

# Individual Income Tax Rates and Tax Shares, 1994

by *Therese Cruciano*

**O**f the nearly 116 million individual income tax returns filed for 1994, over 75 percent showed an income tax liability. The average tax rate on these taxable returns was 14.3 percent, 0.2 percentage points higher than for the previous year, and the average income tax per tax return was \$6,104, an increase of \$287 over the amount reported for 1993. Total income tax for these returns for 1994 increased 6.4 percent to \$535 billion, exceeding the growth rate of adjusted gross income less deficit (AGI), which increased more than 4.8 percent to \$3,737 billion. The increase in the average tax rate brought the rate to the highest level since 1986, the last year before enactment of the Tax Reform Act of 1986 (TRA86).

Between 1993 and 1994, the shares of AGI for returns of the top 1 percent and top 5 percent of tax filers ranked by size of income were nearly unchanged [1]. Returns in the top 1 percent of returns with positive AGI reported 13.8 percent of total AGI and 28.9 percent of total income tax for 1994, compared with 13.8 percent of AGI and 29.0 percent of total income tax for 1993. An AGI of at least \$195,726 placed an individual in the top 1 percent of taxpayers for 1994. The returns in the top 5 percent group reported 27.9 percent of the AGI and 47.5 percent of the total income tax (compared to 27.8 percent and 47.4 percent, respectively, for 1993). To be included in the top 5 percent of taxpayers for 1994 required an AGI of at least \$91,226.

This article discusses the individual income tax rates and tax shares and the computation of "total income tax" for Tax Year 1994. To put this discussion into perspective, the appendices to the article provide explanations of selected terms used for the article (Appendix A) and describe the income tax structure, certain tax law changes, income and tax concepts (the "1979 Income Concept," "modified" taxable income, and marginal tax rates), the computation of "alternative minimum taxable income," and the data sources and limitations.

## Major Tax Law Changes for 1994

The "earned income credit" (EIC) underwent several changes for 1994. For the first time, taxpayers without qualifying children could claim the credit. Taxpayers with earned income, between the ages of 25 and 64, who had less than \$9,000 in both earned income and adjusted gross income, and who did not have a qualifying child were eligible for the earned income credit. These taxpayers

completed the EIC Worksheet and claimed the credit on the Form 1040, Form 1040A, Form 1040EZ, or Form 1040PC return. In order to claim the credit, working taxpayers with qualifying children had to have earned income and adjusted gross income less than \$23,755 for one qualifying child, or less than \$25,296 for two or more qualifying children. These taxpayers attached Schedule EIC to their Form 1040, Form 1040A, or Form 1040PC return. (For 1993 there was only a single earned income and adjusted gross income eligibility level for all taxpayers.) In addition, the computation of the earned income credit changed; the health insurance credit and the extra credit for a child born during the year were both eliminated. (See Appendix B for a discussion of the 1994 income tax structure.)

Current-year moving expenses were no longer an itemized deduction on Schedule A. The deduction of qualified moving expenses as a statutory adjustment to AGI allowed taxpayers who used the standard deduction to deduct their current-year moving expenses. In order to deduct allowable moving expenses, the taxpayer's new job had to be at least 50 miles farther from his/her former home than their old job location. In addition, the following expenses were no longer deductible: meals while moving from the old residence to the new residence; travel expenses for pre-move house hunting trips; expenses while occupying temporary quarters in the area of the new job; and qualified residence sale, purchase, and lease expenses.

Beginning with 1994, certain taxpayers who received social security or equivalent "tier 1 railroad retirement benefits" had to include up to 85 percent of benefits received in their taxable income [2]. (See Appendix C for a listing of additional tax law changes.)

## Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income. For the statistics in this article, the average tax rate is defined as "total income tax" (the sum of "income tax after credits" and the "alternative minimum tax") divided by AGI reported on returns showing some income tax liability. Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is defined as the statutory rate at which the last dollar of taxable income is taxed. (See Appendix D for a more detailed explanation of marginal tax rates.) The following sections describe the measurement of the average and marginal tax rates in more detail and discuss the statistics based on these rates for 1994.

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# Individual Income Tax Rates and Tax Shares, 1994

**Figure A**

## Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1985-1994

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

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns <sup>1</sup>	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) <sup>2</sup>	Average per return <sup>3</sup>			
							Current dollars		Constant dollars <sup>4</sup>	
							Adjusted gross income	Total income tax	Adjusted gross income	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1985.....	101,660,287	82,846,420	81.5	2,259	326	14.4	27,268	3,931	25,342	3,653
1986.....	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987.....	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988.....	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989.....	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990.....	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991.....	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992.....	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993.....	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994.....	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
Using 1979 Income Concept <sup>5</sup>										
1985.....	101,660,287	82,846,420	81.5	2,403	326	13.6	29,003	3,931	26,954	3,653
1986.....	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987.....	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988.....	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989.....	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990.....	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991.....	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992.....	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993.....	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994.....	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119

<sup>1</sup> Number of taxable returns (column 2) divided by total number of returns (column 1).

<sup>2</sup> Average tax rate is "total income tax" (column 5) as a percentage of adjusted gross income (AGI) (column 4).

<sup>3</sup> The average adjusted gross income, average total income tax and average tax rate were calculated from unrounded data.

<sup>4</sup> Constant dollars are based on the Consumer Price Index (CPI-U, 1982-1984=100) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

<sup>5</sup> These statistics are based on adjusted gross income (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see *Statistics of Income-Individual Income Tax Returns*, for 1985-1994.

### Average Tax Rates

Statistics for 1985 through 1994 on income (based on each year's definition of AGI, as well as on the common 1979 Income Concept) and taxes reported are presented in Figure A. (See Appendix D for an explanation of the 1979 Income Concept.) These tax years can be partitioned into five distinct sub-periods:

- (1) Tax Years 1985 and 1986 were the last two years under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under TRA86. There was a one-year, transitional, five-rate tax bracket

structure and a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.

- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure [3]. The phase-in of the provisions of TRA86 continued, and the maximum tax rate was 33 percent.
- (4) For Tax Years 1991 and 1992, there was a three-rate tax bracket structure (15, 28, and 31 percents), a limitation on some itemized deductions, and a phase-out of personal exemptions.
- (5) For Tax Years 1993 and 1994, there was a five-rate tax bracket structure with a maximum statutory tax rate of 39.6 percent.

## Individual Income Tax Rates and Tax Shares, 1994

Over 87.6 million, or 75.6 percent, of the 115.9 million individual returns filed for Tax Year 1994 were "taxable returns." These taxable returns showed total AGI of \$3,737 billion, an increase of more than 4.8 percent from 1993; using the 1979 Income Concept, total income increased 4.7 percent to \$3,796 billion. Taxpayers reported \$535 billion in total income tax for 1994, approximately \$32 billion (6.4 percent) more than for 1993. Thus, for 1994, the growth of total income tax exceeded the growth of AGI by 1.5 percentage points.

In current dollars, average AGI and average total income tax both increased from 1993 to 1994. Average AGI increased 3.4 percent to \$42,646, while average tax increased 4.9 percent to \$6,104. However, after adjusting for inflation, average AGI (\$28,776) continued to be less than its peak level of \$29,005 reported for Tax Year 1988 [4]. Yet, the average tax (in constant dollars) of \$4,119 for 1994 exceeds the 1988 amount of \$4,005, previously the highest level in recent years.

Because TRA86 reduced statutory tax rates and broadened the definition of AGI (by eliminating or limiting the preferential treatment of various tax items, such as restricting the use of "passive losses" to offset "non-passive income" and eliminating the beneficial tax treatment of net long-term capital gains), comparisons of average tax

rates before and after 1986, based on current-year definitions of AGI, become less meaningful [5]. The 1979 Income Concept provides a more consistent basis for such comparisons. Based on the 1979 Income Concept, average tax rates declined 0.1 percentage point from 13.6 percent for 1986 to 13.5 percent for 1987, increased to 13.7 percent for 1988, and declined again for the next three years, until reaching 13.2 percent for 1991. The average tax rate rose to 13.4 percent for 1992, and continued to increase until reaching a level of 14.1 percent for 1994. The large increase in the average tax rate for 1993 (0.5 percentage points) coincided with the increased tax rates beginning with that tax year.

Using AGI, the average tax rate on taxable returns increased approximately 0.2 percentage points for 1994 to 14.3 percent, the highest level since 1986. However, the increase in the average tax rate for 1994 did not affect taxpayers in all income size classes (Figure B). Of the three income size classes that showed an increase in the average tax rate for 1994, all had small increases of approximately 0.1 percentage point. Furthermore, the "\$1 under \$10,000" class showed a decrease in the average tax rate of approximately 0.2 percentage points. About half of the decrease in this income size class can be attributed to the increase in the earned income credit taken by individu-

**Figure B**

### Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 1993 and 1994

(Number of returns is in thousands—money amounts are in millions of dollars)

Tax year, income, and average tax	Total	Size of adjusted gross income									
		Under \$1 <sup>1</sup>	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>Tax Year 1994:</b>											
Number of taxable returns.....	87,619	9	10,537	16,699	17,065	20,923	17,878	3,400	889	149	70
Adjusted gross income (less deficit).....	3,736,645	-4,379	63,594	251,511	422,768	817,673	1,201,511	445,877	255,944	100,582	181,565
Total income tax.....	534,856	102	2,602	17,543	35,481	85,474	158,394	82,665	65,582	30,376	56,637
Average tax rate (percent).....	14.3	( <sup>2</sup> )	4.1	7.0	8.4	10.5	13.2	18.5	25.6	30.2	31.2
<b>Tax Year 1993:</b>											
Number of taxable returns.....	86,435	5	10,616	17,152	16,809	21,322	16,436	3,104	785	141	66
Adjusted gross income (less deficit).....	3,563,976	-3,896	64,757	258,789	414,731	830,595	1,099,056	407,472	227,774	94,264	170,433
Total income tax.....	502,788	68	2,784	17,854	35,040	86,752	145,134	75,285	58,280	28,345	53,246
Average tax rate (percent).....	14.1	( <sup>2</sup> )	4.3	6.9	8.4	10.4	13.2	18.5	25.6	30.1	31.2
<b>Increase in average tax rates, 1994 over 1993.....</b>	<b>0.2</b>	<b>(<sup>3</sup>)</b>	<b>-0.2</b>	<b>0.1</b>	<b>--</b>	<b>0.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.1</b>	<b>--</b>

<sup>1</sup> Includes returns with adjusted gross deficit. Tax in these returns represents alternative minimum tax and/or Form 8814 tax not reflected in adjusted gross income or taxable income.

<sup>2</sup> Percentage not computed.

<sup>3</sup> Difference not computed.

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

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**Figure C**

## Returns With Modified Taxable Income: Income Tax Generated at Each Marginal Rate on Returns With the Indicated Marginal Tax Rate, Tax Year 1994

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

Marginal tax rate classes	Number of returns		Modified taxable income		Income tax generated	
	Number	Percentage	Amount	Percentage	Amount	Percentage
	(1)	(2)	(3)	(4)	(5)	(6)
All rates.....	92,689,014	100.0	2,598,151,782	100.0	540,933,400	100.0
15 percent (Form 8814) <sup>1</sup> .....	5,708	( <sup>2</sup> )	3,642	( <sup>2</sup> )	546	( <sup>2</sup> )
15 percent rate.....	66,873,608	72.1	839,477,558	32.3	125,923,508	23.3
28 percent rate.....	21,709,595	23.4	1,003,808,285	38.6	190,704,089	35.3
28 percent rate (capital gains) <sup>3</sup> .....	324,827	0.4	52,970,947	2.0	13,468,623	2.5
31 percent rate.....	2,158,066	2.3	217,827,369	8.4	53,134,075	9.8
36 percent rate.....	867,671	0.9	162,135,617	6.2	45,552,675	8.4
39.6 percent rate.....	500,734	0.5	320,500,344	12.3	111,713,814	20.7
Form 8615 <sup>4</sup> .....	248,804	0.3	1,428,018	0.1	436,070	0.1

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income and thus the overall total adjusted gross income for these returns is negative.

<sup>2</sup> Less than 0.05 percent.

<sup>3</sup> Returns with net long-term capital gains in excess of short-term capital losses are taxed at the 28 percent rate.

<sup>4</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,200. The returns in this rate classification are not distributed by tax rate.

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

als in this class. The amount of the earned income credit used to offset income tax before credits for the taxpayers in this income size class increased \$84.9 million, from \$8.9 million for 1993 to \$93.8 million for 1994. The increase in the earned income credit for this group of taxpayers was mostly due to the 1994 change in law allowing certain taxpayers without children to claim the earned income credit [6]. (See the Major Tax Law Changes for 1994 section of this article for a description of the changes to the earned income credit.)

Overall, the average tax rate increased for 1994. This increase was most likely the result of an increased number of taxpayers and their corresponding AGI as reported in the five highest income size classes, producing a higher total income tax. The number of taxable returns for 1994 increased 1.4 percent, whereas the number of returns reporting AGI of \$50,000 or more increased 9.0 percent. Likewise, AGI on all taxable returns increased 4.8 percent, while on returns for taxpayers reporting AGI of \$50,000 or more it increased 9.3 percent. Accordingly, for 1994, more taxpayers moved into higher brackets, facing higher marginal tax rates and higher average taxes.

### Marginal Tax Rate Classifications

The highest statutory tax rate bracket applicable to a tax return was defined as the marginal tax rate for the statistics presented in Figures C and D, as well as in Table 1. These statistics were based on individual income tax returns showing an amount for "tax generated" on taxable income

and items of income that were subject to the regular income tax, generally those included in AGI [7]. Tables 2 and 3 contain additional statistics based on marginal tax rates. These tables present statistics on the income and tax generated at each marginal tax rate by size of AGI (Table 2) and by filing status (Table 3). Details on the determination of the marginal tax rate bracket into which a return is assumed to fall are explained in Appendix D.

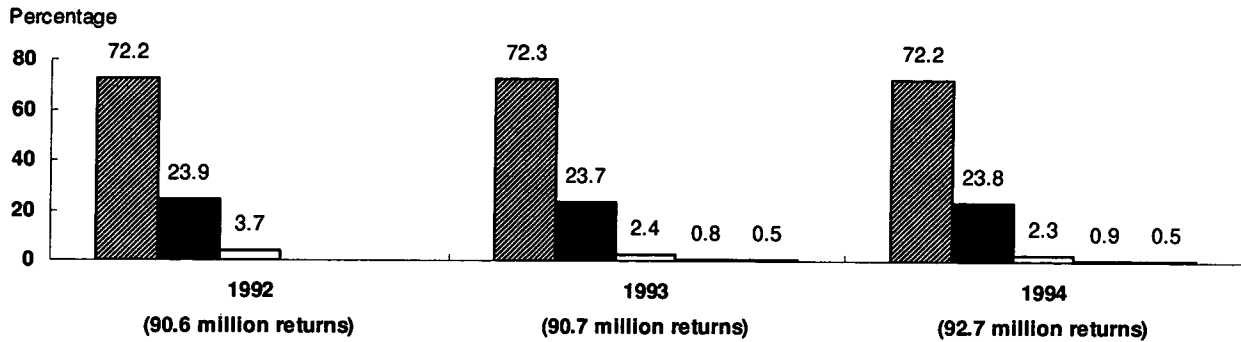
For 1994, over \$540.9 billion in income taxes was generated from 92.7 million individual returns with modified taxable income totaling \$2,598.2 billion. The amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal rate categories (defined in Appendix D) are presented in Figure C. Approximately 72.2 percent of the returns, classified in the "15 percent" and "15 percent (Form 8814)" marginal rate categories, reported 32.3 percent of the modified taxable income and generated 23.3 percent of the tax. The 23.8 percent of the returns in the "28 percent" and "28 percent (capital gains)" categories reported 40.7 percent of the modified taxable income and 37.7 percent of the tax. The returns in the "31 percent" classification, reported 8.4 percent of the modified taxable income and generated 9.8 percent of the income tax, while the returns in the "36 percent" classification showed 6.2 percent of the modified taxable income and 8.4 percent of the income tax generated. The 0.5 percent of the returns in the "39.6 percent" marginal tax rate category reported 12.3 percent of the

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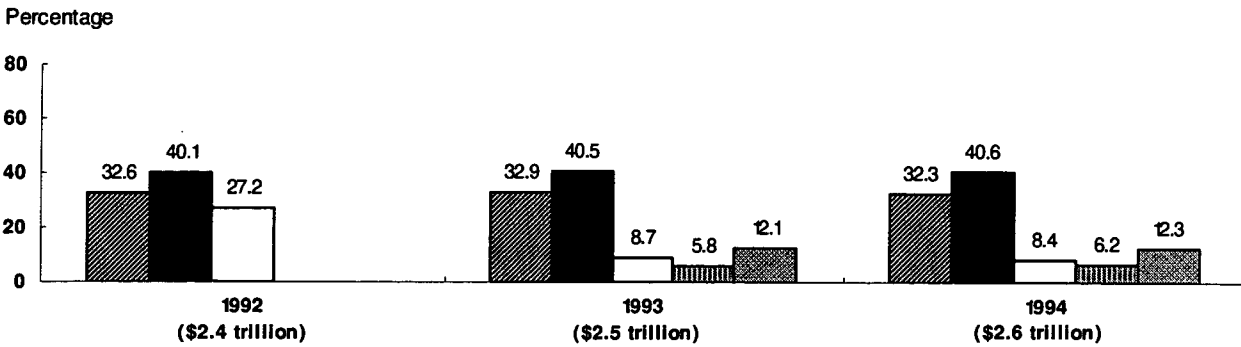
**Figure D**

## Returns With Modified Taxable Income: Percentages of Returns, Modified Taxable Income, and Income Tax Generated by Marginal Tax Rate Classification, Tax Years 1992-1994

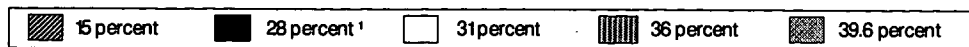
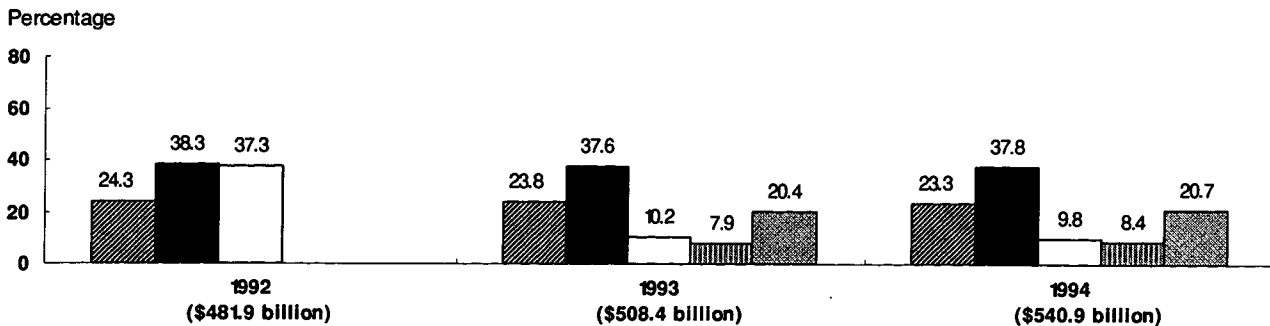
### Individual Tax Returns



### Modified Taxable Income



### Income Tax Generated



<sup>1</sup>Includes 28% with net long-term capital gains.

NOTE: Returns in the "Form 8615" and "Form 8814" categories were included in the calculation of the percentages, but are not shown separately.

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modified taxable income and 20.7 percent of the tax. The remaining returns--those in the "Form 8615" category--reported 0.1 percent of the modified taxable income and 0.1 percent of the income tax generated.

Changes in the distribution of percentages of tax returns, modified taxable income, and income tax generated among the various marginal tax rate classifications over Tax Years 1992, 1993, and 1994 are illustrated in Figure D. While the effect of the new higher statutory tax rate brackets for 1993 is apparent, the changes in distribution percentages between 1993 and 1994 are not as dramatic.

In spite of small year-to-year changes, the percentages of returns in the "15 percent" and "28 percent" marginal tax rate categories generally held steady. Over this three-year period, the percentage shares of modified taxable income decreased 0.3 percentage points in the "15 percent" category, increased 0.5 percentage points in the "28 percent" category, and decreased 0.3 percentage points in the categories above "28 percent". Between 1993 and 1994, percentage shares of modified taxable income increased 0.4 percentage points in the "36 percent" category, and increased 0.2 percentage points in the "39.6 percent" category.

When examining percentage shares of income tax generated between 1992 and 1994, the changes are similar, but larger. The percentage shares of income tax generated decreased in both the "15 percent" classification (1.0 percentage point) and the "28 percent" classification (0.5 percentage points). The shares of income tax generated by the classifications above "28 percent" increased 1.6 percentage points, with a 1.2-percentage-point increase for 1993, coinciding with the new higher marginal tax rates. The rest of this increase (0.4 percentage points) occurred between 1993 and 1994, when percentage shares of income tax generated increased 0.5 percentage points and 0.3 percentage points in the "36 percent" and the "39.6 percent" categories, respectively. Thus, 1994 continued the increase in shares of income tax generated by individuals in the two highest income tax brackets.

## Components of Total Income Tax

### Regular Tax

Regular tax is generally tax determined from a taxpayer's taxable income on the basis of statutory tax rates less any applicable tax credits. It does not include the "alternative minimum tax" (AMT). The derivation of aggregate total income tax for Tax Year 1994 returns with modified taxable income is illustrated in Figure E. Table 1 includes two tax amounts: "tax generated" and "income tax after credits." Tables 5 through 8 and Figures A and B include an additional measure of tax, "total income tax."

As shown (Figure E and column 5 of Table 1), the tax generated by applying statutory income tax rates to modified taxable income was \$540.9 billion. For most taxpayers, tax generated was equal to income tax before credits.

## Figure E

### Derivation of Tax Year 1994 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

<b>Tax generated from tax rate schedules or tax table.....</b>	<b>540.9</b>
PLUS: Taxes from special computations, total.....	0.6
Tax on accumulation distributions of trusts .....	( <sup>1</sup> )
Tax on lump-sum distributions from qualified retirement plans.....	( <sup>1</sup> )
<b>EQUALS:</b>	
<b>Income tax before credits.....</b>	<b>541.6</b>
LESS: Tax credits, total.....	8.9
Child-care credit.....	2.5
Foreign tax credit.....	2.3
General business credit.....	0.7
Elderly or disabled credit.....	( <sup>2</sup> )
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	2.8
Credit for prior-year minimum tax.....	0.4
Other credits.....	0.1
<b>EQUALS:</b>	
<b>Income tax after credits.....</b>	<b>532.6</b>
PLUS: Alternative minimum tax.....	2.2
<b>EQUALS:</b>	
<b>Total income tax.....</b>	<b>534.8</b>

<sup>1</sup> Not tabulated.

<sup>2</sup> Less than 0.1 billion.

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

However, for others, income tax before credits included special taxes on accumulation distributions of trusts and lump-sum distributions from qualified retirement plans (when the special 5- or 10-year averaging method was used) [8]. The earned income credit is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC which is refundable to the taxpayer and any portion of the EIC used to reduce other taxes are excluded from the computation of income tax after credits [9]. Income tax after credits (Figure E and column 7 of Table 1) totaled \$532.6 billion. Total income tax of \$534.8 billion (Figure A and Tables 5 through 8) is thus the sum of income tax after credits and the alternative minimum tax [10].

Statistics on the type of tax computation for returns with modified taxable income are provided in Table 4. For 1994, nearly 249 thousand returns were filed by children under age 14 with investment income over \$1,200. Using

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**Figure F**

## Returns With Alternative Minimum Tax: Selected Data from Alternative Minimum Tax Computation, by Size of Adjusted Gross Income, Tax Years 1993 and 1994

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences		Alternative minimum taxable income		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Tax Year 1994</b>						
<b>All returns.....</b>	<b>4,160,580</b>	<b>56,998,374</b>	<b>4,161,878</b>	<b>478,201,308</b>	<b>368,964</b>	<b>2,212,094</b>
No adjusted gross income.....	100,868	1,278,768	101,040	-5,747,807	3,166	100,250
\$1 under \$10,000.....	443,248	1,299,463	443,248	1,434,791	20,774	16,975
\$10,000 under \$20,000.....	392,625	1,835,739	392,625	4,791,107	2,644	6,247
\$20,000 under \$30,000.....	267,711	1,407,829	267,712	5,788,317	5,351	10,852
\$30,000 under \$40,000.....	295,616	1,909,780	295,616	9,375,200	8,248	17,255
\$40,000 under \$50,000.....	320,403	1,743,494	320,702	12,843,190	4,591	18,142
\$50,000 under \$75,000.....	669,803	5,238,086	669,803	36,874,018	39,513	44,597
\$75,000 under \$100,000.....	426,060	4,423,407	426,060	32,720,568	50,159	129,557
\$100,000 under \$200,000.....	710,472	10,310,768	711,152	88,246,979	116,434	381,353
\$200,000 under \$500,000.....	400,452	11,628,146	400,503	110,042,300	91,724	726,002
\$500,000 under \$1,000,000.....	84,351	5,163,008	84,407	53,787,085	18,451	313,470
\$1,000,000 or more.....	48,970	10,759,884	49,007	128,045,558	7,908	447,392
<b>Tax Year 1993</b>						
<b>All returns.....</b>	<b>3,670,697</b>	<b>53,571,103</b>	<b>3,673,531</b>	<b>445,835,134</b>	<b>334,615</b>	<b>2,052,790</b>
No adjusted gross income.....	97,664	742,421	96,465	-6,574,981	3,227	66,287
\$1 under \$10,000.....	315,525	962,639	315,525	1,110,406	21,820	5,613
\$10,000 under \$20,000.....	294,400	1,506,523	294,400	3,648,137	3,492	16,681
\$20,000 under \$30,000.....	263,740	1,205,728	264,705	5,655,908	1,600	4,245
\$30,000 under \$40,000.....	287,548	1,509,200	287,548	8,965,196	2,964	11,210
\$40,000 under \$50,000.....	294,745	1,602,231	294,745	11,749,970	6,142	8,752
\$50,000 under \$75,000.....	587,914	4,428,102	588,913	32,593,726	33,284	62,381
\$75,000 under \$100,000.....	386,942	3,929,917	386,942	29,711,481	47,118	110,200
\$100,000 under \$200,000.....	641,968	9,810,616	643,318	80,297,012	104,905	384,454
\$200,000 under \$500,000.....	369,145	10,851,875	369,631	101,465,884	84,731	658,671
\$500,000 under \$1,000,000.....	83,597	5,363,325	83,760	53,071,682	17,626	290,786
\$1,000,000 or more.....	47,511	11,658,527	47,580	124,140,713	7,706	433,509

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

Form 8615 to compute their tax, these children showed \$435.4 million in tax generated (column 7). If these same children had had all their income taxed as ordinary income, income tax before credits (regular tax computation) would have totaled \$328.7 million (column 6). Thus, the difference resulting from the special tax computation was over \$106.6 million (column 8) in additional tax [11].

Over 1.5 million returns using the Schedule D capital gains tax computation generated \$112.6 billion in tax (column 7). However, if long-term capital gains had been taxed the same as ordinary income (i.e., at a rate greater than 28 percent), the amount of income tax before credits (regular tax computation) for these same taxpayers would have been \$120.6 billion (column 6). Therefore, the reduction resulting from use of the Schedule D tax computation was nearly \$8.1 billion (column 8), compared with the \$7.2 billion shown for 1993 (column 4).

### Alternative Minimum Tax

The alternative minimum tax was established by the Revenue Act of 1978, to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise use certain provisions of the tax code meant to stimulate economic activity and generate "economic income" to reduce, or even eliminate, their regular tax liability. The AMT provisions may recapture some of these tax reductions by recomputing income to achieve "alternative minimum taxable income," or AMTI, the tax base for AMT. Form 6251, *Alternative Minimum Tax--Individuals* is used to calculate AMT. (See Appendix E for an explanation of the computation of AMTI.)

There were some minor changes in the AMT calculation for Tax Year 1994. For Tax Years beginning after 1993, taxpayers were required to use regular tax AGI instead of alternative tax AGI (ATAGI) when calculating AMTI

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[12]. The limit on the exclusion benefit of the preference for intangible drilling costs increased from 30 percent to 40 percent of AMTI, with certain adjustments. In addition, distributions received from a cooperative (unless deemed nontaxable) were included as an adjustment in figuring AMTI.

Statistics, by size of AGI, on the AMT reported by taxpayers filing Form 6251 with their return are presented in Figure F. For 1994, an AMT liability exceeding \$2.2 billion was reported based on AMTI of \$478.2 billion. The AMT amount for 1994 represents a 7.8 percent increase from the nearly \$2.1 billion in AMT for 1993 based on \$445.8 billion of AMTI. For 1994, the amount of total adjustments and preferences was nearly \$57.0 billion, an increase of 6.4 percent from 1993. The three highest income size classifications (\$200,000 or more) showed an increase in the amount of AMT between 1993 and 1994. The "\$200,000 under \$500,000" income size class reported the largest (10.2 percent) increase in AMT. The two higher income size classes, "\$500,000 under \$1,000,000" and "\$1,000,000 or more", showed AMT increases of 7.8 percent and 3.2 percent, respectively.

The marginal tax rate, capital gains rate, AMT rate, and the amount of AMT reported over the decade are shown in Figure G. For 1985, when the top marginal tax rate was 50 percent and the top capital gains rate and top AMT rate were both 20 percent, the AMT reported was almost \$3.8

billion. Taxpayers were able to exclude 60 percent of their long-term capital gains (in excess of short-term capital losses) from AGI, but these capital gains were added back when computing AMT. For 1986, after TRA86 was introduced, but before it became effective, the AMT liability increased to over \$6.7 billion. This increase was at least partially attributed to transactions undertaken as the result of changes which became effective the following year. After 1986, both the top capital gains rate and the top AMT rate increased, while the top marginal ordinary tax rate declined. In addition, capital gains were now fully included in AGI. For 1987, AMT decreased dramatically to \$1.7 billion. During the period from 1988 to 1990, as the top marginal and capital gains rates were 28 percent and the top AMT rate was 21 percent, AMT continued to decrease, to a low of \$830.3 million for 1990. For 1991, when the AMT rate increased to 24 percent, the AMT increased 46.1 percent to \$1.2 billion. For 1993, when the top marginal tax rate and the top AMT rate increased again (while the top capital gains rate remained the same), the AMT liability increased 51.3 percent to nearly \$2.1 billion. For 1994, AMT exceeded \$2.2 billion, the highest level reported since 1986.

## Income and Tax Shares

Historical statistics on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year, and tax, by descending and ascending cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among years within the ERTA81 period (i.e., Tax Years 1982 through 1986), and among years within the post-TRA86 period (i.e., Tax Years 1987 through 1994). Since AGI was redefined under TRA86, Tables 5 and 6 are not as useful for comparisons between pre- and post-TRA86 years. Thus, tables 7 and 8, which are based on a consistent definition of income (i.e., using the 1979 Income Concept), are included to facilitate such comparisons.

Tables 5 and 7 are based on percentiles of returns cumulated *downward* from the highest income returns. The data are shown for the top 1, 5, 10, 25, and 50 percent of returns. In contrast, Tables 6 and 8 are based on returns cumulated *upward* for the lowest income returns. Data are shown for the bottom 50, 75, 90, 95, and 99 percent of all returns.

For example, consider the data in Table 5 for the almost 115.0 million returns filed for 1994 with positive AGI. The average tax rate for these returns was 13.5 percent, the highest level since 1986 (14.5 percent). For 1994, the

**Figure G**

### Marginal Tax Rate, Capital Gains Rate, Alternative Minimum Tax Rate, and Alternative Minimum Tax, Tax Years 1985-1994

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

Tax year	Highest marginal tax rate	Top capital gains rate	Top alternative minimum tax rate	Alternative minimum tax	
				Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)
1985.....	50.0	20 <sup>1</sup>	20	427,688	3,791,672
1986.....	50.0	20 <sup>1</sup>	20	608,907	6,713,149
1987.....	38.5	28	21	139,779	1,674,898
1988.....	28.0 <sup>1</sup>	28 <sup>2</sup>	21	113,562	1,027,884
1989.....	28.0 <sup>1</sup>	28 <sup>2</sup>	21	117,483	831,012
1990.....	28.0 <sup>1</sup>	28 <sup>2</sup>	21	132,103	830,313
1991.....	31.0	28	24	243,672	1,213,426
1992.....	31.0	28	24	287,183	1,357,063
1993.....	39.6	28	28	334,615	2,052,790
1994.....	39.6	28	28	368,964	2,212,094

<sup>1</sup> This tax rate was based on 60 percent of long-term capital gains (in excess of short-term capital losses) excluded from income. The remaining 40 percent of capital gains was taxed at the maximum rate of 50 percent, creating a top capital gains rate of 20 percent.

<sup>2</sup> The tax rate schedule provided only two basic rates: 15 percent and 28 percent. However, taxable income between certain amounts was subject to an additional 5 percent tax, creating an "effective" 33 percent tax rate.



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returns in the top 1 percentile reported 13.8 percent of total AGI and almost 28.9 percent of total income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$195,726. For 1993, the returns in this same percentile group (i.e., those with at least \$185,715 in AGI) reported the same 13.8 percent of total AGI while accounting for 29.0 percent of total income tax. For 1994, the returns in the top 5 percentile group (returns reporting AGI of \$91,226 or more) reported 27.9 percent of total AGI and 47.5 percent of total income tax, only 0.1 percentage point higher than the 27.8 percent and 47.4 percent, respectively, for 1993 (when the AGI floor was \$87,386). The returns in the top 10 percentile group (returns with AGI of at least \$68,753) showed 39.2 percent of AGI and 59.5 percent of total income tax. For 1993, the returns in this percentile group (with AGI of \$66,077 or more) reported 39.1 percent of total AGI and 59.2 percent of total income tax.

The statistics by percentile in Tables 5 and 6 (for years prior to 1991) and Tables 7 and 8 (for years prior to 1994) were estimated, using a mathematical technique called "osculatory interpolation," applied to aggregated data tabulated by income size classes, in order to distribute the tax returns within each class [13]. For 1991 and later years, the statistics by percentiles in Tables 5 and 6 (and Tables 7 and 8 for 1994) were computed based on an actual ranking of the returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. The differences under the two methods were judged to be minor enough so that the pre-1991 and post-1990 data are believed to be comparable.

## Notes and References

- [1] The percentile groupings of tax filers exclude returns with zero or negative AGI.
- [2] Using a worksheet, taxpayers who had income in addition to any benefits received, calculated their "modified income" and compared it to both a base amount and an adjusted base amount. (In contrast to AGI, "modified income" includes tax-exempt interest, excludable interest from U.S. savings bonds reported on Form 8815, one-half of total social security benefits, and the foreign-earned income exclusion, and excludes the foreign housing deduction.) If the "modified income" was between \$32,000 and \$44,000 for married taxpayers filing jointly, or between \$25,000 and \$34,000 for all other taxpayers (except married taxpayers filing separately who lived with their spouse anytime during the year and had a base

amount of zero), 50 percent of the income over the base, but not more than 50 percent of the benefits received, was taxable. If the "modified income" exceeded the base amounts of \$44,000 for married taxpayers filing jointly, or \$34,000 for all other taxpayers (except married taxpayers filing separately who lived with their spouse anytime during the year and had a base amount of zero), \$6,000 for married taxpayers filing jointly (\$4,500 for all other taxpayers), plus 85 percent of the income above the \$44,000 or \$34,000 threshold was taxable, with the taxable amount limited to 85 percent of social security benefits. If the "modified income" amount was less than the base amount, none of the benefits were taxable. Prior to 1994, a maximum of 50 percent of social security or tier 1 railroad retirement benefits was included in AGI.

- [3] For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 and 28 percents. However, taxable income over certain levels was subject to a 33 percent tax rate, to phase out the benefit of the 15 percent tax bracket (as compared to the 28 percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.
- [4] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U, 1982-84=100) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.
- | Year | CPI-U | Year | CPI-U |
|------|-------|------|-------|
| 1994 | 148.2 | 1989 | 124.0 |
| 1993 | 144.5 | 1988 | 118.3 |
| 1992 | 140.3 | 1987 | 113.6 |
| 1991 | 136.2 | 1986 | 109.6 |
| 1990 | 130.7 | 1985 | 107.6 |
- [5] For further information on the Tax Reform Act of 1986, see U.S. Congress, Joint Committee on Taxation, *General Explanation of the Tax Reform Act of 1986* (H.R. 3838, 99th Congress, Public Law 99-514), May 4, 1987.
- [6] The total earned income credit for individuals in the "\$1 under \$10,000" income size class increased from \$6.4 billion for 1993 to \$8.6 billion for 1994. The portion of the earned income credit used to offset income tax before credits for this income size class increased from \$8.9 million for 1993 to \$93.8 million

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for 1994. For the taxpayers in this income size class claiming the credit without a qualifying child (1994 only), the earned income credit was \$680.2 million and the portion of the earned income credit used to offset income tax before credits was \$84.2 million. These amounts are from the statistics shown in Table 2.5 in *Statistics of Income--Individual Income Tax Returns--Publication 1304* for 1993 and 1994.

- [7] Nontaxable (i.e., tax-exempt) forms of income, such as interest on state and local government obligations, were not included in AGI and generally did not affect the marginal tax rate. However, the receipt of some forms of tax-exempt income could have influenced the taxability of other income, such as social security benefits. When this situation occurred, the income made taxable by the receipt of other forms of nontaxable income was included in AGI.
- [8] The income amounts on which these special computations were based were not reflected in current-year AGI or current-year taxable income.
- [9] For 1994, the total earned income credit was \$21.1 billion. This amount includes the amount used to reduce the regular income tax (\$2.8 billion), the amount used to reduce other taxes reported on individual income tax returns (\$1.7 billion), and the amount refunded to taxpayers (\$16.6 billion). These amounts are shown in Table 2.5 in *Statistics of Income--Individual Income Tax Returns 1994--Publication 1304*.
- [10] Total income tax does not include certain other taxes reported on the individual income tax return, such as self-employment tax (the social security tax on income from self-employment), the social security tax on certain tip income, tax from the recapture of prior-year investment or low-income housing credits, and tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified retirement plans. These taxes are included in the statistics for "total tax liability," which are shown in *Statistics of Income--Individual Income Tax Returns 1994--Publication 1304*. For Tax Year 1994, total tax liability reported on 89,816,586 returns was \$561.0 billion.
- [11] The difference resulting from the special tax computation does not reflect the provisions of TRA86, which lowered standard deductions for dependents (compared to other taxpayers) and prevented these children from claiming their own personal exemption.

[12] Before 1994, taxpayers computed an alternative tax AGI (ATAGI) by adding certain investment interest, various adjustments and preferences, and net operating loss deduction to AGI, then subtracting tax refunds and the alternative tax net operating loss deduction. The ATAGI was the basis used when income or deduction items, based on a limit of income, were refigured for AMT purposes. Beginning with 1994, AGI was used when income or deduction items, based on limits of income, had to be refigured for AMT purposes.

[13] For an explanation of the osculatory interpolation technique, see Oh, H. Lock, "Osculatory Interpolation with a Monotonicity Constraint," *1977 Proceedings of the American Statistical Association, Section on Statistical Computing*, 1978.

### Appendix A: Explanation of Selected Terms

Brief explanations of the major tax concepts discussed in this article are provided. For more extensive definitions, see Section 4 in *Statistics of Income--Individual Income Tax Returns 1994--Publication 1304*.

*Adjusted Gross Income*--Adjusted gross income is "total income," as defined by the tax code, less "statutory adjustments" (primarily business, investment, or employee-related deductions, such as payments to a Keogh self-employed retirement plan and certain deductible contributions to an Individual Retirement Arrangement or IRA, and self-employed health insurance deductions). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and the net amounts from sources such as business income, rents and royalties, and sales of capital assets.

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

*Form 8615 Tax Computation*--Form 8615 was used to compute the tax on investment income of children under age 14 who had investment income of more than \$1,200.

*Income Tax Before Credits (Regular Tax Computation)*--This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate schedules, plus any additional taxes (tax on accumulation distributions of trusts and tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child's rate rather than at the rate

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of the parents. When Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 28 percent tax rate for capital gains.

*Marginal Tax Rate*--See Appendix D.

*Modified Taxable Income*--See Appendix D.

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

*Schedule D Tax Computation*--Schedule D was used to compute the 28 percent tax on net long-term capital gains (in excess of net short-term capital losses). For 1994, any investment interest used for itemized deductions (Schedule A) was excluded from this computation.

*Taxable Income*--Taxable income is AGI less the sum of personal exemption amounts and either the standard deduction for non-itemizers or total itemized deductions. The amounts for personal exemptions and total itemized deductions are net of any reductions because of a taxpayer's high income.

*Taxable Returns*--A return is classified as "taxable" based on the presence of "total income tax" (the sum of income tax after credits and the alternative minimum tax). The following additional taxes were not taken into account for this purpose: self-employment, social security, or Railroad Retirement Tax Act (RRTA) taxes, tax from recomputing prior-year investment or low-income housing credits, penalty taxes on Individual Retirement Arrangements, section 72 penalty taxes, advance earned income credit payments, or "golden parachute" payments (made to key employees as compensation under certain circumstances).

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

*Total Income Tax*--Total income tax is the sum of income tax after credits and the alternative minimum tax.

### Appendix B: Income Tax Structure

Each year, taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 1994 were based on the amount of "gross income," filing status, age, and, to a lesser extent, on

dependency and blindness [B1]. Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file a return for Tax Year 1994 if they had net earnings from self-employment of at least \$400; liability for social security or Medicare tax on unreported tip income; social security, Medicare, or railroad retirement tax on reported tip income or group-term life insurance; "alternative minimum tax"; tax on a qualified retirement plan, including an Individual Retirement Arrangement or IRA; tax on the recapture of investment credit or low-income housing credit; recapture tax on the disposition of a home purchased with a Federally-subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from social security taxes.

Gross income includes all income, received in the form of money, goods, property, or services, that was not expressly exempt from tax [B2]. Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses [B3]. "Taxable income," the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: the tax table or tax rate schedules, both of which vary with taxpayer filing status (single, married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children's investment income; Schedule D worksheet for net long-term capital gains; or some combination of the above [B4]. For 1994, the tax rates for each filing status were 15, 28, 31, 36, and 39.6 percents, with a maximum rate of 28 percent on net long-term capital gains (in excess of net short-term capital losses).

To calculate their Federal income tax liability for 1994, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax "brackets" up to \$50 wide [B5]. The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar.

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As a result, the tax table and the tax rate schedules could produce slightly different amounts of tax for the same amount of taxable income. Use of the tax table could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax table with taxable income that was subject to the 36 percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$8.89 [B6]. However, the actual difference in tax was smaller for almost all taxpayers.

### Notes to Appendix B

[B1] Taxpayers fall into one of five filing statuses: single, married filing jointly, married filing separately, head of household, and surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Those taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on the general filing requirements for 1994, see *Statistics of Income--Individual Income Tax Returns 1994--Publication 1304* or U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income Tax/For use in preparing 1994 Returns-- Publication 17*.

[B2] As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross profits from sole proprietorships and farming, income from partnerships and S Corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, *U.S. Individual Income Tax Return*, concept of "total income," which is a component of the adjusted gross income (AGI) calculation on the Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from items such as business income and rent and royalties.

[B3] As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, or the health insurance deduction for certain self-employed taxpayers.

[B4] Income tax before credits includes tax on lump-sum distributions from qualified retirement plans and tax on accumulation distributions of trusts.

[B5] For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. All brackets for taxable income above \$3,000 were \$50 wide.

[B6] For example, assume a taxpayer filing as "married filing separately" reported taxable income of \$94,999. Using the tax table, the tax would be \$26,843, but using the tax rate schedules, the tax would be \$26,851.89, a difference of \$8.89.

### Appendix C: Other Changes in Law for 1994

Among the additional tax law changes was the expiration of the provision which allowed self-employed persons, or owners of more than two percent of the outstanding stock of an S Corporation, to deduct, in the calculation of AGI, up to 25 percent of the amount paid for health insurance for themselves and their families. On April 11, 1995, this provision was restored retroactively to January 1, 1994; however, to obtain the benefits retroactively, taxpayers had to file amended returns and such returns, if filed, are not reflected in these statistics [C1].

The ceilings on taxable "self-employment income" changed for 1994. The maximum amount of net earnings subject to the social security part of self-employment tax increased to \$60,600, while all net earnings (without limit) were subject to the Medicare tax portion, provided that self-employment income was greater than \$433 (\$108.28 for church employees).

Beginning with 1994, written acknowledgment from the qualified recipient organization was required for all charitable contributions of \$250 or more. Also for 1994, employees could deduct only 50 percent (previously 80 percent) of business meal and entertainment expenses and could no longer deduct club membership dues.

For 1994, the earned income credit could have been as much as \$306 for taxpayers without children, \$2,038 for taxpayers with one qualifying child, and \$2,528 for taxpayers with two or more qualifying children.

Itemized deductions for taxpayers with AGI exceeding \$111,800 (\$55,900 if married filing separately) were subject to a limitation. (The limitation applied to itemized deductions other than deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, or gambling losses.) Total itemized deductions were reduced by the smaller of 80 percent of the nonexempt deductions, or 3 percent of the amount of AGI in excess of

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the threshold amounts. In addition, the itemized deduction limitation and the width of each tax bracket were adjusted for inflation.

The individual personal exemption amount increased from \$2,350 to \$2,450. A taxpayer's personal exemption deduction was limited, based on filing status, if AGI exceeded certain amounts. For each filing status, if a taxpayer reported AGI below the bottom threshold, the entire deduction was allowed; if AGI was more than the upper limit, the deduction was disallowed entirely. The deduction was reduced by 2 percentage points for each \$2,500, or part of \$2,500 (\$1,250 if married filing separately), that AGI exceeded the limitation threshold. The threshold for the limitation of personal exemption amounts increased. For single taxpayers, the limitation began at \$111,800 and was completed at \$234,300; for married taxpayers filing jointly and surviving spouses, the limitation began at \$167,700 and was completed at \$290,200; for heads of households, the limitation began at \$139,750 and was completed at \$262,250; and for married taxpayers filing separately, the limitation began at \$83,850 and was completed at \$145,100.

The standard deduction increased from \$3,700 to \$3,800 for single filers; from \$6,200 to \$6,350 for joint filers and surviving spouses; from \$3,100 to \$3,175 for married persons filing separately; and from \$5,450 to \$5,600 for heads of households. The additional standard deduction (for taxpayers age 65 or older or the blind) increased from \$900 to \$950 for single filers and heads of households, and from \$700 to \$750 for married persons filing jointly, surviving spouses, and married persons filing separately.

## Notes to Appendix C

[C1] The reinstated deduction was disallowed for any month in which the self-employed individual was eligible to participate in any subsidized health plan maintained by an employer of the individual or his/her spouse.

## Appendix D: Income and Tax Concepts

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

### 1979 Income Concept

To analyze changes in income and taxes over a period of years, a consistent definition of income should be used. Because the components of AGI may vary from year to

year as the tax law changes, the "1979 Income Concept" was developed to provide a more uniform measure of income across tax years. By including the same income and deduction items in each year's income calculation and using only items available on Federal individual income tax returns, the definition of the 1979 Income Concept is consistent throughout the base years and can be used for future years to compare income by including only income components common to all years. Tax Years 1979 through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 1994 includes many income and deduction items that are also components of AGI (Figure H). However, unlike AGI, the 1979 Income Concept also includes nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax

## Figure H

### Components of the 1979 Income Concept, Tax Year 1994

#### Income or Loss:

- Salaries and wages <sup>1</sup>
- Interest <sup>1</sup>
- Dividends <sup>1</sup>
- Taxable refunds <sup>1</sup>
- Alimony received <sup>1</sup>
- Capital gains reported on Schedule D minus allowable losses <sup>1</sup>
- Capital gains and losses not reported on Schedule D <sup>1</sup>
- Other gains and losses (Form 4797) <sup>1</sup>
- Business net income or loss <sup>1</sup>
- Farm net income or loss <sup>1</sup>
- Rent net income or loss <sup>1</sup>
- Royalty net income or loss <sup>1</sup>
- Partnership net income or loss <sup>1</sup>
- S Corporation net income or loss <sup>1</sup>
- Farm rental net income or loss <sup>1</sup>
- Estate or trust net income or loss <sup>1</sup>
- Unemployment compensation <sup>1</sup>
- Depreciation in excess of straight-line depreciation <sup>2</sup>
- Total pension income <sup>3</sup>
- Other net income or loss <sup>4</sup>
- Net operating loss <sup>1</sup>

#### Deductions:

- Disallowed passive losses (Form 8582) <sup>5</sup>
- Moving expenses <sup>5</sup>
- Alimony paid <sup>1</sup>
- Unreimbursed business expenses <sup>6</sup>

<sup>1</sup> Included in adjusted gross income (AGI) for Tax Year 1994.

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

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

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

<sup>5</sup> Not fully included in AGI for Tax Year 1994.

<sup>6</sup> Not included in AGI for Tax Year 1994.

# Individual Income Tax Rates and Tax Shares, 1994

returns, as well as disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept [D1].

## Modified Taxable Income

This concept is relevant only for "prior-year returns." For current-year returns, modified taxable income is identical to taxable income.

This is the term used for the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax year are being selected for the *Statistics of Income* sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year. The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable income reported on these prior-year returns is modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

## Marginal Tax Rates

Under the progressive U.S. tax rate structure, different portions of taxable income are taxed at different rates. How income tax is determined for a single taxpayer with AGI of \$275,000 using the standard deduction is illustrated in Figure I. As shown in the example, five different tax rates are applied to the taxable income to arrive at total tax. The first \$22,750 of taxable income was taxed at the

15 percent rate, the next \$32,350 was taxed at the 28 percent rate, the next \$59,900 was taxed at the 31 percent rate, the next \$135,000 was taxed at the 36 percent rate, and the remaining portion, \$21,200, was taxed at the 39.6 percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. The example shown has a marginal tax rate of 39.6 percent.

Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes, which are not subject to the same treatment under the tax laws, determining marginal tax rates can be difficult. For instance, investment income of a dependent under age 14 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,200 was taxed at the marginal tax rate of the parents, while the salaries and wages were taxed at the dependent's own rate.

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

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

- (1) If a return showed taxable income below or equal to the amount to which the 39.6 percent tax rate was applied, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had taxable income (from other than net long-term capital gains) below or equal to the maximum amount to which the 28 percent tax rate applied, as well as net long-term capital gains to which the maximum 28 percent rate on the net gain applied, the return was defined as having a "28 percent (capital gains)" marginal tax rate. However, if the return had taxable income (from other than net long-term capital gains) above the maximum amount to which the 28 percent rate applied, as well as net long-term capital gains to which the 28 percent rate on the net gain

**Figure I**

### Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 1994

[Money amounts are in whole dollars]

Item	1994
Adjusted gross income.....	275,000
Less: Exemption amount.....	0 <sup>1</sup>
Standard deduction amount.....	3,800
Equals: Taxable income.....	271,200
Tax based on tax rates for single taxpayers:	
First \$22,750 taxed at 15 percent.....	3,413
Next \$32,350 taxed at 28 percent.....	9,058
Next \$59,900 taxed at 31 percent.....	18,569
Next \$135,000 taxed at 36 percent.....	48,600
Next \$21,200 taxed at 39.6 percent.....	8,395
Total tax from tax rate schedule.....	88,035

<sup>1</sup> The exemption amount was phased out completely because AGI exceeded \$234,300.

## Individual Income Tax Rates and Tax Shares, 1994

applied, the return was classified as having the highest rate at which any amount of taxable income reported on the return was taxed.

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

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses), and presence of a Form 8615 or a Form 8814. Returns were classified into one of the following eight mutually exclusive marginal tax rate categories: (1) Form 8814 (15 percent rate with no tax liability other than that generated by the dependent's income); (2) 15 percent rate; (3) 28 percent rate; (4) 28 percent rate with net long-term capital gains [D2]; (5) 31 percent rate; (6) 36 percent rate; (7) 39.6 percent rate; and (8) Form 8615 (with income taxed at any rate) [D3].

Statistics by marginal tax rate classification and filing status for returns with modified taxable income are presented in Table 1. For each marginal rate classification, modified taxable income and "income tax generated" were computed "at all rates" and "at marginal rate." The "at all rates" computations (columns 3 and 5) show the total amount of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The "at marginal rate" computations (columns 4 and 6) report the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. For example, consider returns in the "joint returns and returns of surviving spouses" filing status that were included in the "39.6 percent" marginal tax rate classification. The total modified taxable income for the 425,973 returns in this classification "at all rates" was \$270.8 billion (column 3) and the total tax generated was \$94.0 billion (column 5). Nearly \$137.2 billion (column 4) of the modified taxable income for 1994 was subject to tax at the marginal tax rate of 39.6

percent. This modified taxable income generated \$54.3 billion (column 6) in tax at the 39.6 percent tax rate with the remainder generated by the lower four tax rates. The alternative minimum tax was not included in the statistics by marginal tax rate.

Statistics on the tax generated, in total and at each marginal tax rate bracket, for returns with modified taxable income are provided in Table 2. Returns in this table are classified by size of AGI rather than by the marginal tax rate classifications used in Table 1. The tax generated at each marginal tax rate was computed based on the modified taxable income for each individual return. For example, the almost 0.9 million returns included in the "\$200,000 under \$500,000" income size classification showed total modified taxable income of \$218.0 billion and generated total tax of \$65.6 billion. Of the \$218.0 billion of modified taxable income, \$32.1 billion was taxed at 15 percent, \$44.0 billion was taxed at 28 percent (ordinary income), \$17.5 billion was taxed at the 28 percent rate with net long-term capital gains, \$40.4 billion was taxed at 31 percent, \$61.9 billion was taxed at 36 percent, and \$21.9 billion was taxed at the 39.6 percent rate, with the remainder consisting of tax related to Forms 8814 and 8615. Approximately \$4.8 billion of the total tax generated was from the 15 percent rate, \$12.3 billion resulted from the 28 percent rate (ordinary income), \$4.9 billion was from the 28 percent rate with net long-term capital gains, \$12.5 billion was from the 31 percent rate, \$22.3 billion was from the 36 percent rate, and \$8.7 billion resulted from the 39.6 percent rate, with the remainder from tax related to Forms 8814 and 8615.

Statistics are presented in Table 3 on the income and tax generated at each marginal tax rate (as in Table 2, columns 5 through 28) by filing status, instead of size of AGI, for returns with modified taxable income. Over 0.4 million of the 42.2 million returns with modified taxable income filed jointly had some income taxed at the 39.6 percent tax rate. For these returns, the taxable income subject to this rate was \$137.2 billion and the tax generated was \$54.3 billion.

### Notes to Appendix D

- [D1] For more details on the income computation under the 1979 Income Concept for 1994, see *Statistics of Income--Individual Tax Returns 1994--Publication 1304*.
- [D2] The "28 percent (capital gains)" marginal tax rate category consists of returns which have a top tax rate of 28 percent, but have net long-term capital gains (in excess of net short-term capital losses) which would have been taxed at a higher rate if it had been some other form of income.

# Individual Income Tax Rates and Tax Shares, 1994

[D3] For some taxpayers, the statutory marginal tax rate may differ from the actual marginal tax rate. For example, extra income received by certain taxpayers may result in the phaseout of their personal exemptions as well as some of their itemized deductions. Therefore, an extra dollar of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 31 percent, the actual marginal rate faced by the taxpayer would be somewhat higher.

## Appendix E: Computation of Alternative Minimum Taxable Income

AMTI was computed by adding certain "tax preferences" (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and "adjustments" (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions for personal exemptions (Figures J-1 and J-2). Despite the fact that itemized deductions for some taxpayers were limited for regular tax purposes, the full amounts of certain itemized deductions were included as adjustments. To compensate for this, the overall limitation on itemized deductions was subtracted from taxable income for AMT purposes. The "net operating loss deduction" was recomputed to allow for the exclusion of the "tax preference items" and "adjustments" used to

Figure J-1

### Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 1994

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and Preferences
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction <sup>1</sup>
EQUALS:	Alternative minimum taxable income

<sup>1</sup> Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In which case, AMTI is recalculated and the alternative tax net operating loss deduction is limited to 90 percent of the recomputed amount.

reduce regular tax liability. The recomputed net operating loss deduction, termed the "alternative net operating loss deduction," was limited to 90 percent of AMTI (with certain minor exceptions for 1994).

AMTI was reduced by an exemption amount dependent upon the filing status of the individual, subject to phase-out at higher income levels. For 1994, the AMTI exemp-

tion for single filers (and heads of households) was \$33,750; for joint filers and surviving spouses, \$45,000; and, for married persons filing separately, \$22,500. The exemption was reduced (but not below zero) by 25 percent of the amount by which AMTI exceeded threshold levels of \$112,500 for single filers (and heads of households), \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single (or head of household), married filing jointly, and married filing separately, at \$247,500, \$330,000, and \$165,000, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI was subject to tax at a 26 percent rate, with any excess being taxed at a 28 percent rate. The resulting tax was reduced by the "alternative minimum tax foreign tax credit," which produced a "tentative minimum tax." Tentative minimum tax was further reduced by the individual's regular tax before credits (including additional taxes from accumulation distributions of trusts or lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 14 with investment income over a certain amount who filed their own return were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have paid had the parents included the dependent's income on their own tax return. (Dependents filing their own returns were limited to an AMT exemption of \$1,000 plus their "earned income." The dependent's AMT could be reduced if the parent had regular tax greater than the child's own tentative minimum tax, or if any other dependent under age 14 of the same parents had regular tax greater than this dependent's own tentative minimum tax.)

## Appendix F: Data Sources and Limitations

The statistics for Tax Year 1994 are based on a stratified probability sample of unaudited individual income tax returns (Forms 1040, 1040A, 1040EZ, and 1040PC, including electronic returns) filed with the Internal Revenue Service during Calendar Year 1995. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the usefulness of returns for tax modeling purposes; and (4) the presence or absence of the following tax forms: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Nonresident Alien Individual)*; Schedule C,



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**Figure J-2**

## **Alternative Minimum Tax Adjustments and Preferences, Tax Year 1994**

- Standard deduction
- Medical and dental expenses from Schedule A (the lesser of deductible medical and dental expenses or 2.5 percent of AGI)
- Deductions for state and local income, real estate, and foreign taxes
- Deductions for interest on certain home mortgages not used to buy, build or improve the taxpayer's main home or second home
- Miscellaneous itemized deductions subject to the 2-percent-of-AGI limitation
- Refunds of state and local income, real estate, and foreign taxes previously deducted (negative)
- Investment interest expense (the result could be negative)
- Excess of depreciation on property placed in service after 1986 over less liberal methods allowed for alternative minimum tax (AMT) purposes (straight-line or 150-percent declining balance method, depending on the type of property; the result could be negative)
- Adjustment of gain or loss on property, the basis of which was affected by accelerated depreciation or rapid amortization and which was reduced for AMT purposes (the result could be negative)
- Incentive stock options which were exercised after 1987 (the amount by which the value of the option when exercised exceeded the price paid by the taxpayer; the result could be negative)
- Passive activity loss allowed for regular tax purposes for activities acquired before October 23, 1986, taking into account AMT adjustments and preference items and any AMT prior-year unallowed losses (the result could be negative)
- Difference between income distributions to beneficiaries of estates and trusts for regular tax purposes and the amounts refigured for AMT purposes (the result could be negative)
- Tax-exempt interest from private activity bonds issued after August 7, 1986
- Excess of deduction for carryover of charitable contributions refigured for AMT purposes using AMT, instead of regular tax (the result could be negative)
- Excess of circulation expenditures paid or incurred after 1986 over allowable amortization had the expenditures been capitalized (the result could be negative)
- Excess of percentage depletion deduction for sections 611 and 613 property over the adjusted basis (the result could be negative)
- Excess of accelerated depreciation on property placed in service before 1987 over straight-line depreciation as refigured for AMT purposes
- Adjustment from disallowing the installment sales method of accounting for sales of inventory and stock in trade after March 1, 1986, with certain exceptions (the result could be negative)
- Amount by which excess intangible drilling costs deducted currently over allowable amortization (if these costs had been capitalized) was more than 65 percent of the taxpayer's "net income" from oil, gas and geothermal wells, with exceptions for independent oil producers and royalty owners
- Deferred income from long-term contracts entered into after February 28, 1986, with certain exceptions and limitations (the result could be negative)
- Adjustment for refigured loss from activities in which allowable losses from partnerships or S corporations were limited by "at-risk" and other rules, taking into account AMT adjustments and preference items (the result could be negative)
- Excess of mining exploration and development costs paid or incurred after 1986 over allowable amortization had the costs been capitalized (the result could be negative)
- Adjustment for taxable distributions received from a cooperative (total AMT patronage dividend and per-unit retain allocation adjustment)
- Excess of rapid amortization of pollution control facilities placed in service after 1986 over otherwise allowable depreciation (the result could be negative)
- Excess of research and experimental expenditures paid or incurred after 1986 over allowable amortization had the expenditures been capitalized (the result could be negative)
- Adjustment for refigured tax shelter farm losses, taking into account AMT adjustments and preference items (the result could be negative)
- Related adjustments, refigured for AMT purposes, including section 179 expense deduction, expenses for business or rental use of the home, conservation expenses, taxable IRA distributions, self-employed health insurance deduction, Keogh retirement plan or self-employed SEP deduction, and IRA deductions (the result could be negative)

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*Profit or Loss from Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*. Returns were selected at rates ranging from 0.02 percent (for the more numerous, smaller-sized, nearly homogeneous returns) to 100 percent (for the relatively few returns with large income amounts or unusual characteristics). The sampling resulted in 108,861 returns selected to represent the 116,878,243 returns filed during 1995.

Since the data presented in this article are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the

magnitude of the potential sampling error must be known; coefficients of variation (CV's) are used to measure that magnitude. (For information about the samples used for the other tax years referred to in the statistics, for example, in Tables 5 through 8, see the *Statistics of Income* reports for these years.) Estimated CV's for the number of returns and money amounts for selected income items are presented in Figure K. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in the appendix to this issue of the *Bulletin*.

**Figure K**

## Coefficients of Variation for Selected Items, Tax Year 1994

[Coefficients of variation are percentages]

Size of adjusted gross income	Adjusted gross income		Taxable income		Tax generated	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	0.06	0.17	0.25	0.22	0.25	0.24
Under \$2,000.....	2.20	1.34	4.95	6.39	4.99	6.85
\$2,000 under \$4,000.....	2.44	2.49	5.47	8.18	5.56	8.38
\$4,000 under \$6,000.....	2.46	2.47	5.09	5.67	5.09	5.93
\$6,000 under \$8,000.....	2.42	2.42	3.53	4.72	3.54	4.72
\$8,000 under \$10,000.....	2.38	2.39	3.31	3.71	3.31	3.73
\$10,000 under \$12,000.....	2.42	2.43	3.18	3.64	3.18	3.64
\$12,000 under \$14,000.....	2.41	2.41	2.77	3.34	2.77	3.34
\$14,000 under \$16,000.....	2.47	2.48	2.68	3.20	2.68	3.20
\$16,000 under \$18,000.....	2.64	2.64	2.79	3.26	2.79	3.26
\$18,000 under \$20,000.....	0.06	0.17	0.25	0.22	0.25	0.24
\$20,000 under \$25,000.....	2.20	1.34	4.95	6.39	4.99	6.85
\$25,000 under \$30,000.....	2.44	2.49	5.47	8.18	5.56	8.38
\$30,000 under \$40,000.....	2.46	2.47	5.09	5.67	5.09	5.93
\$40,000 under \$50,000.....	2.42	2.42	3.53	4.72	3.54	4.72
\$50,000 under \$75,000.....	2.38	2.39	3.31	3.71	3.31	3.73
\$75,000 under \$100,000.....	2.42	2.43	3.18	3.64	3.18	3.64
\$100,000 under \$200,000.....	2.41	2.41	2.77	3.34	2.77	3.34
\$200,000 under \$500,000.....	2.47	2.48	2.68	3.20	2.68	3.20
\$500,000 under \$1,000,000.....	2.64	2.64	2.79	3.26	2.79	3.26
\$1,000,000 or more.....	0.06	0.17	0.25	0.22	0.25	0.24

# Individual Income Tax Rates and Tax Shares, 1994

**Table 1.—Returns With Modified Taxable Income: Tax Classified by Both the Marginal Rate and Each Rate at Which Tax Was Computed, Tax Year 1994**

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

Highest marginal rate at which tax was computed	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits		
			Taxed at all rates	Taxed at marginal rate	At all rates	At marginal rate	Total	As a percentage of-	
								Adjusted gross income	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
<b>All returns</b>									
Total.....	92,689,014	3,817,221,298	2,598,151,782	1,423,929,837	540,933,400	312,761,206	532,613,680	14.0	20.5
15 percent (Form 8814) <sup>1</sup> .....	5,708	-147,605	3,642	3,642	546	546	423	( <sup>9</sup> )	11.6
15 percent.....	66,873,608	1,579,124,799	839,477,558	839,455,837	125,923,508	125,918,376	121,400,295	7.7	14.5
28 percent.....	21,709,595	1,350,488,132	1,003,808,285	308,713,464	190,704,089	86,439,770	189,726,984	14.0	18.9
28 percent (capital gains) <sup>2</sup> .....	324,827	64,077,162	52,970,947	35,217,472	13,468,623	9,860,892	13,370,925	20.9	25.2
31 percent.....	2,158,066	271,168,394	217,827,369	38,904,771	53,134,075	12,060,479	52,722,356	19.4	24.2
36 percent.....	867,671	192,330,745	162,135,617	35,349,763	45,552,675	12,725,915	45,066,318	23.4	27.8
39.6 percent.....	500,734	358,541,387	320,500,344	165,007,607	111,713,814	65,343,012	109,894,380	30.7	34.3
Form 8615 <sup>3</sup> .....	248,804	1,638,284	1,428,018	1,277,281	436,070	412,216	431,999	26.4	30.3
<b>Joint returns and returns of surviving spouses</b>									
Total.....	42,228,108	2,602,380,553	1,800,054,965	929,345,698	387,413,176	214,993,967	382,883,065	14.7	21.3
15 percent (Form 8814) <sup>1</sup> .....	1,876	-170,116	1,086	1,086	163	163	136	( <sup>9</sup> )	12.5
15 percent.....	26,692,109	929,242,217	493,502,435	493,483,495	74,026,053	74,022,524	72,397,693	7.8	14.7
28 percent.....	12,883,030	970,980,767	709,712,462	220,134,540	135,074,356	61,637,671	134,230,802	13.8	18.9
28 percent (capital gains) <sup>2</sup> .....	202,807	46,445,365	38,380,768	25,280,832	9,745,107	7,078,633	9,671,084	20.8	25.2
31 percent.....	1,328,542	193,812,484	153,709,260	24,860,811	37,220,662	7,706,851	36,928,159	19.1	24.0
36 percent.....	693,771	159,358,555	133,921,552	28,430,784	37,346,588	10,235,082	36,975,872	23.2	27.6
39.6 percent.....	425,973	302,711,280	270,827,402	137,154,149	94,000,247	54,313,043	92,679,318	30.6	34.2
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	( <sup>9</sup> )	( <sup>9</sup> )
<b>Returns of married persons filing separately</b>									
Total.....	2,189,551	73,081,911	52,739,548	28,175,666	11,966,764	7,100,766	11,753,141	16.1	22.3
15 percent (Form 8814) <sup>1</sup> .....	--	--	--	--	--	--	--	--	--
15 percent.....	**1,326,667	**22,464,288	**12,375,845	**12,375,845	**1,856,394	**1,856,376	**1,833,763	**8.2	**14.8
28 percent.....	718,751	27,180,077	20,606,235	6,949,961	3,994,414	1,945,989	3,987,368	14.7	19.4
28 percent (capital gains) <sup>2</sup> .....	9,456	1,703,465	1,313,041	1,034,544	344,326	289,672	342,433	20.1	26.1
31 percent.....	81,279	6,004,791	4,743,201	690,397	1,148,054	214,023	1,140,973	19.0	24.1
36 percent.....	35,028	4,502,246	3,841,866	743,407	1,073,978	267,627	1,057,010	23.5	27.5
39.6 percent.....	18,370	11,227,044	9,859,360	6,381,512	3,549,598	2,527,079	3,391,594	30.2	34.4
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	( <sup>9</sup> )	( <sup>9</sup> )
<b>Returns of heads of households</b>									
Total.....	9,720,613	264,562,692	142,251,576	104,134,964	24,854,084	18,169,026	22,048,575	8.3	15.5
15 percent (Form 8814) <sup>1</sup> .....	*3,822	*27,575	*2,548	*2,548	*382	*382	*287	1.0	11.3
15 percent.....	8,682,299	192,974,648	87,522,821	87,520,157	13,128,708	13,128,024	10,459,783	5.4	12.0
28 percent.....	955,452	54,999,965	40,712,120	11,567,726	7,610,600	3,238,963	7,564,850	13.8	18.6
28 percent (capital gains) <sup>2</sup> .....	5,757	1,155,529	971,606	730,147	249,316	204,441	247,843	21.4	25.5
31 percent.....	46,905	5,944,190	4,771,542	972,000	1,179,213	301,320	1,170,004	19.7	24.5
36 percent.....	18,625	3,943,980	3,291,589	769,138	936,566	276,890	901,259	22.9	27.4
39.6 percent.....	7,753	5,516,805	4,979,351	2,573,248	1,749,299	1,019,006	1,704,550	30.9	34.2
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	( <sup>9</sup> )	( <sup>9</sup> )
<b>Returns of single persons</b>									
Total.....	38,550,742	877,196,142	603,105,692	362,273,510	116,699,376	72,497,444	115,928,898	13.2	19.2
15 percent (Form 8814) <sup>1</sup> .....	--	--	--	--	--	--	--	--	--
15 percent.....	**30,172,545	**434,438,581	**246,076,466	**246,076,348	**36,912,354	**36,911,452	**36,709,056	**8.4	**14.9
28 percent.....	7,122,362	297,327,323	232,777,469	70,061,237	44,024,719	19,617,146	43,943,964	14.8	18.9
28 percent (capital gains) <sup>2</sup> .....	106,807	14,772,803	12,305,533	8,171,948	3,129,874	2,288,145	3,109,566	21.0	25.3
31 percent.....	701,340	65,406,929	54,603,366	12,381,563	13,586,146	3,838,285	13,483,220	20.6	24.7
36 percent.....	120,247	24,525,964	21,080,609	5,406,434	6,195,542	1,946,316	6,132,178	25.0	29.1
39.6 percent.....	48,637	39,086,258	34,834,232	18,898,698	12,414,671	7,483,884	12,118,917	31.0	34.8
Form 8615 <sup>3</sup> .....	248,804	1,638,284	1,428,018	1,277,281	436,070	412,216	431,999	26.4	30.3

<sup>1</sup> Estimate should be used with caution due to the small number of sample returns on which it is based.

\*\* Data are combined with data in an adjacent tax rate class to avoid disclosure of information for specific taxpayers.

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return.

<sup>2</sup> Returns with net long-term capital gains in excess of short-term capital losses taxed at the 28 percent rate.

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,200. The returns in this rate classification are not distributed by tax rate.

<sup>4</sup> Percentage not computed.

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

# Individual Income Tax Rates and Tax Shares, 1994

**Table 2-- Returns With Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1994**

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

Size of adjusted gross income	Number of returns with modified taxable income	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate					
					15 percent (from Form 8814) <sup>1</sup>			15 percent		
					Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Total</b> .....	92,689,014	2,597,979,784	2,598,151,782	540,933,400	134,416	71,086	10,671	92,675,830	1,662,789,240	249,418,386
Under \$2,000.....	1,443,241	476,065	476,682	78,056	1,056	599	90	1,442,223	432,172	64,826
\$2,000 under \$4,000.....	1,340,639	709,375	710,686	118,457	*1,273	*1,273	*191	1,339,366	615,016	92,252
\$4,000 under \$6,000.....	1,692,238	2,149,573	2,154,139	334,445	-	-	-	1,692,238	2,069,376	310,406
\$6,000 under \$8,000.....	3,141,418	4,540,019	4,539,832	688,093	-	-	-	3,141,418	4,484,825	672,724
\$8,000 under \$10,000.....	3,411,830	9,482,945	9,483,681	1,429,563	*1,273	*636	*95	3,409,284	9,420,357	1,413,054
\$10,000 under \$12,000.....	3,544,161	13,840,763	13,841,866	2,085,661	*1,273	*636	*95	3,539,070	13,781,966	2,067,295
\$12,000 under \$14,000.....	4,435,448	21,156,772	21,157,157	3,173,674	*234	*117	*18	4,435,448	21,157,040	3,173,556
\$14,000 under \$16,000.....	4,570,567	27,601,726	27,602,083	4,144,034	*112	*85	*13	4,570,456	27,558,115	4,133,717
\$16,000 under \$18,000.....	4,214,376	31,239,881	31,240,980	4,689,799	*1,005	*1,002	*151	4,214,376	31,222,936	4,683,440
\$18,000 under \$20,000.....	4,066,855	37,637,775	37,639,217	5,653,787	*1,273	*636	*95	4,066,855	37,592,524	5,638,879
\$20,000 under \$25,000.....	9,467,126	113,900,469	113,901,054	17,104,150	*1,129	*564	*85	9,467,125	113,787,008	17,068,051
\$25,000 under \$30,000.....	8,027,110	130,408,561	130,415,788	19,629,680	*3,463	*1,730	*259	8,027,110	129,897,469	19,484,620
\$30,000 under \$40,000.....	11,942,139	265,103,003	265,142,629	42,148,816	*12,051	*7,392	*1,110	11,940,782	246,883,812	37,032,572
\$40,000 under \$50,000.....	9,006,244	269,128,233	269,152,580	43,979,860	17,557	6,908	1,040	9,006,243	241,401,173	36,210,176
\$50,000 under \$75,000.....	13,104,266	555,521,635	555,589,456	97,666,010	15,977	8,506	1,275	13,103,780	445,688,030	66,853,204
\$75,000 under \$100,000.....	4,773,981	300,328,743	300,374,601	61,750,977	33,945	15,978	2,398	4,773,654	173,275,056	25,991,258
\$100,000 under \$200,000.....	3,399,369	346,313,438	346,353,708	82,913,171	23,932	13,154	1,975	3,398,716	123,599,968	18,539,995
\$200,000 under \$500,000.....	889,160	218,024,338	218,013,647	65,577,434	14,318	8,658	1,299	888,995	32,121,564	4,818,235
\$500,000 under \$1,000,000.....	149,051	88,893,179	88,875,305	30,524,036	3,275	2,322	348	148,933	5,332,310	799,846
\$1,000,000 or more.....	69,794	161,523,291	161,486,700	57,243,697	1,271	687	133	69,758	2,468,525	370,279

Size of adjusted gross income	Tax generated at specified rate--Continued								
	28 percent			28 percent (capital gains) <sup>2</sup>			31 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
<b>Total</b> .....	25,482,063	483,126,484	135,275,416	1,551,502	89,634,330	25,097,616	3,526,472	105,509,510	32,707,948
Under \$2,000.....	-	-	-	-	-	-	-	-	-
\$2,000 under \$4,000.....	-	-	-	-	-	-	-	-	-
\$4,000 under \$6,000.....	-	-	-	-	-	-	-	-	-
\$6,000 under \$8,000.....	-	-	-	-	-	-	-	-	-
\$8,000 under \$10,000.....	-	-	-	-	-	-	-	-	-
\$10,000 under \$12,000.....	-	-	-	-	-	-	-	-	-
\$12,000 under \$14,000.....	-	-	-	-	-	-	-	-	-
\$14,000 under \$16,000.....	-	-	-	-	-	-	-	-	-
\$16,000 under \$18,000.....	-	-	-	-	-	-	-	-	-
\$18,000 under \$20,000.....	-	-	-	-	-	-	-	-	-
\$20,000 under \$25,000.....	*16,346	*11,486	*3,216	-	-	-	-	-	-
\$25,000 under \$30,000.....	517,452	516,590	144,645	-	-	-	-	-	-
\$30,000 under \$40,000.....	3,782,730	18,191,958	5,093,748	-	-	-	-	-	-
\$40,000 under \$50,000.....	2,476,592	27,744,480	7,768,454	-	-	-	-	-	-
\$50,000 under \$75,000.....	9,564,257	107,614,117	30,131,953	99,197	925,493	259,140	261,036	1,304,290	404,330
\$75,000 under \$100,000.....	4,697,129	120,207,212	33,658,019	108,596	1,262,898	353,615	348,964	5,454,394	1,690,862
\$100,000 under \$200,000.....	3,349,320	154,193,525	43,174,187	791,118	13,464,402	3,770,025	1,864,114	48,289,728	14,969,816
\$200,000 under \$500,000.....	867,327	44,029,977	12,328,394	423,886	17,485,397	4,895,915	845,270	40,440,145	12,536,445
\$500,000 under \$1,000,000.....	144,483	7,296,820	2,043,110	84,703	11,836,654	3,314,264	141,744	6,847,309	2,122,666
\$1,000,000 or more.....	66,426	3,320,318	929,689	44,003	44,659,486	12,504,656	65,344	3,173,645	983,830

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 2.-- Returns With Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1994--Continued**

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

Size of adjusted gross income	Tax generated at specified rate--Continued								
	36 percent			39.6 percent			Form 8615 <sup>3</sup>		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
<b>Total.....</b>	<b>1,368,406</b>	<b>90,733,102</b>	<b>32,663,917</b>	<b>500,735</b>	<b>165,010,749</b>	<b>65,344,257</b>	<b>248,804</b>	<b>1,277,281</b>	<b>412,216</b>
Under \$2,000.....	--	--	--	--	--	--	119,011	43,910	12,863
\$2,000 under \$4,000.....	--	--	--	--	--	--	63,695	94,407	25,846
\$4,000 under \$6,000.....	--	--	--	--	--	--	23,613	84,764	23,945
\$6,000 under \$8,000.....	--	--	--	--	--	--	*10,982	*55,007	*15,271
\$8,000 under \$10,000.....	--	--	--	--	--	--	*8,295	*62,688	*16,291
\$10,000 under \$12,000.....	--	--	--	--	--	--	*6,365	*59,264	*18,171
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--
\$14,000 under \$16,000.....	--	--	--	--	--	--	*3,661	*43,882	*10,181
\$16,000 under \$18,000.....	--	--	--	--	--	--	*1,115	*17,042	*6,113
\$18,000 under \$20,000.....	--	--	--	--	--	--	*2,546	*46,056	*14,725
\$20,000 under \$25,000.....	--	--	--	--	--	--	*4,742	*101,995	*32,462
\$25,000 under \$30,000.....	--	--	--	--	--	--	--	--	--
\$30,000 under \$40,000.....	--	--	--	--	--	--	*2,103	*59,467	*21,045
\$40,000 under \$50,000.....	--	--	--	--	--	--	--	--	--
\$50,000 under \$75,000.....	--	--	--	--	--	--	*917	*49,021	*15,996
\$75,000 under \$100,000.....	15,292	132,262	47,614	--	--	--	*327	*26,800	*7,226
\$100,000 under \$200,000.....	352,020	6,475,566	2,331,204	7,050	221,696	87,792	*650	*95,669	*37,794
\$200,000 under \$500,000.....	798,340	61,876,003	22,275,361	298,630	21,917,323	8,679,260	*467	*134,579	*42,370
\$500,000 under \$1,000,000.....	138,225	15,177,004	5,463,721	132,836	42,222,131	16,719,964	*236	*160,755	*60,090
\$1,000,000 or more.....	64,529	7,072,266	2,546,016	62,219	100,649,599	39,857,241	79	141,974	51,830

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

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return.

<sup>2</sup> Returns with net long-term capital gains in excess of short-term capital losses taxed at the 28 percent rate.

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,200. The returns in this rate classification are not distributed by tax rate.

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

# Individual Income Tax Rates and Tax Shares, 1994

**Table 3.— Returns With Modified Taxable Income: Taxable Income and Tax Classified by Each Rate at Which Tax Was Computed and by Filing Status, Tax Year 1994**

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

Marginal tax rate classes	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>All tax rates.....</b>	<b>92,689,014</b>	<b>2,598,151,782</b>	<b>540,930,423</b>	<b>42,228,108</b>	<b>1,800,054,965</b>	<b>387,412,120</b>	<b>2,189,551</b>	<b>52,739,548</b>	<b>11,966,726</b>
15 percent (Form 8814) <sup>1</sup> .....	134,416	71,086	10,671	116,522	62,353	9,362	14	16	2
15 percent.....	92,675,830	1,662,789,240	249,418,386	42,226,232	1,083,779,839	162,566,976	2,189,549	28,770,629	4,315,594
28 percent.....	25,482,063	483,126,484	135,275,415	15,488,715	357,368,050	100,063,054	858,182	10,675,026	2,989,007
28 percent (capital gains) <sup>2</sup> .....	1,551,502	89,634,330	25,097,612	1,123,448	67,626,204	18,935,337	35,770	3,182,623	891,134
31 percent.....	3,526,472	105,509,510	32,707,948	2,448,286	78,776,505	24,420,717	134,678	1,975,966	612,549
36 percent.....	1,368,406	90,733,102	32,663,917	1,119,744	75,287,864	27,103,631	53,398	1,753,777	631,360
39.6 percent.....	500,735	165,010,749	65,344,256	425,973	137,154,149	54,313,043	18,370	6,381,512	2,527,079
Form 8615 <sup>3</sup> .....	248,804	1,277,281	412,216	--	--	--	--	--	--

Marginal tax rate classes	Returns of heads of households			Returns of single persons		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(10)	(11)	(12)	(13)	(14)	(15)
<b>All tax rates.....</b>	<b>9,720,613</b>	<b>142,251,576</b>	<b>24,853,801</b>	<b>38,550,742</b>	<b>603,105,692</b>	<b>116,697,775</b>
15 percent (Form 8814) <sup>1</sup> .....	17,629	8,586	1,287	252	130	20
15 percent.....	9,716,791	119,071,609	17,860,741	38,543,258	431,167,164	64,675,075
28 percent.....	1,031,907	15,166,440	4,246,603	8,103,260	99,916,967	27,976,751
28 percent (capital gains) <sup>2</sup> .....	26,130	1,453,533	406,989	366,153	17,371,970	4,864,151
31 percent.....	73,284	2,259,266	700,373	870,225	22,497,774	6,974,310
36 percent.....	26,378	1,718,894	618,802	168,885	11,972,567	4,310,124
39.6 percent.....	7,753	2,573,248	1,019,006	48,638	18,901,840	7,485,129
Form 8615 <sup>3</sup> .....	--	--	--	248,804	1,277,281	412,216

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return.

<sup>2</sup> Returns with net long-term capital gains in excess of short-term capital losses taxed at the 28 percent rate.

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,200. The returns in this rate classification are not distributed by tax rate.

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

# Individual Income Tax Rates and Tax Shares, 1994

**Table 4.--Returns With Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 1993 and 1994**

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

Type of tax computation by size of adjusted gross income	Tax Year 1993				Tax Year 1994			
	Income tax before credits (regular tax computation) <sup>1</sup>		Tax generated	Difference due to special tax computation <sup>2</sup>	Income tax before credits (regular tax computation) <sup>1</sup>		Tax generated	Difference due to special tax computation <sup>2</sup>
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Returns with regular tax computation only</b>								
<b>Total.....</b>	<b>88,848,467</b>	<b>392,858,171</b>	<b>392,859,128</b>	<b>N/A</b>	<b>90,883,000</b>	<b>427,938,878</b>	<b>427,937,144</b>	<b>N/A</b>
Under \$5,000.....	3,309,268	260,453	260,457	N/A	3,621,554	274,102	274,092	N/A
\$5,000 under \$10,000.....	7,183,440	2,343,224	2,343,224	N/A	7,178,653	2,259,315	2,259,307	N/A
\$10,000 under \$15,000.....	10,538,406	7,426,626	7,426,622	N/A	10,245,644	7,106,764	7,106,762	N/A
\$15,000 under \$20,000.....	10,589,709	12,694,206	12,694,200	N/A	10,570,694	12,591,310	12,591,304	N/A
\$20,000 under \$25,000.....	9,308,509	17,097,875	17,099,139	N/A	9,462,383	17,070,768	17,070,754	N/A
\$25,000 under \$30,000.....	7,671,656	18,792,662	18,792,654	N/A	8,027,110	19,630,451	19,630,443	N/A
\$30,000 under \$40,000.....	12,298,021	43,652,729	43,652,715	N/A	11,939,777	42,129,427	42,129,400	N/A
\$40,000 under \$50,000.....	9,045,011	43,937,300	43,937,300	N/A	9,006,243	43,981,111	43,981,106	N/A
\$50,000 under \$75,000.....	12,118,004	90,385,890	90,385,849	N/A	13,003,666	96,274,958	96,274,952	N/A
\$75,000 under \$100,000.....	4,103,565	52,335,559	52,335,560	N/A	4,665,057	59,838,127	59,838,120	N/A
\$100,000 under \$200,000.....	2,232,809	49,985,796	49,985,733	N/A	2,607,598	59,423,477	59,423,417	N/A
\$200,000 under \$500,000.....	374,024	27,136,278	27,136,132	N/A	464,797	33,971,036	33,969,452	N/A
\$500,000 under \$1,000,000.....	55,459	11,558,868	11,558,845	N/A	64,112	13,529,591	13,529,592	N/A
\$1,000,000 or more.....	20,585	15,250,706	15,250,698	N/A	25,711	19,858,442	19,858,443	N/A
<b>Returns with Form 8615 tax computation</b>								
<b>Total.....</b>	<b>251,531</b>	<b>296,709</b>	<b>408,132</b>	<b>111,423</b>	<b>248,804</b>	<b>328,743</b>	<b>435,378</b>	<b>106,635</b>
Under \$5,000.....	205,047	52,951	81,589	28,638	200,569	47,586	72,704	25,118
\$5,000 under \$10,000.....	25,209	23,989	36,826	12,837	25,027	23,636	42,009	18,373
\$10,000 under \$15,000.....	*8,578	*14,628	*28,314	*13,686	*8,911	*14,173	*27,057	*12,884
\$15,000 under \$20,000.....	*4,843	*11,708	*27,033	*15,325	*4,775	*11,487	*22,879	*11,392
\$20,000 under \$25,000.....	*1,245	*3,833	*7,847	*4,014	*4,742	*15,797	*32,899	*17,102
\$25,000 under \$30,000.....	*2,237	*11,329	*24,500	*13,171	--	--	--	--
\$30,000 under \$40,000.....	--	--	--	--	*2,103	*10,498	*21,077	*10,579
\$40,000 under \$50,000.....	*1,124	*10,089	*18,584	*8,495	--	--	--	--
\$50,000 under \$75,000.....	--	--	--	--	*917	*11,165	*16,080	*4,915
\$75,000 under \$100,000.....	*962	*16,290	*24,530	*8,240	*327	*6,797	*7,226	*429
\$100,000 under \$200,000.....	*1,877	*59,072	*69,087	*10,015	*650	*27,967	*37,794	*9,827
\$200,000 under \$500,000.....	*158	*9,367	*9,060	*-307	*467	*44,474	*42,395	*-2,079
\$500,000 under \$1,000,000.....	*215	*57,649	*54,351	*-3,298	*236	*59,112	*60,101	*989
\$1,000,000 or more.....	*37	*25,804	*26,410	*606	79	56,050	53,157	*-2,893
<b>Returns with Schedule D tax computation</b>								
<b>Total.....</b>	<b>1,625,559</b>	<b>122,253,076</b>	<b>115,090,650</b>	<b>-7,162,426</b>	<b>1,551,502</b>	<b>120,639,639</b>	<b>112,564,953</b>	<b>-8,074,686</b>
Under \$5,000.....	--	--	--	--	--	--	--	--
\$5,000 under \$10,000.....	--	--	--	--	--	--	--	--
\$10,000 under \$15,000.....	--	--	--	--	--	--	--	--
\$15,000 under \$20,000.....	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	--	--	--	--	--	--	--	--
\$25,000 under \$30,000.....	--	--	--	--	--	--	--	--
\$30,000 under \$40,000.....	--	--	--	--	--	--	--	--
\$40,000 under \$50,000.....	--	--	--	--	--	--	--	--
\$50,000 under \$75,000.....	102,149	1,423,425	1,412,379	-11,046	99,197	1,385,049	1,374,785	-10,264
\$75,000 under \$100,000.....	112,097	1,995,452	1,969,890	-25,562	108,596	1,928,120	1,905,661	-22,459
\$100,000 under \$200,000.....	869,773	25,718,876	25,361,873	-357,003	791,118	23,811,318	23,452,383	-358,935
\$200,000 under \$500,000.....	410,837	32,349,469	31,088,931	-1,260,538	423,886	32,889,957	31,565,590	-1,324,367
\$500,000 under \$1,000,000.....	84,960	17,950,865	16,812,283	-1,138,582	84,703	18,184,218	16,934,344	-1,249,874
\$1,000,000 or more.....	45,743	42,814,989	38,445,294	-4,369,695	44,003	42,440,979	37,332,190	-5,108,789

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

<sup>1</sup> Includes special taxes not included in tax generated.

<sup>2</sup> The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

N/A - Not applicable.

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

# Individual Income Tax Rates and Tax Shares, 1994

**Table 5.—Returns With Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1994**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,625,484	1,006,255	5,031,274	10,062,548	25,156,371	50,312,742
1986.....	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987.....	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988.....	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989.....	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990.....	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991.....	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992.....	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993.....	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994.....	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
<b>Adjusted gross income floor on percentiles (current dollars):</b>						
1985.....	N/A	108,134	58,883	46,322	30,928	16,688
1986.....	N/A	118,818	62,377	48,656	32,242	17,302
1987.....	N/A	139,289	68,414	52,921	33,983	17,768
1988.....	N/A	157,136	72,735	55,437	35,398	18,367
1989.....	N/A	163,869	76,933	58,263	36,839	18,993
1990.....	N/A	167,421	79,064	60,287	38,080	19,767
1991.....	N/A	170,139	81,720	61,944	38,929	20,097
1992.....	N/A	181,904	85,103	64,457	40,378	20,803
1993.....	N/A	185,715	87,386	66,077	41,210	21,179
1994.....	N/A	195,726	91,226	68,753	42,742	21,802
<b>Adjusted gross income floor on percentiles (constant dollars): <sup>2</sup></b>						
1985.....	N/A	100,496	54,724	43,050	28,743	15,509
1986.....	N/A	108,411	56,913	44,394	29,418	15,786
1987.....	N/A	122,614	60,224	46,585	29,915	15,641
1988.....	N/A	132,828	61,484	46,861	29,922	15,526
1989.....	N/A	132,152	62,043	46,986	29,709	15,317
1990.....	N/A	128,096	60,493	46,126	29,135	15,124
1991.....	N/A	124,919	60,000	45,480	28,582	14,756
1992.....	N/A	129,654	60,658	45,942	28,780	14,828
1993.....	N/A	128,522	60,475	45,728	28,519	14,657
1994.....	N/A	132,069	61,556	46,392	28,841	14,711
<b>Adjusted gross income (millions of dollars): <sup>3</sup></b>						
1985.....	2,343,989	235,095	531,372	791,481	1,358,860	1,939,351
1986.....	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987.....	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988.....	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989.....	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990.....	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991.....	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992.....	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993.....	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994.....	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
1985.....	325,525	72,581	127,880	168,907	241,887	302,401
1986.....	366,979	94,491	156,240	200,703	278,976	343,289
1987.....	369,046	91,559	159,642	205,230	283,857	346,655
1988.....	412,761	113,841	188,303	236,411	321,297	389,145
1989.....	432,838	109,259	190,188	241,458	334,258	407,599
1990.....	447,061	112,338	195,088	247,514	344,340	421,075
1991.....	448,349	111,267	194,480	250,282	346,511	423,759
1992.....	476,163	131,156	218,479	276,213	373,700	452,070
1993.....	502,720	145,836	238,083	297,808	398,516	478,563
1994.....	534,754	154,337	254,106	317,902	425,402	509,256

Footnotes at end of Table 6.



# Individual Income Tax Rates and Tax Shares, 1994

**Table 5.—Returns With Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1994—Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles—Continued				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Average tax rate (percentage): <sup>4</sup></b>						
1985.....	13.89	30.87	24.07	21.34	17.80	15.59
1986.....	14.54	33.13	25.68	22.64	18.72	16.32
1987.....	13.12	26.41	22.10	19.77	16.61	14.60
1988.....	13.21	24.04	21.14	19.18	16.47	14.64
1989.....	13.12	23.34	20.71	18.77	16.27	14.53
1990.....	12.95	23.25	20.46	18.50	16.06	14.36
1991.....	12.75	24.37	20.62	18.63	15.93	14.20
1992.....	12.94	25.05	21.19	19.13	16.25	14.44
1993.....	13.32	28.01	22.71	20.20	16.90	14.90
1994.....	13.50	28.23	23.04	20.48	17.15	15.11
<b>Adjusted gross income share (percentage):</b>						
1985.....	100.00	10.03	22.67	33.77	57.97	82.74
1986.....	100.00	11.30	24.11	35.12	59.04	83.34
1987.....	100.00	12.32	25.67	36.90	60.75	84.37
1988.....	100.00	15.16	28.51	39.45	62.44	85.07
1989.....	100.00	14.19	27.84	39.00	62.28	85.04
1990.....	100.00	14.00	27.62	38.77	62.13	84.97
1991.....	100.00	12.99	26.83	38.20	61.85	84.87
1992.....	100.00	14.23	28.01	39.23	62.47	85.08
1993.....	100.00	13.79	27.76	39.05	62.45	85.08
1994.....	100.00	13.80	27.85	39.19	62.64	85.11
<b>Total income tax share (percentage):</b>						
1985.....	100.00	22.30	39.28	51.89	74.31	92.90
1986.....	100.00	25.75	42.57	54.69	76.02	93.54
1987.....	100.00	24.81	43.26	55.61	76.92	93.93
1988.....	100.00	27.58	45.62	57.28	77.84	94.28
1989.....	100.00	25.24	43.94	55.78	77.22	94.17
1990.....	100.00	25.13	43.64	55.36	77.02	94.19
1991.....	100.00	24.82	43.38	55.82	77.29	94.52
1992.....	100.00	27.54	45.88	58.01	78.48	94.94
1993.....	100.00	29.01	47.36	59.24	79.27	95.19
1994.....	100.00	28.86	47.52	59.45	79.55	95.23

Footnotes at end of Table 6.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 6.—Returns With Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1994**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,625,484	50,312,742	75,469,113	90,562,936	95,594,210	99,619,229
1986.....	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987.....	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988.....	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989.....	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990.....	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991.....	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992.....	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993.....	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994.....	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
<b>Adjusted gross income (millions of dollars): <sup>1</sup></b>						
1985.....	2,343,989	404,637	985,129	1,552,508	1,812,617	2,108,894
1986.....	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987.....	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988.....	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989.....	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990.....	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991.....	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992.....	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993.....	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994.....	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
<b>Total income tax (millions of dollars): <sup>2</sup></b>						
1985.....	325,525	23,124	83,638	156,618	197,645	252,944
1986.....	366,979	23,690	88,002	166,276	210,739	272,488
1987.....	369,046	22,391	85,189	163,816	209,404	277,488
1988.....	412,761	23,616	91,464	176,350	224,459	298,920
1989.....	432,838	25,239	98,580	191,380	242,650	323,579
1990.....	447,061	25,986	102,721	199,547	251,973	334,723
1991.....	448,349	24,554	101,837	198,067	253,869	337,081
1992.....	476,163	24,093	102,463	199,950	257,683	345,007
1993.....	502,720	24,157	104,203	204,912	264,637	356,884
1994.....	534,754	25,499	109,353	216,852	280,648	380,418
<b>Average tax rate (percentage): <sup>4</sup></b>						
1985.....	13.89	5.71	8.49	10.09	10.90	11.99
1986.....	14.54	5.63	8.51	10.15	11.00	12.17
1987.....	13.12	5.09	7.71	9.23	10.01	11.25
1988.....	13.21	5.06	7.80	9.32	10.05	11.28
1989.....	13.12	5.11	7.92	9.51	10.19	11.43
1990.....	12.95	5.01	7.86	9.44	10.09	11.28
1991.....	12.75	4.61	7.59	9.12	9.87	11.04
1992.....	12.94	4.39	7.42	8.94	9.73	10.93
1993.....	13.32	4.29	7.35	8.90	9.70	10.96
1994.....	13.50	4.32	7.39	9.00	9.82	11.14
<b>Adjusted gross income share (percentage):</b>						
1985.....	100.00	17.26	42.03	66.23	77.33	89.97
1986.....	100.00	16.66	40.96	64.88	75.89	88.70
1987.....	100.00	15.63	39.25	63.10	74.33	87.68
1988.....	100.00	14.93	37.56	60.55	71.49	84.84
1989.....	100.00	14.96	37.72	61.00	72.16	85.81
1990.....	100.00	15.03	37.87	61.23	72.38	86.00
1991.....	100.00	15.13	38.15	61.80	73.17	87.01
1992.....	100.00	14.92	37.53	60.77	71.99	85.77
1993.....	100.00	14.92	37.55	60.95	72.24	86.21
1994.....	100.00	14.89	37.36	60.81	72.15	86.20

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 6.—Returns With Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1994--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total income tax share (percentage):</b>						
1985.....	100.00	7.10	25.69	48.11	60.72	77.70
1986.....	100.00	6.46	23.98	45.31	57.43	74.25
1987.....	100.00	6.07	23.08	44.39	56.74	75.19
1988.....	100.00	5.72	22.16	42.72	54.38	72.42
1989.....	100.00	5.83	22.78	44.22	56.06	74.76
1990.....	100.00	5.81	22.98	44.64	56.36	74.87
1991.....	100.00	5.48	22.71	44.18	56.62	75.18
1992.....	100.00	5.06	21.52	41.99	54.12	72.46
1993.....	100.00	4.81	20.73	40.76	52.64	70.99
1994.....	100.00	4.77	20.45	40.55	52.48	71.14

N/A-- not applicable.

<sup>1</sup> The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Tables 5 and 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 1994 there were 3,166 returns with no adjusted gross income that reported alternative minimum tax totaling \$100.3 million.

<sup>2</sup> Constant dollar estimates were based on the Consumer Price Index (CPI-U 1982-84=100) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

<sup>3</sup> Total income tax is the sum of income tax after credits and alternative minimum tax reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

<sup>4</sup>The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 7.—Returns With Positive Income: Number of Returns, Shares of Income Based on the 1979 Income Concept, and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the 1979 Income Concept, Tax Years 1985-1994**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,215,784	1,002,158	5,010,789	10,021,578	25,053,946	50,107,892
1986.....	101,881,062	1,018,811	5,094,053	10,188,106	25,470,265	50,940,531
1987.....	106,128,238	1,061,282	5,306,412	10,612,824	26,532,059	53,064,119
1988.....	108,831,700	1,088,317	5,441,585	10,883,170	27,207,925	54,415,850
1989.....	111,273,993	1,112,740	5,563,700	11,127,399	27,818,498	55,636,996
1990.....	112,644,099	1,126,441	5,632,205	11,264,410	28,161,025	56,322,049
1991.....	113,755,078	1,137,551	5,687,754	11,375,508	28,438,769	56,877,539
1992.....	112,593,838	1,125,938	5,629,692	11,259,384	28,148,459	56,296,919
1993.....	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994.....	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
<b>Income floor on percentiles (current dollars):</b>						
1985.....	N/A	125,454	63,509	49,092	31,977	17,101
1986.....	N/A	147,688	68,347	52,034	33,630	17,915
1987.....	N/A	145,646	69,216	53,092	34,166	17,960
1988.....	N/A	161,795	73,442	55,524	35,432	18,531
1989.....	N/A	169,588	77,552	58,436	36,789	19,156
1990.....	N/A	174,721	80,408	60,630	38,032	19,948
1991.....	N/A	180,316	83,317	62,421	38,916	20,304
1992.....	N/A	197,080	87,389	65,295	40,423	21,039
1993.....	N/A	199,698	88,992	66,685	41,013	21,390
1994.....	N/A	210,742	93,186	69,118	42,480	22,000
<b>Income floor on percentiles (constant dollars): <sup>2</sup></b>						
1985.....	N/A	116,593	59,023	45,625	29,718	15,893
1986.....	N/A	134,752	62,360	47,476	30,684	16,346
1987.....	N/A	128,210	60,930	46,736	30,076	15,810
1988.....	N/A	136,767	62,081	46,935	29,951	15,664
1989.....	N/A	136,765	62,542	47,126	29,669	15,448
1990.....	N/A	133,681	61,521	46,389	29,099	15,262
1991.....	N/A	132,391	61,173	45,830	28,573	14,907
1992.....	N/A	140,470	62,287	46,540	28,812	14,996
1993.....	N/A	138,199	61,586	46,149	28,383	14,803
1994.....	N/A	142,201	62,879	46,638	28,664	14,845
<b>Income (millions of dollars):</b>						
1985.....	2,502,868	301,734	628,546	905,119	1,495,580	2,091,694
1986.....	2,801,375	426,237	795,034	1,095,304	1,729,360	2,365,312
1987.....	2,854,624	363,729	748,879	1,066,870	1,740,792	2,410,410
1988.....	3,152,156	484,475	910,840	1,254,591	1,972,166	2,682,269
1989.....	3,335,581	486,816	947,005	1,317,118	2,084,226	2,837,477
1990.....	3,494,266	503,585	986,110	1,374,485	2,179,930	2,971,249
1991.....	3,575,798	478,588	985,238	1,390,402	2,224,033	3,037,065
1992.....	3,760,326	556,143	1,089,411	1,508,861	2,368,211	3,204,199
1993.....	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994.....	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
1985.....	324,299	67,217	121,525	162,495	236,042	298,149
1986.....	366,468	92,954	155,301	198,577	277,253	341,982
1987.....	368,902	89,885	158,481	204,039	282,946	346,203
1988.....	412,540	112,191	186,803	235,147	320,142	388,632
1989.....	432,643	107,515	188,568	240,198	333,255	407,091
1990.....	446,896	110,560	192,975	245,850	342,901	420,334
1991.....	448,176	107,908	192,511	246,715	345,154	423,175
1992.....	476,067	127,345	216,267	272,327	372,358	451,501
1993.....	502,638	142,329	235,908	294,238	397,261	477,997
1994.....	534,693	150,133	250,770	314,909	423,743	508,540

Footnotes at end of Table 8.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 7.--Returns With Positive Income: Number of Returns, Shares of Income Based on the 1979 Income Concept, and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the 1979 Income Concept, Tax Years 1985-1994--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles--Continued				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Average tax rate (percentage): *</b>						
1985.....	12.96	22.28	19.33	17.95	15.78	14.25
1986.....	13.08	21.81	19.53	18.13	16.03	14.46
1987.....	12.92	24.71	21.16	19.13	16.25	14.36
1988.....	13.09	23.16	20.51	18.74	16.23	14.49
1989.....	12.97	22.09	19.91	18.24	15.99	14.35
1990.....	12.79	21.95	19.57	17.89	15.73	14.15
1991.....	12.53	22.55	19.54	17.74	15.52	13.93
1992.....	12.66	22.90	19.85	18.05	15.72	14.09
1993.....	13.06	25.69	21.35	19.14	16.40	14.58
1994.....	13.26	25.90	21.58	19.47	16.65	14.80
<b>Income share (percentage):</b>						
1985.....	100.00	12.06	25.11	36.16	59.75	83.57
1986.....	100.00	15.22	28.38	39.10	61.73	84.43
1987.....	100.00	12.74	26.23	37.37	60.98	84.44
1988.....	100.00	15.37	28.90	39.80	62.57	85.09
1989.....	100.00	14.59	28.39	39.49	62.48	85.07
1990.....	100.00	14.41	28.22	39.34	62.39	85.03
1991.....	100.00	13.38	27.55	38.88	62.20	84.93
1992.....	100.00	14.79	28.97	40.13	62.98	85.21
1993.....	100.00	14.39	28.71	39.93	62.93	85.18
1994.....	100.00	14.37	28.81	40.09	63.08	85.19
<b>Total income tax share (percentage):</b>						
1985.....	100.00	20.73	37.47	50.11	72.79	91.94
1986.....	100.00	25.36	42.38	54.19	75.66	93.32
1987.....	100.00	24.37	42.96	55.31	76.70	93.85
1988.....	100.00	27.20	45.28	57.00	77.60	94.20
1989.....	100.00	24.85	43.59	55.52	77.03	94.09
1990.....	100.00	24.74	43.18	55.01	76.73	94.06
1991.....	100.00	24.08	42.95	55.05	77.01	94.42
1992.....	100.00	26.75	45.43	57.20	78.22	94.84
1993.....	100.00	28.32	46.93	58.54	79.04	95.10
1994.....	100.00	28.08	46.90	58.90	79.25	95.11

Footnotes at end of Table 8.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 8.—Returns With Positive Income: Number of Returns, Shares of Income Based on the 1979 Income Concept, and Total Income Tax, Income Floor on Percentiles, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the 1979 Income Concept, Tax Years 1985-1994**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,215,784	50,107,892	75,161,838	90,194,206	95,204,995	99,213,626
1986.....	101,881,062	50,940,531	76,410,796	91,692,956	96,787,009	100,862,251
1987.....	106,128,238	53,064,119	79,596,178	95,515,414	100,821,826	105,066,956
1988.....	108,831,700	54,415,850	81,623,775	97,948,530	103,390,115	107,743,383
1989.....	111,273,993	55,636,996	83,455,495	100,146,594	105,710,293	110,161,253
1990.....	112,644,099	56,322,049	84,483,074	101,379,689	107,011,894	111,517,658
1991.....	113,755,078	56,877,539	85,316,308	102,379,570	108,067,324	112,617,527
1992.....	112,593,838	56,296,919	84,445,378	101,334,454	106,964,146	111,467,900
1993.....	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994.....	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
<b>Income (millions of dollars):</b>						
1985.....	2,502,868	411,173	1,007,288	1,597,749	1,874,322	2,201,134
1986.....	2,801,375	436,063	1,072,015	1,706,071	2,006,341	2,375,138
1987.....	2,854,624	444,214	1,113,832	1,787,754	2,105,745	2,490,895
1988.....	3,152,156	469,887	1,179,990	1,897,565	2,241,316	2,667,681
1989.....	3,335,581	498,104	1,251,355	2,018,463	2,388,576	2,848,765
1990.....	3,494,266	523,018	1,314,336	2,119,781	2,508,156	2,990,681
1991.....	3,575,798	538,733	1,351,765	2,185,396	2,590,560	3,097,210
1992.....	3,760,326	556,126	1,392,115	2,251,465	2,670,914	3,204,183
1993.....	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994.....	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
<b>Total income tax (millions of dollars): <sup>2</sup></b>						
1985.....	324,299	26,149	88,257	161,804	202,773	257,082
1986.....	366,468	24,486	89,214	167,891	211,167	273,513
1987.....	368,902	22,699	85,956	164,863	210,421	279,017
1988.....	412,540	23,908	92,398	177,393	225,737	300,349
1989.....	432,643	25,552	99,387	192,445	244,075	325,128
1990.....	446,896	26,561	103,994	201,046	253,921	336,336
1991.....	448,176	25,001	103,022	201,461	255,665	340,267
1992.....	476,067	24,567	103,709	203,740	259,801	348,722
1993.....	502,638	24,641	105,377	208,400	266,730	360,309
1994.....	534,693	26,153	110,950	219,783	283,923	384,560
<b>Average tax rate (percentage): <sup>4</sup></b>						
1985.....	12.96	6.36	8.76	10.13	10.82	11.68
1986.....	13.08	5.62	8.32	9.84	10.52	11.52
1987.....	12.92	5.11	7.72	9.22	9.99	11.20
1988.....	13.09	5.09	7.83	9.35	10.07	11.26
1989.....	12.97	5.13	7.94	9.53	10.22	11.41
1990.....	12.79	5.08	7.91	9.48	10.12	11.25
1991.....	12.53	4.64	7.62	9.22	9.87	10.99
1992.....	12.66	4.42	7.45	9.05	9.73	10.88
1993.....	13.06	4.32	7.38	9.01	9.72	10.93
1994.....	13.26	4.38	7.45	9.10	9.89	11.13
<b>Income share (percentage):</b>						
1985.....	100.00	16.43	40.25	63.84	74.89	87.94
1986.....	100.00	15.57	38.27	60.90	71.62	84.78
1987.....	100.00	15.56	39.02	62.63	73.77	87.26
1988.....	100.00	14.91	37.43	60.20	71.10	84.63
1989.....	100.00	14.93	37.52	60.51	71.61	85.41
1990.....	100.00	14.97	37.61	60.66	71.78	85.59
1991.....	100.00	15.07	37.80	61.12	72.45	86.62
1992.....	100.00	14.79	37.02	59.87	71.03	85.21
1993.....	100.00	14.82	37.07	60.07	71.29	85.61
1994.....	100.00	14.81	36.92	59.91	71.19	85.63

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1994

**Table 8.—Returns With Positive Income: Number of Returns, Shares of Income Based on the 1979 Income Concept, and Total Income Tax, Income Floor on Percentiles, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the 1979 Income Concept, Tax Years 1985-1994**  
**—Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles—Continued				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total income tax share (percentage):</b>						
1985.....	100.00	8.06	27.21	49.89	62.53	79.27
1986.....	100.00	6.68	24.34	45.81	57.62	74.64
1987.....	100.00	6.15	23.30	44.69	57.04	75.63
1988.....	100.00	5.80	22.40	43.00	54.72	72.80
1989.....	100.00	5.91	22.97	44.48	56.41	75.15
1990.....	100.00	5.94	23.27	44.99	56.82	75.26
1991.....	100.00	5.58	22.99	44.95	57.05	75.92
1992.....	100.00	5.16	21.78	42.80	54.57	73.25
1993.....	100.00	4.90	20.96	41.46	53.07	71.68
1994.....	100.00	4.89	20.75	41.10	53.10	71.92

N/A—Not applicable.

<sup>1</sup> The number of returns in columns 2 through 6, Tables 7 and 8, were processed in thousands and, therefore, reflect differences due to rounding.

<sup>2</sup> Constant dollar estimates were based on the Consumer Price Index (CPI-U 1982-84=100) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

<sup>3</sup> Total income tax is the sum of income tax after credits and the alternative minimum tax.

<sup>4</sup> Average tax rate was computed by dividing total income tax (see footnote 3) by income, using the 1979 income concept (see text and Figure A).

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