Table 1. — All Returns: Selected Income, Deduction, and Tax Items, by Size of Adjusted Gross Income — Continued

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

Size of adjusted gross income	Income tax before credits		Tax credits		Income tax after credits		Total income tax				Total tax liabilities	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Percent of all returns	Amount	Average (dollars)	Number of returns	Amount
	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total	81,214,632	283,097,983	19,242,740	7,472,762	78,693,174	275,625,221	76,704,684	80.5	278,473,358	3,630	80,463,619	285,627,470
No adjusted gross income.....	1,031	1,344	89	287	1,031	1,057	20,726	2.5	342,002	16,501	159,066	448,702
\$1 under \$1,000.....	712	508	—	—	712	508	4,811	.2	3,089	642	78,003	14,985
\$1,000 under \$2,000.....	259,996	11,585	11,000	95	259,996	11,490	238,753	6.2	13,200	55	393,891	32,849
\$2,000 under \$3,000.....	147,800	20,028	810	30	146,990	19,998	137,882	3.6	32,995	239	538,341	68,088
\$3,000 under \$4,000.....	1,882,083	126,170	62,661	3,649	1,837,861	122,522	1,682,176	48.8	122,845	73	1,995,715	171,820
\$4,000 under \$5,000.....	2,791,704	367,980	316,223	19,351	2,579,648	348,630	2,358,616	66.3	354,832	150	2,682,597	414,783
\$5,000 under \$6,000.....	2,944,351	688,467	370,077	41,473	2,667,398	646,993	2,436,633	69.1	647,720	266	2,767,857	717,286
\$6,000 under \$7,000.....	2,712,009	884,146	543,900	83,718	2,270,827	800,428	2,078,369	66.0	815,219	392	2,420,863	906,964
\$7,000 under \$8,000.....	3,224,634	1,272,713	895,872	147,278	2,667,735	1,125,436	2,438,223	71.2	1,133,763	465	2,786,286	1,229,760
\$8,000 under \$9,000.....	3,846,111	1,992,780	1,126,816	172,808	3,513,441	1,819,972	3,209,319	85.0	1,842,311	574	3,625,559	1,956,671
\$9,000 under \$10,000.....	3,308,928	2,112,349	1,038,891	111,372	3,180,005	2,000,977	2,904,779	90.7	2,001,128	689	3,238,350	2,114,184
\$10,000 under \$11,000.....	3,124,497	2,535,125	361,967	87,431	3,065,047	2,447,694	3,068,718	94.8	2,464,842	803	3,112,940	2,612,382
\$11,000 under \$12,000.....	2,789,040	2,680,562	348,737	95,644	2,732,995	2,584,918	2,736,544	96.1	2,613,154	955	2,782,892	2,753,245
\$12,000 under \$13,000.....	2,715,849	3,063,083	411,679	120,534	2,664,441	2,942,549	2,865,868	96.0	3,058,051	1,147	2,711,027	3,202,124
\$13,000 under \$14,000.....	2,695,161	3,396,335	362,460	87,209	2,661,068	3,309,126	2,863,127	97.5	3,331,575	1,251	2,690,301	3,482,214
\$14,000 under \$15,000.....	2,631,920	3,755,726	389,972	102,479	2,600,089	3,653,248	2,603,549	98.3	3,666,002	1,408	2,625,797	3,823,261
\$15,000 under \$16,000.....	2,497,099	4,005,163	398,647	100,547	2,480,956	3,904,616	2,458,869	98.7	3,911,522	1,591	2,500,445	4,050,136
\$16,000 under \$17,000.....	2,235,259	3,931,752	344,090	75,418	2,218,313	3,856,334	2,199,501	98.4	3,863,760	1,757	2,231,662	4,011,105
\$17,000 under \$18,000.....	2,021,103	3,921,764	396,976	103,001	1,995,267	3,818,763	1,977,949	98.2	4,005,987	2,025	2,014,647	4,154,076
\$18,000 under \$19,000.....	1,934,792	4,053,181	410,671	107,060	1,919,216	3,946,121	1,902,672	98.4	3,959,119	2,081	1,929,744	4,094,382
\$19,000 under \$20,000.....	1,834,722	4,069,522	348,026	112,519	1,819,688	3,957,003	1,803,693	98.7	3,963,453	2,197	1,832,774	4,114,861
\$20,000 under \$25,000.....	8,816,402	24,634,024	2,093,507	661,374	8,738,645	23,972,649	8,666,330	98.9	24,141,676	2,786	8,784,106	25,060,505
\$25,000 under \$30,000.....	7,643,742	28,286,216	1,879,009	581,979	7,606,664	27,704,237	7,543,932	99.4	27,918,968	3,701	7,633,876	28,711,295
\$30,000 under \$40,000.....	9,891,737	50,682,505	3,103,393	1,096,932	9,843,873	49,565,573	9,763,586	99.5	49,678,204	5,088	9,368,724	50,753,429
\$40,000 under \$50,000.....	4,722,134	35,607,998	1,734,235	683,383	4,702,394	34,924,616	4,666,658	99.5	35,000,016	7,500	4,716,728	35,609,506
\$50,000 under \$75,000.....	3,097,672	36,697,875	1,385,454	822,991	3,081,493	35,374,884	3,048,573	98.2	36,033,923	11,820	3,095,765	36,806,841
\$75,000 under \$100,000.....	698,865	14,780,240	390,394	429,930	695,707	14,350,310	689,112	98.5	14,620,998	21,217	699,084	14,925,329
\$100,000 under \$200,000.....	572,905	22,427,219	381,305	742,184	569,943	21,685,035	565,307	98.4	22,015,282	38,944	573,694	22,324,022
\$200,000 under \$500,000.....	142,245	14,512,166	109,210	472,835	141,670	14,039,331	140,612	98.5	14,297,671	101,682	142,663	14,399,211
\$500,000 under \$1,000,000.....	21,944	5,645,893	18,546	200,312	21,895	5,445,581	21,711	99.6	5,693,938	262,261	22,019	5,718,621
\$1,000,000 or more.....	8,185	6,953,564	7,321	208,939	8,166	6,744,625	8,086	98.6	6,926,111	856,556	8,203	6,944,833
Taxable returns, total	76,643,625	281,994,937	16,434,954	6,369,717	76,598,376	275,625,221	76,704,684	100.0	278,473,358	3,630	76,704,684	284,806,809
Nontaxable returns, total	4,571,007	1,103,046	2,807,786	1,103,045	2,094,798	—	—	—	—	—	3,758,935	816,661

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

Corporation Income Tax Returns, 1981

By Ray Samuelson*

Preliminary information for 1981 shows a continuation of the economic downturn in the corporate area which was seen for 1980. Record high interest rates coupled with the effects of the national recession were major factors in the 12.4 percent decline in corporate profits for 1981. Net income (less deficit) was \$209.3 billion, a drop of \$29.7 billion from figures for 1980. Most industrial divisions showed decreases in profitability; the services division, however, recorded a 0.9 percent increase.

NUMBER OF RETURNS

An estimated 2,812,434 income tax returns of active corporations were filed for 1981. This represented a 3.8 percent increase over the number filed for 1980. This was the smallest rise in over five years. The number of returns (1,597,465) with net income remained virtually unchanged.

BALANCE SHEET

Corporate assets rose by 10.0 percent to an all-time high of \$8.4 trillion. However, when the inflation rate for 1981, as measured by the Implicit Price Deflator for Gross National Product [1], of 9.4 percent is taken into account, assets had a "real" decrease of 0.3 percent. In contrast, 1980 showed a "real" increase in corporate assets of 1.3 percent [2].

Increases were apparent in all net asset items except for cash and "other" current assets. The \$12.3 billion (about 2.3 percent) decline in cash may be attributable to the inability to sell inventories which, in turn, required corporations to reduce their cash stocks to meet payroll and other costs of business, including interest on loans. (For 1981, there was a rise of 61.0 percent in the amount of interest paid.) The corporate need for short-term cash was also funded through loans from stockholders which rose 24.9 percent and through increased borrowing--mortgages, notes and bonds payable in one year or less rose 12.2 percent to \$566.5 billion.

INCOME STATEMENT

The 12.4 percent drop in corporate profitability between 1980 and 1981, as measured in current dollars, came on the heels of a 16.2 percent decline between 1979 and 1980. When a constant-dollar valuation is applied to the change in profitability, the drop between 1980 and 1981 is even greater, about 20.7 percent.

Figure A.--Net Income (Less Deficit)
(Billions of Dollars)

Industrial Division	1980	1981 (Prelim.)
Total	\$239.0	\$209.3
Agriculture, forestry and fishing	0.7	0.3
Mining	7.8	5.7
Construction	5.3	3.5
Manufacturing	125.7	112.7
Transportation and public utilities	20.0	19.4
Wholesale and retail trade	38.3	33.7
Finance, insurance and real estate	33.1	25.7
Services	8.2	8.3
	<u>Percent Change</u>	
Industrial Division	Unadjusted	Inflation Adjusted
Total	-12.4%	-20.7%
Agriculture, forestry and fishing	-51.1	-55.7
Mining	-26.9	-33.8
Construction	-34.3	-40.5
Manufacturing	-10.3	-18.8
Transportation and public utilities	-3.1	-12.2
Wholesale and retail trade	-12.0	-20.2
Finance, insurance and real estate	-22.5	-29.8
Services	+0.9	-8.6

NOTE: The overall unadjusted 1979-80 profitability change was 16.2 percent as cited in the text; this compares to a price adjusted 1979-80 change of 23.8 percent, slightly more than for 1980-81.

Two factors contributing to the continuing decline in corporate profits were the increased cost of borrowing and the rise in expenses outpacing the general rise in receipts. Total expenses rose by 11.1 percent while total receipts increased by only 10.3 percent [3]. The interest paid deduction for 1981 rose 61.0 percent to \$554.7 billion [4]. Expenses other than interest rose by only 8.2 percent. The average "prime rate" charged by banks on loans rose to a record high of 18.9 percent. For 1979 and 1980 the prime rate was 12.7 percent and 15.3 percent, respectively [5]. Of course, only the best corporate borrowers obtained funds at these rates. Similarly, high rates also were paid on U.S. Government obligations--the interest received in 1981 by corporate holders of these securities rose 42.8 percent to approximately \$36.3 billion.

INCOME TAX

Income tax before credits declined by 5.1 percent from \$103.8 billion to \$98.6 billion. Total income tax after credits (see below) decreased by 8.2 percent to \$57.8 billion. This \$5.2 billion decrease in U.S. corporate tax liability reflected both the drop in profits and large increases in the amount of investment credit claimed. A new credit for research activities also contributed to the decline in Federal revenue. The \$5.2 billion decline was 64.8 percent larger than the \$3.1 billion drop from 1979 to 1980.

TAX CREDITS

The \$98.6 billion of regular and alternative tax was reduced by \$42.4 billion by the foreign tax, U.S. possessions tax, investment, work incentive (WIN) jobs, alcohol fuel, nonconventional source fuel and research credits. (The taxes from recomputing prior-year investment credit, personal holding company tax and the additional tax for tax preferences--"minimum tax"--could not be reduced by these credits.)

The foreign tax credit declined by 15.8 percent to \$20.9 billion. (The 1979 to 1980 decline was 32.5 percent.) The 24.6 percent decrease by the petroleum refining industry accounted for more than two-thirds of the overall reduction.

Led by a 30.7 percent rise in the manufacturing division, the amount of investment credit claimed rose to \$18.3 billion for 1981, a 21.5 percent jump. Two provisions of the law may have caused this rise. First, the Economic Recovery Tax Act of 1981 (ERTA) created a new capital cost recovery system for tax purposes called the Accelerated Cost Recovery System (ACRS), which replaced the Asset Depreciation Range (ADR) class life system. This new

system, which provides for more rapid cost recovery deductions, was designed to: (1) increase incentives to invest; (2) generate increased productivity; and (3) sustain economic growth. Two new items of eligible property were also added by the 1981 Act [6,7,8]. Second, ERTA created a "safe harbor" guaranteeing that certain transactions will be treated as a lease, with the associated investment credits and ACRS allowances permitted the lessor. Because of this, certain corporations, not in a tax position to use the additional tax benefits of ACRS, were permitted to transfer these benefits by "selling" the credits for cash payments or reduced rentals [9,10].

Figure B.--Tax Items
(Millions of Dollars)

Income subject to tax, total	\$236,817
Income tax before credits ¹	98,552
Tax credits, total	42,361
Foreign tax credit	20,932
U.S. possessions tax credit	1,940
Investment credit	18,349
Work incentive (WIN) credit	38
Jobs credit	468
Alcohol fuel credit	(²)
Nonconventional source fuel credit...	1
Research credit	634
Income tax after credits	56,190
Additional tax for tax preferences	521
Tax from recomputing prior-year investment credit	1,075
Personal holding company tax	5
Total income tax	57,791

¹Consists of regular and alternative tax.

²Less than \$500,000.

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

A new credit for research was also created by ERTA. The Congress felt that to stem the decline in research spending, a special tax credit was needed to overcome the reluctance of companies to bear the costs which must be incurred to initiate or expand research programs in trade or business [11]. For 1981, 8,590 corporations claimed \$634 million in credits for qualified research and experimental expenditures.

SUMMARY

Preliminary data for 1981 reveal a 12.4 percent decline in corporate profits and an 8.2 percent drop in total income tax liability (after credits) caused by high interest rates and an economic recession. Net income (less deficit) fell \$29.7 billion to \$209.3 billion. The modest increase in corporate assets of 10.0 percent was more than offset by inflation. Interest paid rose 61.0 percent, reflecting the average prime interest rate of 18.9 percent. Slumping sales, slow moving inventories, and production cutbacks increased unemployment.

Estimated Number of Returns	Approximated Coefficient of Variation
1,000,000	.02
160,000	.05
40,000	.10
10,000	.20
4,500	.30
3,300	.35
1,600	.50

DATA SOURCES AND LIMITATIONS

A general description of sampling procedures and data limitations applicable to the Statistics of Income tabulations is contained in the Appendix of this publication. The statistics for the 1981 Income Year were estimated from a stratified probability sample of about 89,000 corporation income tax returns selected after revenue processing but before audit. The returns for 1981, as well as for 1980, were generally stratified using net income or deficit, total assets, and business activity. The corporation population from which the sample was drawn contained the following types of returns: Form 1120--U.S. Corporation Income Tax Return; Form 1120L--U.S. Life Insurance Company Income Tax Return; Form 1120M--U.S. Mutual Insurance Company Income Tax Return; Form 1120S--U.S. Small Business Corporation Income Tax Return; Form 1120F--Return of a Foreign Corporation; and Form 1120-DISC--Domestic International Sales Corporation Return.

The preliminary estimates used in this article are subject to revision. Final and expanded data, including complete explanations of sampling techniques and limitations of the data, as well as explanations of terms used, will appear in Statistics of Income--1981, Corporation Income Tax Returns, which will be published later this year [12].

Because the data presented in this article are estimates based upon a sample, they are subject to sampling error. To use the data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

The table below presents approximated CV's for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For numbers of corporations other than those shown below, the corresponding CV's can be estimated by interpolation. The reliability of estimates based on samples and the use of CV's for evaluating the precision of sample estimates are discussed in the Appendix.

NOTES AND REFERENCES

- [1] U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, July 1982.
- [2] Hobbs, James R., "Corporation Income Tax Returns: 1980," Statistics of Income Bulletin, Volume 2, Number 3, page 12.
- [3] The ratio of sales (business receipts) to total receipts was 87.8 percent for 1981, a marked drop from the ratio of 90.1 percent for 1980. This is also the first time in over a decade this ratio has fallen from the 90-92 percent range.
- [4] Excluding the finance, insurance and real estate division, the interest paid deduction rose by 28.9 percent.
- [5] Economic Report of the President, U.S. Government Printing Office, 1983, page 240.
- [6] Statement of the Secretary of the Treasury, February 24, 1981, before the Committee on Ways and Means, Serial 97-10, page 15.
- [7] Joint Committee on Taxation (Staff), General Explanation of the Economic Recovery Tax Act of 1981, U.S. Government Printing Office, 1981, pp. 75-76.
- [8] See also Barker, David R., "Investment Tax Credit" in this issue of Statistics of Income Bulletin.
- [9] Joint Committee on Taxation, op cit., pp. 102-103.
- [10] See Riley, Margaret M., "Safe Harbor Leasing: 1981 and 1982," Statistics of Income Bulletin, Volume 3, Number 2.
- [11] Joint Committee on Taxation, op cit., page 120.
- [12] See Hinkins, Susan M., "Matrix Sampling and the Related Imputation of Corporate Income Tax Returns," 1983 American Statistical Association Proceedings, Section on Survey Research Methods.

Corporation Returns, 1981

Table 1.--Returns of Active Corporations: Balance Sheet, Income Statement, Tax, and Credit Items, 1980 and 1981 (Preliminary)

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

	Item	1980	1981	Percent		Item	1980	1981	Percent
		(1)	(2)	change			(1)	(2)	change
			(Preliminary)	1980 to				(Preliminary)	1980 to
				1981					1981
		(1)	(2)	(3)			(1)	(2)	(3)
1	Number of returns.....	2,710,538	2,812,434	3.8	46	Total deductions.....	6,125,365,155	6,806,741,117	11.1
2	Total assets.....	7,617,238,403	8,381,412,262	10.0	47	Cost of sales and operations.....	4,204,905,905	4,443,258,151	5.7
3	Cash.....	528,914,747	516,630,259	-2.3	48	Compensation of officers.....	108,973,751	119,878,579	10.0
4	Notes and accounts receivable.....	1,984,601,790	2,164,127,762	9.0	49	Repairs.....	42,407,967	69,290,438	63.4
5	Less: Allowance for bad debts.....	50,057,307	42,971,669	14.2	50	Bad debts.....	18,769,771	22,124,934	17.9
6	Inventories.....	534,806,547	590,950,725	10.5	51	Rent paid on business property.....	71,990,832	81,442,127	13.1
	Investments in Government obligations:				52	Taxes paid.....	163,003,622	166,121,062	1.9
7	United States.....	265,542,521	302,854,606	14.1	53	Interest paid.....	344,612,542	554,722,382	61.0
8	State and local.....	206,517,216	210,648,684	2.0	54	Contributions or gifts.....	2,358,554	2,486,360	5.4
9	Other current assets.....	310,177,160	299,090,864	-3.6	55	Amortization.....	1,374,658	4,718,316	243.2
10	Loans to stockholders.....	29,873,250	31,996,821	7.1	56	Depreciation.....	157,345,828	183,568,952	16.7
11	Mortgage and real estate.....	894,323,489	931,570,402	4.2	57	Depletion.....	8,871,993	7,762,567	-12.5
12	Other investments.....	1,213,986,210	1,362,803,689	12.3	58	Advertising.....	52,266,004	59,533,801	13.9
13	Depreciable assets.....	2,107,027,914	2,321,067,375	10.2	59	Pension, profit-sharing, stock bonus, and annuity plans.....	51,529,310	52,362,102	1.6
14	Less: Accumulated depreciation.....	767,841,763	846,910,816	10.3	60	Employee benefit programs.....	40,179,104	45,278,960	12.7
15	Depletable assets.....	71,901,490	81,712,993	13.6	61	Net loss, noncapital assets.....	5,903,104	8,238,619	39.6
16	Less: Accumulated depletion.....	19,569,556	21,274,195	8.7	62	Other deductions.....	850,872,216	985,953,773	15.9
17	Land.....	92,931,935	101,384,458	9.1	63	Total receipts less total deductions.....	235,918,858	208,295,363	-11.7
18	Intangible assets (amortizable).....	45,480,694	49,639,890	9.1	64	Constructive taxable income from related foreign corporations.....	15,708,560	14,683,875	-6.5
19	Less: Accumulated amortization.....	18,393,037	15,719,615	-14.5	65	Net income (less deficit), total.....	239,006,542	209,300,935	-12.4
20	Other assets.....	187,015,106	343,810,034	83.8	66	Net income.....	296,787,201	296,906,529	0.0
21	Total liabilities.....	7,617,238,403	8,381,412,262	10.0	67	Deficit.....	57,780,659	87,605,594	51.6
22	Accounts payable.....	542,172,368	611,972,353	12.9	68	Statutory special deductions, total.....	18,717,621	17,787,875	-5.0
23	Mortgages, notes, and bonds payable in less than one year.....	504,802,288	566,473,924	12.2	69	Net operating loss deduction.....	9,382,540	9,753,489	4.0
24	Other current liabilities.....	2,706,796,360	2,773,834,989	2.5	70	Dividends received deduction.....	9,296,730	8,006,017	-13.9
25	Loans from stockholders.....	85,718,510	107,076,690	24.9	71	Other ¹	38,351	28,369	n.a.
26	Mortgages, notes, and bonds payable in one-year-or-more.....	986,663,932	1,045,079,963	5.9	72	Income subject to tax, total.....	246,598,486	236,816,573	-4.0
27	Other liabilities.....	846,696,691	1,048,446,965	23.8	73	Net long-term capital gain taxed at alternative rates.....	13,217,222	14,518,207	9.8
28	Capital stock.....	417,153,783	526,302,868	26.2	74	Income tax before credits ²	103,831,172	98,551,874	-5.1
29	Paid-in or capital surplus.....	532,039,407	656,895,339	23.5	75	Tax credits, total ³	42,167,741	42,361,401	0.5
30	Retained earnings, appropriated.....	41,461,644	64,950,612	56.7	76	Foreign tax credit.....	24,861,315	20,931,624	-15.8
31	Retained earnings, unappropriated.....	1,027,902,049	1,108,736,365	7.9	77	U.S. possessions tax credit.....	1,565,681	1,939,547	23.9
32	Less: Cost of treasury stock.....	74,168,627	128,357,785	73.1	78	Investment credit.....	15,102,812	18,349,368	21.5
33	Total receipts.....	6,361,284,012	7,015,036,480	10.3	79	Work incentive credit.....	36,483	37,982	4.1
34	Business receipts.....	5,731,616,337	6,162,508,046	7.5	80	Jobs credit.....	601,444	467,668	-22.2
	Interest on Government obligations:				81	Research credit.....	n.a.	634,113	n.a.
35	United States.....	25,440,716	36,340,312	42.8	82	Income tax after credits.....	61,663,431	56,190,473	-8.9
36	State and local.....	12,620,876	13,678,302	8.4	83	Tax from recomputing prior-year investment credit.....	867,571	1,075,048	23.9
37	Other interest.....	328,802,958	522,823,875	59.0	84	Tax from recomputing prior-year work incentive (WIN) credit.....	4,873	n.a.	n.a.
38	Rents.....	41,371,141	54,661,687	32.1	85	Additional tax for tax preferences.....	438,820	520,509	18.6
39	Royalties.....	12,450,250	11,708,176	-6.0	86	Personal holding company tax.....	n.a.	5,045	n.a.
40	Net short-term capital gain reduced by net long-term capital loss.....	2,013,510	2,140,847	6.3	87	Total income for tax after credits.....	62,974,695	57,791,075	-8.2
41	Net long-term capital gain reduced by net short-term capital loss.....	24,910,957	28,658,467	15.0	88	Distributions to stockholders:			
42	Net gain, noncapital assets.....	20,117,615	15,321,425	-23.9	89	Cash and property except in own stock..	97,378,617	126,324,363	29.7
43	Dividends received from domestic corporations.....	18,654,800	17,340,938	-7.0		Corporation's own stock.....	3,525,549	3,607,412	2.3
44	Dividends received from foreign corporations.....	14,563,353	13,909,171	-4.5					
45	Other receipts.....	128,721,498	135,945,238	5.6					

n.a. - Not available

¹The 1980 figure included deduction for dividends paid on certain public utility stock and Western Hemisphere Trade (WHT) Corporation deduction the latter which is not included in the 1981 figure since WHT Corporations were no longer in operation.²Consists of regular and alternative tax.³Includes \$4,000 and \$480,000 of alcohol fuel credit and \$2,000 and \$619,000 of nonconventional source fuel credit for 1980 and 1981 respectively.

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

Table 2.--Returns of Active Corporations: Selected Items, by Industrial Division, 1981 Preliminary Data

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

Division	Number of returns	Total receipts	Business receipts	Net income (less deficit)
	(1)	(2)	(3)	(4)
All Divisions ¹	2,812,434	7,015,036,480	6,162,508,046	209,300,935
Agriculture, forestry and fishing.....	85,381	65,096,545	60,939,595	329,496
Mining.....	33,360	199,979,193	189,363,235	5,663,093
Construction.....	276,428	279,573,855	269,740,615	3,461,458
Manufacturing.....	251,245	2,543,953,354	2,420,552,424	112,694,909
Transportation and public utilities.....	109,027	593,196,816	570,697,554	19,434,460
Wholesale and retail trade.....	816,689	2,025,127,130	1,982,853,239	33,729,372
Finance, insurance and real estate.....	470,010	955,660,287	336,043,890	25,680,131
Services.....	752,822	347,786,278	327,844,649	8,263,617

Division	Income subject to tax, total	Income tax before credits ²	Total assets
	(5)	(6)	(7)
All Divisions ¹	236,816,573	98,551,874	8,381,412,262
Agriculture, forestry and fishing.....	1,730,170	543,848	46,106,672
Mining.....	9,465,315	4,113,453	168,494,522
Construction.....	6,615,288	2,318,260	150,799,168
Manufacturing.....	129,270,214	56,949,119	1,870,011,353
Transportation and public utilities.....	23,530,911	10,351,316	831,046,234
Wholesale and retail trade.....	32,202,369	12,246,898	703,511,233
Finance, insurance and real estate.....	21,808,476	7,930,013	4,394,608,358
Services.....	12,072,551	4,045,151	214,383,196

¹ Includes "Nature of business not allocable" which is not shown separately.² Income tax consists of regular and alternative tax; the tax from recomputing prior-year investment credit, personal holding company tax and additional tax for tax preferences are not included.

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

Partnership Returns for 1981 Reflect Tax Shelter Activity

By Patrick Piet*

For the first time in the twenty-five year history of annual Statistics of Income reports for partnership returns, partnerships operating in the United States reported an overall net loss for Tax Year 1981 [1]. While the economic downturn occurring during 1981 was largely responsible for the drop in partnership profits, an examination of the data reveals that tax shelter activity has also had an impact on the profits reported by partnerships.

SUMMARY

A partnership is defined as a business venture involving two or more persons which is not organized as a corporation. One important feature in which a partnership differs from a corporation is that a corporation is taxed directly on any profits it earns, whereas partnership profits are not taxed directly. Instead, any profit or loss realized by the partnership flows directly to the partners, who must report their shares on their own tax returns.

Partnerships range in complexity from simple two-owner businesses, many of which are engaged in wholesale and retail trade, farming, and personal services, to ventures involving thousands of partners, most of whom act merely as passive investors, and are not actually involved in the day-to-day operations of the business. These large ventures are commonly found in the oil and gas extraction, finance, and real estate industries. All partnerships which are engaged in business or obtain income in the United States must file Form 1065, U.S. Partnership Return of Income, from which the data in Table 1 were derived [2].

The number of returns filed by active partnerships rose from 1,379,654 for 1980 to 1,460,502 for 1981, an increase of 6 percent, the same as the increase between 1979 and 1980. Meanwhile, the number of partners reported in these partnerships rose from 8,419,899 in 1980 to 12,225,123 in 1981, an increase of 45 percent. Some of this increase

is probably due to improved validation during statistical processing of the number of partners reported by taxpayers. The number of partners was reported as 6,954,767 for 1979, and as 8,419,899 for 1980, an increase of 21 percent. The actual increase for 1981 probably was somewhere between those figures but definitely represented a substantial increase in the number of partners. This growth is closely tied to the increased use of partnerships as tax shelters.

Overall net income (less deficit) fell from a profit of \$8.3 billion for 1980 to a loss of \$2.7 billion, a decrease of \$11.0 billion. This is an even larger drop in profits than was recorded between 1979 and 1980, when net income (less deficit) fell by \$7.0 billion.

Figure A presents the number of partnerships and net income (less deficit) by industrial division for 1980 and 1981. The greatest percentage increases in number of partnerships occurred in the industrial divisions for mining, which increased by nearly 50 percent, wholesale and retail trade, which increased by about 8 percent, and finance, insurance, and real estate, which rose by almost 7 percent. For agriculture, forestry, and fishing and services, the number of partnerships actually declined slightly from 1980.

Meanwhile, net income (less deficit) fell in each division except for manufacturing, which showed a slight reduction in its overall net loss. The largest drop in net income, \$5.9 billion, occurred in the same industrial division, mining, which had the greatest percentage increase in the number of partnerships. Another division with a sharp increase in the number of partnerships, finance, insurance and real estate, had a drop in net income of \$1.1 billion. Both divisions also showed a net loss for both 1980 and 1981. This would lead one to question whether partnership investments were unprofitable due to the downturn in the economy, or whether other factors were also at work.

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Partnership Returns, 1981

Figure A.--Number of Partnerships and Net Income Less Deficit by Industrial Division, 1980 and 1981

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

Industrial division	Number of partnerships				Net income or deficit		
	1980	1981	Increase or decrease		1980	1981	Increase or decrease
			Number	Percent			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	1,379,654	1,460,502	80,848	5.9	8,248,656	-2,734,897	-10,983,553
Agriculture, forestry, and fishing.....	126,224	124,973	-1,251	-1.0	471,548	-703,617	-1,175,165
Mining.....	35,076	51,368	16,292	46.4	-4,208,334	-10,109,096	-5,900,762
Construction.....	66,590	69,856	3,266	4.9	1,560,093	1,209,222	-350,871
Manufacturing.....	30,086	30,306	220	0.7	-472,049	-440,649	31,400
Transportation, communication, electric, gas, and sanitary services..	20,417	21,711	1,294	6.3	248,387	-227,832	-476,219
Wholesale and retail trade.....	200,273	216,808	16,535	8.3	2,474,626	1,316,933	-1,157,693
Finance, insurance, and real estate.....	637,480	618,638	44,158	6.9	-4,248,776	-5,360,047	-1,111,271
Services.....	263,400	262,932	-468	-0.2	12,424,161	11,618,171	-805,990

NOTE: Nature of business not allocable not shown separately because of the small number of sample returns on which it was based.

USE OF PARTNERSHIPS AS TAX SHELTERS

A closer look at the data in Table 1, plus information from other sources [3], supports an additional reason for large reported losses in partnerships: the increased use of partnerships as tax shelters. A tax shelter is defined as an investment in which a significant portion of the investor's return is derived from the realization of tax savings on other income, as well as the receipt of tax-favored (or effectively, tax-exempt) income from the investment itself [4]. It is important to note a distinction between this definition and the usual notion of a "tax shelter". The commonly-held image of a tax shelter is that of an opportunity to receive a deduction for an expense or an exclusion of income which will reduce one's tax liability. Examples of this type of shelter are contributions to an Individual Retirement Arrangement (IRA), payments for home mortgage interest, or the earning of interest on tax-free municipal bonds. All three of these result in a reduction in the amount of tax owed, but differ from a partnership tax shelter in that the tax saving is less than the amount invested. In the case of a partnership tax shelter, the tax savings may actually exceed the amount of money invested. This is achieved by means of three methods: first, by

the deferral of the realization of income for tax purposes; second, by the conversion of ordinary income into types which receive favored tax treatment; and third, by the use of borrowed funds to increase the amount of the investment while obtaining a tax deduction for interest expense.

Partnerships are particularly suited to serve as tax shelter vehicles due to the "flow-through" nature of partnership income and loss noted earlier. Losses sustained by partnerships pass to the partners who may use these losses to offset taxable income from other sources, thereby reducing their total tax bill. However, these losses may not reflect actual cash spent by the partner. Rather, the partnership may use special incentives provided by tax law to produce losses for tax purposes in the initial years of its activity. Eventually, the partnership may begin to realize profits for tax purposes, at which time it can reduce the tax paid on these profits by selling its assets and obtaining favorable capital gains treatment on the gain from the sale.

A good example of a tax shelter using all three methods of tax savings is commonly found in real estate. Using cash invested by the

partners and a mortgage, a partnership will acquire a building which it in turn leases to tenants. The interest paid on the mortgage is deductible from the gross rent income received from tenants. Various accounting methods are used to write off larger amounts of interest initially [5]. The partnership is also entitled to a deduction for the depreciation of the building, which is specified by the Accelerated Cost Recovery System (ACRS) instituted for 1981. This system allows proportionally larger write-offs in the initial years after the property is acquired. Depreciation deductions often are the main factor in sheltering income, especially in real estate industries [6]. These accelerated interest and depreciation deductions defer the realization of some portion of the taxable profits until later years, or may even result in losses. However, before significant taxable profits are realized, the partnership usually sells the building. If the building was held by the partnership for more than one year, the individual partner is entitled to exclude 60 percent of the gain on the sale from taxable income on his/her tax return [7].

It is important to note that, in this example as well as in many other types of tax shelter partnerships, the partnership realizes a cash profit while it reports a tax loss. This is due to the fact that the tax law allows deductions which do not coincide with actual cash payments by the partnership. The most important of these is depreciation. In the example of real estate, a partnership may depreciate the value of a building over a 15-year period, even though the mortgage period for the building is 30 or 40 years. Meanwhile, it obtains cash income from rent paid by its tenants. The partners share in any cash income realized by the partnership in excess of its actual cash expenses.

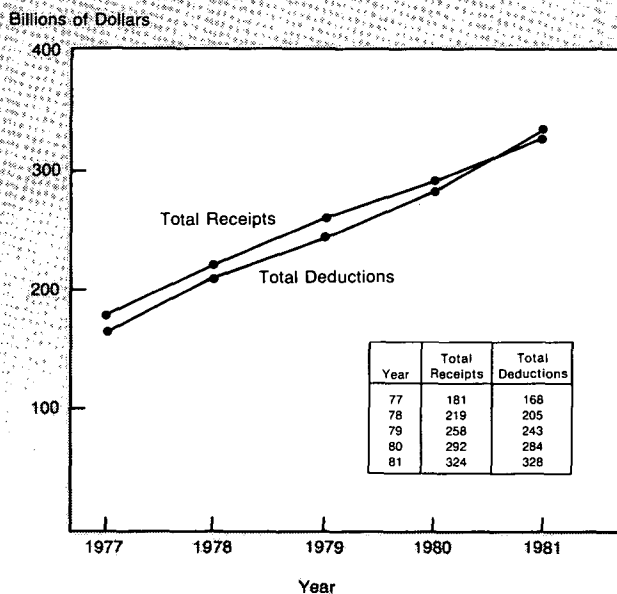
Another area where tax shelters are particularly active is in oil and gas extraction activities. These partnerships, and most tax shelter partnerships, are usually organized as "limited partnerships," in which one partner acts as the "general partner," who is liable for all debts of the partnership. The other partners are "limited partners," liable only to the amount of their investment in the partnership. These limited partners generally act as passive investors, having no involvement in the daily operation of the business. The partnership will acquire potential oil or gas producing property, drill wells, and, with luck, discover oil or gas which will provide income. Due to the inherent risk in such an activity, the tax law provides a special deduction for oil and gas drilling called "intangible drilling costs." These represent specific costs needed to develop a drilling site, such as labor, materials and supplies, fuel, repairs, and transportation.

These costs would normally be capitalized, and written off over the life of the well. Due to the uncertain nature of oil drilling, the law allows these costs to be written off in the year they are incurred. Because it usually takes several years to bring a property to production, oil and gas partnerships usually incur large tax losses in the first years of operation by use of these deductions. Similar to a real estate partnership, the oil and gas partnership will sell its interest in the well as it reaches production, and convert its profits, which are fully taxable, into long-term capital gains, which are only partially taxable.

HIGHLIGHTS OF 1981 DATA

An examination of the data in SOI reports for the past five years reflects the rapid increase in tax shelter activity. As shown in the graph (Figure B) total receipts rose from \$181 billion for 1977 to \$323 billion for 1981, an increase of 78 percent. At the same time, total deductions increased from \$168 billion to \$328 billion, or 95 percent. The deduction for depreciation showed an even greater growth, more than doubling from \$12.3 billion for 1977 to \$27.3 billion for 1981, an increase of 122 percent [8]. In contrast, the expense item for salaries and wages, which would usually be associated with a business in a trade or service industry, rose from \$14.7 billion for 1977 to \$22.0 billion for 1981, an increase of only 50 percent. The contrast of the percent increase in total deductions of 95 percent, depreciation deduction of 121 percent, and the

Figure B
Total Receipts and Total Deductions
for Partnerships, 1977-1981



salaries and wages deduction of 49 percent is consistent with a shift of partnerships from trade and service industries and into investment industries with strong tax shelter characteristics.

As mentioned previously, an area where tax shelter activity is particularly concentrated is in oil and gas extraction. In addition to responding to the general increase in tax shelter activity, this industry has received a stimulus from another source, the decontrol of domestic crude oil prices in 1980. For 1980, the partnership SOI report noted the increase in oil production ventures caused by decontrol [9]. This trend continued during 1981, as evidenced by increases in the number of partnerships in oil and gas extraction from 31,405 to 47,107 (50 percent), the amount of total receipts from \$10.0 billion to \$12.6 billion (26 percent), and the amount of total deductions from \$13.7 billion to \$22.0 billion (61 percent). Oil and gas partnerships reported a net loss of \$9.4 billion for 1981, up from a loss of \$3.7 billion for 1980. Most of this increase in losses may be attributed to deductions for intangible drilling costs. In the statistics, this is reflected in the large increase in the item "other deductions," which includes intangible drilling costs. For 1980, other deductions totaled \$8.5 billion, rising to \$14.0 billion for 1981, an increase of \$5.5 billion. By comparison, net loss in oil and gas rose from \$3.7 billion for 1980 to \$9.4 billion for 1981, an increase of \$5.7 billion. It is likely that the increase in losses reported by oil and gas partnerships was due largely, if not wholly, to newly-formed partnerships deducting large amounts for intangible drilling costs.

TRENDS IN TAX SHELTER ACTIVITY

Data available on investment in publicly-offered limited partnerships indicate that the boom in tax shelters will continue. According to The Stanger Report [10], investment (cash contributed by investors to fund ventures) in publicly-offered limited partnerships totaled \$5.5 billion for 1982, and \$4.0 billion for the first half of 1983. Total sales increased from \$2.3 billion for the first six months of 1982 to \$4.0 billion for the first six months of 1983, an increase of 70 percent. Investment in oil and gas partnerships rose from \$1.1 billion to \$1.4 billion, an increase of 26 percent, while investment in real estate partnerships rose from \$0.9 billion to \$2.2 billion, an increase of 137 percent. This boom in tax shelter formation for 1982 and 1983 should result in further decreases in partnership profits as reported in our SOI series.

DATA SOURCES AND LIMITATIONS

Sample Selection

The statistics for the 1981 Tax Year were estimated from a stratified probability sample of approximately 40,000 returns selected from a total population of about 1.6 million returns. Amended and tentative returns were excluded from the sampling procedure, which was implemented after revenue processing, but prior to audit. Sample rates ranged from 0.3 percent to 100 percent. The number of sampling classes was increased from 12 in 1980 to 42 for 1981. An additional stratifier, net income or deficit, was added to improve the precision of the estimate for this amount. Preliminary analysis indicates a substantial reduction in the variance of this estimate for 1981.

Limitations

Because the data presented in this article are estimates based on a sample of returns, they are subject to sampling error. To insure proper use of the estimates, the magnitude of the sampling error should be known.

The table below presents approximated coefficients of variation (CV's) for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For numbers of partnerships other than those below, the corresponding CV's can be estimated by interpolation.

<u>Estimated Number of Returns</u>	<u>Approximated Coefficient of Variation</u>
1,500,000	.015
135,000	.05
34,000	.10
15,000	.15
8,500	.20
2,700	.35
1,400	.50

The reliability of estimates based on samples and the use of CV's for evaluating the precision of sample estimates are discussed in the Appendix.

Changes in Processing

For 1981, several major changes were implemented in the processing of returns for the partnership SOI program. Besides the revised sample design mentioned earlier, changes included: (1) the substitution of revenue processing data from the IRS Business Master File (BMF) system for data previously gathered

especially for the SOI program; (2) the discontinuation of editing (abstracting) data from supporting schedules; and (3) the institution of an industry code library system to assign industry codes to sampled returns.

For 1981, data from Form 1065 records on the BMF were substituted whenever possible for data traditionally edited especially for SOI. While this procedure greatly simplified data editing, it also resulted in the loss of some data which previously would have been edited from supporting schedules attached to the return. In order to assess the impact of these simplified procedures, a small subsample of returns in the 1981 SOI sample was selected and subjected to the same editing procedures which were used for the 1980 partnership SOI program. Due to the relatively small size of the sample, no statistically reliable estimates could be derived from this study; however, the results strongly suggest that the revised editing procedures significantly affected the comparability of detailed income and deduction figures with prior years.

Two areas in which data detail was definitely reduced for 1981 are in the farm and real estate industries. Prior to 1981, farm schedules (Schedule F) accompanying Forms 1065 were given special treatment during statistical editing. The various income and deduction items from Schedule F were associated with the corresponding income and deduction items in the income statement on page one of Form 1065, and any amounts reported on Schedule F were added to those on page one. Thus, while net income or loss was not changed, many of the detailed income and deduction items were increased. This special treatment was discontinued for 1981, so that only the net farm income after deductions was included in the income statement statistics. This resulted in a reduction of total receipts and total deductions on returns in the agriculture, forestry, and fishing division compared with prior years.

The second area in which special treatment during statistical editing was discontinued was in the area of rental schedules (Schedule H). Prior to 1981, rental schedules received the same treatment as farm schedules; that is, the detailed income and deduction items on the schedule were added to the appropriate amounts reported on page one of Form 1065. Data were edited from Schedule H for 1981. However, the prior years' practice of examining attached supporting schedules and allocating any amounts to page one items was not undertaken. Figure C presents partnership totals for data edited from Schedule H. (In Figure B, the total amount of gross rents was included in the total receipts figure.)

One data item significantly affected by these changes is the deduction for depreciation.

Figure C.--Data Edited From Schedule H, Rental Income, 1981

[Amounts are in millions of dollars]

Item	Amount
Gross rents.....	51,582
Rental depreciation.....	13,694
Rental repairs.....	2,045
Other rental expenses.....	37,195

Depreciation reported in the real estate industry for operators and lessors of buildings was \$10.8 billion for 1980; for 1981, the deduction was reported as \$1.7 billion. This drop was not due to any "real" event, but resulted from our revised editing procedures. To support this, Figure D presents data obtained from Form 4562, Depreciation, on which partnerships compute the depreciation deduction. This form was edited for a special study for the Treasury Department's Office of Tax Analysis. As shown by the figures, partnerships in the industry for operators and lessors of buildings reported a total depreciation deduction on Form 4562 of \$13.1 billion, an increase of \$2.3 billion from 1980. Overall, the depreciation deduction rose from \$21.6 billion in 1980 to \$27.3 billion in 1981, an increase of \$5.7 billion.

Figure D.--Depreciation Deduction From Form 4562, 1981

[Amounts are in millions of dollars]

Industry	Deduction
Total.....	27,264
Agriculture, forestry, and fishing.....	1,676
Mining.....	1,902
Construction.....	452
Manufacturing.....	847
Transportation, communication, electric, gas, and sanitary services.....	947
Wholesale and retail trade.....	974
Finance, insurance, and real estate.....	14,828
Real estate.....	13,761
Operators and lessors of buildings..	13,146
Services.....	5,475
Nature of business not allocable.....	163

The third change was the institution of a computerized industry code library system for 1981. In this system, the 1981 return was

matched to the partnership's return in the 1980 SOI file [11]. If the Principal Business Activity (PBA) code assigned during initial processing of the return for tax administration purposes was the same for both years, then the SOI industry code from the prior year's return was automatically assigned to the 1981 return. In cases where there was no return in the 1980 SOI file corresponding to the 1981 return, the PBA code, if it was a valid SOI code, was assigned to the 1981 return. If the PBA code was not a valid SOI code, the code was manually assigned by a statistical editor [12].

NOTES AND REFERENCES

[1] Prior to the introduction of annual reports in 1957, statistics on partnerships were published for the years 1939, 1945, 1947, and 1953.

[2] Partnerships meeting the following criteria may elect not to file annual returns, except for the year of the election. To qualify, the partnership must be: (1) an unincorporated investment organization; (2) an organization engaged in the joint production, extraction, or use of property under an operating agreement; or (3) an organization that deals in the underwriting, selling, or distribution of a particular issue of securities for a short period of time. In addition, a business owned jointly by husband and wife may elect to file as a sole proprietorship rather than as a partnership.

[3] For example see:

Jacobson, Aileen; "The Ins and Outs of Tax-Shelter Investments," Newsday, August 25, 1983.

McLaughen, Duncan, "Limited Partnerships Gaining Popularity," The Boston Globe, August 20, 1983.

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[4] Joint Committee on Internal Revenue Taxation (Staff) Background on Tax Shelters, U.S. Government Printing Office, 1983.

[5] Ibid., pp. 20-24.

[6] Willis, Arthur B., Pennell, John S., and Postlewaite, Philip F., Partnership Taxation, 3rd ed., Section 191.01 McGraw-Hill Book Company, Inc., New York, 1983.

[7] Accelerated depreciation is subject to rules which limit the amount of gain on a sale which may receive capital gains treatment.

[8] See the section of this article titled "Changes in Processing" for an explanation of the derivation of the 1981 figures for total receipts and depreciation.

[9] Internal Revenue Service, Statistics of Income--1980, Partnership Returns, U.S. Government Printing Office.

[10] The Stanger Report, "First Half Sales Summary," Robert A. Stanger & Company, August 1983. See also Strategic Real Estate, "\$1 Billion Quarter for Syndication Money Raising Sets Record," Kenneth Leventhal & Company, July 1983.

[11] To achieve a higher match rate, returns from the 1979 partnership SOI file which were not also in the 1980 file were included in the matching procedure.

[12] In addition, the SOI code was always assigned manually for unmatched returns with large amounts of assets, receipts, and net income.

Partnership Returns/1981

Table 1.—Total Assets and Income Statement for Selected Industries

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

Item	Agriculture, forestry, and fishing									
	All industries	Farms								
		Total	Field crop	Vegetable and melon	Fruit and tree nut	Beef cattle feedlots	Beef cattle except feedlots	Hogs, sheep, and goats	Dairy farms	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Partnerships With and Without Net Income										
Number of partnerships	1,460,502	124,973	108,199	44,573	2,191	10,774	2,032	17,004	4,883	15,687
Number of partners	12,225,123	405,594	346,911	140,919	7,009	56,558	12,952	43,233	14,245	40,247
Total assets	715,232,726	23,129,919	20,293,229	8,228,840	555,359	3,409,573	484,997	3,492,342	378,465	2,025,883
Total receipts	272,129,807	7,364,972	4,846,044	1,693,818	205,356	470,839	237,165	673,349	237,553	550,928
Business receipts	230,027,336	4,993,144	2,574,407	667,928	110,139	245,365	198,328	449,564	185,197	179,641
Income from other partnerships and fiduciaries	1,862,539	17,985	14,672	8,126	984	2,060	829	1,976	220	152
Nonqualifying dividends	2,748,594	3,071	2,650	945	2	1,035	32	173	29	189
Interest received	13,772,559	145,923	125,398	58,603	2,881	21,103	1,841	20,456	892	8,052
Rents received	12,211,547	179,557	176,635	99,284	5,795	6,548	1,461	41,686	872	7,506
Royalties	712,667	32,425	26,363	6,857	44	820	82	9,491	2,471	5,816
Farm net profit	1,918,127	1,635,786	1,621,505	775,151	81,089	159,471	28,739	105,486	41,481	314,778
Net gain, noncapital assets	1,961,662	203,916	176,633	53,266	2,358	21,279	4,178	31,035	5,158	29,254
Other receipts	6,914,777	153,167	127,780	23,659	2,066	13,158	1,675	13,481	1,243	5,540
Total deductions	274,864,690	8,068,589	5,480,836	1,707,423	182,968	651,571	310,160	1,030,275	224,726	429,593
Cost of sales and operations	130,043,609	3,086,365	1,721,708	394,436	73,088	112,346	173,027	344,368	103,531	118,548
Inventory, beginning of year	16,141,130	273,500	186,898	43,202	1,796	29,280	30,133	62,378	127	14,011
Purchases	92,136,914	2,153,951	1,221,570	276,701	62,978	41,557	157,007	282,630	78,073	115,875
Cost of labor	5,835,583	149,622	57,086	10,878	5,498	18,804	38	2,752	992	1,879
Materials and supplies	6,151,003	183,756	120,409	23,509	3,728	3,458	6,647	7,518	11,327	531
Other costs	32,495,993	617,718	304,209	84,220	2,041	36,784	4,105	44,087	13,117	2,862
Less: inventory, end of year	22,667,114	270,732	168,464	44,075	2,952	16,535	24,903	54,997	106	16,609
Salaries and wages	21,952,655	290,505	121,797	36,266	2,204	17,846	4,182	15,115	2,676	16,076
Less: jobs credit	91,418	5,098	3,095	2,843	—	161	—	67	—	—
Guaranteed payments to partners	5,212,661	310,131	253,402	103,079	11,907	29,850	1,649	34,518	8,656	52,287
Rent paid	4,985,675	74,751	40,345	13,154	409	3,291	2,162	3,120	1,184	7,203
Interest paid	19,586,018	341,580	189,012	53,925	7,757	49,763	5,288	37,627	4,937	5,365
Taxes paid	5,040,336	69,427	35,057	10,030	985	7,214	471	5,036	794	2,310
Bad debts	394,458	5,061	2,438	217	700	78	579	—	—	176
Repairs	1,900,379	111,942	53,041	14,100	12,295	3,914	1,353	9,861	1,843	3,545
Depreciation	937,460	8,901	6,419	4,808	109	362	5	226	2	650
Amortization	308,866	2,785	391	132	—	6	—	181	—	72
Depletion	—	—	—	—	—	—	—	—	—	—
Pension, profit sharing, annuity and bond purchase plans	358,939	1,878	1,283	314	96	183	—	50	—	487
Employee benefit plans	514,505	18,785	18,128	16,952	56	80	33	551	1	319
Net loss from other partnerships and fiduciaries	6,987,649	84,188	77,071	17,492	4,280	7,988	37,390	3,657	437	1,796
Rent net loss	12,507,395	16,592	16,268	8,238	—	2,764	—	1,532	24	207
Royalty net loss	229,221	1,330	1,330	324	—	—	—	—	—	1,006
Farm net loss	2,398,676	2,238,586	2,115,480	791,392	50,467	281,821	66,389	444,727	72,184	154,661
Net loss, noncapital assets	568,479	33,633	30,395	7,573	81	2,630	318	2,638	332	14,427
Other deductions	51,260,982	1,068,977	638,457	187,520	17,028	93,342	15,561	104,577	21,317	38,792
Net income (less deficit)	-2,734,897	-703,817	-634,793	-13,805	22,389	-180,732	-72,896	-356,925	12,826	121,336
Net income	50,567,190	2,133,180	1,828,160	861,359	87,818	190,316	26,787	134,814	93,110	292,306
Deficit	-53,302,086	-2,836,798	-2,462,952	-874,964	-65,429	-371,048	-99,783	-491,739	-80,283	-170,970
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	1,889,621	2,825	4,780	4,222	63	349	4	-115	-118	192
Net long-term capital gain (less loss)	5,546,775	300,372	267,500	102,257	2,269	66,552	16,333	40,830	7,476	22,892
Partnerships With Net Income										
Number of partnerships	749,222	64,101	55,300	25,638	1,215	4,860	746	5,758	2,114	10,533
Number of partners	4,492,647	188,391	165,985	79,668	3,988	18,807	3,619	14,273	6,553	26,823
Total assets	262,063,825	8,190,444	7,357,707	3,129,462	299,953	1,227,538	209,549	973,230	108,365	904,693
Total receipts	190,686,684	5,162,504	3,405,504	1,258,859	184,081	375,612	156,602	354,102	186,969	406,877
Business receipts	159,401,539	3,209,576	1,506,518	335,948	95,641	178,872	126,007	199,455	139,820	177,154
Income from other partnerships and fiduciaries	1,720,487	7,392	7,992	5,481	188	689	87	1,274	—	17
Nonqualifying dividends	2,700,493	1,161	948	455	2	132	31	22	3	187
Interest received	8,570,492	77,614	69,921	37,562	1,735	14,300	1,078	3,628	187	4,648
Rents received	9,685,296	120,919	119,348	82,359	4,102	4,268	108	22,663	88	3,578
Royalties	603,472	18,936	15,774	4,626	44	670	77	6,809	1,896	870
Farm net profit	1,849,842	1,571,195	1,560,149	749,746	80,694	153,212	25,725	99,042	41,481	298,979
Net gain, noncapital assets	1,313,378	105,934	88,564	28,508	223	17,078	1,070	13,566	17,433	17,433
Other receipts	4,841,684	49,177	36,290	14,174	1,452	6,392	1,419	7,642	28	4,013
Total deductions	140,119,489	3,029,322	1,577,344	397,500	96,263	185,296	128,815	219,288	93,859	114,571
Cost of sales and operations	77,888,146	1,871,318	941,388	187,756	60,802	84,185	111,130	148,787	70,184	44,264
Inventory, beginning of year	8,407,868	125,554	65,659	18,952	96	6,375	9,535	23,944	51	4,489
Purchases	50,622,755	1,318,185	652,123	122,669	49,710	37,948	105,687	113,783	70,173	46,244
Cost of labor	3,647,406	98,403	35,532	6,383	5,498	14,131	27	1,015	—	72
Materials and supplies	4,331,497	94,480	66,142	12,057	3,728	948	1,779	3,634	—	594
Other costs	19,300,974	370,413	188,033	44,471	2,041	32,759	2,232	29,118	40	7,762
Less: inventory, end of year	8,422,355	135,716	66,101	16,776	270	7,975	8,129	22,707	865	6,012
Salaries and wages	16,954,193	154,448	56,442	18,210	940	13,992	2,863	22,484	460	—
Less: jobs credit	75,595	3,157	3,004	2,843	—	181	—	—	—	—
Guaranteed payments to partners	3,076,892	124,485	97,444	40,646	8,994	9,384	292	8,956	2,469	20,522
Rent paid	3,470,286	42,408	19,619	7,314	57	1,338	1,249	1,078	691	6,472
Interest paid	6,068,594	68,182	37,455	12,565	1,219	12,119	1,805	3,520	692	811
Taxes paid	3,226,911	41,385	19,999	7,081	731	5,311	247	864	412	1,024
Bad debts	214,965	2,546	966	22	118	66	2	—	—	127
Repairs	1,152,152	65,208	33,092	10,091	12,178	2,594	877	1,109	1,188	2,621
Depreciation	240,900	827	187	33	—	70	5	—	—	76
Amortization	209,194	336	106	—	—	—	—	38	—	68
Depletion	—	—	—	—	—	—	—	—	—	—
Pension, profit sharing, annuity and bond purchase plans	307,364	1,229	749	269	74	111	—	—	—	233
Employee benefit plans	355,918	1,050	526	74	—	10	—	16	—	319
Net loss from other partnerships and fiduciaries	201,553	13,467	13,235	3,197	24	2,650	5,259	754	77	534
Rent net loss	243,949	7,323	7,216	3,613	—	2,473	7	44	—	133
Royalty net loss	3,118	288	288	288	—	—	—	—	—	—
Farm net loss	76,298	46,714	42,626	15,866	1,216	2,361	—	10,290	3,396	4,932
Net loss, noncapital assets	139,663	8,796	8,307	2,463	72	24	157	605	77	4,888
Other deductions	22,541,195	481,064	257,458	75,999	8,040	40,731	4,166	37,806	11,277	16,369
Net income	50,567,190	2,133,180	1,828,160	861,359	87,818	190,316	26,787	134,814	93,110	292,306
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	551,921	2,950	2,948	2,686	—	199	4	-104	135	—
Net long-term capital gain (less loss)	2,127,000	130,657	112,907	49,375	14	38,190	39	5,650	929	17,021

Footnotes at end of table.

Partnership Returns/1981

Table 1.—Total Assets and Income Statement for Selected Industries—Continued

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

Item	Agriculture, forestry, and fishing—Continued			Mining			Construction			Manufacturing
	Farms—Continued		Agri-cultural services, forestry and fishing	Total	Oil and gas extraction	Other mining	Total	General contractors	Special trade contractors	
	Poultry and eggs	General livestock including animal specialty								
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	
Partnerships With and Without Net Income										
Number of partnerships	1,000	6,604	16,774	51,368	47,107	4,261	69,856	27,558	41,611	30,306
Number of partners	3,512	18,850	58,683	1,475,289	1,441,161	34,128	165,054	68,896	94,785	90,879
Total assets	388,815	874,462	2,836,690	34,345,078	27,314,776	7,030,302	11,007,808	8,641,576	2,341,084	10,988,021
Total receipts	284,454	342,794	2,518,929	17,003,772	12,567,907	4,435,866	17,019,193	10,912,448	6,043,688	14,585,168
Business receipts	264,609	176,647	2,418,736	15,329,327	11,009,438	4,319,889	16,553,667	10,513,390	5,977,220	14,234,044
Income from other partnerships and fiduciaries	—	316	3,313	314,521	313,790	732	48,983	44,842	4,141	8,349
Nonqualifying dividends	2	126	421	2,838	2,746	92	27,380	27,327	53	5,197
Interest received	370	5,495	20,525	176,395	146,563	29,832	158,583	133,221	25,363	75,005
Rents received	2,229	10,644	2,921	39,920	25,958	13,962	27,439	25,057	2,382	20,108
Royalties	—	695	6,062	240,485	230,178	10,307	3,164	2,708	456	22,306
Farm net profit	15,568	54,384	14,281	453	442	—	218	—	—	1,215
Net gain, noncapital assets	247	29,254	27,283	392,529	372,039	20,490	25,902	23,701	2,201	20,703
Other receipts	1,429	65,224	25,387	507,294	466,754	40,541	173,857	141,984	31,872	198,241
Total deductions	308,893	458,522	2,587,753	27,112,863	21,954,373	5,158,490	15,809,969	10,400,106	5,349,550	15,025,824
Cost of sales and operations	204,483	153,432	1,364,657	5,626,826	2,920,373	2,706,452	12,007,431	8,532,255	3,427,862	10,909,817
Inventory, beginning of year	3,444	2,815	86,152	181,067	44,717	136,349	1,663,720	1,550,874	111,824	1,142,363
Purchases	47,446	135,449	932,381	1,047,741	808,704	239,037	2,284,824	893,626	1,383,270	6,865,934
Cost of labor	6,383	870	91,536	503,767	161,423	342,343	1,228,500	714,662	508,695	1,054,263
Materials and supplies	55,915	4,708	43,347	557,243	237,099	320,144	2,290,638	1,451,149	811,999	798,350
Other costs	94,797	12,100	313,509	3,620,372	1,750,001	1,870,371	6,268,617	5,492,564	769,537	2,346,432
Less: inventory, end of year	3,502	2,510	102,268	283,364	81,572	201,792	1,728,868	1,570,620	157,464	1,297,525
Salaries and wages	4,040	15,721	168,708	306,349	197,063	109,286	687,570	261,996	425,540	743,668
Less: jobs credit	24	—	2,003	33	1	32	1,987	426	1,561	9,197
Guaranteed payments to partners	3,295	3,520	56,729	159,781	132,545	27,236	326,982	112,501	214,481	188,996
Rent paid	623	9,010	34,406	219,378	161,346	58,032	86,531	40,895	44,066	149,871
Interest paid	5,128	17,250	152,568	973,541	712,013	261,528	473,191	373,237	98,035	403,990
Taxes paid	1,018	3,275	34,370	601,396	438,271	163,125	155,316	73,042	82,053	180,156
Bad debts	2	—	2,623	16,992	11,410	5,582	26,888	11,584	15,303	32,255
Repairs	1,504	3,095	58,990	179,797	54,191	125,606	122,935	68,263	54,625	109,946
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	10	137	2,482	63,264	45,470	17,794	13,967	13,391	542	53,071
Depletion	—	—	2,393	249,439	39,282	210,157	968	852	116	33,470
Pension, profit sharing, annuity and bond purchase plans	93	36	595	23,603	5,631	17,973	9,785	5,778	4,007	24,848
Employee benefit plans	107	29	657	24,445	3,981	20,463	29,272	12,423	16,849	41,419
Net loss from other partnerships and fiduciaries	587	2,109	7,117	1,990,140	1,937,568	52,572	17,793	17,649	35	29,337
Rent net loss	19	234	325	150,467	150,467	978	36,524	35,662	862	2,483
Royalty net loss	—	—	—	—	—	—	—	—	—	20
Farm net loss	35,508	141,621	123,107	9,777	9,648	129	2,372	1,743	629	4,857
Net loss, noncapital assets	902	1,322	3,238	15,219	15,208	—	13,101	8,082	5,019	5,868
Other deductions	44,346	93,927	430,520	15,031,997	13,966,271	1,065,725	1,445,660	694,194	745,495	1,586,147
Net Income (less deficit)	-24,438	-115,727	-68,824	-10,109,096	-9,386,471	-722,624	1,209,222	512,345	694,133	-440,649
Net income	22,005	61,191	305,021	4,832,479	4,485,486	346,993	1,848,486	995,656	845,590	1,099,793
Deficit	-46,443	-176,919	-373,845	-14,941,575	-13,871,958	-1,069,617	-639,264	-483,312	-151,456	-1,540,442
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	29	154	-1,955	-1,420	-1,422	2	2,760	1,813	946	681
Net long-term capital gain (less loss)	—	8,622	32,872	57,810	52,485	5,325	16,538	14,486	2,052	23,782
Partnerships With Net Income										
Number of partnerships	524	2,159	8,800	19,700	18,666	1,035	50,226	18,003	31,542	18,626
Number of partners	2,129	5,679	22,406	670,740	667,007	3,733	116,900	44,922	70,618	48,613
Total assets	208,636	145,284	832,737	10,863,992	8,553,984	2,310,008	6,118,275	4,538,211	1,559,231	4,107,153
Total receipts	167,309	181,921	1,757,000	12,515,366	9,659,775	2,855,591	13,564,078	8,259,229	5,253,327	8,362,784
Business receipts	150,858	117,796	1,703,058	11,437,950	8,641,566	2,796,384	13,232,709	7,988,782	5,192,405	8,186,815
Income from other partnerships and fiduciaries	—	247	—	297,173	296,944	228	46,272	42,884	3,388	2,379
Nonqualifying dividends	—	—	213	2,483	2,472	11	27,343	27,291	53	4,750
Interest received	38	2,002	7,693	70,423	58,899	11,524	124,723	102,253	22,471	27,145
Rents received	1,613	465	1,571	24,711	21,684	3,026	15,131	13,177	1,954	12,161
Royalties	—	694	3,162	221,540	216,019	5,520	563	106	456	4,157
Farm net profit	14,552	52,765	11,046	442	442	—	218	—	—	593
Net gain, noncapital assets	3	7,137	17,370	46,952	33,060	13,892	10,516	9,939	1,578	12,242
Other receipts	245	815	12,867	413,694	388,688	25,006	106,602	75,578	31,024	112,360
Total deductions	145,304	120,729	1,451,978	7,682,883	5,174,284	2,508,599	11,715,588	7,263,573	4,407,734	7,262,986
Cost of sales and operations	100,320	99,655	929,930	3,668,553	2,123,450	1,545,103	9,164,174	6,185,748	2,943,686	5,382,629
Inventory, beginning of year	—	2,032	59,895	79,933	29,692	50,241	745,613	636,290	108,301	606,932
Purchases	—	92,071	666,062	718,374	610,628	107,746	2,010,297	706,845	1,301,525	3,501,210
Cost of labor	—	—	62,871	352,052	119,133	232,919	883,773	468,515	414,759	568,884
Materials and supplies	40,336	611	23,889	368,183	157,299	210,884	1,765,032	1,022,553	717,641	383,243
Other costs	59,984	7,127	182,380	2,269,424	1,244,171	1,025,252	4,415,293	3,865,097	548,897	1,032,190
Less: inventory, end of year	—	2,187	69,615	119,413	37,473	81,940	655,774	507,551	147,438	709,930
Salaries and wages	3,122	619	98,006	143,054	95,928	47,127	591,558	211,039	380,485	444,364
Less: jobs credit	—	—	153	29	1	28	1,679	119	1,561	8,770
Guaranteed payments to partners	1,457	828	27,040	70,633	50,656	19,977	187,885	54,305	133,580	105,145
Rent paid	285	1,065	22,789	91,962	55,749	36,212	65,335	28,423	35,342	81,085
Interest paid	1,403	1,491	30,727	287,579	223,929	63,650	194,772	153,833	40,938	99,926
Taxes paid	500	691	21,385	414,808	307,724	107,084	119,150	48,157	70,773	123,757
Bad debts	2	—	1,580	7,310	4,818	2,492	13,025	5,532	7,493	20,566
Repairs	873	182	32,115	102,259	34,491	67,769	83,725	43,776	39,902	81,137
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	1	—	640	15,091	12,889	2,203	3,324	3,107	183	2,794
Depletion	—	—	229	189,787	7,805	181,982	783	667	116	582
Pension, profit sharing, annuity and bond purchase plans	49	12	480	16,204	2,736	13,468	8,601	4,594	4,007	11,859
Employee benefit plans	107	—	524	9,307	1,905	7,402	23,503	8,051	15,452	20,002
Net loss from other partnerships and fiduciaries	—	740	232	41,731	39,440	2,291	3,256	3,245	11	384
Rent net loss	19	—	107	653	487	166	6,556	5,847	709	1,857
Royalty net loss	—	—	—	838	838	—	—	—	—	20
Farm net loss	23	2,976	4,088	5,549	5,420	129	1,221	1,051	169	2,096
Net loss, noncapital assets	—	—	489	607	604	3	4,216	101	4,115	96
Other deductions	35,522	10,819	223,606	2,034,173	1,750,594	283,579	1,023,380	418,293	600,504	698,338
Net income	22,005	61,191	305,021	4,832,479	4,485,486	346,993	1,848,486	995,656	845,590	1,099,793
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	29	—	2	1,529	1,529	—	1,063	117	946	1

Partnership Returns/1981

Table 1.—Total Assets and Income Statement for Selected Industries—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Transportation, communication, electric, gas and sanitary services			Wholesale and retail trade						
	Total	Transportation	Communication, electric, gas and sanitary services	Total	Wholesale trade	Retail trade				
						Total	Building materials, hardware, garden supply and mobile home dealers	General merchandise stores	Food stores	Automotive dealers and service stations
(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
Partnerships With and Without Net Income										
Number of partnerships	21,711	17,790	3,921	216,808	30,309	184,874	7,297	3,046	23,461	23,474
Number of partners	73,005	52,523	20,482	528,483	76,459	436,828	18,645	7,866	51,550	54,812
Total assets	11,627,384	5,116,954	6,510,430	20,253,212	7,155,135	12,851,922	1,095,641	365,601	1,824,673	2,147,454
Total receipts	6,425,968	4,643,440	1,782,528	71,169,890	29,835,425	40,631,529	2,137,934	932,124	7,465,635	10,217,294
Business receipts	6,239,972	4,530,255	1,709,717	70,442,389	29,601,718	40,143,385	2,075,492	918,565	7,406,263	10,118,265
Income from other partnerships and fiduciaries	12,476	1,889	10,587	25,205	6,456	18,749	10,563	1	55	7,826
Nonqualifying dividends	379	335	44	9,213	4,360	4,834	867	620	1,396	474
Interest received	40,652	13,304	27,348	141,408	64,471	72,471	9,424	2,823	4,611	23,135
Rents received	24,187	22,732	1,455	105,919	13,442	92,462	14,017	2,200	9,417	11,892
Royalties	172	169	3	3,114	2,143	966	—	—	13	115
Farm net profit	129	129	—	3,185	2,165	963	—	65	705	133
Net gain, noncapital assets	29,021	25,630	3,392	35,342	6,255	29,077	282	463	3,697	6,632
Other receipts	78,980	48,998	29,983	404,117	134,415	268,244	27,290	7,387	39,478	48,822
Total deductions	6,653,799	4,328,908	2,324,892	69,852,951	29,397,850	39,525,364	2,034,017	883,206	7,252,860	10,025,735
Cost of sales and operations	2,744,403	1,962,572	781,831	56,339,819	26,772,086	29,029,568	1,477,954	685,133	5,949,804	8,661,448
Inventory, beginning of year	43,188	35,717	7,471	5,265,079	1,619,905	3,600,214	357,509	136,110	364,321	778,269
Purchases	1,289,259	891,048	398,211	50,909,272	915,595	23,986,168	26,574,044	1,471,348	648,889	8,103,191
Cost of labor	155,597	130,360	25,237	64,727	53,722	230,989	651,062	11,917	2,268	76,598
Materials and supplies	1,219,903	870,325	349,578	4,438,694	2,572,911	1,746,211	33,036	36,124	215,137	437,327
Other costs	28,271	18,600	9,671	5,810,826	1,837,962	3,924,067	410,891	146,803	394,753	813,319
Less: inventory, end of year	493,252	316,214	177,038	3,687,836	677,411	2,980,403	65,223	68,869	417,287	373,914
Salaries and wages	573	572	2	60,298	48,861	11,437	288	39	640	289
Less: jobs credit	60,912	45,755	15,158	690,223	137,037	550,571	45,495	14,168	59,160	86,490
Guaranteed payments to partners	102,665	67,062	35,603	1,215,513	115,998	1,085,381	30,254	16,391	93,974	113,613
Rent paid	438,409	291,526	146,883	759,169	212,533	536,671	40,066	10,448	58,153	104,934
Interest paid	101,359	59,906	41,453	802,439	118,850	675,806	29,559	13,981	87,493	100,933
Taxes paid	16,382	5,499	89,075	35,128	53,132	764	4,931	764	3,525	13,994
Bad debts	149,661	132,584	17,078	283,355	57,812	224,532	12,197	3,279	33,094	25,904
Repairs	—	—	—	—	—	—	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	10,741	2,180	8,561	33,570	4,440	29,018	127	159	4,606	3,257
Depletion	1,063	190	873	4,515	2,788	1,726	107	—	—	—
Pension, profit sharing, annuity and bond purchase plans	6,082	4,615	1,466	18,704	10,396	8,193	1,091	521	1,911	762
Employee benefit plans	16,874	10,994	5,880	52,948	18,771	33,435	2,155	499	6,787	7,960
Net loss from other partnerships and fiduciaries	37,140	4,643	32,497	12,775	2,921	8,004	179	—	1,732	4,326
Rent net loss	114,572	114,534	37	25,157	4,814	19,830	292	325	2,034	3,096
Royalty net loss	—	—	—	54	54	—	—	—	—	—
Farm net loss	1,827	1,827	—	15,315	9,677	5,622	7	113	1,176	3,196
Net loss, noncapital assets	2,981	989	1,992	14,900	4,954	9,735	491	6	291	330
Other deductions	1,643,502	912,376	731,126	5,061,811	1,089,726	3,662,606	193,409	61,202	446,753	446,388
Net income (less deficit)	-227,832	314,532	-542,364	1,316,933	437,573	1,106,162	103,919	48,918	212,774	191,562
Net income	1,103,053	816,238	286,816	2,938,639	781,945	2,116,917	145,626	54,189	299,608	306,050
Deficit	-1,330,885	-501,706	-829,180	-1,621,706	-344,371	-1,010,755	-41,708	-5,272	-86,834	-114,488
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	1,142	770	372	3,449	187	3,262	5	4	155	519
Net long-term capital gain (less loss)	83,524	24,936	58,588	230,636	193,316	35,627	2,683	165	5,326	7,026
Partnerships With Net Income										
Number of partnerships	10,244	8,608	1,636	117,916	16,357	101,281	4,277	2,240	15,086	13,272
Number of partners	26,516	21,254	5,262	250,726	41,275	238,872	11,246	6,069	32,744	32,143
Total assets	3,151,735	1,781,152	1,370,584	12,179,511	3,519,539	8,479,812	732,366	237,172	1,491,760	1,343,867
Total receipts	4,204,912	2,930,686	1,274,246	46,752,879	16,535,421	29,799,041	1,686,538	786,141	5,926,969	7,177,417
Business receipts	4,096,621	2,879,028	1,217,593	46,214,386	16,364,377	29,426,056	1,641,646	776,648	5,877,201	7,105,426
Income from other partnerships and fiduciaries	12,050	1,855	10,165	23,893	5,304	18,589	10,563	1	44	7,826
Nonqualifying dividends	146	130	16	8,186	4,205	3,963	382	594	1,268	242
Interest received	24,048	6,241	17,807	93,301	31,194	57,931	8,452	2,692	3,595	19,904
Rents received	10,908	10,696	212	77,318	10,556	66,762	2,077	1,516	8,505	10,309
Royalties	170	167	3	2,732	2,109	623	—	—	4	115
Farm net profit	129	129	—	2,962	2,067	896	—	85	661	130
Net gain, noncapital assets	23,624	21,054	2,570	24,827	4,165	20,652	209	442	3,597	3,909
Other receipts	37,215	11,335	25,880	315,272	111,444	203,570	29,208	4,183	35,094	29,577
Total deductions	3,101,857	2,114,427	987,430	43,824,242	15,753,474	27,682,128	1,540,911	731,951	5,627,360	6,871,370
Cost of sales and operations	1,340,725	845,960	494,765	35,224,825	13,958,275	20,937,637	1,150,922	575,989	4,708,737	5,966,672
Inventory, beginning of year	9,538	4,240	5,298	3,481,922	1,034,169	2,417,252	241,206	89,070	264,586	475,800
Purchases	498,406	140,227	358,179	31,156,536	11,552,207	19,418,766	1,124,553	541,060	4,465,821	5,646,366
Cost of labor	87,967	74,733	13,234	513,111	141,713	362,396	9,576	2,268	25,548	59,003
Materials and supplies	54,297	46,469	7,828	492,570	170,110	292,121	10,465	8,546	47,533	59,004
Other costs	706,455	588,425	118,029	3,391,144	2,138,436	1,146,471	30,490	34,694	188,198	243,771
Less: inventory, end of year	15,938	8,135	7,804	3,810,458	1,078,359	2,699,369	265,368	99,649	282,949	517,272
Salaries and wages	340,464	246,182	94,282	2,696,025	544,480	2,143,470	129,119	58,197	316,975	264,804
Less: jobs credit	327	327	—	54,653	48,857	5,996	250	39	244	216
Guaranteed payments to partners	38,433	28,497	9,935	409,199	94,353	312,771	31,692	8,698	33,382	49,773
Rent paid	56,936	49,935	7,001	741,254	80,094	659,377	19,287	15,397	60,056	82,121
Interest paid	120,512	69,594	50,918	377,060	101,081	270,381	16,374	4,235	27,925	53,970
Taxes paid	57,807	41,264	16,544	548,864	89,571	458,258	22,172	10,740	63,792	67,662
Bad debts	7,492	3,759	3,733	52,858	22,653	29,551	4,182	714	2,747	8,128
Repairs	99,900	88,108	11,791	185,891	41,725	143,900	5,158	2,602	24,625	16,406
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	—	375	545	14,237	1,852	12,325	45	110	1,601	880
Depletion	190	190	—	3,078	1,372	1,706	107	—	—	—
Pension, profit sharing, annuity and bond purchase plans	5,194	4,372	822	15,941	8,976	6,930	892	521	1,230	681
Employee benefit plans	12,229	8,714	3,516	39,196	15,133	23,473	1,759	391	5,177	6,122
Net loss from other partnerships and fiduciaries	1,145	745	400	6,588	783	5,806	179	—	37	3,823
Rent net loss	596	574	21	6,981	2,080	4,409	291	—	2,032	54
Royalty net loss	—	—	—	54	54	—	—	—	—	—
Farm net loss	—	—	—	3,197	1,735	1,446	7	—	934	505
Net loss, noncapital assets	89	76	13	2,568	730	1,837	—	2	32	39
Other deductions	766,990	577,023	189,966	3,118,080	746,600	2,340,395	140,855	49,146	324,106	306,820
Net income	1,103,053	816,238	286,816	2,938,639	781,945	2,116,917	145,626	54,189	299,608	306,050
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	177	177	—	3,867	621	3,246	5	4	155	503

Table 1. — Total Assets and Income Statement for Selected Industries — Continued

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

Item	Wholesale and retail trade—Continued							Finance, insurance, and real estate		
	Retail trade—Continued							Finance		
	Automotive dealers and service stations—Continued		Apparel and accessory stores	Furniture and home furnishings stores	Eating places	Drinking places	Liquor stores	Total	Total	Banking, and credit agencies other than banks
	Motor vehicle dealers	Gasoline service stations								
(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	
Partnerships With and Without Net Income										
Number of partnerships	4,280	12,377	16,438	11,414	28,502	6,749	3,926	681,638	152,058	2,559
Number of partners	12,362	27,944	36,476	26,232	82,369	14,718	8,969	8,456,258	5,299,684	24,079
Total assets	796,844	756,581	914,355	793,103	2,241,187	315,241	372,587	550,143,188	209,326,175	3,077,547
Total receipts	2,726,050	6,062,489	1,812,697	1,930,382	6,703,893	510,505	1,362,897	73,573,659	39,890,980	1,351,952
Business receipts	2,673,452	6,027,901	1,793,717	1,907,479	6,622,192	504,580	1,352,713	41,103,117	22,977,632	1,043,936
Income from other partnerships and fiduciaries	6,300	63	83	272	48	—	—	1,328,934	896,112	6,561
Nonqualifying dividends	265	18	644	—	231	—	—	2,683,944	2,654,295	1,343
Interest received	14,936	3,520	6,180	8,313	6,342	435	1,334	12,722,555	10,446,423	192,786
Rents received	6,041	4,785	3,749	3,042	34,951	369	1,292	10,627,798	329,361	578
Royalties	—	115	76	—	—	—	—	376,129	335,063	1,258
Farm net profit	25	58	17	1	33	—	—	275,976	254,672	885
Net gain, noncapital assets	976	5,345	1,168	344	10,879	75	970	614,266	132,606	83
Other receipts	23,456	20,070	7,145	10,911	28,574	5,045	6,562	3,840,939	1,884,827	104,523
Total deductions	2,672,701	5,984,377	1,730,687	1,861,078	6,605,245	481,945	1,307,839	78,933,705	37,839,186	1,237,352
Cost of sales and operations	2,303,255	5,363,865	1,172,547	1,244,683	3,160,944	238,073	1,056,075	28,952,082	19,489,257	924,085
Inventory, beginning of year	324,894	165,738	439,448	311,441	100,443	—	—	7,104,060	1,658,399	11,931
Purchases	2,115,155	5,046,796	1,157,416	1,140,965	2,522,255	220,569	1,050,146	23,725,583	20,808,781	66,734
Cost of labor	50,185	18,089	6,468	58,084	337,269	8,904	1,536	323,038	122,618	—
Materials and supplies	30,221	33,574	2,357	24,261	97,953	9,588	3,011	918,987	119,331	—
Other costs	123,012	280,638	69,794	41,107	213,948	786	8,562	9,496,659	2,828,651	856,438
Less: inventory, end of year	340,212	180,969	502,936	331,175	110,924	13,033	138,939	12,616,245	6,068,522	11,018
Salaries and wages	101,094	172,775	154,703	124,053	1,140,766	53,594	62,703	2,455,976	1,319,227	65,054
Less: jobs credit	75	202	45	101	9,822	26	—	6,150	897	—
Guaranteed payments to partners	15,151	41,672	33,686	72,065	79,245	9,699	23,126	1,306,257	575,115	12,578
Rent paid	25,579	61,209	95,197	59,568	409,216	29,299	22,328	446,188	149,475	13,602
Interest paid	46,478	27,837	25,687	25,587	114,220	9,511	14,916	13,497,742	6,943,636	126,290
Taxes paid	19,397	61,089	28,477	35,340	223,428	22,134	23,597	1,416,746	257,911	3,953
Bad debts	3,056	4,958	3,073	11,407	2,669	59	1,817	96,459	44,219	11,550
Repairs	6,816	13,002	7,393	6,800	77,469	13,840	5,429	369,995	54,511	761
Depreciation	1,498	993	1,138	365	11,632	178	3,278	487,975	88,615	9,334
Amortization	—	—	—	—	—	—	—	3,446	1,678	—
Depletion	—	—	—	—	—	—	—	—	—	—
Pension, profit sharing, annuity and bond purchase plans	245	303	571	436	544	—	44	63,263	48,053	1,860
Employee benefit plans	3,559	1,128	1,103	1,068	8,508	160	1,249	61,671	35,758	2,983
Net loss from other partnerships and fiduciaries	4,196	131	239	154	157	—	—	4,572,436	2,908,547	1,785
Rent net loss	1,742	92	99	1,153	2,533	822	347	11,351,904	534,916	1,435
Royalty net loss	—	—	—	—	—	—	—	66,904	41,857	—
Farm net loss	1,228	1,370	—	—	374	—	—	105,867	35,034	66
Net loss, noncapital assets	34	298	1,101	17	4,688	88	—	427,079	310,861	—
Other deductions	125,956	190,117	181,435	252,999	1,191,220	84,968	73,689	11,062,971	4,509,229	56,297
Net income (less deficit)	53,349	78,116	82,010	69,287	98,645	28,555	55,064	-5,360,047	2,051,794	114,600
Net income	81,862	138,905	148,682	115,837	438,771	40,800	66,676	19,771,162	9,324,064	144,317
Deficit	-28,512	-60,788	-66,672	-46,550	-340,126	-12,244	-11,612	-25,313,209	-7,272,270	-29,718
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	1	194	66	—	2,388	—	—	1,831,350	1,676,054	1,205
Net long-term capital gain (less loss)	2,783	3,425	2,128	250	8,687	593	734	4,739,284	3,161,924	447
Partnerships With Net Income										
Number of partnerships	2,321	6,418	9,079	5,520	15,046	4,975	2,421	300,079	78,127	1,721
Number of partners	8,192	14,097	20,845	11,870	43,968	10,876	5,312	2,547,944	1,325,294	22,917
Total assets	510,092	436,396	723,864	460,835	1,231,340	218,422	286,372	194,935,703	78,014,998	2,035,394
Total receipts	1,858,304	4,280,322	1,459,172	1,240,682	4,623,560	405,755	1,053,787	46,461,773	23,528,875	571,850
Business receipts	1,819,689	4,255,925	1,444,224	1,224,106	4,558,609	400,088	1,046,814	22,410,348	11,411,515	319,781
Income from other partnerships and fiduciaries	6,900	613	83	272	48	—	—	1,229,014	840,884	6,557
Nonqualifying dividends	33	83	644	—	231	—	—	2,640,738	2,620,055	1,343
Interest received	12,274	3,175	6,179	5,890	3,448	403	966	7,913,211	6,284,763	159,848
Rents received	5,437	4,063	1,950	2,119	30,618	369	1,191	8,457,305	209,759	547
Royalties	—	115	76	—	—	—	—	337,397	297,798	1,258
Farm net profit	2	59	17	1	33	—	—	273,148	254,501	885
Net gain, noncapital assets	851	2,884	1,168	156	9,639	75	174	473,522	100,818	83
Other receipts	13,119	13,408	4,914	8,139	20,668	4,819	4,616	2,727,089	1,508,783	81,349
Total deductions	1,776,442	4,141,421	1,310,489	1,124,844	4,184,787	364,955	987,117	26,690,611	14,204,811	427,333
Cost of sales and operations	1,551,793	3,731,568	929,217	780,723	2,086,099	182,150	809,213	14,614,205	9,225,014	212,240
Inventory, beginning of year	182,025	111,471	313,399	191,080	70,311	8,005	92,296	3,035,021	597,595	11,931
Purchases	1,425,459	3,573,789	930,256	725,456	1,699,570	172,513	803,378	8,758,483	7,376,669	66,734
Cost of labor	41,839	10,415	3,868	30,520	179,928	2,913	1,536	153,477	78,826	—
Materials and supplies	22,572	27,825	1,517	22,330	70,973	9,051	3,011	568,002	85,994	—
Other costs	79,146	132,254	64,073	28,067	143,868	19	7,601	4,698,022	1,343,771	144,593
Less: inventory, end of year	200,265	124,186	383,896	216,730	70,551	10,351	98,610	2,586,780	257,841	11,018
Salaries and wages	59,860	123,414	112,965	76,464	776,384	45,453	51,164	1,296,540	655,649	52,762
Less: jobs credit	67	136	45	101	4,916	26	—	702	317	—
Guaranteed payments to partners	7,898	22,428	21,287	31,683	47,010	5,427	10,899	552,488	295,501	11,338
Rent paid	20,049	41,794	57,880	32,599	241,903	24,098	16,151	196,359	71,194	9,685
Interest paid	21,988	15,152	18,869	12,214	49,255	4,129	10,048	3,907,213	2,333,696	83,674
Taxes paid	11,737	39,755	19,525	24,384	141,686	18,090	18,054	615,839	120,851	2,795
Bad debts	1,862	3,344	2,558	4,232	706	34	645	39,788	14,331	2,045
Repairs	4,037	8,707	4,906	4,212	47,606	10,336	3,726	167,977	32,812	701
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	35	680	609	126	4,999	37	2,060	76,277	19,680	796
Depletion	—	—	—	—	—	—	—	2,827	1,638	—
Pension, profit sharing, annuity and bond purchase plans	197	272	571	297	479	—	44	45,607	32,642	885
Employee benefit plans	2,244	1,001	745	403	4,531	102	1,219	27,588	13,620	1,993
Net loss from other partnerships and fiduciaries	3,805	19	239	154	157	—	—	108,027	55,664	737
Rent net loss	13	22	92	202	895	—	—	199,157	26,628	315
Royalty net loss	—	—	—	—	—	—	—	—	—	—
Farm net loss	80	305	—	—	—	—	—	1,200	35	—
Net loss, noncapital assets	—	—	—	—	—	—	—	15,819	8,100	66
Other deductions	84,928	127,845	127,118	142,070	691,787	64,179	49,094	11,317,317	9,981,317	13
Net income	81,862	138,905	148,682	115,837	438,771	40,800	66,676	19,771,162	9,324,064	144,317
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	—	180	66	—	2,388	—	—	539,880	490,810	264
Net long-term capital gain (less loss)	905	837	1,245	231	9,093	593	411	1,712,032	1,109,336	438

Footnotes at end of table.

Partnership Returns/1981

Table 1.—Total Assets and Income Statement for Selected Industries—Continued

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

Item	Finance, insurance, and real estate—Continued							Services		
	Finance—Continued		Insurance agents, brokers, and services	Real estate			Total	Hotels and other lodging places	Personal services	
	Security and commodity brokers and services	Holding and investment companies		Total	Operators and lessors of buildings	Lessors, other than buildings				Real estate agents, brokers, and managers
(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	
Partnerships With and Without Net Income										
Number of partnerships	3,507	145,992	7,227	522,352	435,836	30,808	19,018	262,932	19,589	27,840
Number of partners	61,887	5,213,717	23,488	3,133,086	2,692,739	168,988	72,128	1,024,751	122,183	62,564
Total assets	84,633,778	121,614,850	3,449,346	337,367,666	286,430,229	8,234,424	6,650,722	53,559,394	17,185,839	892,389
Total receipts	22,999,310	15,539,719	3,157,085	30,525,594	17,727,222	706,983	2,426,235	64,849,886	9,014,845	1,724,943
Business receipts	18,586,646	3,347,050	2,472,958	15,652,527	4,806,922	192,858	1,939,265	60,997,315	8,178,604	1,714,784
Income from other partnerships and fiduciaries	43,593	845,958	385	432,437	310,507	26,615	6,894	106,096	8,443	—
Nonqualifying dividends	12,245	2,640,770	994	26,654	26,553	539	633	16,574	—	837
Interest received	3,628,481	6,625,156	117,900	2,158,239	1,617,815	46,983	113,029	311,939	98,985	2,507
Rents received	66,745	362,039	3,920	10,294,517	9,769,838	369,283	49,403	1,185,684	476,402	2,963
Royalties	346	335,459	21	41,045	12,326	28,604	1	34,871	581	—
Farm net profit	—	253,777	—	21,314	5,285	—	—	14,607	—	1,155
Net gain, noncapital assets	25	132,498	330	481,330	394,989	2,144	2,640	638,192	31,543	1,889
Other receipts	661,229	1,099,075	560,576	1,415,536	782,988	25,350	314,370	1,557,870	219,451	2,502
Total deductions	23,681,292	12,920,543	2,661,713	38,432,806	24,448,135	650,811	2,598,620	53,231,510	9,367,329	1,553,313
Cost of sales and operations	16,732,292	1,812,879	518,966	8,963,859	1,664,039	103,144	834,867	10,344,347	2,537,467	371,499
Inventory, beginning of year	950,506	695,962	—	5,445,661	517,331	57,544	268,418	468,085	63,181	30,649
Purchases	20,404,610	337,437	51,897	2,864,904	620,691	27,422	216,747	3,834,669	720,360	236,795
Cost of labor	38,608	84,008	10,641	189,782	56,579	2,758	17,967	1,504,007	378,096	53,508
Materials and supplies	131	119,200	48,829	750,827	210,696	28,671	22,741	740,046	106,634	32,649
Other costs	592,721	1,379,493	422,254	6,245,753	900,000	42,107	573,206	4,417,051	1,340,290	61,901
Less: inventory, end of year	5,254,283	803,221	14,654	6,533,068	641,257	55,358	264,213	6,119,511	71,094	43,824
Salaries and wages	842,202	411,971	293,749	843,000	519,780	18,567	147,974	13,264,646	1,264,147	288,343
Less: jobs credit	73	824	—	5,252	5,026	—	—	8,005	—	291
Guaranteed payments to partners	290,315	272,222	84,262	648,880	370,367	6,007	147,185	2,164,698	72,850	134,873
Rent paid	72,132	63,741	46,773	249,940	168,711	3,290	43,065	2,688,071	200,681	102,833
Interest paid	3,458,797	3,358,549	75,207	6,478,899	4,091,219	108,539	302,028	2,689,365	1,189,509	39,056
Taxes paid	71,797	182,161	34,580	1,124,254	875,673	20,603	63,486	1,710,381	389,120	50,461
Bad debts	4,159	28,610	17,362	34,878	21,104	73	7,132	111,163	22,380	3,303
Repairs	4,396	49,354	11,458	304,026	252,488	4,932	21,069	570,576	216,889	23,985
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	7,368	71,913	454	398,906	281,759	8,938	7,953	265,832	44,453	4,545
Depletion	1,560	118	—	1,768	387	—	375	11,626	25	297
Pension, profit sharing, annuity and bond purchase plans	23,928	22,265	8,122	7,088	4,582	1,213	707	210,526	3,174	1,087
Employee benefit plans	18,066	14,709	9,999	15,914	8,097	830	1,396	268,783	38,293	1,563
Net loss from other partnerships and fiduciaries	234,765	2,671,998	5,693	1,858,206	1,365,204	22,487	129,958	243,839	34,048	564
Rent net loss	720	532,760	346	10,816,642	10,409,494	157,119	59,427	949,352	139,928	7,343
Royalty net loss	4,164	37,693	—	25,047	—	—	—	10,447	—	—
Farm net loss	665	34,303	—	70,833	36,934	28,382	744	20,076	1,032	—
Other deductions	27,457	283,300	18	116,200	90,600	19,847	1,239	54,586	5,182	12
Net loss, noncapital assets	1,868,713	2,614,219	1,532,919	4,990,824	2,859,395	91,237	714,332	14,269,112	2,338,875	430,681
Other deductions	—	—	—	—	—	—	—	—	—	—
Net income (less deficit)	-681,982	2,618,176	495,372	-7,907,213	-6,720,914	56,173	-172,385	-1,185,171	-352,484	171,627
Net income	654,715	8,525,031	594,741	9,852,357	7,968,758	404,188	255,437	16,804,203	793,239	232,356
Deficit	-1,336,697	-5,905,855	-99,369	-17,759,570	-14,689,672	-348,015	-427,822	-5,186,013	-1,145,723	-60,729
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	945,421	729,428	1,356	153,942	108,281	4,013	90	48,844	10,895	—
Net long-term capital gain (less loss)	688,207	2,479,270	13,976	1,563,385	1,332,135	53,562	26,006	94,829	22,413	3,283
Partnerships With Net Income										
Number of partnerships	1,847	74,559	6,238	215,713	178,531	17,075	8,503	168,116	7,792	18,359
Number of partners	45,498	1,257,779	19,823	1,202,827	1,033,816	80,875	27,063	611,995	51,930	41,536
Total assets	11,110,910	64,868,193	2,575,933	114,345,273	99,838,128	3,383,359	2,552,591	22,455,486	5,932,787	443,733
Total receipts	9,826,781	13,130,444	2,828,287	20,104,631	12,269,111	557,743	1,234,444	53,539,878	4,311,217	1,274,046
Business receipts	8,754,931	2,336,804	2,178,467	8,820,366	2,216,204	132,080	1,050,429	50,503,572	3,647,523	1,266,718
Income from other partnerships and fiduciaries	32,917	801,409	385	387,745	270,506	25,952	4,332	101,715	7,406	—
Nonqualifying dividends	4,407	2,614,305	994	19,689	17,994	346	571	15,685	424	280
Interest received	434,720	5,690,195	102,526	1,525,923	1,161,124	39,706	74,012	240,008	77,873	1,736
Rents received	35,564	173,648	3,757	8,243,790	7,848,138	306,663	34,560	965,908	410,457	2,567
Royalties	—	296,541	21	39,578	11,306	28,253	—	17,977	581	—
Farm net profit	—	253,616	287	16,647	3,504	14,521	—	1,156	—	—
Net gain, noncapital assets	24	100,711	297	372,118	305,715	1,268	1,277	613,788	28,297	802
Other receipts	564,219	863,214	541,831	676,476	434,619	8,954	69,264	1,080,071	138,655	1,944
Total deductions	9,172,066	4,605,412	2,233,526	10,252,274	4,300,353	153,555	979,007	36,735,684	3,517,977	1,041,688
Cost of sales and operations	7,607,069	1,405,706	291,876	5,097,314	838,718	76,309	385,392	6,600,560	737,392	262,245
Inventory, beginning of year	376,131	209,533	—	2,437,425	164,136	38,208	122,811	323,291	28,597	23,440
Purchases	7,200,663	109,272	51,897	1,329,917	255,309	6,945	166,468	2,641,987	309,944	166,270
Cost of labor	38,608	85,863	6,098	68,553	13,342	2,664	11,114	988,219	149,687	43,181
Materials and supplies	131	85,863	48,800	433,208	113,983	28,659	8,952	602,817	53,993	23,778
Other costs	81,967	1,117,211	199,735	3,154,496	449,425	29,701	201,166	2,415,860	226,486	43,267
Less: inventory, end of year	90,432	156,391	14,654	2,326,285	157,476	29,868	125,139	371,013	31,113	37,690
Salaries and wages	417,132	185,755	267,326	373,565	225,475	13,062	86,208	11,275,014	568,872	206,405
Less: jobs credit	50	268	—	384	204	—	—	6,077	558	271
Guaranteed payments to partners	186,934	97,229	52,099	93,205	55,181	1,909	77,977	1,586,635	37,704	75,949
Rent paid	43,576	17,933	41,878	83,287	55,181	1,128	19,290	2,192,603	86,956	72,524
Interest paid	354,367	1,895,654	24,413	1,549,104	1,042,519	12,313	74,910	1,011,104	360,097	16,775
Taxes paid	42,942	75,115	31,407	463,580	382,765	8,439	29,009	1,303,323	171,554	35,513
Bad debts	1,858	10,428	16,564	8,893	5,629	2	1,346	71,203	12,285	2,421
Repairs	3,186	28,924	10,997	124,168	105,974	1,533	7,671	364,300	111,980	16,543
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	2,160	16,724	453	56,144	42,622	517	2,201	127,316	10,113	1,181
Depletion	1,560	78	—	1,189	—	—	813	10,057	—	297
Retirement plans etc.	11,459	20,298	8,008	4,958	2,964	1,209	459	202,640	1,835	1,087
Pension, profit sharing, annuity and bond purchase plans	10,966	662	9,261	4,707	2,470	824	724	222,880	19,392	1,546
Net loss from other partnerships and fiduciaries	13,153	41,774	4,021	48,343	41,913	105	1,073	26,955	569	564
Rent net loss	—	26,313	—	172,529	150,489	2,742	3,294	20,826	3,203	196
Royalty net loss	—	35	—	1,165	—	—	—	718	—	—
Farm net loss	—	8,033	—	7,720	6,067	1,407	200	1,702	—	—
Other deductions	6,496	92,872	18	17,918	17,837	1	46	5,943	645	4
Net loss, noncapital assets	459,898	634,338	1,460,876	1,553,974	888,952	22,250	254,720	10,239,981	1,107,265	298,370
Other deductions										

Partnership Returns/1981

Table 1.—Total Assets and Income Statement for Selected Industries—Continued

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

Item	Services—Continued									
	Business services	Automobile repair and services	Miscellaneous repair services	Amusement and recreation services, including motion pictures	Medical and health services		Legal services	Engineering and architectural services	Accounting, auditing, and bookkeeping services	
					Total	Offices of physicians			Total	Certified public accountants
(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	
Partnerships With and Without Net Income										
Number of partnerships	59,193	25,190	10,722	23,392	28,044	12,035	25,446	6,342	12,543	6,865
Number of partners	274,173	59,205	22,877	126,834	100,920	42,654	106,410	16,014	46,649	34,313
Total assets	16,391,626	1,682,233	626,948	5,705,510	3,424,341	945,321	3,366,071	574,990	1,778,518	1,642,121
Total receipts	6,060,445	3,186,773	1,094,947	4,833,550	11,360,207	5,915,002	14,861,884	2,897,148	7,767,800	7,306,467
Business receipts	4,898,639	3,104,175	1,088,388	4,266,083	10,737,978	5,392,794	14,615,166	2,840,232	7,595,965	7,141,221
Income from other partnerships and fiduciaries	21,728	70	—	10,788	14,383	2,166	8,291	30,289	11,705	10,456
Nonqualifying dividends	3,163	71	114	1,637	321	313	2,824	1,744	3,948	3,878
Interest received	72,316	4,334	1,480	34,843	19,332	11,187	30,038	12,112	31,759	30,298
Rents received	541,996	43,991	22	79,679	20,716	6,882	16,600	339	1,407	1,158
Royalties	403	31	—	27,521	52	—	449	3,758	2,076	2,076
Farm net profit	743	268	—	—	—	—	—	—	—	—
Net gain, noncapital assets	78,175	12,216	6	40,316	469,384	463,411	2,010	168	686	296
Other receipts	443,282	21,617	4,937	372,682	98,041	38,196	186,506	8,506	120,255	117,084
Total deductions	6,397,528	2,984,772	988,808	5,417,217	7,720,942	3,250,234	8,584,607	2,523,277	5,963,512	5,624,224
Cost of sales and operations	1,406,398	1,652,207	558,337	1,576,053	825,449	78,187	144,231	722,198	49,658	37,849
Inventory, beginning of year	69,842	107,974	80,416	61,639	27,334	8,208	—	7,292	4,404	2,619
Purchases	589,430	1,074,249	433,341	336,899	131,975	19,459	29,143	594	594	—
Cost of labor	176,677	204,679	49,846	116,859	269,202	18,019	15,725	162,505	35,189	27,132
Materials and supplies	116,384	194,043	11,459	39,046	103,017	11,571	3,498	93,293	127	44
Other costs	546,431	182,735	81,178	1,154,245	333,876	37,174	125,010	436,386	12,378	10,646
Less: inventory, end of year	92,365	111,673	97,905	132,627	39,956	16,239	—	6,422	3,015	2,592
Salaries and wages	590,179	225,817	105,558	669,132	2,445,830	1,198,210	3,774,386	685,958	2,937,547	2,813,011
Less: jobs credit	282	445	551	285	2,010	326	416	26	1,275	797
Guaranteed payments to partners	190,370	97,159	44,958	146,222	296,302	84,765	453,658	138,715	509,593	480,800
Rent paid	150,663	103,622	37,125	181,522	512,618	285,161	813,455	102,055	405,308	381,796
Interest paid	551,207	112,108	11,273	300,077	177,680	22,498	107,579	24,320	94,173	87,128
Taxes paid	87,866	60,062	22,042	119,538	262,931	96,997	377,762	64,816	235,869	224,884
Bad debts	8,034	12,164	1,691	21,721	16,984	3,553	10,758	2,313	9,484	9,463
Repairs	64,264	22,905	7,331	59,213	58,421	24,249	45,737	5,852	23,267	20,513
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	24,463	6,306	2,223	127,893	11,093	662	15,301	1,097	22,178	20,448
Depletion	1,254	—	—	154	181	4	1,998	1,778	4,624	4,624
Pension, profit sharing, annuity and bond purchase plans	7,817	574	125	10,316	50,964	41,204	79,376	15,531	38,795	38,441
Employee benefit plans	8,171	2,569	342	13,429	85,406	57,833	63,407	13,266	38,278	35,508
Net loss from other partnerships and fiduciaries	94,069	3,250	—	81,022	11,066	44	15,543	3,458	368	368
Rent net loss	758,465	6,948	—	11,191	6,465	2,440	15,008	314	1,036	816
Royalty net loss	10,394	—	—	53	—	—	—	—	—	—
Farm net loss	4,674	412	440	12,925	594	—	—	—	—	—
Net loss, noncapital assets	17,109	13,483	—	6,029	1,572	235	864	133	1,742	1,153
Other deductions	1,495,365	397,962	168,678	1,500,260	2,767,522	1,305,228	2,392,116	709,047	1,459,397	1,347,506
Net income (less deficit)	-337,084	301,987	106,136	-583,668	3,639,265	2,664,767	6,297,277	373,871	1,804,287	1,682,243
Net income	1,489,427	436,841	144,043	576,808	3,886,421	2,694,254	6,422,171	454,105	1,870,279	1,745,931
Deficit	1,826,511	-134,854	-37,907	-1,160,476	-247,156	-29,487	-124,893	-80,234	-65,992	-63,689
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	12,000	204	—	24,056	4	—	810	78	803	599
Net long-term capital gain (less loss)	26,870	1,202	—	23,492	9,150	642	3,916	3,339	707	629
Partnerships With Net Income										
Number of partnerships	33,628	15,854	7,839	8,212	23,006	11,158	22,057	4,949	10,724	6,300
Number of partners	148,759	34,499	15,986	36,602	81,468	40,231	94,296	12,852	42,540	32,817
Total assets	4,597,784	1,003,384	538,198	1,612,168	2,277,040	876,121	3,150,126	474,202	1,713,108	1,614,555
Total receipts	4,690,876	2,504,415	980,236	2,685,891	10,311,969	5,762,285	14,551,227	2,600,945	7,968,822	7,218,822
Business receipts	3,744,929	2,457,256	974,785	2,644,027	9,723,734	5,254,767	14,307,828	2,555,186	7,498,154	7,053,875
Income from other partnerships and fiduciaries	21,343	70	—	9,640	13,419	1,202	6,291	29,840	11,705	10,456
Nonqualifying dividends	3,036	71	—	1,810	320	313	2,817	1,744	3,765	3,697
Interest received	48,026	3,754	921	17,241	17,067	11,098	29,501	10,628	30,781	30,186
Rents received	426,539	33,010	22	58,627	16,480	6,882	15,840	113	1,407	1,158
Royalties	68	31	—	10,961	52	—	449	3,758	2,076	2,076
Farm net profit	743	268	—	—	—	—	—	—	—	—
Net gain, noncapital assets	71,218	8,558	6	31,582	469,004	463,411	1,873	96	686	296
Other receipts	374,973	1,397	4,501	112,113	71,884	24,557	184,627	7,580	120,247	117,077
Total deductions	3,201,448	2,067,572	836,190	2,306,992	6,425,539	3,068,028	8,129,057	2,154,840	5,798,543	5,472,891
Cost of sales and operations	1,025,192	1,280,649	490,986	869,138	696,917	69,436	144,231	686,697	49,517	37,849
Inventory, beginning of year	55,459	75,036	61,255	40,326	14,467	414	—	6,477	4,346	2,619
Purchases	396,769	840,678	373,260	153,411	107,492	8,640	—	26,186	—	—
Cost of labor	132,120	150,868	45,924	52,332	213,207	18,013	15,725	109,748	35,169	27,132
Materials and supplies	105,790	157,847	4,312	28,651	96,770	11,571	3,496	89,735	44	44
Other costs	411,832	127,533	77,804	628,842	289,999	37,174	125,010	342,201	11,995	10,646
Less: inventory, end of year	76,778	71,314	71,567	34,424	25,019	6,376	—	5,649	3,015	2,592
Salaries and wages	475,483	174,979	83,217	292,987	2,084,867	1,152,160	3,637,063	656,463	2,873,328	2,749,214
Less: jobs credit	276	445	43	282	1,985	326	414	26	1,256	777
Guaranteed payments to partners	106,977	45,178	34,246	60,476	254,191	67,900	355,327	98,891	473,641	451,301
Rent paid	89,533	75,178	28,368	92,730	440,019	274,063	782,252	92,536	395,621	372,787
Interest paid	171,205	47,997	7,652	63,670	105,035	20,772	97,378	16,703	89,154	83,941
Taxes paid	65,247	42,747	16,535	61,233	221,823	93,462	367,669	60,663	230,065	219,334
Bad debts	3,972	9,937	1,679	3,657	15,142	3,473	10,214	2,166	9,451	9,437
Repairs	34,558	16,566	6,121	25,584	49,705	24,025	44,688	5,729	22,373	19,629
Depreciation	—	—	—	—	—	—	—	—	—	—
Amortization	2,395	1,358	2,223	66,103	5,130	640	15,155	1,080	21,882	20,152
Depletion	1,254	—	—	3	85	4	1,998	1,778	4,624	4,624
Retirement plans etc.	7,308	536	125	5,733	50,405	41,126	79,051	15,488	38,795	38,441
Pension, profit sharing, annuity and bond purchase plans	5,185	2,449	342	5,058	75,881	57,636	61,282	11,735	36,764	34,005
Net loss from other partnerships and fiduciaries	4,414	167	—	13,034	645	44	6,780	414	368	368
Rent net loss	8,780	331	—	372	1,733	772	4,004	314	1,036	816
Royalty net loss	718	—	—	—	—	—	—	—	—	—
Farm net loss	696	412	—	—	594	—	—	—	—	—
Net loss, noncapital assets	2,014	480	—	6	477	234	864	127	1,108	1,108
Other deductions	874,311	286,672	143,054	620,504	2,285,421	1,218,204	2,276,551	593,890	1,423,659	1,314,232
Net income	1,489,427	436,841	144,043	576,808	3,886,421	2,694,254	6,422,171	454,105	1,870,279	1,745,931
Capital gains and losses allocable to partners:										
Net short-term capital gain (less loss)	-334	165	—	501	4	—	775	78	599	599
Net long-term capital gain (less loss)	16,206	1,009	—	2,454	9,025	642	3,623	1,218	707	629

The deduction for depreciation is not shown separately because the amounts reported on the partnership return, Form 1065, are understated. The understatement results from the reporting characteristics of partnerships in farming and real estate. A more accurate estimate of the depreciation deduction, obtained from the Form 4562, the form on which depreciation is computed, is almost \$27.3 billion for all industries. Of this total, almost \$1.5 billion is reported for farms and \$13.8 billion for real estate.

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

Investment Tax Credit on Corporation Returns, 1980

By David Barker*

Capital is wayward and timid in lending itself to new undertakings, and the State ought to excite the confidence of capitalists, who are ever cautious and sagacious, by aiding them to overcome the obstacles that lie in the way of all experiments.

Alexander Hamilton, 1791

The \$15.1 billion investment tax credit claimed by U.S. corporations for 1980 was the largest amount ever claimed in a single Tax Year. This amount was an increase of \$0.4 billion over 1979. However, cost of depreciable property (such as plant and equipment) used for investment credit [1], a measurable portion of the total investment that the credit was intended to stimulate, dropped slightly, from \$220.9 billion for 1979 to \$219.0 billion for 1980. In addition, the amount of the credit generated that was unused in the current Tax Year because of tax limitations also reached a new high, and for the first time since 1974 exceeded the credit claimed.

Income Year	Income Tax		Cost of Property	Unused Credit
	Before Credits	Investment Credit		
(Billions of dollars)				
1974	65.6	4.2	96.6	4.7
1975	65.8	6.5	110.8	6.2
1976	82.8	9.2	134.7	7.5
1977	95.6	11.0	168.5	10.0
1978	107.0	12.9	184.6	11.1
1979	119.2	14.7	220.9	14.4
1980	103.8	15.1	219.0	18.1

The investment credit is the second largest corporate tax credit (after the foreign tax credit). For 1980 the amount claimed was 14.6 percent of corporate income tax before credits, and it has averaged 11.5 percent of income tax before credits for the period 1974 through 1980. Both the credit claimed and its percentage of tax before credits showed an increase

for 1981 due to the Safe Harbor Leasing provisions of the Economic Recovery Tax Act of 1981 (ERTA) [2, 3].

The paradox of a decrease in investment accompanied by a rise in the credit that occurred for 1980 may have been caused by a shift from short-term investment to long-term investment, which qualifies for the credit at a higher rate. Statistics of Income data on the various life-years of investment credit property for corporations are not available.

EVOLUTION OF THE INVESTMENT TAX CREDIT

The credit was first enacted in 1962 as a stimulus to investment and economic growth. The original credit generally provided for a reduction of income tax equal to 7 percent of "qualified" investment. The amount of the credit had to be subtracted from the cost or basis of the investment before calculating any tax depreciation, thus reducing any depreciation deductions claimed. (This reduction of depreciation benefits was repealed in 1964 but reappeared for property placed in service after 1982.) The credit was briefly suspended in late 1966 through early 1967 and repealed in 1969 as an anti-inflation measure. It was restored in 1971 and has since remained in effect. In 1975 the credit was increased from 7 to 10 percent of qualified investment.

In its present form, including changes resulting from the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), the investment credit provides for a 10 percent credit on investment in qualified property, and a 15 percent, 20 percent, and 25 percent credit on qualified rehabilitation expenditures for 30-year-old buildings, 40-year-old buildings, and certified historic structures, respectively. Also, corporations contributing 1 percent of their qualifying investment to an employee stock ownership plan (ESOP) are entitled to an additional 1 percent credit (or 1.5 percent credit if the corporation's employees matched the contribution). Since 1978, there has been an additional credit, the Business Energy Investment Tax Credit, for investment in energy related property [4].

*Corporation Returns Analysis Section. Prepared under the direction of Karen L. Cys, Chief.

All investments do not generate the same amount of investment credit. Before calculating the 10 percent credit, the property is converted to qualified investment. Sixty percent of new or used 3-year recovery property and 100 percent of recovery property with a longer life is considered qualified. Recovery property is property placed in service after December 1980, and depreciated using the Accelerated Cost Recovery System (ACRS). Nonrecovery property qualifies at rates of 33 1/3, 66 2/3, and 100 percent for property with a 3 to 5, 5 to 7, or 7 or more years life, respectively. Nonrecovery property is property placed in service before January 1981. Data in this article are for 1980 and prior, when these lower qualifying rates were in effect.

Not all investment can be included in the credit computation. In order to qualify, property has to have a useful life of at least 3 years. Such property cannot be disposed of or cease to be qualifying property prior to the end of the useful life which was the basis of the credit. Otherwise, any credit already taken has to be repaid as an additional tax for the year in which the disposition or disqualification occurred.

If the credit is claimed for an investment that is also depreciated under the Accelerated Cost Recovery System (ACRS), the cost or basis of the property used in figuring the depreciation deduction has to be reduced by one half of the credit claimed. This is similar to the original 1962 provision which prevented a double benefit accruing to the corporation, in that the basis was reduced by the full amount of the credit. In lieu of the reduced cost or basis, the corporation can elect to reduce the rates at which recovery property qualifies for the credit, from 100 percent and 80 percent to 60 percent and 40 percent, respectively.

The amount of the credit claimed is limited by the income tax liability of the corporation. For corporations with a tax liability of \$25,000 or less, the limitation currently is 100 percent of U.S. income tax after foreign tax and U.S. possessions tax credits. For those corporations with a tax liability of more than \$25,000, it is 90 percent of income tax after foreign tax and U.S. possessions tax credits.

The excess of the investment credit over the limitation is available to the corporation, first as a carryback to the three years prior to the year the credit was generated, then as a carryover to the fifteen years following the credit year.

INVESTMENT CREDIT BY INDUSTRY

The credit is used most heavily by industries which are highly capital intensive. Proportion-

ately more of the investment in plant and equipment made by the manufacturing, construction, transportation, and utility industries can be used for the credit than for the economy as a whole. One reason is that these industries make long-term investments which are necessary to generate a credit. Extension of the credit to benefit other industries has been considered but has never been implemented. Most recently, the Ford administration proposed eliminating the tie-in of the credit to the estimated life-years of the investment which would make short-term investment eligible for the credit. Another factor, which might explain the higher than average use of the investment credit by manufacturing concerns, is a multiplier effect, whereby investment by one corporation leads to higher demand for the product of, and therefore, increased investment by another corporation.

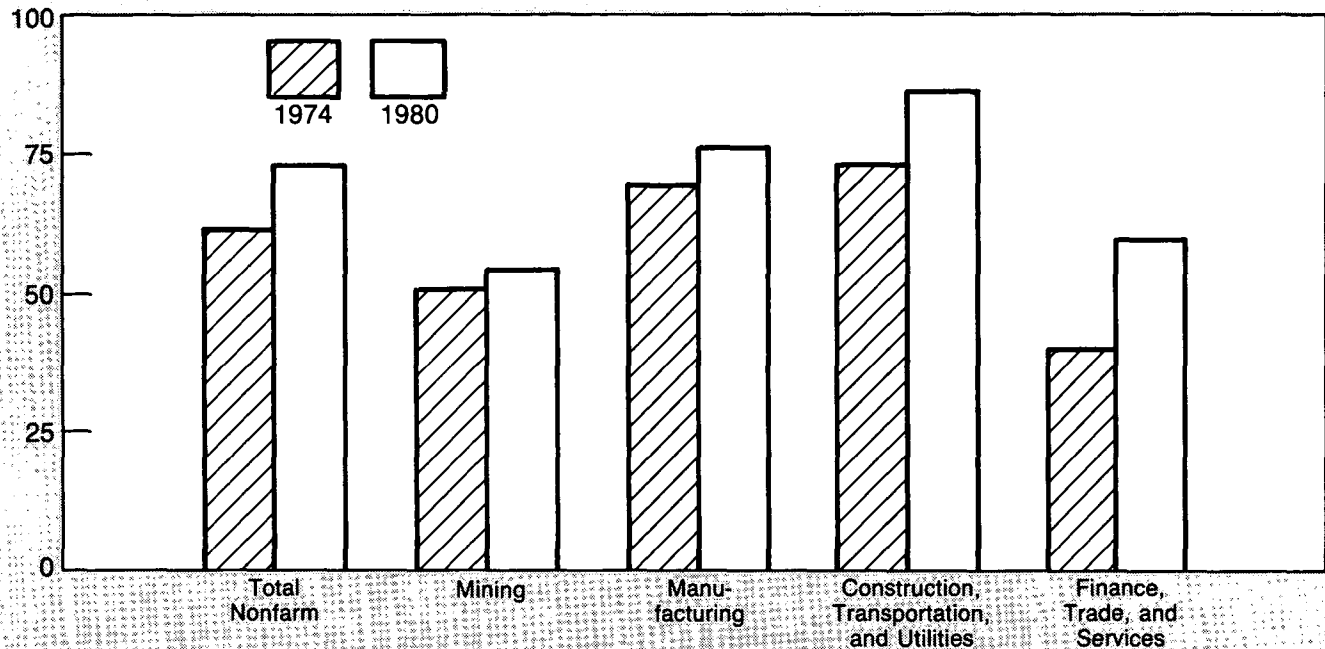
One measure of the utilization of the credit is to compare cost of property used for investment credit, as reported on tax returns, to total investment, as reported to the U.S. Bureau of Economic Analysis in its yearly survey [5]. There are some limitations to this comparison. The tax return data are for investments in new and used property, while the survey data exclude investments in used property [6]. Also, the tax return data are limited to corporations, while the survey data include all businesses. In 1980, 73.3 percent of total investment by all nonfarm corporations and 76.1 percent of investment by manufacturing industries generated a credit. Corporations in the construction, transportation, and utility areas had even higher amounts of total investment generating a credit of 86.2 percent.

These relationships between industries, manufacturing, construction, transportation and utilities having the largest proportions of cost of property used for investment credit to total investment, have remained constant through the years, but the overall relationship of cost of property used for investment credit to total investment has been an increasing one, both for the economy as whole and across industries. This increase may be due, in part, to efforts in the 1970's to increase the benefits accrued to taxpayers who used the credit.

While the trend for the total of all industries during the period 1974 through 1980 has been for both credit claimed and cost of property used for investment credit to rise (with a slight drop for 1980), trends at the industry level have not always followed this pattern.

For instance, in the mining industry cost of property continued to increase for the 1979 to 1980 period, from \$6.2 billion to \$7.3 billion. However, not all the components of the mining

Figure A
Percent of Total Investment Used for Investment Tax Credit, by Selected Industry, 1974 and 1980



Source: Cost of Property Data—Internal Revenue Service
 Total Investment Data—U.S. Department of Commerce, Bureau of Economic Analysis
 See text for details.

industry reflected this increase. For those corporations classified in iron ore mining the cost of property plunged from \$215 million for 1979 to \$38 million for 1980. This industry is quite concentrated, with the four largest corporations, measured by size of total assets, holding 92.5 percent of the industry's assets for 1980. Cost of property used for investment credit for these four largest iron ore mining corporations accounted for a large portion of the decrease, falling from \$148 million for 1979 to \$36 million for 1980. This may have been caused by corporations with no tax liability for 1980 failing to report any amounts of property used for investment credit on their tax returns, even though such investment was made. In any event, the amount of credit claimed by iron ore mining companies has proven to be far less volatile than investment, and for 1980 was \$7 million, \$2 million higher than for 1979.

Property used for investment credit also increased for the manufacturing sector, but the credit claimed fell from \$7.1 billion for 1979 to \$6.7 billion for 1980. It is not uncommon for cost of property used for investment credit to rise in spite of a fall in credit, since many corporations make investments for reasons

other than being able to claim a tax credit. One possibility for the decrease in credit claimed may have been the constricting effect of the tax limitation, since income tax before credits for manufacturing had the smallest increase for the 1979 to 1980 period since the 1974 to 1975 period. Even with this decrease, manufacturing's portion of the credit claimed was 44.2 percent of the U.S. total.

A major component of the manufacturing sector was manufacturers of motor vehicles. In this industry, the credit claimed declined for both 1979 (when cost of property used for investment credit rose) and 1980 (when cost also declined). Thus, manufacturers of motor vehicles continued to invest in new equipment, even though unable to use the credits generated [7]. Motor vehicles is another concentrated industry. For 1980 the four largest corporations held 83.0 percent of the industry's assets. These four largest corporations were also able to claim \$135 million of investment credit for 1980, or 67.2 percent of the industry total. The credit claimed by these corporations moved exactly as the industry did, rising from \$336 million for 1977 to \$442 million for 1978, and then dropping to \$332 million for 1979.

Another broad industry group that was able to claim a large proportion of investment credit is transportation and public utilities, with 32.4 percent of the total for 1980. This industry followed the U.S. total pattern, and cost of property used for investment credit dropped in 1980.

One interesting component of the transportation industry was airlines, where cost of property reached a new high of \$4.1 billion for 1980, while credit claimed dropped to only \$106 million. 1980 was a poor year for the airlines, and the four largest had no tax liability because of net losses. This accounted for the decrease in investment credit claimed.

In general, then, many corporations, in diverse industries, continue to invest, even though the cost of investment is higher when they are unable to claim an investment credit. In some cases they may be able to use a credit in another year, as a carryback or carryover.

IMPACT OF UNUSED CREDIT

Amounts carried back generate an immediate refund. While the statistics do not include carrybacks (amended returns are excluded from Statistics of Income data), subtracting one year's carryover from the previous unused credit gives a rough approximation of carryback used [8].

<u>Income year</u>	<u>Unused credit</u>	<u>Reported carryover</u>	<u>Approximate carryback</u>
(Billions of dollars)			
1974	4.7	3.5	0.6
1975	6.2	4.1	0.8
1976	7.5	5.4	0.5
1977	10.0	7.0	1.8
1978	11.1	8.2	1.1
1979	14.4	10.0	2.1
1980	18.1	12.3	*

* Not Available

While the amounts of unused credit and carryover tripled between 1974 and 1980, the estimated amount of carryback used has remained nearly constant at \$1 to \$2 billion since 1977, even though a carryback would be immediately beneficial to the corporation, and the requirement to carry back first is mandatory [9].

The carryback and carryover provisions of the investment credit were designed to prevent short term inequities in the allocation of the

credit. It was argued that unprofitable corporations were placed at a competitive disadvantage when capital was less expensive for profitable corporations. Also, investment by temporarily unprofitable corporations was to be encouraged in the same manner as investment by profitable corporations. However, the carryback and carryover provisions provide no relief for corporations that are unprofitable for long periods. As the amount of unused credits available increased, proposals have been made to make the investment credit refundable.

In 1981 a different approach to the excess unused credits situation was adopted, safe-harbor leasing. Safe-harbor made it possible for profitable corporations leasing property to unprofitable corporations to take advantage of the unprofitable corporation's otherwise unusable investment credits in exchange for either cash payments to the unprofitable lessee or reduced rental payments. It has been estimated that the reduction in corporate taxes resulting from safe-harbor leasing was about \$3.6 billion in fiscal 1982 [10]. However, the full safe-harbor lease provisions were short-lived. TEFRA modified the leasing rules for 1982 in order to eliminate abuses.

The investment tax credit was designed to stimulate investment, and, in fact, both total investment and cost of property used for investment credit were much higher for 1980 than they were for 1962, when the credit was begun. However, this does not demonstrate a cause and effect relationship. In the case of many corporations, these investments would be made in the absence of an investment credit. This is shown below for nonfarm industries by the increase in unused credit for every year in the 1974 through 1980 period, as corporations made investments even when they could not claim a credit.

<u>Income Year</u>	<u>Cost of property</u>	<u>Total investment</u>
(Billions of dollars)		
1974	95.6	157.0
1975	109.8	157.7
1976	133.1	171.5
1977	166.5	198.1
1978	182.2	231.2
1979	217.9	270.5
1980	216.7	295.6

Source: Cost of property data from Statistics of Income [11].

Total investment data from the U.S. Department of Commerce, Bureau of Economic Analysis [12].

DATA SOURCES AND LIMITATIONS

Sample Selection

The statistics for the 1980 Tax Year were estimated from a stratified probability sample of about 85,000 corporation income tax returns selected after revenue processing but before audit.

A description of the sample selection procedures for corporate returns is presented in the Appendix.

Limitations

Because the data presented in this article are estimates based upon a sample, they are subject to sampling error. To use the data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

The table below presents approximated CV's for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For numbers of corporations other than those shown below, the corresponding CV's can be estimated by interpolation.

Estimated Number of Returns	Approximated Coefficient of Variation
1,000,000	.02
160,000	.03
40,000	.10
10,000	.20
4,500	.30
3,300	.35
1,600	.50

The reliability of estimates based on samples and the use of CV's for evaluating the precision of sample estimates are discussed in the Appendix.

Time Period Covered

The 1980 estimates are based on data from returns with accounting periods that coincided with Calendar Year 1980 (these returns accounted for the bulk of the financial data) as well as returns with accounting periods that were for fiscal years ending any time from July 1980 through June 1981. In addition to returns filed for 12-month accounting periods, the statistics also include data from part-year returns. These returns, which were filed for less than a 12-month period, were for corporations that changed accounting periods, and for new, merging, and liquidating corporations.

Definitions and Changes in Law

Definitions of terms, changes in law, a comprehensive description of data limitations, and additional detailed statistics are available in Statistics of Income--1980, Corporation Income Tax Returns.

NOTES AND REFERENCES

- [1] The term cost of property used for investment credit means the investment reported on corporate income tax returns that was eligible for an investment tax credit. Not all of this investment could be used, because of tax limitations. It was less than total investment made by corporations, since investment had to meet certain life-year and other criteria to generate an investment tax credit. Excluded is cost of property reported by Small Business Corporations for which the credit was claimed by shareholders.
- [2] For 1981 investment credit was \$18.3 billion and income tax before credits was \$98.6 billion. All 1981 data are preliminary. See Samuelson, Ray, "Corporation Income Tax Returns, 1981, Preliminary Data," found on pages 23-27.
- [3] See Riley, Margaret, "Safe Harbor Leasing, 1981 and 1982," Statistics of Income Bulletin, Volume 3, Number 2, pp. 1-8, for another examination of the leasing provisions.
- [4] The Business Energy Investment Tax Credit was \$0.3 billion for 1980.
- [5] Business Expenditures for New Plant and Equipment figures from U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, appropriate months. For more information on business expenditures, see Woodward, John T., "Plant and Equipment Expenditures: 1981," Survey of Current Business, January 1981, pp. 24-25, Estimates for prior years can be found in "Revised Estimates of New Plant and Equipment Expenditures in the United States, 1947-77," Survey of Current Business, October 1980, pp. 42-49.
- [6] For 1975, the most recent year that data are available, cost of used property was \$2.6 billion, or 2.3 percent of the entire investment of 110.8 billion. For 1974, investment in used property was 2.1 percent of the total.
- [7] In some instances, certain companies invested in machinery and tooling and then sold the Investment Tax Credit generated.

Investment Tax Credit on Corporation Returns, 1980

For a discussion of this phenomenon, see U.S. News and World Report, November 23, 1981, page 3.

[8] The approximation is rough because the assumption is made that all amounts not carried forward are used as a carryback in the first year preceding the credit year. Actually, amounts may be carried back to the three years preceding the credit year.

[9] Internal Revenue Code section 46(b).

[10] U.S. Office of Management and Budget, Special Analyses, Budget of the United States Government, annual.

[11] Statistics of Income, Corporation Income Tax Returns, appropriate years.

[12] U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, appropriate months.

RETURNS OF ACTIVE CORPORATIONS OTHER THAN FORMS 1120-DISC AND FORMS 1120S¹

Table 1.--Selected Investment Credit Items, 1974-1980

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

Item	1974	1975	1976	1977	1978	1979	1980
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns.....	1,626,334	1,658,803	1,683,604	1,807,018	1,890,892	2,051,185	2,156,485
Net income (less deficit).....	137,507	134,631	176,685	209,281	235,117	273,063	226,617
Income subject to tax ..	143,967	146,584	183,461	212,499	239,619	280,153	246,593
Income tax before credits.....	65,582	65,768	82,791	95,627	106,973	119,157	103,830
Investment tax credit:							
Number of returns.....	533,947	553,279	584,815	670,955	739,424	799,475	785,001
Amount.....	4,221	6,460	9,153	11,038	12,897	14,678	15,103
Cost of property used for investment credit..	96,620	110,842	134,703	168,472	184,570	220,932	218,985
Qualified investment....	86,573	93,560	107,933	134,327	151,908	181,163	198,267
Current year regular investment credit.....	5,366	8,586	11,266	14,034	15,819	19,095	20,910
Carryover of unused credit.....	3,519	4,079	5,386	6,978	8,162	9,966	12,257
Tentative regular investment credit.....	8,885	12,666	16,651	21,011	23,981	29,061	33,167
Unused investment credit.....	4,664	6,206	7,499	9,973	11,084	14,383	18,064

¹Forms 1120-DISC are returns of Domestic International Sales Corporations taxed through their stockholders (generally corporations). Forms 1120S are returns of Small Business Corporations taxed through their stockholders (generally individuals). These returns are excluded from the statistics whenever possible.

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

Investment Tax Credit Claimed by Corporations, 1980

Returns of Active Corporations other than Forms 1120-DISC and Forms 1120S⁽¹⁾

Table 2. — Selected Investment Credit Items, by Selected Industries, 1974-1980

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

Year, Item	Total	Mining	Iron Ores	Manu- facturing	Pulp, Paper and Board Mills	Ferrous Metals	Motor Vehicles and Equipment	Transpor- tation and Public Utilities	Railroad Transpor- tation	Transpor- tation by Air	Wholesale and Retail Trade	Finance, Insurance, and Real Estate	Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1974													
Number of returns	1,626,334	13,369	(*)585	177,654	(*)349	(*)1,983	2,011	65,695	(*)425	(*)4,561	479,003	387,072	317,299
Income subject to tax	143,967	25,557	62	68,888	1,589	4,075	2,800	10,100	(*)883	(*)328	19,338	12,586	3,651
Income tax before credits	65,582	12,207	27	31,970	679	1,934	1,285	4,682	(*)396	(*)146	8,292	5,494	1,420
Investment tax credit:													
Number of returns	533,947	5,148	n.a.	83,575	n.a.	n.a.	1,103	25,142	n.a.	n.a.	196,954	54,267	102,636
Amount	4,221	135	*3	2,112	55	182	115	1,112	175	59	395	161	161
Cost of property used for investment credit	96,620	2,317	(*)102	36,892	(*)793	(*)1,773	4,222	34,474	(*)2,443	(*)1,888	8,492	5,445	5,150
1975													
Number of returns	1,658,803	11,645	(*)63	181,616	(*)357	(*)1,519	2,016	64,903	(*)424	(*)5,443	484,942	373,500	353,269
Income subject to tax	146,584	23,828	(*)65	69,738	(*)1,099	(*)1,964	3,278	11,126	(*)606	(*)124	19,807	13,140	4,469
Income tax before credits	65,768	11,361	(*)27	32,306	(*)460	(*)913	1,555	5,107	(*)261	(*)56	8,103	5,588	1,625
Investment tax credit:													
Number of returns	553,279	4,621	n.a.	83,908	n.a.	n.a.	898	22,913	n.a.	n.a.	199,960	55,559	118,357
Amount	6,460	164	*4	2,865	89	124	156	2,190	121	17	571	223	243
Cost of property used for investment credit	110,842	3,176	(*)68	47,143	(*)1,293	(*)3,016	3,255	36,942	(*)2,844	(*)1,634	9,447	4,562	5,543
1976													
Number of returns	1,683,604	(*)13,313	(*)26	(*)178,306	(*)430	(*)2,024	(*)2,716	(*)64,119	(*)439	(*)5,464	(*)495,558	(*)366,706	(*)375,953
Income subject to tax	183,461	30,389	*91	88,824	(*)1,318	(*)1,630	(*)7,764	15,265	828	388	22,231	16,614	5,185
Income tax before credits	82,791	14,484	*40	41,235	(*)557	(*)750	(*)3,703	7,081	368	178	9,098	7,136	1,897
Investment tax credit:													
Number of returns	584,815	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Amount	9,153	215	*5	4,151	113	118	291	3,235	161	91	674	340	299
Cost of property used for investment credit	134,703	(*)4,241	(*)142	(*)59,835	(*)1,486	(*)4,393	(*)3,667	(*)44,450	(*)3,479	(*)1,126	(*)11,976	(*)5,190	(*)7,258
1977													
Number of returns	1,807,018	15,939	(*)59	193,303	(*)142	(*)2,199	(*)2,318	66,102	(*)621	(*)6,772	518,894	381,543	416,928
Income subject to tax	212,499	(*)31,920	(*)57	(*)101,639	(*)1,452	(*)1,440	(*)11,752	(*)18,893	(*)1,096	(*)1,066	(*)25,619	(*)21,318	(*)6,880
Income tax before credits	95,627	(*)15,177	(*)25	(*)47,135	(*)592	(*)670	(*)5,617	(*)8,770	(*)496	(*)498	(*)10,481	(*)9,204	(*)2,555
Investment tax credit:													
Number of returns	670,955	6,211	n.a.	100,356	n.a.	n.a.	n.a.	28,806	n.a.	n.a.	225,814	69,584	154,565
Amount	11,038	223,125	*2	4,607	117	85	412	4,143	384	341	826	513	427
Cost of property used for investment credit	168,472	(*)4,974	(*)208	(*)67,785	(*)1,664	(*)4,196	(*)5,473	(*)55,262	(*)3,818	(*)1,676	(*)14,396	(*)7,676	(*)11,664
1978													
Number of returns	1,890,892	16,091	(*)13	186,004	(*)303	(*)2,127	(*)2,108	72,718	(*)340	(*)6,499	546,833	398,366	446,080
Income subject to tax	239,619	29,042	48	(*)114,374	(*)1,765	(*)2,481	(*)11,504	22,091	1,330	1,594	30,590	26,969	8,586
Income tax before credits	106,973	13,742	18	(*)52,753	(*)712	(*)1,158	(*)5,486	10,252	593	748	12,385	11,756	(*)3,151
Investment tax credit:													
Number of returns	739,424	6,831	n.a.	104,176	n.a.	n.a.	n.a.	27,877	n.a.	n.a.	255,051	73,555	171,915
Amount	12,897	234	4	5,176	160	217	539	4,766	356	541	1,088	696	500
Cost of property used for investment credit	184,570	(*)6,073	(*)204	(*)68,785	(*)1,848	(*)4,007	(*)6,995	(*)67,580	(*)4,436	(*)2,823	(*)17,775	(*)9,633	(*)11,724
1979													
Number of returns	2,051,185	(*)24,296	(*)39	(*)241,795	(*)390	(*)2,431	(*)3,036	(*)106,824	(*)549	(*)6,550	(*)776,661	(*)471,227	(*)609,103
Income subject to tax	280,153	44,065	53	133,548	2,883	2,868	9,127	20,862	1,800	594	(*)34,744	28,267	9,529
Income tax before credits	119,157	20,098	17	58,668	1,021	1,244	4,160	9,115	759	248	(*)13,314	11,595	3,276
Investment tax credit:													
Number of returns	799,475	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Amount	14,678	272	5	7,144	233	278	464	4,069	410	147	1,331	808	562
Cost of property used for investment credit	220,932	(*)6,152	(*)215	(*)81,865	(*)2,303	(*)4,092	(*)8,417	(*)81,048	(*)5,476	(*)3,872	(*)21,992	(*)12,345	(*)13,576
1980													
Number of returns	2,156,485	20,378	(*)92	202,286	(*)246	(*)2,745	(*)2,390	85,270	(*)240	(*)6,317	609,779	426,622	535,685
Income subject to tax	246,593	9,074	54	134,840	(*)1,866	(*)2,146	(*)2,215	23,917	1,962	570	(*)35,035	24,320	(*)10,450
Income tax before credits	103,830	3,948	17	59,577	(*)723	(*)872	(*)979	10,533	849	244	(*)13,516	9,681	(*)3,497
Investment tax credit:													
Number of returns	785,001	7,649	n.a.	102,623	N.A.	n.a.	n.a.	32,585	n.a.	n.a.	252,974	70,336	214,861
Amount	15,103	435,015	7	6,671	203	158	201	4,896	458	106	1,330	675	633
Cost of property used for investment credit	218,985	7,250	(*)38	88,144	(*)2,974	(*)3,750	(*)7,912	66,753	(*)5,766	(*)4,118	21,501	13,303	13,657

n.a.—Not available.

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

(*)Forms 1120-DISC are returns of Domestic International Sales Corporations taxed through their stockholders (generally corporations).

Forms 1120S are returns of Small Business Corporations taxed through their stockholders (generally individuals). These returns are excluded from the statistics whenever possible.

(*)Includes Forms 1120-DISC and 1120S.

(*)Includes Forms 1120S.

(*)Includes Forms 1120-DISC.

Estimates of Tip Income in Eating Places, 1982

By Robert B. Pearl and Kevin F. McCrohan*

Information on tipping is theoretically obtainable from a variety of sources--the employees or recipients of the tips, their employers, or the tippers themselves. However, experience has indicated that tips will be seriously understated in surveys (or other reports) by the employees or recipients of the tips because of their reluctance to reveal the amount of income from this source. Employers, in turn, may either have inadequate knowledge of tipping levels or have a tendency to exaggerate them, partly as a justification for maintenance of below-average wage scales.

In order to overcome these difficulties in estimating aggregate tip earnings, the Internal Revenue Service adopted a technique similar to that used in the informal supplier study described in a previous edition of the Statistics of Income Bulletin [1]. The approach is to interview the consumer of the service as opposed to the provider. To assure respondent cooperation, the Research Division of the IRS entered into a contractual agreement with the Survey Research Laboratory (SRL), University of Illinois, to conduct the research. The SRL report, "A Survey Approach to Estimating the Tipping Practices of Consumers," [2] is the basis for this article.

The decision to use a consumer panel for purposes of this study was predicated on the belief that the tippers themselves would have reliable information on the amount of their gratuities, especially if recorded on a day-to-day basis, and would have no economic stake in biasing the results.

Methodology

The data for this study are based on a national consumer panel that has been operated

since 1975 by NPD Research, Inc. It currently contains about 10,000 households of two or more related persons and 2,800 households with one or two unrelated persons. The sample was spread uniformly over all the weeks of each quarter of the year. Each household kept a diary of all occasions of eating in a restaurant or other eating place such as a fast food establishment or cafeteria for one two-week period in each quarter.

Cooperation rates were high, with about 85-90 percent participation for two-or-more-related-person households and 75-80 percent participation for households with one or two unrelated persons. Day-to-day recording of the use of services and of the associated expenditures and tips ensured far greater accuracy and completeness of the data than other survey approaches such as retrospective interviews using personal or telephone interviewing techniques. Also, possible reporting biases--such as exaggeration of tips for prestige reasons--should be smaller than in an interview procedure where the respondent may be attempting to impress the interviewer. As a further safeguard, diaries for the first quarter of participation of a household in the panel are not used, because this is the period when inaccuracies and biases would tend to have been the highest. Panelists report for up to four years and then are replaced to reduce conditioning effects (possible biases resulting from continuous inclusion in a panel).

Nevertheless, the NPD panel is not a strict probability sample and, like other consumer panels, is not fully representative of the population. The relative frequency of low-income families and minorities in the sample is lower than their frequency in the population. An effort was made to correct for

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this by weighting the sample to independent households estimates based on Census Bureau data in considerable detail (income group, age of head, region, etc.). The weighting was done separately for related person households and unrelated person households. This procedure should substantially reduce, but not necessarily eliminate completely, the effect of differential coverage. The procedure also would have little effect on the possibility that panel members, in general, might have different behavioral characteristics than the population as a whole. One encouraging overall indicator is that the NPD estimates of expenditures in restaurants and other eating places came within a percentage point or two of the Census Bureau's retail trade aggregates for this sector, usually considered the benchmark in this field.

Results

In 1982 Americans ate out on some 14.8 billion occasions [3], spending \$84.8 billion [4]. These gross figures average out to 183 eating occasions per household for the year and close to \$6 per eating occasion (Table 1). Tips were left on only about 30 percent of all eating occasions, mainly reflecting the prevalence of eating at fast-food establishments and similar places in which tipping is not expected or common. Meals at which tipping occurred accounted for slightly over one-half of all expenditures in eating places. The average check amounted to about \$10 on such occasions compared with just under \$4 where there was no tipping.

Aggregate tips in eating places in 1982 were \$6.2 billion, or 7.4 percent of all expenditures [5]. However, on occasions where tipping occurred, tips represented 14.3 percent of the cost of the meals. This 14.3 percent can be termed the "tipping" rate and is close to the 15 percent convention often considered the typical gratuity.

The available data do not permit a precise identification of situations in which tipping is anticipated, but some approximations are possible. As part of their recording, survey respondents were asked to classify the establishments in which they ate into six general categories: family type, atmosphere specialty, coffee shop, cafeteria, fast-food and drive-in, and take-out. The first three of these (family type, atmosphere/specialty, and coffee shop) were considered restaurants where tipping would likely occur. Information was also obtained for each occasion on whether the food was taken out. It was, therefore, possible to refine this group to exclude carry-out occasions where tipping was unlikely. The result was a group of eating occasions in tipping-type sit down restaurants where the food was ordered and eaten inside. Tips on these occasions amounted to some \$5.7 billion.

In addition, respondents also were asked to enter the predominant kind of food served (hamburgers, pizza, seafood, Mexican, Chinese, etc.) or whether the food was varied. Restaurants within hotels or retail stores were also separately identified. With the additional information, it was found that the establishments readily fell within two broad categories [6]. For a number of types within the previously established tipping-type categories--full-menu, specialty sit-down type, (fish, Mexican, Chinese, ice cream with food, pancake, or pie) and hotel and retail store--tipping occurred on at least 60 percent and generally 80 percent or more of the eating occasions. The proportions were far lower, usually well under 50 percent, for the remainder of the tipping-type group. Therefore, the previously identified tipping-type group could be modified to exclude types in which the proportion of tipping occasions was less than 60 percent. For this refined group as a whole, the survey showed that tips were left on close to 80 percent of all occasions and for almost 90 percent of all expenditures. Within this refined group, tips were 12.9 percent of all expenditures and 14.5 percent of expenditures on those occasions when tips were left. The 12.9 percent rate may be considered to be a lower bound estimate of the average tipping rate--including "stiffing"--in restaurants when tipping is customary. Total tips in this category amounted to some \$5.2 billion.

Comparisons With Alternative Data Sources

The usual method of collecting data on tip income in surveys has been to ask the recipients for the amounts obtained from this as well as other income sources. Separate data on tips are usually not recorded or obtainable from such income surveys as the annual Census Bureau inquiries in the Current Population Survey or similar endeavors.

One survey in which an effort was made to identify supplemental income sources such as tips was the 1979 Research Panel of Income Survey Development Program (ISDP), conducted as a forerunner and dress rehearsal for the then Department of Health, Education, and Welfare (HEW) (now Census Bureau) Survey of Income and Program Participation (SIPP) [7]. The ISDP was primarily intended to stimulate more complete reporting of total employee earnings and was not designed to measure accurately tip income per se, however, it does support derivation of an estimate of aggregate tip income. For each separate job held by an individual, an inquiry was made (on a quarter-by-quarter basis) about whether, in addition to wages and salaries, that person received any income from commissions, tips, bonuses, and severance pay. Although tips were not recorded separately within this composite, reports for occupations such as waiters and waitresses, bartenders, and the like, should be almost exclusively tips.

The general income data from the ISDP have been identified as a significant improvement over prior Census and other income surveys [8], but, not unexpectedly, the aggregate for tip income appears to be quite low. A rough estimate of tips from this survey for the occupational category of waiters and waitresses amounted to only about one-half a billion dollars in 1979, 10 percent or less of the estimated tips for such workers derived from the NPD diary [9] or through other estimation methods. The ISDP estimate cited here was based on a projection of the data for one quarter.

Use of reports related to Social Security Administration records (employer tax reports or W-2s) to develop earnings data has been found valuable for a number of purposes, and this has been attempted also in the case of tip income. The results, however, are not much more encouraging than those cited for income surveys. Tipped employees are required to report the amount of their tips to their employers for inclusion in wage reports to the Social Security Administration and on the W-2 forms [10]. In 1978 the reported tips for eating and drinking places, estimated from a 1 percent sample of the W-2 forms, aggregated about \$700 million, or perhaps 15 percent or so of what would have been derived from the NPD diary procedure (projecting backward from 1979 NPD data).

Still another approach has been to use wage surveys to obtain estimates of tip earnings from the employers of tipped employees. The best known of these has been conducted on an intermittent basis by the Bureau of Labor Statistics (BLS). The BLS survey generally covers only a fragment of the universe in which tips occur. The most recent BLS study occurred in 1978 and related to employees in hotels and motels, including restaurants and bars in them. As explained in the BLS report summarizing the results [11], the main procedure used in determining tips in such studies was to ask employers for total receipts in each activity in which tipping was common and for the estimated tipping rate (tips as a percentage of receipts). Up to two-thirds of total earnings of tipped employees was accounted for by tips, according to this latest study. This was about three times the proportion shown for this industry on the W-2 forms for 1978 (20-25 percent).

Because of the dearth of information in this field, efforts have been made to construct estimates of tip income from expenditure data developed for purposes of the Gross National Product (GNP) accounts. Using detailed data on GNP Personal Consumption Expenditures, estimates of tip income have been prepared by the Bureau of Economic Analysis (BEA) of the Department of Commerce. The BEA estimates are obtained by applying assumed tipping rates to each expenditure category in which there was believed to be a significant amount of

tipping. Although these assumed rates may be reasonable in many cases, they are not based on systematic studies or other hard evidence. Also, the calculations have usually been based on a limited number of industries, whereas the Social Security Administration Form W-2 data (although understated) indicate that tips occur in many activities in which they had not previously been anticipated. In more recent calculations, BEA has been making some allowances for these previously assumed nontipping sectors by multiplying the tips reported for such employees on the Form W-2s by some factor, usually 5 (assuming that only one-fifth of the tips in those activities are reported on W-2s).

The present study is probably the first in which estimates of restaurant tipping have been based on reports of the tippers themselves. It was necessary for this purpose to find a source that was comprehensive in covering all sectors in which tips occur and preferably all periods of the year.

Comparisons between the NPD diary estimates and the BEA national income tipping data for all services (not only eating places) cannot be made in any substantial detail because the classification systems differ in the two sources. Overall, the BEA tipping aggregate for 1981 (the latest available figure) was a little under \$7 billion, foreshadowing a 1982 estimate of perhaps \$7.5 billion or slightly higher. The Pearl and Sudman (1983) study [2] found that tipping in restaurants and other eating places was approximately 70 percent of total tips. This indicates that the estimate for tips in restaurants and other eating places, based on BEA aggregates, would be approximately \$5.25 billion. Although this \$1 billion difference between the consumer based and the BEA based estimates cannot be traced with a great deal of precision, it appears that most of it is attributable to slight differences in tip rates in eating places and the fact that some consumers tip occasionally in "non-tipping type" restaurants. For tipping-type eating places the ratio of tips to receipts that BEA assumes in preparing its estimates is a rounded 10 percent which is close to the comparable NPD ratio of 11 percent, [12], but this 1 percent difference accounts for approximately one-half a billion dollars. Also BEA assumes no tips at all in "snack-type" places, which would include fast-food establishments, carry-outs, and the like. NPD shows very low tipping rates in such establishments, but total tips, nevertheless, amount to one-half a billion dollars or more in this sector.

Conclusion

This study estimated the amount of tips received by employees of restaurants and other eating places by measuring the amount of tips

paid out by the tippers themselves. Based on a panel of 10,000 households of two or more related members and 2,800 households containing one or two unrelated persons, it is estimated that U.S. households ate out on 14.8 billion occasions in 1982, spent some \$84.8 billion, and left \$6.2 billion in tips. When they tipped, on average, they tipped at a rate of 14.3 percent.

These consumer-based estimates for tips differ markedly from all the recipient based data and slightly from the BEA estimates. A comparison between the panel data and the HEW Income Survey Development Program data indicates self reporting of 10 percent of tip income. Estimates based on Forms W-2s are only slightly better, 15 percent or so of tip income. BLS data are not provided in a form that can be compared directly with the panel but the indications are that they would be closer to the latter than was found for the recipient based estimates.

These findings would seem to be of importance for purposes of both tax administration and economic measurement. Although we cannot be certain what fraction of this tip income was taxable, we can be fairly certain that almost all of it was reportable (on W-2s) income. The fact that only a fraction was reported strongly suggests that there is a significant amount of underreporting of tip income. From the standpoint of economic measurement, the study suggests that tip income is a somewhat larger element in employee compensation than has previously been assumed.

NOTES AND REFERENCES

- [1] McCrohan, Kevin F. and Smith, James D., "Informal Suppliers in the Underground Economy," Statistics of Income Bulletin, Volume 3, Number 1, pp. 27-33.
- [2] Pearl, Robert B. and Sudman, Seymour, A Survey Approach to Estimating the Tipping Practices of Consumers: Report Prepared for the Internal Revenue Service Under Contract TIR 81-52, Survey Research Laboratory, University of Illinois, June 1983.
- [3] Restaurant occasions are the number of restaurant eating occasions or transactions. Note that an occasion or transaction may be obtained from a single individual eating alone or from a party comprised of four persons dining together.
- [4] The annual NPD panel estimates refer to a period from December of one year through November of the next. Thus, the 1982 estimates relate to December 1981-November 1982. The calendar-year designation, 1982, will be used in the text for convenience.
- [5] As used in this report, expenditures relate to outlays for food and beverages in restaurants and other eating places. Tips are reported separately and are not included in the expenditure total.
- [6] The authors acknowledge the contribution of Dennis Cox, Chief, Compliance Estimates Group, Research Division, IRS in developing this refinement.
- [7] For a description of this program, see Ycas, M., and Lininger, C., "The Income Survey Development Program (ISDP): A Review," Proceedings of the section on Survey Research Methods, American Statistical Association, 1980, or Ycas, M. and Lininger, C., "The Income Survey Development Program: Design Features and Initial Findings", Social Security Bulletin, November 1981, Vol. 44, No. 11, a brief description of the ISDP can be found in Kasprzyk, D., "Some Research Issues for the Survey of Income and Program Participation" in Proceedings of the Section on Survey Research Methods, American Statistical Association, 1983.
- [8] Vaughan, D., Whiteman, T.C., and Lininger, C., "Quality of Income and Program Data in the 1979 ISDP Research Panel: Preliminary Findings" in Martin David (ed.), Technical, Conceptual and Administrative Lessons of the Income Survey Development Program (ISDP), New York: Social Science Research Council, 1983.
- [9] McCrohan, Kevin F. and Pearl, Robert B., "Tipping Practices of American Households: Consumer Based Estimates for 1979," Proceedings of the Social Statistics Section, American Statistical Association, 1983.
- [10] In addition, employees are required to enter on their income tax returns any tips not previously reported to their employers and entered on the W-2s. Therefore, the W-2s do not represent the full amount of reporting of tips for tax purposes.
- [11] Bureau of Labor Statistics, Industry Wage Survey: Hotels and Motels, May 1978, Bulletin 2055, U.S. Department of Labor, April 1980.
- [12] These are ratios of tips to all expenditures. Also, the "tipping-type" classification used in this comparison is less restricted than that used earlier in this report.

Table 1.--Summary of Results: Expenditures and Tips in Restaurants and Other Eating Places, 1982¹

Category	All eating places	Tipping-type eating places where food was ordered and eaten inside
Total eating occasions.....	14,773 million	5,498 million
Total expenditures.....	\$84,820 million	\$48,637 million
Occasions per household per year ²	183	68
Expenditures per occasion.....	\$5.74	\$8.85
Number of occasions with tipping.....	4,354 million	3,835 million
Percent of total occasions.....	29.5	69.8
Expenditures on tipping occasions.....	\$43,614 million	\$39,697 million
Percent of total expenditures.....	51.4	86.6
Average expenditures per occasion:		
Tipping occasions.....	\$10.02	\$10.35
Nontipping occasions.....	\$3.96	\$5.38
Total tips.....	\$6,248 million	\$5,714 million
Tips as percent of total expenditures.....	7.4	11.7
Tips as percent of expenditures on tipping occasions (tipping rate).....	14.3	14.4

¹Expenditures include outlays for food and beverages in eating places. Tips are estimated separately and are not included in expenditures.

²Based on 1980 Census estimates of 80,776,000 households.

Windfall Profit Tax, First Quarter, 1983

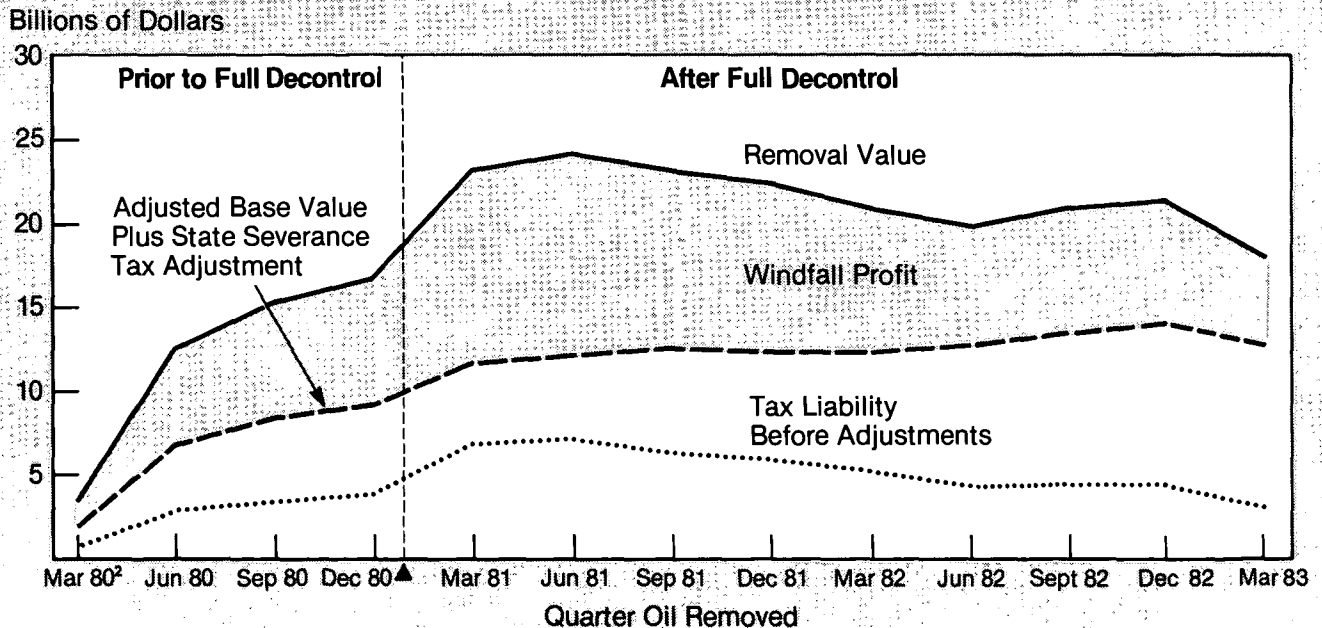
By Michael Alexander*

The first quarter of 1983 continued the downward trend in the windfall profit tax liability that has existed since the first quarter of 1981. The reported windfall profit tax liability for the first quarter of 1983 amounted to slightly more than \$3 billion after adjustments, bringing the total since the enactment of the Crude Oil Windfall Profit Tax Act to almost \$56 billion.

Windfall profit, defined as the removal value less the sum of the adjusted base value and State severance tax adjustment, decreased by \$2 billion or 29 percent from the fourth quarter of 1982 to the first quarter of 1983. This decrease in windfall profit can be attributed

to a combination of factors which include declining prices, a decrease in oil production and tax law changes. The average removal price (generally the price for which oil is sold) declined from \$28.67 per barrel to \$26.84 per barrel. The number of barrels of oil declined from 616 million to 585 million. The decline in the barrels of oil subject to the windfall profit tax resulted in part from a decline in domestic production in response to the price decrease and the exemption under the Economic Recovery Tax Act of 1981 (ERTA) of oil removed from stripper wells by independent producers beginning in 1983. More than 21 million barrels of stripper oil were claimed for the exemption for the first quarter of 1983.

**Components¹ of Windfall Profit Tax Liability Before Adjustments:
Aggregate Values By Quarter Oil Removed**



¹Some returns report windfall profit tax liability only; therefore, data for removal value, adjusted base value and state severance tax adjustment have been adjusted to reflect totals as if all returns reported this detail.

²One month only.

Tax liabilities also declined because the tax rate for newly discovered oil was reduced under ERTA from 27.5 percent for 1982 to 25 percent for oil removed in 1983, which accounted for a decrease in windfall profit tax of almost \$14 million.

Shown in the table below is windfall profit tax liability before and after adjustments. Tax liabilities, depending on the identity of the first purchaser, can be deposited up to 90 days after the close of the month the oil is removed [see Definitions]. The windfall profit tax liability after adjustments decreased almost \$700 million from the previous quarter. These adjustments were necessary as a result of errors in withholding during previous quarters or, more frequently, from the application of the net income limitation. The net income limitation adjustment amounted to -\$200 million while adjustments to previous quarters was almost \$7 million resulting in a total adjustment of -\$193 million for the current quarter. (The net income limitation provision limits the windfall profit to 90 percent of the net income per barrel of oil and can be estimated by certain taxpayers for the current quarter.) Should under- or over-withholding occur, the depositing or withholding agent (usually the first purchaser) is responsible for correcting that error to the extent possible by adjusting the amounts withheld in succeeding quarters. These adjustments are also reflected in the table below. Additional over-withholding of windfall profit tax due to error or the net income limitation which has not been corrected by the withholding agent can be claimed as a refund or credit by producers on their income tax returns.

Windfall Profit Tax Before and After Adjustments
(Millions of Dollars)

Quarter Ending	Tax Before Adjustments	Total Adjustments	Tax After Adjustments
Total	\$59,187	-\$3,437	\$55,743
Mar. 1980 ^{1/} ...	788	---	788
June 1980	2,842	-21	2,821
Sept. 1980 ...	3,413	-88	3,325
Dec. 1980	3,918	-927	2,991
Mar. 1981	6,953	+242	7,195
June 1981	7,253	-107	7,146
Sept. 1981 ...	6,344	-251	6,093
Dec. 1981	6,007	-497	5,510
Mar. 1982	5,222	-221	5,001
June 1982	4,283	-295	3,988
Sept. 1982 ...	4,404	-445	3,959
Dec. 1982	4,440	-634	3,806
Mar. 1983	3,320	-193	3,127

^{1/} One month only.

Based on returns of taxpayers who provided complete detail on how the windfall profit tax is computed [2], tier one oil has always dominated production. For the quarter ended March 1983, tier one oil (which consists of all domestically produced crude oil other than oil specifically classified as tier two or tier three, or explicitly exempted from the tax) represented 68 percent of total production. Tier two oil, consisting of oil produced from stripper well property and oil from economic interests in a Naval Petroleum Reserve held by the United States, represented 9 percent of the total production. The decrease in production of tier two oil was more than 32 million barrels from the fourth quarter of 1982 to the first quarter of 1983. This decrease can be attributed to the allowance of independent stripper oil as exempt oil under certain conditions beginning in 1983. As discussed earlier, exempt stripper oil amounted to more than 21 million barrels for the first quarter of 1983. That oil would have been subject to the windfall profit tax as tier two oil prior to 1983. Tier three oil, which consists of heavy oil, incremental tertiary oil and newly discovered oil (66 percent of tier three), accounted for 23 percent of total production as shown below.

Percent of Oil Production by Tier of Oil

Quarter Ending	Tier One	Tier Two	Tier Three
June 1981	70	14	16
Sept. 1981	69	14	17
Dec. 1981	69	13	18
Mar. 1982	68	13	19
June 1982	67	13	20
Sept. 1982	65	13	22
Dec. 1982	65	12	23
Mar. 1983	68	9	23

DATA SOURCES AND LIMITATIONS

The Quarterly Federal Excise Tax Return, Form 720, is the form on which the windfall profit tax is reported. Form 6047, Windfall Profit Tax, shows how the tax is computed and is filed as an attachment to Form 720. Tabulations in this article are based on the Form 6047. Returns are due two months after the end of the quarter in which the oil is removed. Data are based on all returns with a tax liability of \$1 million or more before adjustments and a 10 percent sample of all other returns.

Sampling and nonsampling errors were controlled by a variety of methods. Missing returns were requested from the service

centers. However, some returns may have been omitted due to time and resource constraints. Attempts were made to correct imbalances in taxpayer entries for the components of windfall profit; if this proved impossible, an out-of-balance return was treated as a return on which the components were not reported, and therefore only the liability for each tier was tabulated. A number of verification checks were performed at all stages of manual data abstraction and computer tabulation.

The Statistics of Income Bulletin also includes data on excise tax collections. The excise tax collection figures show the liability after adjustments, as reported on Form 720, from returns entered into the IRS' computerized Business Master File (BMF) each quarter. A number of considerations affect comparisons of data from these two sources. As mentioned above, returns are not due until two months after the close of the taxable quarter; however, the interval between the close of the taxable period and the final recording of the return often varies, so that the quarterly BMF totals usually represent several taxable periods. On the other hand, the data presented here have been tabulated for specific taxable periods. As a result, the two sets of statistics are not directly comparable.

DEFINITIONS

Brief definitions of the terms used in the tables are given below.

Adjusted Base Price.--The base price multiplied by the inflation adjustment, which is derived from the Gross National Product (GNP) "implicit price deflator."

Adjustments to Liability.--Corrections applied to the current quarter's liability in order to correct for the net income limitation and over- and under-withholding in previous quarters.

Base Price.--For tier one oil, the upper tier ceiling price, as defined by Department of Energy price control regulations, which would have applied to the oil had it been produced and sold in May 1979, reduced by 21 cents. For tiers two and three oil, the base prices were \$15.20 and \$16.55, respectively, adjusted for grade and quality.

Crude Oil.--The term applies only to natural crude petroleum and does not include synthetic petroleum, such as oil from shale or tar sands. It does, however, include natural gas liquids treated as crude oil under the June 1979 energy pricing regulations issued by the Department of Energy.

Deposit Requirements.--The timing of any first purchaser to deposit amounts withheld depends upon the identity of the first purchaser. Major refiners, other than independent refiners, are required to make semimonthly deposits of the withholding tax. All other first purchasers are required to make withholding deposits no later than 45 days after the oil is removed from the premises, except independent refiners who purchase oil under delayed payments contracts. They are required to make deposits by the first day of the third month beginning after the month of removal.

Exempt Alaskan Oil.--Oil from a reservoir other than the Sadlerochit reservoir that has been commercially exploited by any well north of the Arctic Circle; and oil produced north of the divides of the Alaska and Aleutian Ranges, and at least 75 miles from the nearest point of the Trans-Alaskan Pipeline System.

Exempt Charitable Oil.--Oil produced from economic interests held by qualified charitable medical facilities, educational institutions, and child care organizations (as defined in Internal Revenue Code section 170), if such interest was held on January 21, 1980, and at all times thereafter; and oil produced from interests held by a church on January 21, 1980, if, prior to January 22, 1980, the net proceeds of such oil were dedicated to the support of a medical facility, educational institution, or child care facility.

Exempt Governmental Oil.--Oil produced from an economic interest held by a state or political subdivision (including agencies and instrumentalities), the net income from which is used for public purposes.

Exempt Indian Oil.--Oil produced from mineral interests held by or on behalf of Indian tribes or individuals on January 21, 1980, which is one of the following: (a) production received by Indian tribes and individuals from Tribal Trust Lands (the title to such land is held by the United States in trust for the tribes), (b) production from land or mineral interests held by an Indian tribe eligible for services provided to Indians by the Secretary of the Interior, or (c) oil the proceeds from which are paid into the U.S. Treasury to the credit of tribal or native trust funds pursuant to law. This exemption also applies to production of any Alaskan Native Corporation prior to 1991, including wholly-owned subsidiaries of the native Indian corporation as clarified by IRS on September 3, 1982.

Exempt Royalty Oil.--Qualified royalty owners are exempt from the windfall profit tax on two barrels of oil per day for each day of the

calendar quarter for oil removed after December 31, 1981. For 1985 and thereafter, three barrels per day will be exempt.

Exempt Stripper Oil.--Oil removed from stripper wells after 1982 may qualify for exemption from the windfall profit tax if the following conditions are met:

- (1) The oil must be removed from a stripper well property after 1982;
- (2) The oil must be produced by an independent producer;
- (3) The oil must be attributable to the independent producer's working interest in the property; and
- (4) The stripper well property must not be a property transferred by a nonindependent producer on or after July 23, 1981.

Net Income Limitation.--The windfall profit on a barrel of oil may not exceed 90 percent of the net income attributable to the barrel.

Removal Price.--Generally, the price for which a barrel of oil is sold. In some instances, a constructive sale price is used.

Sadlerochit Oil.--Crude oil production from the Sadlerochit reservoir in the Prudhoe Bay oil field in Alaska.

State Severance Tax Adjustment.--A tax imposed by a state with respect to the extraction of oil. The windfall profit is reduced by the amount by which the severance tax exceeds that which would have been imposed had the oil been valued at its adjusted base price.

Stripper Oil.--In general, oil from a property for which the average daily production per well has been 10 barrels or less for any consecutive 12-month period after 1972.

Tier One Oil.--All domestically-produced crude oil other than any oil classified in tier two or three, or explicitly exempted by law from the tax. This includes the bulk of domestic oil from reservoirs proven to be productive before 1979.

Tier Two Oil.--Any oil which is from a stripper well property within the meaning of the June 1979 Department of Energy pricing regulations and oil from a U.S. economic interest in a Naval Petroleum Reserve. Note that the Crude Oil Windfall Profit Tax Act of 1980 defined tier two oil as from a "National" Petroleum Reserve. This was amended to read "Naval" Petroleum Reserve by the Technical Corrections Act of 1982.

Tier Three Oil, Heavy Oil.--All crude oil which is (1) produced from property which had a

weighted average gravity of 16.0 degrees or less on the American Petroleum Institute (API) scale, corrected to 60 degrees Fahrenheit, for the last month of production prior to July 1979, or (2) oil from a property with a weighted average gravity of 16.0 degrees API or less, corrected to 60 degrees Fahrenheit, for the taxable period.

Tier Three Oil, Incremental Tertiary Oil.--Production in excess of a base level on a property on which a qualified tertiary recovery project (one which utilizes one of several specific chemical, fluid or gaseous recovery methods to extract oil not recoverable using standard techniques) has been undertaken. The non-incremental oil (i.e., the amount of production up to the base level) remains in the otherwise applicable tier.

Tier Three Oil, Newly Discovered Oil.--Crude oil that is sold after May 31, 1979, and that is produced from (1) an outer continental shelf area for which the lease was entered into on or after January 1, 1979, and from which there was no production in Calendar Year 1978 or (2) an on-shore property developed after Calendar Year 1978.

Windfall Profit.--The excess of the removal price of the barrel of oil over the sum of the adjusted base price and the State severance tax adjustment.

NOTES AND REFERENCES

- [1] At the inception of the windfall profit tax (March 1980), taxpayers were not required to complete the detail of the Form 6047, which shows how the tax is computed. However, taxpayers have been required to provide full information as of January 1981.
- [2] Joint Committee on Taxation (Staff), General Explanation of the Crude Oil Windfall Profit Tax Act of 1980, U.S. Government Printing Office, 1981.
- [3] See also Belal, Carol and Clark, Phil, "Windfall Profit Tax Liability for 1980," Statistics of Income Bulletin, Volume 1, Number 2, pp. 50-54.
- [4] See also Coleman, Michael, "Crude Oil Windfall Profit Tax for 1981," Statistics of Income Bulletin, Volume 2, Number 2, pp. 41-46.
- [5] See also Alexander, Michael, "Crude Oil Windfall Profit Tax for 1982," Statistics of Income Bulletin, Volume 3, Number 2, pp. 35-40.

Table 1.--Windfall Profit Tax Liability by Oil Tier and Tax Rate For Quarter Ending March 1983 Aggregate Components of Windfall Profit

[Money amounts are in millions of dollars]

Oil tier and tax rate	Number of barrels of oil (000's)	Removal value	Adjusted base value	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with tax liability shown by oil tier and tax rate, total.....	585,286	15,714	10,635	247	4,832	2,899
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent.....	259,564	7,584	4,260	138	3,186	2,218
Taxed at 50 percent.....	23,431	705	389	19	297	149
Tier one, Sadlerochit oil:						
Tax at 70 percent.....	116,123	2,051	1,897	21	133	93
Taxed at 50 percent.....	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent.....	46,240	1,365	914	20	431	237
Taxed at 30 percent.....	4,357	132	89	2	41	12
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	89,540	2,736	2,135	40	561	136
Incremental tertiary oil.....	17,770	543	415	7	121	36
Heavy oil.....	28,261	598	537	(²)	61	18
Returns with total tax liability only.....	-	-	-	-	-	421 ³

¹Newly discovered oil is taxed at 25.0 percent beginning in 1983.²Less than \$500,000.³Includes \$29 million for returns that reported by tier and type, but did not report data for columns 1-5.

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

Table 2.--Windfall Profit Tax Liability For Returns Reporting Components of Windfall Profit by Oil Tier and Tax Rate For Quarter Ending March 1983 Average Daily Production and Average Dollars per Barrel

Oil tier and tax rate	Daily production (000's) (barrels)	Removal value	Adjusted base price	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
All returns, total.....	6,362	26.84	18.17	.42	8.25	4.95
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent.....	2,821	29.21	16.41	.53	12.27	8.54
Taxed at 50 percent.....	255	30.10	16.61	.80	12.69	6.34
Tier one, Sadlerochit oil:						
Taxed at 70 percent.....	1,262	17.66	16.33	.18	1.15	.79
Taxed at 50 percent.....	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent.....	503	29.51	19.76	.43	9.32	5.12
Taxed at 30 percent.....	47	30.38	20.40	.57	9.41	2.80
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	973	30.55	23.83	.44	6.28	1.51
Incremental tertiary oil.....	193	30.55	23.35	.39	6.81	2.03
Heavy oil.....	307	21.15	18.98	-	2.17	.64

¹Newly discovered oil is taxed at 25.0 percent beginning in 1983.

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

Table 3.--Exempt Oil Volume by Tier and Category, Quarter Ending March 1983
(Thousands of barrels)

	Total	Tier one	Tier two	Tier three		
				Newly discovered oil	Incremental tertiary oil	Heavy oil
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	58,103	17,777	26,876	12,200	571	679
Exempt governmental interest.....	17,220	13,527	643	2,226	295	529
Exempt charitable interest.....	908	459	300	125	16	7
Exempt Indian oil.....	949	437	277	222	6	7
Exempt Alaskan oil.....	7,021	39	-	6,981	-	-
Exempt Royalty oil.....	10,750	3,315	4,401	2,644	254	136
Exempt Stripper oil.....	21,255	-	21,255	-	-	-

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

Selected Statistical Series, 1970-1983

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Selected Statistical Series, 1970-1983

Table 1.—Individual Income Tax Returns: Selected Income and Tax Items for Selected Years, 1970-1982
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1979	1980	1981	1982 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns:						
All returns	74,279,831	82,229,332	92,694,302	93,902,469	95,396,123	95,297,502
Joint returns	42,376,365	44,140,085	44,855,141	45,243,211	45,697,648	45,857,158
Sources of income:						
Salaries and wages:						
Number of returns	66,965,659	73,520,046	83,200,646	83,802,109	84,208,807	83,109,906
Amount	531,883,892	795,399,462	1,229,251,389	1,349,842,802	1,486,100,497	1,564,594,371
Interest received:						
Number of returns	32,630,355	40,378,240	47,885,069	49,019,575	49,656,550 ¹	52,591,868
Amount	22,021,267	43,433,554	73,875,462	102,009,444	140,559,366 ¹	157,207,367
Taxable pensions and annuities:						
Number of returns	3,249,558	5,088,937	6,866,851	7,373,704	8,157,475	8,807,284
Amount	7,878,808	20,886,871	37,346,510	43,339,736	51,886,406	59,936,646
Dividends:						
No. of returns before exclusion ..	12,452,227	13,370,427	13,969,453	14,640,139	16,482,018 ¹	17,368,018
Amount	17,018,148	23,270,182	37,479,767	43,567,241	48,161,460 ¹	54,178,729
No. of returns after exclusion ..	7,729,939	8,853,491	9,881,105	10,738,982	n.a.	13,301,729
Amount	15,806,924	21,892,126	33,482,508	36,761,253	n.a.	52,453,767
Net capital gain less loss:						
Number of returns	7,962,663	7,574,823	8,641,573	8,929,474	9,484,987	9,500,867
Amount	9,006,683	14,071,893	28,448,300	29,659,600	30,818,535	31,965,913
Business net income less loss:						
Number of returns	6,159,985	7,242,542	8,562,834	8,881,119	9,571,409	10,005,946
Amount	30,554,201	39,421,478	56,564,467	55,129,154	53,071,628	49,250,126
Total adjustments:						
Number of returns	6,370,552	9,024,255	11,543,369	13,148,919	14,078,211	33,320,881
Amount	7,665,251	15,101,999	24,778,484	28,614,061	31,442,288	64,443,164
Married couple who both work:						
Number of returns	N/A	N/A	N/A	N/A	N/A	21,811,699
Amount	N/A	N/A	N/A	N/A	N/A	9,075,077
Individual Retirement Arrangement:						
Number of returns	N/A	1,211,794	2,451,955	2,564,421	3,415,053	12,008,006
Amount	N/A	1,436,443	3,198,788	3,430,894	4,750,190	28,416,038
Self-Employed Retirement (Keogh):						
Number of returns	591,655	595,892	590,189	568,936	557,038	557,503
Amount	847,692	1,603,788	2,029,300	2,007,666	2,011,947	2,475,953
Adjusted gross income	631,892,540	947,784,873	1,465,394,530	1,613,731,497	1,772,604,303	1,847,801,109
Exemptions:						
Total number	204,126,402	212,202,596	224,691,732	227,925,098	231,222,374	233,123,345
Number, age 65 or over	8,904,331	9,937,208	11,322,713	11,847,168	13,118,926	13,904,622
Total amount	127,531,204	159,140,845	223,891,529	227,569,280	231,119,115	233,076,223
Total deductions:						
Number of returns	73,862,448	81,585,541	87,202,857	88,491,251	90,319,941	89,789,250
Amount	120,549,755	233,181,778	332,957,555	346,000,155	401,168,213	420,281,013
Total itemized deductions:						
Number of returns	35,430,047	26,074,061	26,483,877	28,950,282	31,571,246	33,669,465
Amount	88,178,487	122,260,601	184,168,669	218,028,139	256,448,021	284,693,336
Medical and dental expense	10,585,749	11,422,312	12,915,626	14,972,082	17,878,680	21,521,513
Taxes paid	32,014,673	44,141,289	60,674,905	69,404,275	79,698,519	89,093,280
Interest paid	23,929,477	38,885,282	74,427,045	91,187,006	108,718,281	120,758,035
Contributions	12,892,732	15,393,331	22,210,838	25,809,608	30,800,722	33,844,531
Taxable income:						
Number of returns	59,593,598	65,852,602	86,932,978	88,104,696	89,851,304	89,916,245
Amount	401,154,285	595,492,866	1,157,247,646	1,279,985,360	1,410,880,665	1,468,859,887
Income tax before credits:						
Number of returns	59,596,755	65,854,734	74,243,824	76,135,819	79,011,548	81,214,632
Amount	84,156,695 ²	132,452,044	220,099,516	256,294,315	293,590,035	283,097,983
Total tax credits	369,610	8,069,846	6,780,186	7,215,839	11,288,005	7,472,762
General tax credit	N/A	5,020,477	N/A	N/A	3,382,711 ³	N/A
Investment credit	30,554	1,593,150	3,313,836	3,288,415	3,971,199	3,866,309
Foreign tax credit	169,623	381,985	850,212	1,341,645	1,233,564	661,227
Child care credit	N/A	N/A	793,143	956,439	1,147,907	1,497,098
Credit for the elderly	167,656	128,968	131,734	134,993	124,011	131,084
Residential energy credit	N/A	N/A	473,603	562,141	600,831	583,339
Earned income credit	N/A	252,141	495,500	451,366	452,482	1,763,800
Income tax after credits	83,787,323	124,382,197	213,319,330	249,078,475	282,302,029	275,625,221
Additional tax for tax preferences ..	121,988	144,100	1,175,188	1,262,964	1,826,960	1,311,473
Total income tax:						
Number of returns	59,317,371	61,490,737	71,694,983	73,906,244	76,724,724	76,704,684
Amount	83,909,311	124,526,297	214,494,519	250,341,440	284,128,989	278,473,358
Payment status:						
Returns with remittance or balance due	16,478,813	15,842,400	18,844,060	21,755,516	23,007,970	19,803,395
Returns with refund due	55,273,385	63,825,188	71,433,691	69,868,451	70,028,741	72,472,240

See notes following Table 10.

Table 2.—Number of Individual Returns, Income, Tax and Average Tax by Size of Adjusted Gross Income, Tax Years 1980 and 1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns filed		Total adjusted gross income		Taxable income	
	1980	1981	1980	1981	1980	1981
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	93,902,469	95,396,123	1,613,731,497	1,772,604,303	1,279,985,360	1,410,880,665
Less than \$1000.....	3,687,997	3,484,734	-11,063,711	-16,952,842	11,799	7,084
\$1,000 under \$3,000.....	8,673,301	7,855,771	17,314,975	15,691,845	7,569,858	7,064,102
\$3,000 under \$5,000.....	7,694,231	7,405,871	30,654,346	29,580,649	18,534,160	17,994,684
\$5,000 under \$7,000.....	7,633,889	7,251,941	45,738,822	43,446,800	30,497,371	29,153,117
\$7,000 under \$9,000.....	7,336,650	7,066,520	58,608,700	56,341,030	42,267,675	40,597,471
\$9,000 under \$11,000.....	6,605,618	6,514,144	65,907,303	65,051,373	49,980,765	49,147,621
\$11,000 under \$13,000.....	5,830,212	5,821,233	69,911,911	69,702,815	54,591,487	54,207,411
\$13,000 under \$15,000.....	5,267,669	5,190,200	73,590,238	72,548,282	58,114,413	57,705,230
\$15,000 under \$17,000.....	4,654,783	4,648,986	74,387,702	74,256,678	59,701,351	59,486,499
\$17,000 under \$19,000.....	4,350,522	4,291,557	78,267,330	77,161,287	63,009,244	62,056,343
\$19,000 under \$22,000.....	5,925,162	5,967,094	121,233,104	122,157,450	97,261,921	98,703,455
\$22,000 under \$25,000.....	5,325,787	5,207,693	125,021,261	122,181,884	100,538,990	98,956,187
\$25,000 under \$30,000.....	6,783,466	7,205,282	185,760,754	197,424,953	150,218,626	159,682,521
\$30,000 under \$35,000.....	4,729,899	5,294,687	152,927,369	171,601,299	124,032,123	138,893,019
\$35,000 under \$40,000.....	3,221,053	3,910,649	120,167,693	145,814,841	97,276,738	118,288,891
\$40,000 under \$50,000.....	3,053,039	4,182,389	134,907,796	185,322,655	109,091,818	149,273,745
\$50,000 under \$75,000.....	2,033,079	2,796,836	120,009,700	164,256,670	96,834,054	131,174,316
\$75,000 under \$100,000.....	535,348	645,884	45,918,079	55,099,048	36,849,386	43,524,621
\$100,000 under \$150,000.....	336,269	398,479	40,213,979	47,552,689	32,528,035	37,510,693
\$150,000 under \$200,000.....	107,245	118,037	18,377,241	20,164,437	14,823,138	15,842,213
\$200,000 under \$300,000.....	68,422	80,945	16,387,236	19,350,168	13,211,348	15,230,276
\$300,000 under \$500,000.....	31,947	37,147	11,956,450	13,906,555	9,505,239	10,788,043
\$500,000 under \$1,000,000.....	12,467	14,758	8,323,125	9,815,188	6,516,941	7,416,993
\$1,000,000 or more.....	4,414	5,286	9,210,095	11,128,551	7,018,879	8,168,130

Size of adjusted gross income	Total income tax		Percent of filers with no income tax liability		Filers with income tax liability			
	1980	1981	1980	1981	Average tax (whole dollars)		Tax as percent of adj. gross inc.	
					1980	1981	1980	1981
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Total.....	250,341,440	284,128,989	21.3	19.6	3,387	3,703	16.1	16.5
Less than \$1,000.....	103,645	137,840	99.7	99.5	10,091	8,626	--	--
\$1,000 under \$3,000.....	32,471	43,465	96.9	95.5	122	123	6.1	6.0
\$3,000 under \$5,000.....	530,988	516,050	42.5	41.7	120	120	2.9	2.9
\$5,000 under \$7,000.....	1,864,897	1,761,464	32.1	32.0	360	357	6.0	5.9
\$7,000 under \$9,000.....	3,494,441	3,306,387	17.8	18.1	579	571	7.2	7.1
\$9,000 under \$11,000.....	5,296,395	5,150,823	5.0	5.2	844	834	8.5	8.3
\$11,000 under \$13,000.....	6,586,710	6,531,708	2.5	3.2	1,159	1,160	9.7	9.7
\$13,000 under \$15,000.....	7,633,561	7,601,053	2.1	2.2	1,480	1,498	10.6	10.7
\$15,000 under \$17,000 M-1980...	8,417,235	8,355,068	1.5	1.8	1,835	1,830	11.5	11.5
\$17,000 under \$19,000 M-1981...	9,351,972	9,226,778	1.1	1.3	2,173	2,179	12.1	12.1
\$19,000 under \$22,000.....	15,189,223	15,609,261	1.0	1.1	2,589	2,645	12.7	12.9
\$22,000 under \$25,000.....	16,620,372	16,563,264	.6	.9	3,138	3,209	13.4	13.7
\$25,000 under \$30,000.....	26,635,973	28,474,945	.4	.6	3,941	3,976	14.4	14.5
\$30,000 under \$35,000.....	23,969,187	26,910,961	.5	.4	5,091	5,103	15.7	15.7
\$35,000 under \$40,000.....	20,419,148	24,834,220	.5	.3	6,373	6,370	17.1	17.1
\$40,000 under \$50,000.....	25,565,426	34,847,163	.4	.6	8,404	8,379	19.0	18.9
\$50,000 under \$75,000.....	27,208,647	36,299,454	.6	.5	13,463	13,050	22.8	22.2
\$75,000 under \$100,000.....	12,549,071	14,715,265	.4	.4	23,531	22,867	27.4	26.8
\$100,000 under \$150,000.....	12,868,433	14,619,378	.3	.4	38,368	36,828	32.1	30.9
\$150,000 under \$200,000.....	6,537,749	6,886,418	.3	.2	61,169	58,439	35.7	34.2
\$200,000 under \$300,000.....	6,370,648	7,183,611	.1	.2	93,234	88,930	38.9	37.2
\$300,000 under \$500,000.....	4,971,806	5,566,282	.1	.1	155,797	149,990	41.6	40.1
\$500,000 under \$1,000,000.....	3,713,691	4,100,676	.1	.1	298,169	278,182	44.7	41.8
\$1,000,000 or more.....	4,409,751	4,887,456	.1	.1	999,944	925,655	47.9	44.0

M - The median taxpayer was at this level.
 See notes following Table 10.

Selected Statistical Series, 1970-1983

Table 3.—Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1978	1979	1980	1981
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	5,769,741	7,221,346	8,229,952	8,595,736	8,931,712	9,584,790
No. with net business income	n.a.	n.a.	n.a.	n.a.	n.a.	6,534,688
Inventory, end of year	11,060,775	15,578,040	19,602,909	21,925,135	21,996,236	22,921,503
Business receipts, total	198,582,172	273,954,741	361,630,253	395,669,594	411,205,713	427,063,055
Income from sales and operations ..	n.a.	272,342,560	358,922,485	392,497,616	407,169,299	421,700,025
Total deductions	168,044,746	234,318,288	308,148,911	339,141,191	356,258,495	373,991,426
Cost of goods sold/operations	109,148,811	146,261,435	187,635,841	202,498,637	209,889,809	209,723,950
Purchases	88,585,913	117,722,352	146,141,140	161,798,251	168,301,517	167,751,431
Cost of labor	7,704,285	8,791,083	10,971,193	10,943,072	10,922,221	10,923,120
Materials and supplies	6,216,057	9,090,638	13,044,634	13,230,280	12,909,222	12,081,423
Commissions	1,274,016	2,225,830	3,680,402	3,744,999	3,333,345	3,539,844
Salaries and wages	15,107,047	20,227,859	25,634,002	27,338,570	26,560,821	28,749,357
Car and truck expenses	n.a.	n.a.	n.a.	11,442,680	13,378,289	12,358,478
Rent paid	4,636,528	6,676,314	8,008,711	8,885,890	9,636,290	10,715,102
Repairs	2,444,607	3,044,175	4,150,126	4,769,757	5,031,573	5,414,156
Taxes paid	3,775,502	5,423,961	6,969,754	7,484,662	7,672,459	6,661,054
Utilities	n.a.	n.a.	n.a.	4,502,560	4,790,337	8,275,517
Insurance	2,309,608	3,503,812	5,308,705	5,861,950	6,003,126	6,238,704
Interest paid	1,784,276	3,390,845	4,997,828	6,386,472	7,190,257	9,052,338
Depreciation	5,451,525	7,958,143	10,998,979	12,929,133	13,952,703	15,854,513
Pension and profit sharing plans ...	72,741	125,296	125,421	135,952	141,463	152,588
Net income less deficit	30,537,426	36,636,453	53,481,341	56,528,403	54,947,219	53,071,628
Net income, businesses w/profit	33,735,732	45,624,890	62,271,438	67,078,638	68,010,051	68,552,791
Deficit, businesses w/o profit	3,198,306	5,988,437	8,790,096	10,550,235	13,062,832	15,481,162

See notes following Table 10.

Table 4.—Partnership Returns: Selected Income Statement and Balance Sheet Items for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1978	1979	1980	1981
	(1)	(2)	(3)	(4)	(5)	(6)
Total number of active partnerships ..	936,133	1,073,094	1,234,157	1,299,593	1,379,654	1,460,502
Number with net income	639,795	661,134	761,753	765,575	774,173	749,222
Number with balance sheets	555,741	783,271	1,023,542	n.a.	1,194,236	1,193,792
Number of partners	3,697,818	4,950,634	6,121,455	6,954,767	8,419,899	12,225,123
Total assets ¹	116,752,751	235,468,301	353,696,180	447,130,068	597,503,923	715,232,726
Buildings/depreciable assets (net) ..	n.a.	113,124,969	158,727,737	n.a.	239,139,823	367,270,152
Inventories, end of year	n.a.	11,985,431	17,202,990	n.a.	33,218,272	59,649,950
Land	n.a.	36,731,958	46,442,485	n.a.	70,241,248	76,336,446
Total liabilities	n.a.	193,875,629	293,050,496	n.a.	488,734,023	580,033,757
Accounts payable	n.a.	12,302,055	20,943,025	n.a.	33,899,048	29,092,451
Short-term debt ²	n.a.	22,709,476	27,810,649	n.a.	48,001,839	55,691,914
Long-term debt ³	n.a.	136,296,764	114,942,633	n.a.	178,044,406	196,508,937
Nonrecourse loans	n.a.	n.a.	83,746,916	n.a.	118,910,380	138,134,304
Partners' capital accounts	n.a.	41,592,672	60,645,684	n.a.	108,769,900	135,198,969
Total receipts	93,348,080	148,417,529	219,192,109	258,197,936	291,998,115	272,129,807
Business receipts	90,208,834	142,505,781	207,731,266	242,653,710	271,108,832	230,027,336
Interest received	942,304	2,477,173	4,346,928	7,246,203	10,869,323	13,772,559
Total deductions	83,557,684	140,679,959	204,745,300	242,992,028	283,749,460	274,864,690
Cost of goods sold/operations	46,040,874	64,672,843	87,217,203	102,096,671	113,885,668	130,043,609
Cost of labor	4,146,927	4,585,836	5,667,139	6,737,888	7,015,547	5,835,683
Purchases	31,820,581	42,608,734	55,983,188	64,201,085	70,439,607	92,136,914
Salaries and wages	8,129,233	12,489,039	16,585,456	19,392,819	22,336,337	21,952,655
Taxes paid	3,159,258	5,770,918	7,364,870	8,328,583	9,553,145	5,040,336
Interest paid	4,470,206	12,097,100	16,022,804	21,275,551	28,362,385	19,586,018
Depreciation	4,578,820	10,108,834	14,519,760	17,662,667	21,576,189	n.a.
Net income (less deficit)	9,790,396	7,737,570	14,446,809	15,205,908	8,248,655	-2,734,897
Net income, businesses w/profit	14,419,124	22,431,931	33,689,343	40,000,896	45,061,756	50,567,190
Deficit, businesses w/o profit	4,628,728	14,694,361	19,242,534	24,794,987	36,813,100	53,302,086

See notes following Table 10.

Table 5.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1978	1979	1980	1981 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	1,665,477	2,023,647	2,376,779	2,577,801	2,710,538	2,812,434
Number with net income	1,008,337	1,226,208	1,523,648	1,599,322	1,596,632	1,597,465
Small Business Corp. returns	257,475	358,413	478,679	518,550	545,389	541,413
DISC returns	N/A	6,431	7,208	8,066	8,665	9,440
Total assets	2,634,706,564	4,286,556,273	6,014,452,008	6,844,891,231	7,617,238,403	8,381,412,262
Notes and acc'ts receivable	614,667,376	1,051,542,806	1,589,330,717	1,817,469,863	1,984,601,790	2,164,127,762
Inventories	190,401,642	317,718,545	442,652,820	504,315,590	534,806,547	590,950,725
Investments in Gov't obligations ...	196,625,390	316,131,699	403,628,383	421,441,738	472,059,737	513,503,290
Net capital assets, except land ¹	552,838,384	825,107,002	1,115,564,447	1,264,872,322	1,418,605,742	1,568,515,602
Total liabilities	1,882,295,401	3,189,491,468	4,519,695,153	5,125,337,041	5,672,850,147	6,152,884,884
Accounts payable	148,812,597	263,417,584	403,553,630	482,558,295	542,172,368	611,972,353
Short-term debt ²	170,884,261	272,123,551	380,851,818	452,958,194	504,802,288	566,473,924
Long-term debt ²	362,700,303	586,703,526	780,536,053	885,515,693	986,663,932	1,045,079,963
Net worth	752,411,163	1,097,064,806	1,494,756,856	1,719,554,190	1,944,388,256	2,228,527,390
Total receipts	1,750,776,503	3,198,627,860	4,714,602,615	5,615,625,519	6,361,284,012	7,015,036,480
Business receipts	1,620,885,576	2,961,729,640	4,353,704,519	5,152,613,019	5,731,616,337	6,162,508,046
Interest on Gov't obligations	9,687,116	17,264,405	25,381,712	30,420,365	38,061,592	50,018,614
United States	5,911,199	10,552,799	16,241,045	19,541,449	25,440,716	36,340,312
State and Local	3,775,917	6,711,606	9,140,667	10,878,916	12,620,876	13,678,302
Other interest	61,883,309	126,034,505	195,479,301	259,146,298	328,802,958	522,823,875
Rents and royalties	16,524,889	26,932,271	38,164,761	40,303,671	53,821,391	66,369,863
Net short-term capital gain less net long-term capital loss	190,439	301,601	884,646	1,209,842	2,013,510	2,140,847
Net long-term capital gain less net short-term capital loss	5,481,580	8,364,523	14,679,876	20,005,538	24,910,957	28,658,467
Net gain, sales of noncap. assets ..	5,315,562	7,757,287	12,137,078	15,397,176	20,117,615	15,321,425
Dividends received from domestic corporations	5,238,421	8,818,282	13,321,287	16,863,766	18,654,800	17,340,938
Dividends received from foreign corporations	3,466,515	5,467,726	9,277,932	12,715,084	14,563,353	13,909,171
Total deductions	1,682,778,847	3,052,674,597	4,467,196,877	5,331,970,825	6,125,365,155	6,806,741,117
Cost of sales and operations	1,146,263,273	2,129,928,467	3,113,421,507	3,721,782,971	4,204,905,905	4,443,258,151
Bad debts	6,479,814	13,781,147	15,660,693	17,486,107	18,769,771	22,124,934
Taxes paid	49,523,243	81,530,302	116,155,070	128,172,063	163,003,622	166,121,062
Interest paid	62,055,010	129,307,921	192,403,316	261,530,850	344,612,542	554,722,382
Contributions or gifts	797,029	1,202,130	2,084,022	2,294,755	2,358,554	2,486,360
Depreciation	52,941,266	86,295,664	121,299,900	138,490,396	157,345,828	183,568,952
Depletion	5,623,339	5,341,489	6,402,020	7,828,973	8,871,993	7,762,567
Pension, profit-sharing, stock bonus, and annuity plans	12,225,912	26,526,129	41,825,415	46,583,431	51,529,310	52,362,102
Net loss, sales of noncap. assets ..	1,289,305	1,804,079	2,155,305	4,074,858	5,903,104	8,238,619
Net income (less deficit)	65,901,614	142,636,826	246,867,473	285,300,630	239,006,542	209,300,935
Net income, businesses w/profit	83,710,924	169,483,336	274,519,721	322,517,550	296,787,201	296,906,529
Deficit, businesses w/o profit	17,809,310	26,846,510	27,652,248	37,216,920	57,780,659	87,605,594
Income subject to tax	72,374,437	146,589,287	239,631,773	280,155,155	246,598,486	236,816,573
Income tax before credits ³	32,949,937	65,769,822	106,976,893	119,157,964	103,831,172	98,551,874
Tax credits, total	5,414,940	26,452,791	43,501,607	54,229,274	42,167,741	42,361,401
Foreign tax credit	4,548,986	19,987,724	26,357,629	36,828,057	24,861,315	20,931,624
Possessions tax credit	N/A	N/A	1,134,422	1,376,124	1,565,681	1,939,547
Investment credit	865,954	6,459,746	12,897,172	14,678,306	15,102,812	18,349,368
Jobs credit	N/A	N/A	3,093,915	1,318,837	601,444	467,668
Research credit	N/A	N/A	N/A	N/A	N/A	634,113
Income tax after credits ³	27,534,997	39,317,031	63,475,286	64,928,690	61,663,431	56,190,473
Additional tax for tax preferences ...	265,249	156,740	340,519	433,649	438,820	520,509
Total income tax	27,878,078	39,691,517	64,386,838	66,120,672	62,974,695	57,791,075
Distributions to stockholders, except in own stock	32,012,677	45,224,392	70,294,349	86,833,911	97,378,617	n.a.

See notes following Table 10.

Table 6.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division and items	1970	1975	1978	1979	1980	1981 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
AGRICULTURE, FORESTRY AND FISHING						
Number of returns, total	37,283	56,280	69,971	76,643	80,883	85,381
Number with net income	19,843	33,328	44,807	46,683	43,827	44,954
Total assets	11,909,403	21,177,941	32,904,622	36,265,804	40,738,977	46,106,672
Total liabilities	7,897,335	14,332,992	22,685,831	24,775,572	29,278,042	32,510,864
Total receipts	14,277,707	28,118,514	41,417,558	50,986,876	52,089,915	65,096,545
Business receipts	13,591,763	26,624,149	39,222,456	48,367,354	48,850,056	60,939,595
Interest received	69,742	171,732	251,195	349,252	476,654	751,992
Total deductions	14,209,713	27,369,286	40,125,054	49,751,856	51,418,280	64,768,902
Cost of sales and operations	10,555,539	19,738,447	29,140,482	36,226,280	35,798,332	45,582,258
Interest paid	356,225	797,420	1,251,690	1,592,102	2,184,441	2,740,054
Net income (less deficit)	65,295	746,908	1,296,962	1,239,718	673,158	329,496
Net income, businesses w/profit ..	493,400	1,493,168	2,202,179	2,469,480	2,464,381	2,554,569
Deficit, businesses w/o profit ...	428,105	746,260	905,217	1,229,762	1,791,222	2,225,073
Income tax before credits ¹	113,115	351,059	475,815	501,397	533,768	543,848
Total income tax	107,023	294,584	340,710	365,106	422,282	415,038
Distributions to stockholders, except in own stock	65,824	244,524	251,428	326,037	304,733	n.a.
MINING						
Number of returns, total	14,465	14,242	19,124	24,296	25,576	33,360
Number with net income	7,303	8,297	11,148	11,259	12,698	17,632
Total assets	23,972,812	64,505,341	97,670,205	115,530,163	126,947,880	168,494,522
Total liabilities	10,590,991	31,739,651	52,613,050	64,248,721	72,879,732	98,138,523
Total receipts	17,747,750	65,909,994	94,706,062	132,926,563	176,672,390	199,979,193
Business receipts	16,699,586	63,670,496	90,538,979	127,833,110	167,397,918	189,363,235
Interest received	176,728	522,757	635,038	959,329	1,301,266	2,421,593
Total deductions	15,927,348	42,348,765	67,158,152	89,992,366	169,051,624	194,763,635
Cost of sales and operations	9,955,600	30,171,612	44,583,576	60,477,876	116,989,880	150,070,329
Interest paid	388,032	1,166,182	2,180,034	2,769,022	3,440,080	6,032,802
Net income (less deficit)	1,834,315	23,574,833	27,709,582	43,063,340	7,750,561	5,663,093
Net income, businesses w/profit ..	2,399,507	24,347,893	29,582,865	44,911,264	10,133,685	10,596,561
Deficit, businesses w/o profit ...	565,192	773,060	1,873,283	1,571,455	2,383,124	4,933,468
Income tax before credits ¹	1,031,550	11,361,037	13,741,509	20,098,354	3,947,569	4,113,453
Total income tax	342,928	1,051,138	1,046,525	1,212,267	1,672,492	1,680,670
Distributions to stockholders, except in own stock	1,177,550	1,015,895	2,194,973	3,215,842	4,757,780	n.a.
CONSTRUCTION						
Number of returns, total	138,905	191,219	228,657	259,213	272,432	276,428
Number with net income	82,078	108,852	148,712	162,732	150,368	145,234
Total assets	42,719,792	76,691,947	105,545,997	125,420,947	132,939,026	150,799,158
Total liabilities	30,900,188	57,662,870	79,758,557	95,369,236	100,112,852	113,715,098
Total receipts	90,610,644	146,955,117	216,710,160	258,723,850	267,205,356	279,573,855
Business receipts	88,945,385	143,412,715	211,618,796	252,702,613	260,387,692	269,740,615
Interest received	219,698	614,583	898,396	1,394,177	2,073,650	3,123,594
Total deductions	89,070,022	144,717,309	210,906,569	252,709,644	262,116,275	276,139,712
Cost of sales and operations	73,434,969	116,845,554	171,491,603	204,421,609	208,064,925	213,986,501
Interest paid	711,496	1,973,244	2,580,694	3,536,998	4,278,502	5,313,460
Net income (less deficit)	1,538,418	2,236,262	5,876,327	6,136,913	5,271,209	3,461,458
Net income, businesses w/profit ..	2,548,013	4,514,864	8,056,979	9,117,112	8,911,143	8,301,756
Deficit, businesses w/o profit ...	1,009,595	2,278,602	2,180,652	2,980,199	3,639,934	4,840,298
Income tax before credits ¹	776,979	1,320,196	2,398,869	2,550,908	2,521,507	2,318,260
Total income tax	756,637	1,131,960	1,496,951	1,824,890	1,973,614	1,869,435
Distributions to stockholders, except in own stock	299,204	464,553	627,914	697,637	793,764	n.a.
MANUFACTURING						
Number of returns, total	197,807	217,354	223,417	241,795	242,550	251,245
Number with net income	120,814	136,839	159,631	164,605	153,640	149,931
Total assets	612,912,516	944,581,970	1,308,673,807	1,533,494,376	1,709,471,700	1,870,011,353
Total liabilities	303,989,223	501,994,296	713,609,724	856,041,068	960,284,926	1,048,542,572
Total receipts	722,952,890	1,296,359,650	1,836,552,260	2,166,399,886	2,404,323,844	2,543,953,354
Business receipts	700,090,661	1,258,338,650	1,773,467,830	2,086,220,228	2,301,056,550	2,420,552,424
Interest received	4,748,499	8,691,092	15,089,753	21,355,133	28,315,784	40,029,200
Total deductions	692,455,462	1,230,689,496	1,730,009,625	2,045,448,376	2,290,593,808	2,443,535,415
Cost of sales and operations	495,879,549	925,111,030	1,290,204,263	1,533,327,048	1,707,143,900	1,774,577,228
Interest paid	12,570,242	22,055,903	30,915,600	41,587,856	54,177,356	72,408,665
Net income (less deficit)	31,846,078	68,406,627	113,518,786	130,791,918	125,667,815	112,694,909
Net income, businesses w/profit ..	37,925,489	74,466,554	120,144,888	140,223,449	141,547,510	133,988,909
Deficit, businesses w/o profit ...	6,079,411	6,059,927	6,626,102	9,431,531	15,879,695	21,294,000
Income tax before credits ¹	16,744,905	32,306,739	52,753,150	58,668,112	59,577,413	56,949,119
Total income tax	13,242,226	21,024,964	34,218,035	35,059,349	32,701,861	29,973,904
Distributions to stockholders, except in own stock	14,616,282	19,973,061	31,173,451	38,321,486	37,306,509	n.a.

Selected Statistical Series, 1970-1983

Table 6.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1981
—Continued

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

Industrial division and items	1970	1975	1978	1979	1980	1981 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
TRANSPORTATION AND PUBLIC UTILITIES						
Number of returns, total	67,398	80,701	92,686	106,824	111,324	109,027
Number with net income	38,204	45,360	54,343	61,583	62,232	56,382
Total assets	287,740,207	443,236,797	597,721,008	676,186,972	758,364,400	831,046,234
Total liabilities	166,535,185	266,792,390	356,560,566	411,531,388	467,708,707	513,110,630
Total receipts	135,495,271	243,480,637	372,898,491	448,140,811	523,807,396	593,196,816
Business receipts	131,463,171	234,689,427	360,687,424	434,427,319	507,372,820	570,697,554
Interest received	930,266	1,520,913	2,945,437	4,067,665	5,760,072	7,994,319
Total deductions	127,931,131	233,409,166	352,027,145	429,849,123	503,954,285	573,998,520
Cost of sales and operations ...	77,743,359	143,932,463	227,211,452	284,041,578	336,868,172	351,391,744
Interest paid	7,364,200	13,761,062	18,142,886	21,631,167	27,638,591	33,956,261
Net income (less deficit)	7,543,718	10,099,571	21,001,954	18,462,903	20,046,155	19,434,460
Net income, businesses w/profit..	9,471,595	12,088,189	23,305,319	22,058,598	24,917,293	25,432,019
Deficit, businesses w/o profit..	1,927,877	1,988,618	2,303,365	3,595,695	4,871,138	5,997,559
Income tax before credits ¹	4,342,334	5,107,158	10,252,353	9,115,461	10,532,722	10,351,316
Total income tax	4,036,650	2,836,470	5,256,704	4,834,026	5,322,990	4,998,654
Distributions to stockholders, except in own stock	5,837,565	8,900,353	13,666,472	15,275,029	17,329,807	n.a.
WHOLESALE AND RETAIL TRADE						
Number of returns, total	518,062	614,632	721,443	776,661	799,628	816,689
Number with net income	339,987	399,668	483,173	502,947	487,300	476,761
Total assets	192,181,800	323,496,726	486,146,204	573,310,389	646,901,005	703,511,233
Total liabilities	115,179,668	200,846,992	313,748,608	376,719,434	424,611,318	468,593,130
Total receipts	522,547,923	969,938,872	1,461,404,863	1,750,559,063	1,955,523,778	2,025,127,130
Business receipts	511,316,883	951,463,550	1,436,428,884	1,711,773,627	1,919,347,689	1,982,853,239
Interest received	1,291,906	3,857,318	5,293,767	8,243,949	10,503,989	14,264,271
Total deductions	512,910,193	947,511,780	1,426,238,358	1,711,496,089	1,919,454,218	1,991,785,483
Cost of sales and operations ...	392,391,856	745,299,204	1,134,768,864	1,361,550,632	1,538,128,634	1,580,701,115
Interest paid	4,309,663	8,587,173	13,677,333	19,931,751	25,645,855	30,744,622
Net income (less deficit)	9,671,044	22,489,430	35,759,358	40,242,601	38,309,671	33,729,372
Net income, businesses w/profit..	12,395,411	27,681,721	41,432,239	48,246,345	49,426,500	47,916,883
Deficit, businesses w/o profit..	2,724,367	5,192,291	5,672,882	8,003,744	11,116,829	14,187,511
Income tax before credits ¹	4,476,047	8,103,316	12,386,647	13,313,992	13,515,653	12,264,898
Total income tax	4,237,181	7,348,619	9,913,600	10,772,309	10,550,255	10,230,613
Distributions to stockholders, except in own stock	2,068,501	5,029,897	7,272,502	8,821,280	10,343,087	n.a.
FINANCE, INSURANCE AND REAL ESTATE						
Number of returns, total	406,235	411,846	454,031	471,227	493,426	470,010
Number with net income	248,586	243,409	278,590	281,195	273,853	258,924
Total assets	1,401,153,520	2,321,965,956	3,249,397,057	3,630,045,296	4,022,206,073	4,394,608,358
Total liabilities	1,204,673,072	2,052,195,429	2,883,857,407	3,187,436,102	3,491,664,756	3,723,751,999
Total receipts	177,321,173	315,795,981	474,690,489	560,968,442	697,460,846	955,660,287
Business receipts	92,091,887	157,126,715	234,578,853	254,722,667	256,892,475	336,043,890
Interest received	63,694,046	127,040,303	194,203,053	250,979,245	315,146,115	499,485,379
Total deductions	161,630,060	297,963,817	432,294,860	514,086,140	652,637,787	917,469,282
Cost of sales and operations ...	48,434,362	84,614,209	111,618,348	123,367,688	129,644,330	165,300,702
Interest paid	34,548,509	77,677,659	118,850,328	164,365,541	219,167,684	392,970,128
Net income (less deficit)	12,214,079	11,663,330	33,873,934	37,011,262	33,122,792	25,680,131
Net income, businesses w/profit..	15,081,939	18,825,003	38,585,831	43,275,518	46,040,390	52,654,488
Deficit, businesses w/o profit..	2,867,860	7,161,673	4,711,897	6,264,256	12,917,599	26,974,357
Income tax before credits ¹	4,404,449	5,558,647	11,756,250	11,595,112	9,680,755	7,930,013
Total income tax	4,150,009	4,673,705	9,908,261	9,601,617	7,698,134	6,138,786
Distributions to stockholders, except in own stock	7,387,211	8,729,977	13,599,824	18,348,769	24,692,146	n.a.
SERVICES						
Number of returns, total	281,218	435,672	560,016	609,103	671,338	752,822
Number with net income	150,525	249,641	338,498	364,156	408,716	441,137
Total assets	61,875,140	90,534,067	134,379,134	153,219,483	178,163,737	214,383,196
Total liabilities	42,346,078	63,678,693	95,548,868	108,132,469	125,298,224	152,781,436
Total receipts	69,572,626	131,377,364	210,606,073	244,542,893	279,883,187	347,786,278
Business receipts	66,459,515	125,747,462	201,678,049	234,497,897	266,088,619	327,844,649
Interest received	435,070	875,506	1,524,734	2,196,467	3,269,412	4,712,643
Total deductions	68,384,452	127,996,443	202,985,210	236,359,966	271,792,974	339,662,115
Cost of sales and operations ...	37,733,747	63,724,869	100,355,222	117,057,522	129,352,692	158,708,938
Interest paid	1,802,802	3,279,438	4,752,293	6,082,021	8,033,612	10,468,969
Net income (less deficit)	1,198,703	3,396,744	7,666,125	8,252,805	8,193,903	8,263,617
Net income, businesses w/profit..	3,384,869	6,025,592	10,994,355	12,060,033	13,246,601	15,279,788
Deficit, businesses w/o profit..	2,186,166	2,628,848	3,328,230	3,807,228	5,052,698	7,016,171
Income tax before credits ¹	1,058,264	1,625,093	3,151,307	3,276,011	3,497,265	4,045,151
Total income tax	1,003,130	1,323,637	2,158,326	2,419,382	2,613,888	2,961,207
Distributions to stockholders, except in own stock	558,452	855,402	1,490,937	1,816,177	1,841,945	n.a.

See notes following Table 10.

Selected Statistical Series, 1970-1983

Table 7.—Gross Internal Revenue Collections: Amount Collected by Quarter and Fiscal Year, 1979-1983
 [Money amounts are in millions of dollars]

Quarter and fiscal year	Source of Revenue					
	Total	Individual income taxes ¹	Corporation income taxes	Excise taxes ²	Employment taxes ³	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1979 TOTAL	460,412	251,546	71,448	19,050	112,850	5,519
October 1978 - December 1978	91,796	49,563	14,745	4,983	21,154	1,351
January 1979 - March 1979	108,284	60,070	14,124	4,468	28,237	1,385
April 1979 - June 1979	149,817	82,684	28,304	4,731	32,775	1,323
July 1979 - September 1979	110,515	59,228	14,275	4,868	30,684	1,460
FISCAL YEAR 1980 TOTAL	519,375	287,548	72,380	24,619	128,330	6,498
October 1979 - December 1979	105,947	58,899	14,894	4,902	25,755	1,497
January 1980 - March 1980	122,422	68,723	15,074	4,250	32,850	1,524
April 1980 - June 1980	166,827	91,480	28,360	7,335	38,036	1,617
July 1980 - September 1980	124,179	68,447	14,051	8,132	31,689	1,861
FISCAL YEAR 1981 TOTAL	606,799	332,850	73,733	40,420	152,886	6,910
October 1980 - December 1980	118,804	67,081	14,527	7,305	28,193	1,698
January 1981 - March 1981	143,899	77,467	14,844	10,082	39,878	1,628
April 1981 - June 1981	196,970	108,600	29,204	11,963	45,510	1,692
July 1981 - September 1981	147,126	79,702	15,158	11,069	39,304	1,893
FISCAL YEAR 1982 TOTAL	632,241	352,609	65,991	36,779	168,718	8,143
October 1981 - December 1981	137,570	71,526	15,898	10,577	37,654	1,915
January 1982 - March 1982	154,128	85,930	14,722	9,426	41,751	2,299
April 1982 - June 1982	196,506	113,852	23,115	8,389	49,165	1,986
July 1982 - September 1982	144,036	81,301	12,256	8,387	40,148	1,943
FISCAL YEAR 1983 TOTAL	627,247	349,628	61,780	35,766	173,848	6,226
October 1982 - December 1982	132,205	70,312	13,404	8,498	38,404	1,588
January 1983 - March 1983	150,019	86,853	11,494	8,222	41,930	1,519
April 1983 - June 1983	194,431	111,721	22,027	8,947	50,219	1,516
July 1983 - September 1983	150,591	80,742	14,855	10,097	43,294	1,602

See notes following Table 10.

Table 8.—Internal Revenue Refunds: Amount Refunded by Quarter and Fiscal Year, 1979-1983
 [Money amounts are in millions of dollars]

Quarter and fiscal year	Recipient of Refund					
	Total	Individual income taxes ¹	Corporation income taxes	Excise taxes ²	Employment taxes ³	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1979 TOTAL	41,709	34,854	5,993	309	432	121
October 1978 - December 1978	2,414	570	1,683	39	90	31
January 1979 - March 1979	15,907	14,209	1,450	78	142	28
April 1979 - June 1979	20,070	18,258	1,560	138	85	29
July 1979 - September 1979	3,318	1,818	1,300	53	115	33
FISCAL YEAR 1980 TOTAL	54,009	44,423	8,056	293	1,115	123
October 1979 - December 1979	3,062	732	2,119	45	137	29
January 1980 - March 1980	19,980	17,731	1,962	137	132	18
April 1980 - June 1980	26,438	23,553	2,222	75	550	39
July 1980 - September 1980	4,529	2,407	1,753	36	296	37
FISCAL YEAR 1981 TOTAL	63,303	48,409	13,294	343	1,114	143
October 1980 - December 1980	4,215	971	3,047	49	116	32
January 1981 - March 1981	21,988	18,285	3,687	76	-99	39
April 1981 - June 1981	30,352	26,027	3,160	163	967	34
July 1981 - September 1981	6,749	3,125	3,400	55	128	40
FISCAL YEAR 1982 TOTAL	75,202	55,102	17,974	367	1,578	181
October 1981 - December 1981	5,530	1,347	3,920	42	185	37
January 1982 - March 1982	24,024	19,338	4,197	76	377	36
April 1982 - June 1982	35,793	30,481	4,298	163	796	54
July 1982 - September 1982	9,855	3,936	5,559	86	220	53
FISCAL YEAR 1983 TOTAL	89,761	61,198	26,012	493	1,849	208
October 1982 - December 1982	9,411	1,875	7,030	58	397	52
January 1983 - March 1983	23,928	16,548	6,838	108	372	62
April 1983 - June 1983	46,715	38,341	7,421	194	721	38
July 1983 - September 1983	9,705	4,434	4,723	133	359	56

See notes following Table 10.

Table 9.—Classes of Excise Taxes by Selected Fiscal Year, 1970-1983
 [Money amounts are in thousands of dollars]

Selected class of tax	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
ALCOHOL TAXES, TOTAL	4,746,382	5,350,858	5,704,768	5,688,413	5,459,810	5,634,853
Distilled spirits	3,501,538	3,865,162	3,945,377	3,837,640	3,634,519	3,798,148
Wine	163,337	177,113	211,538	244,445	218,987	239,329
Beer	1,081,507	1,308,583	1,547,853	1,606,328	1,606,303	1,597,375
TOBACCO TAXES, TOTAL	2,094,212	2,315,090	2,446,416	2,583,857	2,539,495	4,139,810
Cigarettes	2,036,101	2,261,116	2,402,857	2,538,674	2,499,046	4,099,226
Cigars	56,834	51,226	39,500	40,742	35,666	33,716
MANUFACTURERS EXCISE TAXES, TOTAL ..	6,683,061	5,516,611	6,487,421	6,088,156	6,382,900	6,776,023
Gasoline and lubricating oil	3,517,586	4,071,465	4,326,549	4,108,716	4,320,856	4,953,267
Tires, tubes and tread rubber	614,795	697,660	682,624	668,902	616,785	677,966
Motor vehicles, bodies, parts ¹	1,753,327	662,556	1,088,696	914,524	884,845	516,872
Recreational products	53,427	84,946	136,521	158,054	131,288	132,672
Black Lung taxes	N/A	N/A	251,288	237,097	426,620	490,731
SPECIAL FUELS, TOTAL ²	257,820	404,187	560,144	587,486	628,625	831,196
Diesel and special motor fuels ...	257,712	370,489	512,718	553,107	598,840	742,380
MISCELLANEOUS EXCISE TAXES, TOTAL ² ..	2,084,730	3,306,077	6,359,198	19,773,803	24,813,053	19,228,685
Telephone and teletype ³	1,469,562	2,023,744	1,117,834	998,503	919,749	1,048,317
Air transportation	250,802	850,567	1,748,837	1,326,829	1,154,818	1,898,786
Highway use tax	135,086	207,663	263,272	266,225	257,329	287,457
Foreign insurance ⁴	8,614	19,458	74,630	74,882	68,276	-44,440
Exempt organizations net investment income	N/A	63,828	65,280	84,045	93,188	112,380
Crude oil windfall profit	N/A	N/A	3,051,719	16,930,548	22,035,927	15,660,081
Environmental taxes (superfund) ..	N/A	N/A	N/A	61,264	252,903	235,954

Selected class of tax	Fiscal year quarter ending					
	June 1982	Sept. 1982	Dec. 1982	Mar. 1983	June 1983	Sept. 1983
	(7)	(8)	(9)	(10)	(11)	(12)
ALCOHOL TAXES, TOTAL	1,360,635	1,502,209	1,362,584	1,331,830	1,293,551	1,646,888
Distilled spirits	875,938	942,311	991,691	906,974	853,577	1,045,906
Wine	77,417	24,332	67,672	63,829	61,896	45,933
Beer	407,281	535,566	303,221	361,027	378,078	555,050
TOBACCO TAXES, TOTAL	611,915	685,428	638,860	1,002,323	1,137,118	1,361,508
Cigarettes	602,470	673,383	629,867	993,909	1,127,198	1,348,253
Cigars	8,383	10,636	7,798	6,791	7,946	11,181
MANUFACTURERS EXCISE TAXES, TOTAL ..	1,610,776	1,624,385	1,463,058	1,480,465	1,426,353	2,406,147
Gasoline and lubricating oil	1,084,495	1,099,027	992,928	979,122	998,042 ⁵	1,983,175
Tires, tubes and tread rubber	148,941	139,197	166,892	168,796	158,654	183,624
Motor vehicles, bodies, parts ¹	197,766	204,322	144,263	179,889	106,755	85,965
Recreational products	48,635	36,278	35,354	27,043	38,141	32,133
Black Lung taxes	130,979	143,517	123,114	125,176	123,777	118,664
SPECIAL FUELS, TOTAL	152,806	166,676	151,540	182,275	177,061	320,319
Diesel and special motor fuels ...	144,370	158,421	140,554	155,646	151,367	294,813
MISCELLANEOUS EXCISE TAXES, TOTAL ..	5,974,399	9,013,517	4,998,036	6,370,018	4,715,585	3,145,046
Telephone and teletype ³	185,752	174,043	140,756	211,881	394,149	301,532
Air transportation	285,463	304,870	343,762	503,498	548,423	503,103
Highway use tax	35,344	151,866	17,789	54,784	46,444	168,440
Foreign insurance ⁴	16,310	19,921	-14,801	-9,640	-3,229	-16,769
Exempt organizations net investment income	36,893	35,632	7,654	23,600	45,325	35,800
Crude oil windfall profit	5,346,061	8,256,853	4,440,146	5,518,749	3,616,501	2,084,685
Environmental taxes (superfund) ..	62,012	59,473	56,330	59,247	61,175	59,203

See notes following Table 10.

Selected Statistical Series, 1970-1983

Table 10.—Selected Returns and Forms Filed During Selected Calendar Years, 1970-1984

Type of return or form	Calendar Year						Projected Filing 1984
	Number Filed						
	1970	1975	1980	1981	1982	1983 (Preliminary)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Individual income ¹	77,281,384	84,026,785	93,194,916	94,156,710	95,574,230	95,541,000	96,258,000
Form 1040	77,143,251	61,450,279	55,360,030	57,088,682	57,800,627	59,580,000	58,742,000
Nonbusiness	68,129,351	51,377,153	43,957,141	45,288,528	45,480,555	46,632,000	45,949,000
Business	9,013,900	10,073,126	11,402,889	11,800,154	12,320,072	12,948,000	12,793,000
Schedule C	6,351,304	7,438,968	8,944,298	9,345,121	9,877,372	10,507,000	10,490,000
Schedule F	2,662,596	2,634,158	2,458,591	2,455,033	2,442,700	2,441,000	2,303,000
Form 1040A	N/A	22,462,776	37,692,282	36,924,610	37,618,855	21,045,000	21,545,000
Form 1040EZ	N/A	N/A	N/A	N/A	N/A	14,916,000	15,971,000
Corporation income:							
Form 1120	1,487,244	1,705,789	2,030,092	2,265,811	2,346,203	2,517,000	2,477,000
Form 1120S	248,936	367,219	528,070	547,176	566,787	617,000	663,000
Partnership, Form 1065	991,904	1,132,839	1,401,567	1,457,974	1,552,735	1,613,000	1,668,000
Fiduciary, Form 1041 ²	1,149,445	1,558,570	1,876,392	1,944,494	1,962,485	2,019,000	2,048,000
Estate Tax, Forms 706 and 706NA	141,156	225,827	147,303	146,496	127,051	106,000	87,000
Gift Tax, Form 709	146,338	273,184	214,389	190,106	84,364	93,000	102,000
Exempt Organization:							
Form 990 ³	377,030	346,627	362,632	322,572	368,278	344,000	341,000
Form 990-PF	N/A	29,637	33,137	31,688	31,831	33,000	33,000
Form 990-T	5,041	19,683	23,455	24,562	23,720	26,000	26,000

See notes on following page.

Notes to Selected Statistical Series Tables

General notations

N/A - Not applicable

n.a. - Not available

r - Revised

Table 1

[1] The 1981 data for interest and dividends are before exclusion. The combined amount of interest and dividends in adjusted gross income (after the exclusion) was \$178,097,705,000, reported on 34,144,410 returns. For 1980, there was no exclusion applicable to interest income.

[2] Includes surcharge of \$2,018,078,000.

[3] For 1981 only, this was the 1.25 percent rate reduction credit applicable to all returns with income tax before credits, as provided by the Economic Recovery Tax Act of 1981.

SOURCE: Statistics of Income--Individual Income Tax Returns, appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 2

SOURCE: Statistics of Income--Individual Income Tax Returns, appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 3

SOURCE: Statistics of Income--Sole Proprietorship Returns, appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 4

[1] Total assets, total liabilities and partners capital accounts are somewhat understated because not all partnership returns filed contained a completed balance sheet.

[2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year.

[3] Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more. In addition, for Tax Year 1975 long-term debt included nonrecourse loans.

SOURCE: Statistics of Income--Partnership Returns, for appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 5

[1] Net capital assets, except land, consisted of depreciable, depletable, and intangible assets less accumulated depreciation, depletion and amortization.

[2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year. Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more.

[3] Consists of normal tax, surtax, and alternative tax for Tax Years 1970 through 1978, and regular tax and alternative tax for Tax Years 1979-1981. Tax Year 1970 includes surcharge of \$784,437,000.

SOURCE: Statistics of Income--Corporation Income Tax Returns, appropriate years. Tax law changes have affected the comparability of the data. See the appropriate Statistics of Income reports for a description of those law changes.

Table 6

- [1] Consists of normal tax, surtax, and alternative tax for Tax Years 1970 through 1978, and regular tax and alternative tax for Tax Years 1979-1981.

SOURCE: Statistics of Income--Corporation Income Tax Returns, appropriate years. Tax law changes have affected the comparability of the data. See the appropriate Statistics of Income reports for a description of those law changes.

Tables 7 and 8

- [1] Includes estimated tax payments or amounts withheld by employers prior to return filing, payments made with the return, and any subsequent payments.
- [2] Includes taxes imposed on selected products, services, and activities, such as those on alcohol and tobacco products and the windfall profit tax on domestically produced crude oil.
- [3] Includes payroll taxes levied on salaries and wages, such as social security, railroad retirement, and unemployment taxes.
- [4] Includes earned income credits refunded, amounting to \$1.3 billion.
- [5] Includes earned income credits refunded, amounting to \$1.2 billion.

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

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch.

Table 9

- [1] Special fuels, total includes diesel and special motor fuels which were classified as miscellaneous excise taxes in 1970.

- [2] Includes \$20,653,000 from a one-time tax of 5 cents per gallon on gasoline and 4 cents per gallon on gasohol imposed on inventories of dealers as of April 1, 1983.

- [3] Effective January 7, 1983, the excise taxes on parts and accessories for trucks and buses, which are included in this classification, were repealed.

- [4] Effective January 1, 1983, the excise tax increased from 1 percent to 3 percent.

- [5] The negative amounts are due to refunds of this tax under the United States - United Kingdom Income Tax Treaty, which provides for an exemption from the tax retroactive to January 1, 1975. Also, a similar United States - France treaty provides for an exemption retroactive to January 1, 1979.

NOTES: For 1970 and 1975, fiscal year was defined as July of the previous year through June of the year noted. For 1979, 1980, 1981, and 1982, fiscal year was defined as October of the previous year through September of the year noted.

Additional detail is published in the Annual Report of the Commissioner of Internal Revenue.

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch.

Table 10

- [1] Includes Forms 1040NR, PR and SS.
- [2] Includes Form 1041A in 1970 and 1975.
- [3] Includes Form 990A in 1970.

SOURCE: Internal Revenue Service, Research Division.

Appendix

General Description of Statistics of Income Sample Procedures and Data Limitations

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI publications (see References). More technical information is available, upon request, from the Statistics of Income Division.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. The samples are based on such criteria as: principal business activity; presence or absence of a schedule; State from which filed; size of adjusted gross income (or deficit) or largest of specific income (or loss) items; total assets or size of business and farm receipts.

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of one percent to one hundred percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints on the allowable total cost or total sample size for the program.

For most SOI studies, returns are computer designated based on the Taxpayer Identification Number (TIN) which is either the Social Security Number (SSN) or Employer Identification Number (EIN). In some cases, the ending digits of each TIN are compared to a set of numbers randomly selected for each sample class. If the TIN ending digits are in the set, then the return is designated for the sample. Otherwise, it is not designated.

Alternatively, a fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for the return's sample stratum, then it is designated. Otherwise, it is not.

Under either method of selection, the TIN's designated from one year's study are for the most part selected for the next study, so that a large proportion of the new sample are repeaters. This longitudinal character of the sample design improves the estimates of change from one study to the next.

METHOD OF ESTIMATION

In general, weighting factors are obtained by dividing the computer count of returns filed for a sample stratum by the actual number of returns secured for the sample. These weighting factors are then used to inflate the sample results to total population levels. During sampling, lists of the returns designated are checked against the returns secured for the sample to insure that the sample designated is the same as the sample selected. Special searches are made for returns not initially secured so that any bias from nonresponse is minimal.

For the individual income tax returns sample, weighting factors are computed for each sample class within each Internal Revenue district, even though the district is not used to designate the sample. This is an example of post-stratified estimation and is used to improve the estimates for the States. Usage of post-stratified estimation is being studied for other SOI studies.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples would usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68% confidence interval estimate:

$$\begin{array}{r} 150,000 \\ \times 0.02 \\ \hline = 3,000 \end{array} \quad \begin{array}{l} \text{(sample estimate)} \\ \text{(coefficient of variation)} \\ \text{(standard error of estimate)} \end{array}$$
$$\begin{array}{r} 150,000 \\ + 3,000 \\ \hline = 147,000 - 153,000 \end{array} \quad \begin{array}{l} \text{(sample estimate)} \\ \text{(standard error)} \\ \text{(68\% confidence interval)} \end{array}$$

Based on these data, the interval estimate is from 147

to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95% confidence, multiply the standard error by two before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning confidence intervals, including the approximation of CV's for combined sample estimates, may be obtained on request by writing to the Statistics of Income Division, D:R:S, Internal Revenue Service, Washington, DC 20224.

NONSAMPLING ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling errors, there are other sources of errors which may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors, early cut-off of sampling, etc. More extensive information on nonsampling errors is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Missing entries are inputted during statistical processing by utilizing other information on the return and accompanying schedules. Data may be disaggregated and recombined during editing to achieve consistent statistical definitions. In the future, SOI studies will make use of earlier returns of the same taxpayer to check current data, for instance the industry code. Also, research on better methods of imputing missing data is being conducted.

Quality of the basic data abstracted at the processing centers is controlled by a continuous sampling verification system. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically processed returns as a further check. Prior to tabulation, numerous computer tests are applied to each return record to check for inconsistencies.

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing and estimating.

TABULAR CONVENTIONS

Estimates of frequencies and money amounts that are considered unreliable, due to the small sample size on which they are based, are noted by an asterisk (*) to the left of the data item(s) in the tabulations. The presence of an asterisk indicates that the sample rate is less than 100 percent of the population and there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100 percent rate.

Whenever a weighted frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses. These combinations and deletions are indicated by a double asterisk (**).

REFERENCES

- [1] Statistics of Income--1981, Individual Income Tax Returns (see especially pages 11-13).
- [2] Statistics of Income--1980, Corporation Income Tax Returns (see especially pages 9 to 14).
- [3] Statistics of Income--1980, Partnership Returns (see especially pages 5-7).
- [4] Statistics of Income--1981, Sole Proprietorship Returns (see especially pages 5 to 9).
- [5] Statistics of Income--1976-1979, International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see especially pages 13-15 and 85-87).
- [6] Statistics of Income--1973, Sales of Capital Assets Reported on Individual Income Tax Returns (see especially pages 17 to 20).
- [7] Statistics of Income--1976 Estate Tax Returns (see especially pages 11 to 12).
- [8] Statistics of Income--1974-1978, Private Foundations (see especially pages 9 to 16).

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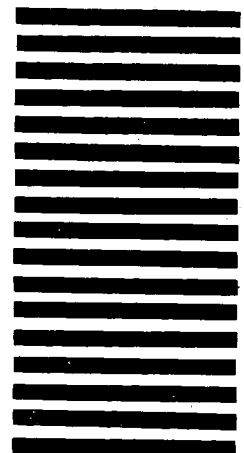


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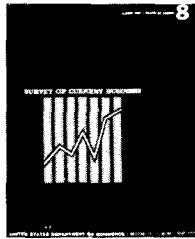
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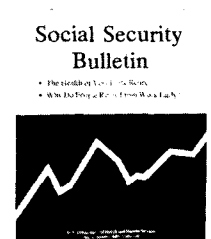
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