

# Individual Income Tax Returns, Preliminary Data, 2006

by Brian Balkovic

**F**or 2006, taxpayers filed 138.4 million U.S. individual income tax returns, an increase of 2.9 percent from the 134.5 million returns filed for 2005. Adjusted Gross Income (AGI) increased from the previous year by 8.4 percent to \$8.0 trillion for 2006. Taxable income increased 9.0 percent to \$5.6 trillion; the alternative minimum tax rose 21.3 percent to \$19.3 billion; total income tax increased by 10.6 percent to \$1.0 trillion; and total tax liability rose by 10.3 percent to \$1.1 trillion.

Figure A shows that the largest component of AGI, salaries and wages, increased 6.5 percent to \$5,578.1 billion for Tax Year 2006, while the next largest component of AGI, net capital gains, rose by 13.4 percent to \$685.3 billion. Other income items with notable percentage changes included capital gain distributions (part of net capital gains), which increased from \$35.5 billion for 2005 to \$62.3 billion for 2006, partnership and S corporation net income, which increased by 10.2 percent to \$468.1 billion, and ordinary dividends, which increased 21.0 percent to \$186.0 billion.

Of this dividend total, about 70 percent were reported as qualified dividends. Qualified dividends, which receive preferential tax rates, were reported on 26.5 million returns and totaled \$130.1 billion, an increase of 16.6 percent from 2005. Taxable interest income rose by 37.7 percent to \$192.8 billion. For 2006, taxable pensions and annuities, the fourth largest income item, increased 7.6 percent to \$460.6 billion.

The other items related to retirement, taxable Social Security benefits and IRA distributions, also rose for 2006, by 16.2 percent and 11.9 percent, respectively. Declining income items included unemployment compensation at \$26.8 billion (falling by 4.4 percent) and farm net income, which decreased by 9.1 percent from Tax Year 2005.

Statutory adjustments to total income increased 5.7 percent to \$110.1 billion for Tax Year 2006. The largest statutory adjustment was the deduction for

one-half of self-employment tax, representing 20.4 percent of the total. This adjustment to income increased 5.1 percent to \$22.5 billion. The self-employment health insurance deduction increased 2.7 percent to \$18.5 billion. Payments to self-employed retirement (Keogh) plans rose 4.3 percent to \$20.2 billion, while deductible contributions to Individual Retirement Arrangements (IRAs) increased 4.6 percent to \$12.8 billion.

Tax Year 2006 law changes increased the contribution limits for both Roth and traditional IRAs for those age 50 and over (see Changes in Law section for details). The deduction for student loan interest increased 21.9 percent to \$6.2 billion, while the deduction for tuition and fees fell 11.9 percent to \$9.6 billion for Tax Year 2006. This was the first decline in this adjustment since its inception in 2002. Over 351,000 taxpayers who made contributions to qualified health savings accounts took an adjustment totaling nearly \$0.8 billion. The domestic production activities deduction for Tax Year 2006 benefited nearly 403,000 taxpayers for a total deduction of \$3.3 billion (a 54.3-percent increase from 2005).

The Katrina Emergency Tax Relief Act of 2005 continued to provide favorable tax legislation for Tax Year 2006 taxpayers. For instance, taxpayers who housed individuals displaced by Hurricane Katrina could claim up to four additional exemptions totaling \$2,000 (see Changes in Law section for details). An estimated 27,000 returns reported almost 48,500 exemptions for taxpayers providing housing for these victims. Altogether, the amount deducted for total exemptions increased by 6.3 percent from \$842.3 billion for 2005 to \$895.7 billion for 2006. This increase is larger than usual because of the change in the law allowing high-income taxpayers who previously were unable to take any exemption deduction to take a \$1,100 deduction per exemption for 2006 (see Changes in Law section for details).

Total deductions, the sum of the standard deductions and total itemized deductions (after limitation), equaled \$1,793.7 billion, an increase of 7.7 percent from Tax Year 2005. The number of returns claiming the standard deduction increased 2.0 percent, accounting for 62.7 percent of all returns filed and 34.1 percent of the total deductions amount.<sup>1</sup> Mostly due

*Brian Balkovic is an economist with the Individual Returns Analysis Section. This data release was prepared under the direction of Jeff Hartzok, Chief, Individual Returns Analysis Section.*

<sup>1</sup> The remaining 1.9 percent of the returns did not need to claim either a standard deduction or itemized deductions because no AGI was reported.

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**Figure A**

## Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2005 and 2006

[Money amounts are in thousands of dollars]

| Item  | Number of returns  |                    |                   | Amount               |                      |                   |
|---|--------------------|--------------------|-------------------|----------------------|----------------------|-------------------|
|   | 2005               | 2006               | Percentage change | 2005                 | 2006                 | Percentage change |
|   | (1)                | (2)                | (3)               | (4)                  | (5)                  | (6)               |
| <b>Number of returns, total</b>   | <b>134,462,537</b> | <b>138,420,499</b> | <b>2.9</b>        | <b>N/A</b>           | <b>N/A</b>           | <b>N/A</b>        |
| Form 1040 returns   | 81,144,182         | 83,518,153         | 2.9               | N/A                  | N/A                  | N/A               |
| Form 1040A returns  | 31,607,574         | 32,250,392         | 2.0               | N/A                  | N/A                  | N/A               |
| Form 1040EZ returns [1]   | 21,710,782         | 22,651,954         | 4.3               | N/A                  | N/A                  | N/A               |
| Electronically-filed returns [2]  | 74,813,073         | 81,536,629         | 9.0               | N/A                  | N/A                  | N/A               |
| <b>Adjusted gross income (less deficit)</b>   | <b>134,462,537</b> | <b>138,420,499</b> | <b>2.9</b>        | <b>7,363,648,396</b> | <b>7,982,660,690</b> | <b>8.4</b>        |
| Salaries and wages  | 114,595,809        | 116,832,397        | 2.0               | 5,236,515,411        | 5,578,112,649        | 6.5               |
| Taxable interest  | 59,326,291         | 62,500,172         | 5.3               | 140,024,777          | 192,779,487          | 37.7              |
| Tax-exempt interest [3]   | 4,469,929          | 6,036,087          | 35.0              | 54,410,697           | 69,505,527           | 27.7              |
| Ordinary dividends  | 31,089,911         | 31,538,899         | 1.4               | 153,736,864          | 185,974,188          | 21.0              |
| Qualified dividends   | 25,797,647         | 26,527,893         | 2.8               | 111,592,163          | 130,083,446          | 16.6              |
| State income tax refunds  | 22,281,894         | 23,117,093         | 3.7               | 20,961,408           | 22,670,071           | 8.2               |
| Alimony received  | 457,751            | 437,222            | -4.5              | 7,943,058            | 7,854,640            | -1.1              |
| Business or profession net income   | 15,702,731         | 16,171,389         | 3.0               | 300,591,401          | 316,776,424          | 5.4               |
| Business or profession net loss   | 5,335,832          | 5,464,904          | 2.4               | 43,083,206           | 47,456,970           | 10.2              |
| Net capital gain [4]  | 16,048,768         | 17,884,072         | 11.4              | 604,352,228          | 685,331,194          | 13.4              |
| Capital gain distributions [4]  | 13,447,772         | 14,581,370         | 8.4               | 35,457,864           | 62,333,008           | 75.8              |
| Net capital loss  | 9,994,323          | 8,612,023          | -13.8             | 22,075,818           | 18,691,022           | -15.3             |
| Sales of property other than capital assets, net gain   | 863,391            | 848,344            | -1.7              | 11,421,195           | 12,220,069           | 7.0               |
| Sales of property other than capital assets, net loss   | 810,196            | 828,441            | 2.3               | 7,747,570            | 9,275,159            | 19.7              |
| Taxable Individual Retirement Arrangement distributions   | 9,462,567          | 10,064,480         | 6.4               | 111,709,278          | 125,057,748          | 11.9              |
| Taxable pensions and annuities  | 23,549,681         | 24,467,625         | 3.9               | 428,025,371          | 460,647,534          | 7.6               |
| Rent and royalty net income   | 5,664,697          | 5,607,719          | -1.0              | 74,425,992           | 77,337,722           | 3.9               |
| Rent and royalty net loss   | 5,140,616          | 5,203,752          | 1.2               | 48,353,595           | 55,133,308           | 14.0              |
| Partnership and S corporation net income  | 4,543,703          | 4,516,531          | -0.6              | 424,863,423          | 468,113,804          | 10.2              |
| Partnership and S corporation net loss  | 2,256,974          | 2,305,876          | 2.2               | 61,665,756           | 65,866,290           | 6.8               |
| Estate and trust net income   | 460,575            | 503,385            | 9.3               | 15,159,317           | 17,404,639           | 14.8              |
| Estate and trust net loss   | 30,538             | 33,932             | 11.1              | 756,271              | 738,487              | -2.4              |
| Farm net income   | 631,116            | 564,085            | -10.6             | 9,237,072            | 8,395,511            | -9.1              |
| Farm net loss   | 1,356,681          | 1,400,682          | 3.2               | 19,842,812           | 22,519,021           | 13.5              |
| Unemployment compensation   | 7,943,765          | 7,457,645          | -6.1              | 27,995,669           | 26,777,624           | -4.4              |
| Taxable Social Security benefits  | 12,808,594         | 13,946,403         | 8.9               | 126,409,367          | 146,855,542          | 16.2              |
| <b>Total statutory adjustments</b>  | <b>33,421,578</b>  | <b>33,832,756</b>  | <b>1.2</b>        | <b>104,151,627</b>   | <b>110,079,073</b>   | <b>5.7</b>        |
| Educator expenses   | 3,562,069          | 3,205,761          | -10.0             | 893,327              | 816,224              | -8.6              |
| Certain business expenses of reservists, performing artists, and fee-basis government officials | 102,683            | 120,005            | 16.9              | 290,381              | 368,850              | 27.0              |
| Payments to an Individual Retirement Arrangement  | 3,293,501          | 3,286,760          | -0.2              | 12,207,511           | 12,768,170           | 4.6               |
| Student loan interest deduction   | 8,118,415          | 8,605,148          | 6.0               | 5,075,930            | 6,187,425            | 21.9              |
| Tuition and fees deduction  | 4,731,924          | 4,028,959          | -14.9             | 10,928,436           | 9,632,076            | -11.9             |
| Health savings account deduction  | 211,766            | 351,170            | 65.8              | 488,782              | 845,431              | 73.0              |
| Medical savings account deduction   | 18,391             | 17,011             | -7.5              | 40,398               | 29,908               | -26.0             |
| Moving expenses adjustment  | 1,127,511          | 1,087,129          | -3.6              | 3,055,362            | 3,157,994            | 3.4               |
| Self-employment tax deduction   | 16,507,523         | 16,892,682         | 2.3               | 21,368,314           | 22,451,883           | 5.1               |
| Self-employed health insurance deduction  | 3,670,561          | 3,537,194          | -3.6              | 17,982,362           | 18,469,428           | 2.7               |
| Payments to a self-employed retirement (Keogh) plan   | 1,197,774          | 1,176,905          | -1.7              | 19,406,380           | 20,243,044           | 4.3               |
| Penalty on early withdrawal of savings  | 798,900            | 1,172,267          | 46.7              | 267,260              | 433,716              | 62.3              |
| Alimony paid  | 583,305            | 578,779            | -0.8              | 8,523,911            | 8,701,183            | 2.1               |
| Domestic production activities deduction  | 317,810            | 402,710            | 26.7              | 2,123,938            | 3,277,003            | 54.3              |
| Other adjustments   | 256,855            | 136,308            | -46.9             | 1,425,226            | 1,066,677            | -25.2             |

Footnotes at end of figure.

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## Figure A—Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2005 and 2006—Continued

[Money amounts are in thousands of dollars]

| Item  | Number of returns  |                    |                   | Amount               |                      |                   |
|---|--------------------|--------------------|-------------------|----------------------|----------------------|-------------------|
|   | 2005               | 2006               | Percentage change | 2005                 | 2006                 | Percentage change |
|   | (1)                | (2)                | (3)               | (4)                  | (5)                  | (6)               |
| <b>Total exemptions</b>                             | <b>269,699,249</b> | <b>276,280,206</b> | <b>2.4</b>        | <b>842,320,994</b>   | <b>895,678,748</b>   | <b>6.3</b>        |
| <b>Total deductions</b>                             | <b>132,762,014</b> | <b>135,806,268</b> | <b>2.3</b>        | <b>1,665,601,292</b> | <b>1,793,667,050</b> | <b>7.7</b>        |
| Total standard deduction                            | 85,109,566         | 86,788,384         | 2.0               | 584,209,412          | 611,274,926          | 4.6               |
| Basic standard deduction                            | 85,109,566         | 86,788,384         | 2.0               | 567,428,479          | 594,041,953          | 4.7               |
| Additional standard deduction                       | 11,131,858         | 11,419,381         | 2.6               | 16,780,934           | 17,232,969           | 2.7               |
| <b>Total itemized deductions (after limitation)</b> | <b>47,652,448</b>  | <b>49,017,884</b>  | <b>2.9</b>        | <b>1,081,391,880</b> | <b>1,182,392,125</b> | <b>9.3</b>        |
| Itemized deductions in excess of limitation         | 6,322,163          | 6,827,652          | 8.0               | 42,549,206           | 33,562,088           | -21.1             |
| Medical and dental expenses deduction               | 9,871,839          | 10,121,720         | 2.5               | 66,086,920           | 69,090,147           | 4.5               |
| Taxes paid deduction                                | 47,267,305         | 48,565,862         | 2.7               | 390,944,404          | 423,257,838          | 8.3               |
| State and local income taxes [5]                    | 45,935,853         | 46,847,080         | 2.0               | 237,687,278          | 258,058,659          | 8.6               |
| Income taxes  | 34,744,476         | 35,846,674         | 3.2               | 220,687,451          | 239,126,293          | 8.4               |
| General sales taxes                                 | 11,191,378         | 11,000,405         | -1.7              | 16,999,827           | 18,932,366           | 11.4              |
| Interest paid deduction                             | 38,884,591         | 40,110,187         | 3.2               | 390,375,165          | 450,398,602          | 15.4              |
| Charitable contributions deduction                  | 41,381,479         | 41,427,765         | 0.1               | 172,025,442          | 173,018,464          | 0.6               |
| <b>Taxable income</b>                               | <b>104,511,849</b> | <b>106,803,674</b> | <b>2.2</b>        | <b>5,092,405,537</b> | <b>5,553,096,928</b> | <b>9.0</b>        |
| Alternative minimum tax                             | 4,045,459          | 4,037,074          | -0.2              | 15,874,227           | 19,252,710           | 21.3              |
| <b>Income tax before credits</b>                    | <b>104,520,737</b> | <b>106,823,754</b> | <b>2.2</b>        | <b>982,560,689</b>   | <b>1,083,780,725</b> | <b>10.3</b>       |
| <b>Total tax credits [6]</b>                        | <b>42,426,730</b>  | <b>46,331,299</b>  | <b>9.2</b>        | <b>54,297,474</b>    | <b>57,450,072</b>    | <b>5.8</b>        |
| Child care credit                                   | 6,549,739          | 6,524,616          | -0.4              | 3,487,785            | 3,519,410            | 0.9               |
| Credit for the elderly or disabled                  | 101,227            | 99,044             | -2.2              | 13,787               | 14,847               | 7.7               |
| Child tax credit                                    | 26,050,925         | 25,818,992         | -0.9              | 32,184,128           | 31,836,114           | -1.1              |
| Education tax credits                               | 7,133,854          | 7,819,470          | 9.6               | 6,194,770            | 7,128,447            | 15.1              |
| Retirement savings contributions credit             | 5,365,195          | 5,261,485          | -1.9              | 962,976              | 908,521              | -5.7              |
| Adoption credit                                     | 83,681             | 90,684             | 8.4               | 303,397              | 334,705              | 10.3              |
| Residential energy credits                          | N/A                | 4,452,576          | N/A               | N/A                  | 1,023,719            | N/A               |
| Foreign tax credit                                  | 5,373,540          | 6,392,372          | 19.0              | 8,340,820            | 9,430,601            | 13.1              |
| General business credit                             | 225,238            | 362,918            | 61.1              | 658,970              | 1,114,077            | 69.1              |
| Prior year minimum tax credit                       | 271,909            | 334,017            | 22.8              | 1,080,361            | 1,012,865            | -6.2              |
| Self-employment tax                                 | 16,507,523         | 16,892,682         | 2.3               | 42,728,376           | 44,895,363           | 5.1               |
| <b>Total earned income credit (EIC)</b>             | <b>23,003,703</b>  | <b>23,392,886</b>  | <b>1.7</b>        | <b>43,091,796</b>    | <b>45,364,048</b>    | <b>5.3</b>        |
| EIC used to offset income tax before credits        | 2,911,791          | 2,983,077          | 2.4               | 752,954              | 808,517              | 7.4               |
| EIC used to offset other taxes                      | 4,834,823          | 4,972,285          | 2.8               | 4,279,188            | 4,645,878            | 8.6               |
| Excess EIC, refundable portion                      | 20,357,850         | 20,639,026         | 1.4               | 38,059,653           | 39,909,653           | 4.9               |
| Additional child tax credit                         | 15,334,228         | 15,723,997         | 2.5               | 15,588,969           | 16,354,979           | 4.9               |
| Credit for Federal telephone excise tax paid        | N/A                | 97,260,127         | N/A               | N/A                  | 4,180,071            | N/A               |
| <b>Total income tax</b>                             | <b>90,659,349</b>  | <b>92,762,414</b>  | <b>2.3</b>        | <b>928,263,735</b>   | <b>1,026,331,685</b> | <b>10.6</b>       |
| <b>Total tax liability</b>                          | <b>94,346,561</b>  | <b>96,671,006</b>  | <b>2.5</b>        | <b>970,951,374</b>   | <b>1,071,236,902</b> | <b>10.3</b>       |

N/A—Not applicable.

[1] For 2006, the total number of returns includes Form 1040EZ -T returns.

[2] Included in data for Forms 1040, 1040A, and 1040EZ.

[3] Not included in adjusted gross income.

[4] Includes capital gain distributions reported on Form 1040 and Schedule D.

[5] State and local income taxes are the total of both income taxes and general sales taxes.

[6] Includes EIC used to offset income tax before credits, shown separately later in this figure.

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

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to inflation indexing, the average standard deduction (comprised of the basic and additional standard deductions for age and blindness) increased 2.6 percent from \$6,864 for 2005 to \$7,043 for 2006.

Itemized deductions were claimed on 35.4 percent of all returns filed for 2006 and represented 65.9 percent of the total deductions amount. The average total for itemized deductions (after limitation) was \$24,122, a 6.3-percent increase from the 2005 average of \$22,693. Due to the AGI limitation on itemized deductions, 6.8 million higher-income taxpayers were unable to deduct \$33.6 billion in itemized deductions, a decrease of 21.1 percent from 2005. This large decrease was due to a change in the law that reduced this limitation by one-third for 2006 (see Changes in Law section for details).

The interest paid deduction was the largest deduction, comprising 37.0 percent of total itemized deductions (before limitation). For 2006, it increased 15.4 percent to \$450.4 billion. The Tax Relief and Health Care Act of 2006 extended the election to deduct State and local general sales taxes instead of State and local income taxes. For 2006, an estimated 11.0 million taxpayers took advantage of this, deducting \$18.9 billion.

Including taxpayers who deducted State and local sales taxes, 2.0 percent more taxpayers took a deduction for State and local income and sales taxes, and the total amount of this deduction increased 8.6 percent from 2005 levels. The total taxes paid deduction accounted for 34.8 percent of all itemized deductions and increased 8.3 percent to \$423.3 billion. The deduction for medical and dental expenses went up by 4.5 percent to \$69.1 billion, while the charitable contributions deduction increased slightly, 0.6 percent, to \$173.0 billion for 2006.

Total tax credits used to offset income tax liabilities increased 5.8 percent to \$57.5 billion. About 25.8 million taxpayers claimed \$31.8 billion in child tax credits, down 1.1 percent from \$32.2 billion in 2005. However, the additional child tax credit (a refundable separate credit) increased by 4.9 percent to \$16.4 billion in 2006. The combined \$48.2 billion of the child tax credit and the additional child tax credit represented a slight, 0.9-percent increase from 2005 and was greater than the \$45.4 billion of total EIC (see below).

Other notable percentage increases for major tax credits included a 15.1-percent rise in education tax

credits to \$7.1 billion (as opposed to the decrease in the deduction for tuition and fees cited above) and a 13.1-percent rise in the foreign tax credit to \$9.4 billion. Smaller credits, such as the general business credit and the adoption credit, also had significant increases from 2005, 69.1 percent and 10.3 percent, respectively. The large percentage increase in the general business credit can be partially attributed to the Energy Policy Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 (see Changes in Law section for details).

In addition, Tax Year 2006 introduced two new credits: the residential energy credit and the credit for Federal telephone excise taxes previously collected erroneously (see Changes in Law section for details). Taxpayers on nearly 4.5 million returns took advantage of the residential energy credits and reduced their taxes by over \$1.0 billion, while 97.3 million returns claimed credits of \$4.2 billion for the Federal telephone excise tax.

The total earned income credit (EIC) increased 5.3 percent to \$45.4 billion for Tax Year 2006. The portion of the EIC used to offset income tax before credits increased 7.4 percent to \$0.8 billion, and the portion of the EIC used to offset other taxes (such as the self-employment tax) rose 8.6 percent to \$4.6 billion. The largest part of the EIC, the refundable portion, was treated as a refund and paid directly to taxpayers who had no tax liability against which to apply the credit. The refundable portion of the EIC increased 4.9 percent to \$39.9 billion for 2006.

The comparisons of data for Tax Years 2005 and 2006 in this article are based on the preliminary estimates for both years. A few income and tax items tend to be understated in preliminary estimates; therefore, comparisons based on preliminary estimates for one year and final estimates for the previous year could be misleading. Comparisons based entirely on preliminary estimates reduce the likelihood of misinterpretation of the data and afford a more accurate representation of year-to-year changes. Final statistics for Tax Year 2005 are available in the Fall 2006 issue of the *Bulletin*.

## Changes in Law

In general, the definitions used in this article are the same as those in *Statistics of Income—2005, Individual Income Tax Returns*. The following is a partial list of tax law and Internal Revenue Service admin-

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istrative changes that had a major bearing on the Tax Year 2006 preliminary data presented in this article.

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

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

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

**Exemption Amount**—For Tax Year 2006, the exemption amount increased by \$100 to \$3,300. Taxpayers could have lost a portion of their exemption benefits if their adjusted gross incomes were above certain amounts (\$112,875 married persons filling separately, \$150,500 single individuals, \$188,150 for heads of household, and \$225,750 for married persons filling jointly or qualifying widow(er)s). For 2006, a taxpayer could lose no more than two-thirds of the dollar amount of their exemption, so the amount of each exemption could not be reduced to less than \$1,100. For 2005 and previous years, exemption amounts could be limited to zero.

**Credit for Federal Telephone Excise Tax**—Taxpayers who were billed after February 28, 2003, and before August 1, 2006, for Federal telephone excise tax on long distance or bundled service may have taken credit for those payments on their Tax Year 2006 income tax returns. Individuals were eligible to receive this credit if they had not received a refund from their service providers. They could claim a credit for these telephone excise payments even if they had no income tax liability. Taxpayers could request either a standard amount based on the number of exemptions claimed on their returns (number of exemptions: 0 = \$0, 1 = \$30, 2 = \$40, 3 = \$50, 4 or more = \$60), or they could claim the actual amounts as shown on their long distance telephone records. Individuals who did not otherwise have to file an income tax return filed a Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, in order to obtain their refunds. A total of 739,206 Form 1040EZ-T returns were filed for Tax Year 2006.

**General Business Credits**—The Energy Tax Incentives Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 provided tax incentives for energy efficient buildings and appliances, alternative and clean fuel vehicle credits, and other incentives and credits related to energy production and excise taxes. Of these, the new alternative motor vehicle credit had a large effect on the statistics for the general business credit for Tax Year 2006. A total of 145,000 sole proprietorships reported over \$291.0 million for the tentative alternative motor vehicle credit.

**Health Savings Account Deduction**—For Tax Year 2006, the maximum HSA deduction increased by \$50 to \$2,700 (\$5,450, if family coverage, up from \$5,250). These limits were \$700 higher if the taxpayer was age 55 or older.

**Katrina Emergency Tax Relief Act of 2005**—The new law provides an additional exemption of \$500 in taxable years 2005 or 2006 for each Hurricane Katrina displaced individual claimed by the taxpayer. The total additional exemption claimed for all years cannot exceed: \$2,000 for married taxpayers filing jointly, \$1,000 for married taxpayers filing separately, and \$2,000 for all other taxpayers. A Hurricane Katrina displaced individual is a person (1) whose main home on August 28, 2005, was in the Hurricane Katrina disaster area, (2) who was displaced from the home, and (3) who was provided housing free of

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charge in the taxpayer's main home for a period of at least 60 consecutive days which ended in the taxable year in which the exemption was claimed. The additional exemption is not subject to the income-based phaseouts applicable to personal exemptions, and is allowed as a deduction in computing alternative minimum taxable income.

*Kiddie Tax*—For Tax Year 2006, the age limit for children who received taxable income and needed to figure tax using their parent's higher marginal rates increased from 14 to 18. Also, the amount of taxable investment income a child could have before being taxed at their parents' rate rose to \$1,700, up from \$1,600. Because of the age change, the number of children filing Form 8615 increased from 142 thousand to 331 thousand. The kiddie tax paid on these returns increased 107.3 percent to \$645.2 million for 2006.

*Indexing*—The following items increased due to indexing for inflation: personal exemption amounts, basic standard deduction amounts, tax bracket boundaries, beginning income amounts for limiting certain itemized deductions and for the reduction of personal exemption deductions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

*Individual Retirement Arrangement Deduction*—For 2006, the contribution limit for Roth and traditional IRAs increased to \$5,000, up from \$4,500 in 2005, for taxpayers age 50 or over. For taxpayers under 50, the limit remained unchanged at \$4,000. The \$10,000 phaseout range for IRA deductions for those covered by a retirement plan began at income of \$75,000 if married filing jointly or a qualifying window(er), up from \$70,000 in 2005. It remained at \$50,000 for single person or head of household and at \$0 for a married person filing a separate return. Military members serving in combat zone localities could use tax free combat pay in figuring how much to contribute to a Roth or traditional IRA. This allowed members of the military with no taxable earned income to make contributions, unlike in previous years.

*Limit on Itemized Deductions Increased*—Taxpayers who had adjusted gross income above

\$150,500 (\$75,250 if married filing separately) could have lost part of their deduction for itemized deductions. This was an increase from 2005 amounts of \$145,950 (\$72,975 if married filing separately). For Tax Year 2006, the amount by which the deduction was reduced was only two-thirds of the amount of the reduction that would have otherwise applied (for 2005 and previous years).

*Residential Energy Credit*—For 2006, a taxpayer could receive a 10 percent credit for buying qualified energy efficiency improvements for their main home. The maximum nonbusiness energy property credit for all tax years is \$500, and no more than \$200 of the credit can be attributable to expenses for windows. An estimated 45 thousand taxpayers took an additional 30 percent credit for cost related to residential energy efficient property (qualified solar electric costs, solar water heating costs, and fuel cell costs) totaling \$44.0 million. Also, the credit for cost related to residential energy-efficient property was not limited to \$500.

*Standard Deduction Amount Increased*—The standard deduction for people who did not itemize deductions on Schedule A of Form 1040 was, in most cases, higher for 2006 than it was in 2005. The amount depended on filing status, being 65 or older or blind, and whether an exemption could be claimed for a taxpayer by another person. For 2006, the standard deduction increased to \$10,300 for joint filers, up from \$10,000 in 2005. For single filers and married filing separately the deduction amount increased to \$5,150. For heads of households, the deduction was \$7,550.

## Data Sources and Limitations

The preliminary statistics in this data release are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ including electronically filed returns) filed during Calendar Year 2007. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for Treasury Department tax modeling purposes.<sup>2</sup> Returns were then selected at rates ranging from 0.1 percent to

<sup>2</sup> Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, Foreign Earned Income; Form 1116, Foreign Tax Credit (Individual, Fiduciary, or Nonresident Alien Individual); Schedule C, Profit or Loss from Business (Sole Proprietorship); and Schedule F, Profit or Loss from Farming.

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100 percent. The preliminary Tax Year 2006 data are based on a sample of 243,548 returns and an estimated final population of 138,503,310 returns. The corresponding sample and population for the preliminary 2005 data were 231,171 and 134,577,117 returns, respectively.

Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CVs) are used to measure that magnitude. The reliability of estimates based on samples, and the use of coef-

ficients of variation for evaluating the precision of estimates based on samples, are discussed in the appendix to this issue of the *Bulletin*.

While the preliminary estimates are intended to represent a full year of taxpayer reporting, they are actually based on returns processed for tax administration purposes, in the case of 2006 returns, between January and late September of 2007. In general, returns processed during the remainder of each year tend to have somewhat different characteristics compared to returns processed earlier. These characteristics include, for example, disproportionately large amounts of investment income, passive losses, and alternative minimum tax.

# Individual Income Tax Returns, Preliminary Data, 2006

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**Table 1. Individual Income Tax Returns, Tax Year 2006 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income**

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

| Item   | All returns          | Size of adjusted gross income |                         |                         |                          |                           |                      |
|--|----------------------|-------------------------------|-------------------------|-------------------------|--------------------------|---------------------------|----------------------|
|  |                      | Under \$15,000 [1]            | \$15,000 under \$30,000 | \$30,000 under \$50,000 | \$50,000 under \$100,000 | \$100,000 under \$200,000 | \$200,000 or more    |
|  | (1)                  | (2)                           | (3)                     | (4)                     | (5)                      | (6)                       | (7)                  |
| <b>Number of returns, total</b>                          | <b>138,420,499</b>   | <b>37,614,447</b>             | <b>29,648,886</b>       | <b>24,906,995</b>       | <b>30,052,882</b>        | <b>12,109,523</b>         | <b>4,087,767</b>     |
| Form 1040 returns  | 83,518,153           | 14,582,112                    | 12,373,341              | 15,141,911              | 25,392,622               | 11,940,400                | 4,087,767            |
| Form 1040A returns                                       | 32,250,392           | 9,906,316                     | 11,931,339              | 6,694,879               | 3,571,505                | 146,356                   | 0                    |
| Form 1040EZ returns [2]                                  | 22,651,954           | 13,126,017                    | 5,344,207               | 3,070,207               | 1,088,755                | 22,766                    | 0                    |
| Electronically-filed returns [3]                         | 81,536,629           | 20,317,735                    | 18,863,279              | 15,639,751              | 18,020,528               | 6,834,881                 | 1,860,452            |
| <b>Adjusted gross income (less deficit)</b>              | <b>7,982,660,690</b> | <b>188,623,915</b>            | <b>655,386,215</b>      | <b>973,569,175</b>      | <b>2,123,893,982</b>     | <b>1,610,028,478</b>      | <b>2,431,158,925</b> |
| Salaries and wages:                                      |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 116,832,397          | 27,988,707                    | 25,291,726              | 22,183,773              | 26,927,990               | 10,919,775                | 3,520,432            |
| Amount   | 5,578,112,649        | 219,570,526                   | 532,165,023             | 801,742,594             | 1,677,698,996            | 1,213,106,852             | 1,133,828,658        |
| Taxable interest:  |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 62,500,172           | 9,398,553                     | 8,602,386               | 10,511,262              | 19,722,637               | 10,359,139                | 3,906,193            |
| Amount   | 192,779,487          | 12,304,484                    | 14,119,134              | 16,732,081              | 41,636,859               | 33,840,034                | 74,146,896           |
| Tax-exempt interest [4]:                                 |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 6,036,087            | 448,064                       | 421,142                 | 615,311                 | 1,662,698                | 1,486,817                 | 1,402,058            |
| Amount   | 69,505,527           | 2,292,581                     | 1,871,539               | 3,309,087               | 9,636,030                | 11,576,836                | 40,819,457           |
| Ordinary dividends:                                      |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 31,538,899           | 4,407,519                     | 3,556,147               | 4,330,807               | 9,524,467                | 6,508,529                 | 3,211,432            |
| Amount   | 185,974,188          | 6,341,798                     | 6,689,039               | 9,222,334               | 27,672,117               | 32,611,674                | 103,437,225          |
| Qualified dividends:                                     |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 26,527,893           | 3,603,463                     | 2,852,224               | 3,536,339               | 7,906,716                | 5,657,809                 | 2,971,341            |
| Amount   | 130,083,446          | 3,162,063                     | 3,498,261               | 5,025,537               | 16,890,337               | 21,585,258                | 79,921,990           |
| State income tax refunds:                                |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 23,117,093           | 558,024                       | 1,453,674               | 3,916,292               | 10,204,589               | 5,595,597                 | 1,388,919            |
| Amount   | 22,670,071           | 523,101                       | 718,430                 | 2,249,332               | 7,644,525                | 5,886,385                 | 5,648,298            |
| Alimony received:  |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 437,222              | 76,799                        | 113,223                 | 113,749                 | 102,865                  | 22,911                    | 7,677                |
| Amount   | 7,854,640            | 469,202                       | 1,009,563               | 1,489,962               | 2,383,400                | 1,117,011                 | 1,385,501            |
| Business or profession net income:                       |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 16,171,389           | 4,935,087                     | 2,706,877               | 2,376,501               | 3,526,978                | 1,804,635                 | 821,312              |
| Amount   | 316,776,424          | 33,961,648                    | 33,215,671              | 32,464,292              | 63,147,507               | 62,402,672                | 91,584,635           |
| Business or profession net loss:                         |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 5,464,904            | 1,007,477                     | 809,904                 | 978,345                 | 1,658,693                | 745,155                   | 265,331              |
| Amount   | 47,456,970           | 15,599,583                    | 5,728,321               | 5,695,514               | 9,522,642                | 5,043,176                 | 5,867,735            |
| Net capital gain reported on Schedule D:                 |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 13,234,954           | 1,478,097                     | 1,240,184               | 1,623,365               | 3,787,531                | 3,052,189                 | 2,053,589            |
| Amount   | 676,753,504          | 10,391,627                    | 5,684,784               | 9,558,503               | 37,553,097               | 64,964,904                | 548,600,585          |
| Capital gain distributions reported on Form 1040:        |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 4,649,118            | 775,280                       | 543,387                 | 742,085                 | 1,510,198                | 847,662                   | 230,507              |
| Amount   | 8,577,690            | 847,073                       | 718,607                 | 1,053,251               | 2,649,260                | 2,087,711                 | 1,221,785            |
| Net capital loss:  |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 8,612,023            | 1,598,634                     | 969,085                 | 1,056,643               | 2,363,620                | 1,734,632                 | 889,410              |
| Amount   | 18,691,022           | 3,472,291                     | 2,062,755               | 2,134,173               | 5,015,656                | 3,786,854                 | 2,219,293            |
| Sales of property other than capital assets, net gain:   |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 848,344              | 90,397                        | 94,484                  | 107,550                 | 228,166                  | 147,590                   | 180,157              |
| Amount   | 12,220,069           | 1,048,176                     | 591,014                 | 663,544                 | 1,952,986                | 2,034,101                 | 5,930,251            |
| Sales of property other than capital assets, net loss:   |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 828,441              | 126,553                       | 85,881                  | 96,260                  | 178,999                  | 143,458                   | 197,292              |
| Amount   | 9,275,159            | 3,981,291                     | 422,228                 | 467,207                 | 737,206                  | 889,728                   | 2,777,500            |
| Taxable Individual Retirement Arrangement distributions: |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 10,064,480           | 1,423,477                     | 1,842,487               | 1,771,601               | 3,115,328                | 1,440,935                 | 470,649              |
| Amount   | 125,057,748          | 6,221,499                     | 11,303,977              | 14,286,937              | 39,815,789               | 33,060,219                | 20,369,325           |
| Taxable pensions and annuities:                          |                      |                               |                         |                         |                          |                           |                      |
| Number of returns  | 24,467,625           | 3,829,440                     | 4,728,589               | 4,596,298               | 7,334,198                | 3,104,743                 | 874,355              |
| Amount   | 460,647,534          | 24,269,588                    | 55,138,473              | 73,632,304              | 164,388,444              | 103,222,185               | 39,996,539           |

Footnotes at end of table.



# Individual Income Tax Returns, Preliminary Data, 2006

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**Table 1. Individual Income Tax Returns, Tax Year 2006 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued**

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

| Item  | All returns | Size of adjusted gross income |                               |                               |                                |                                 |                      |
|---|-------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------|
|   |             | Under \$15,000<br>[1]         | \$15,000<br>under<br>\$30,000 | \$30,000<br>under<br>\$50,000 | \$50,000<br>under<br>\$100,000 | \$100,000<br>under<br>\$200,000 | \$200,000<br>or more |
|   | (1)         | (2)                           | (3)                           | (4)                           | (5)                            | (6)                             | (7)                  |
| <b>Rent and royalty net income:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 5,607,719   | 725,924                       | 719,681                       | 757,176                       | 1,594,246                      | 1,060,025                       | 750,673              |
| Amount  | 77,337,722  | 4,482,710                     | 3,824,814                     | 4,710,615                     | 13,617,142                     | 14,778,200                      | 35,924,239           |
| <b>Rent and royalty net loss:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 5,203,752   | 713,691                       | 631,171                       | 841,616                       | 1,719,422                      | 870,231                         | 427,624              |
| Amount  | 55,133,308  | 10,210,169                    | 5,531,704                     | 7,275,150                     | 15,405,088                     | 7,820,917                       | 8,890,280            |
| <b>Partnership and S corporation net income:</b>  |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 4,516,531   | 288,170                       | 301,191                       | 467,256                       | 1,142,593                      | 1,070,014                       | 1,247,310            |
| Amount  | 468,113,804 | 3,455,771                     | 3,430,145                     | 7,255,776                     | 23,042,128                     | 43,998,462                      | 386,931,518          |
| <b>Partnership and S corporation net loss:</b>  |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 2,305,876   | 398,433                       | 207,033                       | 283,490                       | 594,637                        | 457,195                         | 365,090              |
| Amount  | 65,866,290  | 26,188,819                    | 2,247,787                     | 3,013,156                     | 6,488,869                      | 6,601,529                       | 21,326,132           |
| <b>Estate and trust net income:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 503,385     | 49,424                        | 36,484                        | 57,386                        | 132,976                        | 124,515                         | 102,600              |
| Amount  | 17,404,639  | 259,211                       | 210,515                       | 341,676                       | 1,494,250                      | 2,295,795                       | 12,803,195           |
| <b>Estate and trust net loss:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 33,932      | 6,485                         | 4,537                         | 1,748                         | 5,971                          | 7,854                           | 7,338                |
| Amount  | 738,487     | 265,926                       | 13,161                        | 25,675                        | 22,817                         | 76,801                          | 334,107              |
| <b>Farm net income:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 564,085     | 109,452                       | 99,286                        | 106,470                       | 153,517                        | 68,575                          | 26,785               |
| Amount  | 8,395,511   | 778,825                       | 979,284                       | 1,135,370                     | 2,297,502                      | 1,446,075                       | 1,758,456            |
| <b>Farm net loss:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 1,400,682   | 267,426                       | 209,619                       | 241,489                       | 424,577                        | 176,888                         | 80,685               |
| Amount  | 22,519,021  | 6,113,665                     | 2,386,289                     | 2,880,151                     | 4,995,433                      | 2,791,222                       | 3,352,262            |
| <b>Unemployment compensation:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 7,457,645   | 1,429,953                     | 2,052,217                     | 1,572,763                     | 1,846,829                      | 477,912                         | 77,973               |
| Amount  | 26,777,624  | 4,028,738                     | 7,206,757                     | 5,927,645                     | 7,103,259                      | 2,077,452                       | 433,774              |
| <b>Taxable Social Security benefits:</b>  |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 13,946,403  | 75,561                        | 2,511,932                     | 3,601,008                     | 5,139,053                      | 1,892,217                       | 726,631              |
| Amount  | 146,855,542 | 290,198                       | 5,006,852                     | 22,940,476                    | 71,339,323                     | 33,219,136                      | 14,059,558           |
| <b>Total statutory adjustments:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 33,832,756  | 6,547,060                     | 5,278,518                     | 6,005,506                     | 9,425,236                      | 4,861,861                       | 1,714,576            |
| Amount  | 110,079,073 | 8,611,968                     | 9,040,544                     | 12,377,704                    | 26,381,764                     | 23,789,113                      | 29,877,980           |
| <b>Educator expenses:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 3,205,761   | 83,980                        | 212,258                       | 583,505                       | 1,404,912                      | 810,570                         | 110,534              |
| Amount  | 816,224     | 18,068                        | 49,667                        | 139,110                       | 362,069                        | 220,294                         | 27,020               |
| <b>Certain business expenses of reservists, performing artists, and fee-basis government officials:</b> |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 120,005     | 15,317                        | 21,367                        | 17,998                        | 38,897                         | 23,251                          | 3,179                |
| Amount  | 368,850     | 78,420                        | 54,808                        | 65,275                        | 99,722                         | 58,080                          | 12,543               |
| <b>Payments to an Individual Retirement Arrangement:</b>  |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 3,286,760   | 178,443                       | 491,755                       | 778,811                       | 1,129,318                      | 558,773                         | 149,661              |
| Amount  | 12,768,170  | 472,522                       | 1,385,278                     | 2,629,202                     | 4,476,408                      | 2,714,408                       | 1,090,352            |
| <b>Student loan interest deduction:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 8,605,148   | 799,712                       | 1,572,827                     | 2,200,386                     | 3,141,256                      | 890,968                         | 0                    |
| Amount  | 6,187,425   | 497,263                       | 1,056,644                     | 1,650,012                     | 2,427,939                      | 555,569                         | 0                    |
| <b>Tuition and fees deduction:</b>  |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 4,028,959   | 786,010                       | 358,634                       | 433,246                       | 1,116,338                      | 1,334,732                       | 0                    |
| Amount  | 9,632,076   | 2,229,087                     | 832,231                       | 989,390                       | 2,418,219                      | 3,163,148                       | 0                    |
| <b>Health savings account deduction:</b>  |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 351,170     | 12,193                        | 24,594                        | 52,053                        | 118,650                        | 79,831                          | 63,846               |
| Amount  | 845,431     | 25,402                        | 37,404                        | 91,876                        | 255,657                        | 209,772                         | 225,323              |
| <b>Medical savings account deduction:</b>   |             |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 17,011      | 366                           | 1,704                         | 4,466                         | 4,268                          | 3,328                           | 2,881                |
| Amount  | 29,908      | 363                           | 1,959                         | 3,888                         | 10,342                         | 4,745                           | 8,613                |

Footnotes at end of table.

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**Table 1. Individual Income Tax Returns, Tax Year 2006 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued**

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

| Item  | All returns   | Size of adjusted gross income |                               |                               |                                |                                 |                      |
|---|---------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------|
|   |               | Under \$15,000<br>[1]         | \$15,000<br>under<br>\$30,000 | \$30,000<br>under<br>\$50,000 | \$50,000<br>under<br>\$100,000 | \$100,000<br>under<br>\$200,000 | \$200,000<br>or more |
|   | (1)           | (2)                           | (3)                           | (4)                           | (5)                            | (6)                             | (7)                  |
| <b>Moving expenses adjustment:</b>                          |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 1,087,129     | 97,993                        | 219,402                       | 217,877                       | 331,540                        | 173,608                         | 46,712               |
| Amount  | 3,157,994     | 230,899                       | 410,145                       | 471,685                       | 1,009,558                      | 790,413                         | 245,294              |
| <b>Self-employment tax deduction:</b>                       |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 16,892,682    | 4,847,756                     | 2,751,743                     | 2,437,181                     | 3,673,542                      | 2,004,715                       | 1,177,744            |
| Amount  | 22,451,883    | 2,539,574                     | 2,579,976                     | 2,675,869                     | 5,217,133                      | 4,358,707                       | 5,080,625            |
| <b>Self-employed health insurance deduction:</b>            |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 3,537,194     | 486,051                       | 519,305                       | 541,133                       | 835,069                        | 593,492                         | 562,143              |
| Amount  | 18,469,428    | 1,690,861                     | 1,937,536                     | 2,237,559                     | 4,120,228                      | 3,600,987                       | 4,882,256            |
| <b>Payments to a self-employed retirement (Keogh) plan:</b> |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 1,176,905     | 21,891                        | 35,507                        | 82,013                        | 253,636                        | 385,950                         | 397,911              |
| Amount  | 20,243,044    | 114,498                       | 132,705                       | 546,245                       | 2,208,683                      | 5,812,185                       | 11,428,728           |
| <b>Penalty on early withdrawal of savings:</b>              |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 1,172,267     | 206,265                       | 202,145                       | 238,170                       | 315,955                        | 159,774                         | 49,957               |
| Amount  | 433,716       | 81,515                        | 70,368                        | 69,700                        | 117,092                        | 57,481                          | 37,563               |
| <b>Alimony paid:</b>  |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 578,779       | 37,739                        | 51,145                        | 87,032                        | 200,109                        | 118,940                         | 83,817               |
| Amount  | 8,701,183     | 455,843                       | 406,037                       | 687,352                       | 1,814,032                      | 1,813,597                       | 3,524,321            |
| <b>Domestic production activities deduction:</b>            |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 402,710       | 8,396                         | 14,348                        | 35,238                        | 85,632                         | 95,022                          | 164,075              |
| Amount  | 3,277,003     | 1,863                         | 6,736                         | 24,893                        | 89,566                         | 183,254                         | 2,970,693            |
| <b>Other adjustments:</b>                                   |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 136,308       | 13,915                        | 23,691                        | 26,592                        | 36,289                         | 24,872                          | 10,952               |
| Amount  | 1,066,677     | 154,352                       | 72,159                        | 82,416                        | 235,184                        | 232,571                         | 289,992              |
| <b>Total deductions:</b>                                    |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 135,806,268   | 35,010,184                    | 29,646,832                    | 24,902,939                    | 30,050,155                     | 12,108,440                      | 4,087,716            |
| Amount  | 1,793,667,050 | 219,938,507                   | 244,698,207                   | 259,106,584                   | 469,953,668                    | 311,346,592                     | 288,623,494          |
| <b>Total standard deduction:</b>                            |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 86,788,384    | 33,132,063                    | 25,035,792                    | 16,008,030                    | 10,954,420                     | 1,442,339                       | 215,740              |
| Amount  | 611,274,926   | 192,576,599                   | 177,811,464                   | 123,100,918                   | 101,049,207                    | 14,618,909                      | 2,117,831            |
| <b>Basic standard deduction:</b>                            |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 86,788,384    | 33,132,063                    | 25,035,792                    | 16,008,030                    | 10,954,420                     | 1,442,339                       | 215,740              |
| Amount  | 594,041,953   | 187,246,043                   | 173,020,725                   | 120,131,694                   | 97,813,107                     | 13,841,621                      | 1,988,758            |
| <b>Additional standard deduction:</b>                       |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 11,419,381    | 3,735,598                     | 3,137,026                     | 1,952,605                     | 2,046,588                      | 468,724                         | 78,839               |
| Amount  | 17,232,969    | 5,330,553                     | 4,790,733                     | 2,969,222                     | 3,236,100                      | 777,288                         | 129,072              |
| <b>Total itemized deductions (after limitation):</b>        |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 49,017,884    | 1,878,122                     | 4,611,040                     | 8,894,908                     | 19,095,734                     | 10,666,100                      | 3,871,976            |
| Amount  | 1,182,392,125 | 27,361,908                    | 66,886,742                    | 136,005,666                   | 368,904,461                    | 296,727,683                     | 286,505,663          |
| <b>Itemized deductions in excess of limitation:</b>         |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 6,827,652     | 0                             | 0                             | 0                             | 102,259                        | 2,854,004                       | 3,871,390            |
| Amount  | 33,562,088    | 0                             | 0                             | 0                             | 23,548                         | 1,275,777                       | 32,262,764           |
| <b>Medical and dental expenses deduction:</b>               |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 10,121,720    | 1,198,624                     | 2,094,087                     | 2,566,113                     | 3,358,984                      | 814,888                         | 89,025               |
| Amount  | 69,090,147    | 8,605,357                     | 14,073,218                    | 14,859,988                    | 21,344,251                     | 7,580,273                       | 2,627,055            |
| <b>Taxes paid deduction:</b>                                |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 48,565,862    | 1,786,455                     | 4,470,749                     | 8,761,972                     | 19,025,427                     | 10,653,668                      | 3,867,589            |
| Amount  | 423,257,838   | 4,810,268                     | 12,682,925                    | 32,111,521                    | 110,636,971                    | 111,275,862                     | 151,740,293          |
| <b>State and local income taxes [5]:</b>                    |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 46,847,080    | 1,573,754                     | 4,126,506                     | 8,351,937                     | 18,491,140                     | 10,470,750                      | 3,832,993            |
| Amount  | 258,058,659   | 1,133,894                     | 4,100,589                     | 13,956,090                    | 57,314,601                     | 64,276,889                      | 117,276,598          |
| <b>Income taxes:</b>  |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 35,846,674    | 587,785                       | 2,377,349                     | 6,153,913                     | 14,821,496                     | 8,711,236                       | 3,194,895            |
| Amount  | 239,126,293   | 589,572                       | 2,750,263                     | 11,430,636                    | 51,151,106                     | 59,692,890                      | 113,511,827          |
| <b>General sales taxes:</b>                                 |               |                               |                               |                               |                                |                                 |                      |
| Number of returns   | 11,000,405    | 985,968                       | 1,749,157                     | 2,198,024                     | 3,669,644                      | 1,759,514                       | 638,100              |
| Amount  | 18,932,366    | 544,322                       | 1,350,325                     | 2,525,455                     | 6,163,495                      | 4,583,999                       | 3,764,769            |

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

**Table 1. Individual Income Tax Returns, Tax Year 2006 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued**

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

| Item   | All returns   | Size of adjusted gross income |                               |                               |                                |                                 |                      |
|--|---------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------|
|  |               | Under \$15,000<br>[1]         | \$15,000<br>under<br>\$30,000 | \$30,000<br>under<br>\$50,000 | \$50,000<br>under<br>\$100,000 | \$100,000<br>under<br>\$200,000 | \$200,000<br>or more |
|  | (1)           | (2)                           | (3)                           | (4)                           | (5)                            | (6)                             | (7)                  |
| <b>Interest paid deduction:</b>                      |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 40,110,187    | 1,206,964                     | 3,105,372                     | 6,888,558                     | 16,367,162                     | 9,332,120                       | 3,210,013            |
| Amount   | 450,398,602   | 10,574,132                    | 25,965,861                    | 58,215,543                    | 160,618,658                    | 120,314,309                     | 74,710,104           |
| <b>Charitable contributions deduction:</b>           |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 41,427,765    | 1,179,148                     | 3,262,742                     | 6,926,596                     | 16,486,384                     | 9,891,158                       | 3,681,738            |
| Amount   | 173,018,464   | 1,619,116                     | 6,190,357                     | 14,706,167                    | 44,069,662                     | 38,178,579                      | 68,254,587           |
| <b>Taxable income:</b>                               |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 106,803,674   | 11,344,628                    | 25,074,747                    | 24,330,098                    | 29,883,128                     | 12,089,990                      | 4,081,084            |
| Amount   | 5,553,096,928 | 34,742,527                    | 250,711,104                   | 551,385,341                   | 1,409,304,270                  | 1,187,091,681                   | 2,119,862,003        |
| <b>Alternative minimum tax:</b>                      |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 4,037,074     | 10,023                        | 6,117                         | 10,697                        | 219,535                        | 1,132,178                       | 2,658,522            |
| Amount   | 19,252,710    | 81,650                        | 19,488                        | 27,197                        | 272,525                        | 2,141,751                       | 16,710,101           |
| <b>Income tax before credits:</b>                    |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 106,823,754   | 11,353,195                    | 25,074,981                    | 24,330,101                    | 29,888,144                     | 12,093,831                      | 4,083,501            |
| Amount   | 1,083,780,725 | 3,534,141                     | 28,876,222                    | 71,230,518                    | 207,895,254                    | 217,060,887                     | 555,183,703          |
| <b>Total tax credits [6]:</b>                        |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 46,331,299    | 2,612,210                     | 11,035,421                    | 10,634,048                    | 14,362,114                     | 5,765,181                       | 1,922,326            |
| Amount   | 57,450,072    | 392,661                       | 6,314,560                     | 11,384,119                    | 22,875,797                     | 6,523,387                       | 9,959,547            |
| <b>Child care credit:</b>                            |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 6,524,616     | 32,606                        | 1,158,838                     | 1,363,553                     | 2,416,598                      | 1,274,787                       | 278,235              |
| Amount   | 3,519,410     | 4,614                         | 600,325                       | 803,006                       | 1,282,657                      | 686,508                         | 142,298              |
| <b>Credit for the elderly or disabled:</b>           |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 99,044        | 56,056                        | 42,987                        | 0                             | 0                              | 0                               | 0                    |
| Amount   | 14,847        | 10,406                        | 4,441                         | 0                             | 0                              | 0                               | 0                    |
| <b>Child tax credit:</b>                             |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 25,818,992    | 231,421                       | 5,532,472                     | 6,782,577                     | 10,165,509                     | 3,105,352                       | 1,662                |
| Amount   | 31,836,114    | 26,241                        | 2,935,137                     | 7,688,856                     | 16,876,668                     | 4,307,676                       | 1,539                |
| <b>Education tax credits:</b>                        |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 7,819,470     | 591,175                       | 2,097,080                     | 2,099,279                     | 2,880,739                      | 151,196                         | 0                    |
| Amount   | 7,128,447     | 183,375                       | 1,590,445                     | 1,995,076                     | 3,287,047                      | 72,505                          | 0                    |
| <b>Retirement savings contributions credit:</b>      |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 5,261,485     | 302,371                       | 2,455,945                     | 2,502,518                     | 651                            | 0                               | 0                    |
| Amount   | 908,521       | 65,226                        | 450,252                       | 392,997                       | 46                             | 0                               | 0                    |
| <b>Adoption credit:</b>                              |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 90,684        | **                            | ** 3,823                      | 22,130                        | 47,532                         | 16,298                          | 901                  |
| Amount   | 334,705       | **                            | ** 2,444                      | 29,250                        | 164,824                        | 132,007                         | 6,175                |
| <b>Residential energy credits:</b>                   |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 4,452,576     | 36,272                        | 290,575                       | 788,993                       | 1,971,839                      | 1,082,415                       | 282,480              |
| Amount   | 1,023,719     | 4,035                         | 57,309                        | 164,205                       | 439,585                        | 272,507                         | 86,078               |
| <b>Foreign tax credit:</b>                           |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 6,392,372     | 330,261                       | 419,423                       | 663,904                       | 1,804,546                      | 1,704,651                       | 1,469,584            |
| Amount   | 9,430,601     | 10,500                        | 42,768                        | 81,359                        | 414,109                        | 674,590                         | 8,207,274            |
| <b>General business credit:</b>                      |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 362,918       | 6,144                         | 11,829                        | 40,711                        | 130,406                        | 106,583                         | 67,247               |
| Amount   | 1,114,077     | 1,074                         | 9,440                         | 64,217                        | 263,407                        | 170,008                         | 605,930              |
| <b>Prior year minimum tax credit:</b>                |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 334,017       | 1,463                         | 10,253                        | 12,102                        | 55,565                         | 148,009                         | 106,627              |
| Amount   | 1,012,865     | 114                           | 6,047                         | 17,123                        | 56,906                         | 159,657                         | 773,019              |
| <b>Self-employment tax:</b>                          |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 16,892,682    | 4,847,756                     | 2,751,743                     | 2,437,181                     | 3,673,542                      | 2,004,715                       | 1,177,744            |
| Amount   | 44,895,363    | 5,076,735                     | 5,158,588                     | 5,350,527                     | 10,432,451                     | 8,716,400                       | 10,160,659           |
| <b>Total earned income credit (EIC):</b>             |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 23,392,886    | 12,396,250                    | 8,963,542                     | 2,033,092                     | 0                              | 0                               | 0                    |
| Amount   | 45,364,048    | 22,920,782                    | 21,107,675                    | 1,335,592                     | 0                              | 0                               | 0                    |
| <b>EIC used to offset income tax before credits:</b> |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 2,983,077     | 1,086,868                     | 1,358,391                     | 537,820                       | 0                              | 0                               | 0                    |
| Amount   | 808,517       | 86,583                        | 605,753                       | 116,179                       | 0                              | 0                               | 0                    |

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

**Table 1. Individual Income Tax Returns, Tax Year 2006 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued**

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

| Item   | All returns   | Size of adjusted gross income |                               |                               |                                |                                 |                      |
|--|---------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------|
|  |               | Under \$15,000<br>[1]         | \$15,000<br>under<br>\$30,000 | \$30,000<br>under<br>\$50,000 | \$50,000<br>under<br>\$100,000 | \$100,000<br>under<br>\$200,000 | \$200,000<br>or more |
|  | (1)           | (2)                           | (3)                           | (4)                           | (5)                            | (6)                             | (7)                  |
| <b>EIC used to offset other taxes:</b>               |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 4,972,285     | 3,247,574                     | 1,400,473                     | 324,238                       | 0                              | 0                               | 0                    |
| Amount   | 4,645,878     | 2,724,744                     | 1,750,799                     | 170,336                       | 0                              | 0                               | 0                    |
| <b>Excess EIC, refundable portion:</b>               |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 20,639,026    | 10,804,666                    | 8,346,920                     | 1,487,439                     | 0                              | 0                               | 0                    |
| Amount   | 39,909,653    | 20,109,454                    | 18,751,122                    | 1,049,077                     | 0                              | 0                               | 0                    |
| <b>Additional child tax credit:</b>                  |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 15,723,997    | 2,753,186                     | 8,286,213                     | 3,674,218                     | 989,158                        | 21,224                          | 0                    |
| Amount   | 16,354,979    | 1,266,585                     | 8,671,525                     | 5,075,484                     | 1,307,461                      | 33,924                          | 0                    |
| <b>Credit for Federal telephone excise tax paid:</b> |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 97,260,127    | 18,193,693                    | 20,015,816                    | 18,932,562                    | 25,344,153                     | 10,956,847                      | 3,817,058            |
| Amount   | 4,180,071     | 723,444                       | 824,876                       | 783,685                       | 1,134,889                      | 524,961                         | 188,219              |
| <b>Total income tax:</b>                             |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 92,762,414    | 9,902,429                     | 17,305,918                    | 20,519,800                    | 28,883,062                     | 12,071,006                      | 4,080,197            |
| Amount   | 1,026,331,685 | 3,141,480                     | 22,561,661                    | 59,846,400                    | 185,019,469                    | 210,537,500                     | 545,225,176          |
| <b>Total tax liability:</b>                          |               |                               |                               |                               |                                |                                 |                      |
| Number of returns                                    | 96,671,006    | 12,396,501                    | 18,035,187                    | 21,004,343                    | 29,074,807                     | 12,078,369                      | 4,081,801            |
| Amount   | 1,071,236,902 | 5,670,230                     | 25,846,422                    | 65,043,172                    | 196,955,952                    | 220,670,589                     | 557,050,537          |

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

[1] Includes returns with adjusted gross deficit.

[2] For 2006, the total number of Form 1040EZ returns includes 739,206 Form 1040EZ-T returns.

[3] Included in data for Forms 1040, 1040A, and 1040EZ.

[4] Not included in adjusted gross income.

[5] State and local income taxes are the total of both income taxes and general sales taxes.

[6] Includes EIC used to offset income tax before credits, shown separately later in this table.

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