

High-Income Tax Returns, 1989

The Tax Reform Act of 1976 required annual publication of data on individual income tax returns reporting income of \$200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable [1]. This article presents summary data on high-income tax returns for the period 1977 to 1989, and detailed data for 1989. Data for the years 1974 through 1988 have been published previously [2].

Two income concepts are used in this article to classify tax returns as high-income: the statutory income concept of adjusted gross income (AGI), and the expanded income concept [3]. Expanded income uses items reported on tax returns to obtain a more comprehensive measure of income than AGI. Specifically, expanded income is AGI plus tax-exempt interest, nontaxable social security benefits, and items of tax preference for alternative minimum tax purposes; less unreimbursed employee business expenses, moving expenses, investment interest to the extent it does not exceed investment income, and miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor [4]. Note that although expanded income is a more comprehensive measure of income than AGI, for some taxpayers the subtractions from AGI to arrive at expanded income exceed the additions, with the result that expanded income is less than AGI.

Number of High-Income Returns

For 1989, there were 786,063 individual income tax returns reporting AGI of \$200,000 or more, and 814,152 reporting expanded income of \$200,000 or more. These returns represented, respectively, 0.701 and 0.726 percent of all returns for 1989 (see the top panel of Figure A).

Since 1977, the number of returns reporting income of \$200,000 or more increased much more rapidly than the total number of returns filed. This pattern is true under both income concepts. Each year these high-income returns have comprised a larger share of all returns than in the preceding years (Figure A). The difference in the number of high-income returns between the two income concepts significantly decreased beginning for 1987, when AGI began to include 100 percent of long-term capital gains. This change in the definition of AGI makes the income concepts of AGI and expanded income more

comparable. In addition, the inclusion of tax-exempt interest in expanded income starting with 1987 made expanded income for years after 1986 not strictly comparable to expanded income for years before 1987.

In the top panel of Figure A the \$200,000 threshold for high-income returns is measured in current year (nominal) dollars. As a result of inflation, the real (constant) dollar level of the threshold has fallen over time, and some returns are classified as high-income that would not have been classified as high-income in earlier years. To maintain the comparability of the threshold over time, the threshold has been adjusted for inflation to constant 1976 dollars for all years, and the number of high-income tax returns has been recomputed [5].

The results using the constant 1976 dollar threshold are shown in the lower panel of Figure A. Using the expanded income concept, the number of returns for 1989 measured in current year dollars was 13 times as large as for 1977. Measured in constant 1976 dollars, the number of returns for 1989 was nearly four times the number for 1977. Note that since 1977, the number of returns with income of \$200,000 or more in constant 1976 dollars has increased at a much more rapid rate than the total number of returns filed. Between 1977 and 1989, the share of such returns rose from 0.067 percent to 0.204 percent of all returns.

Based on AGI, the number of returns for 1989 measured in current year dollars was 14 times as large as for 1977. Measured in constant 1976 dollars, the number of returns for 1989 was over four times the number for 1977. Between 1977 and 1989, the share of such returns rose from 0.052 percent to 0.194 percent of all returns.

Nontaxable High-Income Returns

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable. The first concept, "U.S. Income Tax," is total Federal income tax liability (including the alternative minimum tax), less all credits against income tax (except the earned income tax credit). Since the U.S. income tax applies to worldwide income and since a credit (subject to certain limits) is allowed against U.S. income tax for income taxes paid to foreign governments, a return could be classified as nontaxable under this first concept even though income taxes had been paid to a foreign government. The second tax concept, "Worldwide Income Tax," addresses this circumstance by adding back to U.S. income tax the allowed foreign tax credit [6].

For 1989, of the 786,063 income tax returns with AGI of \$200,000 or more, 1,081, or 0.138 percent, had no U.S. income tax liability; and 987, or 0.126 percent, had no worldwide income tax liability (see the top panel of Figure B). For 1988, 822 returns with AGI of \$200,000 or

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Figure A

All Returns and Returns with Income of \$200,000 or More Measured in Current Dollars and in Constant 1976 Dollars, by Income Concept, Tax Years 1977-1989

Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	88,634,640	53,403	67,580	0.060	0.076
1978.....	89,771,551	68,506	85,137	0.076	0.095
1979.....	92,694,302	93,731	122,231	0.101	0.132
1980.....	93,902,459	117,250	149,826	0.125	0.160
1981.....	96,396,123	138,136	175,092	0.143	0.182
1982.....	95,337,432	169,367	207,291	0.178	0.217
1983.....	96,321,310	198,608	249,319	0.206	0.259
1984.....	99,438,708	243,760	310,042	0.245	0.312
1985.....	101,660,287	296,507	370,340	0.292	0.364
1986.....	103,045,170	374,363	529,460	0.363	0.514
1987.....	106,996,270	539,967	557,848	0.505	0.521
1988.....	109,708,280	725,345	737,659	0.661	0.672
1989.....	112,135,673	786,063	814,152	0.701	0.726

Tax year	\$200,000 income threshold measured in constant 1976 dollars				
	Number of returns by income concept		Percentage of all returns by income concept		Current dollar income threshold equal to \$200,000 in constant 1976 dollars (whole dollars)
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	
	(6)	(7)	(8)	(9)	(10)
1977.....	45,931	58,991	0.052	0.067	213,005
1978.....	49,388	62,556	0.055	0.070	229,174
1979.....	55,542	76,479	0.060	0.083	255,184
1980.....	52,512	71,704	0.056	0.076	289,631
1981.....	50,880	71,146	0.053	0.074	319,508
1982.....	59,411	81,297	0.062	0.085	339,192
1983.....	67,310	93,977	0.070	0.098	350,088
1984.....	80,800	116,389	0.081	0.117	365,202
1985.....	95,740	134,715	0.094	0.133	378,207
1986.....	119,550	191,596	0.116	0.186	385,237
1987.....	161,408	169,942	0.151	0.159	399,297
1988.....	235,051	241,201	0.214	0.220	415,817
1989.....	217,685	228,530	0.194	0.204	435,852

more had no U.S. income tax liability; and 731 returns had no worldwide income tax liability.

Of the 814,152 tax returns with expanded income of \$200,000 or more for 1989, 779, or 0.096 percent, had no U.S. income tax liability; and 691, or 0.085 percent, had no worldwide income tax liability. Of the 737,659 returns with expanded income of \$200,000 or more for 1988, 397 had no U.S. income tax liability; and 309 had no worldwide income tax liability. Although the number of nontaxable returns has gone up greatly between 1977 and 1989, because the number of all returns — taxable and nontaxable — with income of \$200,000 or more has risen

substantially, the percentage of nontaxable returns has not changed as significantly.

Since the inclusion of tax-exempt interest in expanded income starting with 1987, the concept of expanded income is no longer strictly comparable to expanded income calculated for years before 1987. Despite the rise in the number of nontaxable returns for 1989, the percentage of returns that was nontaxable actually decreased when compared to 1986. For 1986, the percentage of nontaxable returns was 0.112. For 1989, the percentage of nontaxable returns had decreased to 0.096.

Using the constant 1976 dollar threshold, the number of

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nontaxable returns was significantly lower. Yet the percentages of returns which are nontaxable are not significantly different. Of returns with AGI of \$200,000 or more in current dollars, 0.138 percent reported no U.S. income tax for 1989; 0.126 percent had no worldwide income tax. For returns in constant 1976 dollars, the percentage of returns without U.S. income tax liability was 0.135; the percentage of returns without worldwide

income tax liability was 0.124 (see the lower panel of Figure B). Of the returns with expanded income of \$200,000 or more in current dollars, 0.096 percent reported no U.S. income tax; 0.085 percent reported no worldwide income tax. For returns in constant 1976 dollars, the percentage of returns without U.S. tax liability was 0.056; the percentage of returns without worldwide income tax liability was 0.046. Beginning with 1987, the

Figure B

Nontaxable Returns with Income of \$200,000 or More Measured in Current Dollars and in Constant 1976 Dollars, by Tax and Income Concept, Tax Years 1977-1989

Tax year	\$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977.....	60	85	37	64	0.112	0.126	0.069	0.095
1978.....	98	105	60	67	0.143	0.123	0.088	0.079
1979.....	70	114	28	64	0.075	0.093	0.030	0.052
1980.....	143	198	56	114	0.122	0.132	0.048	0.076
1981.....	226	304	79	114	0.164	0.174	0.057	0.065
1982.....	262	299	109	153	0.155	0.144	0.064	0.074
1983.....	447	579	321	437	0.225	0.232	0.162	0.175
1984.....	532	325	471	271	0.218	0.105	0.193	0.087
1985.....	612	613	442	454	0.206	0.166	0.149	0.123
1986.....	659	595	437	379	0.176	0.112	0.117	0.072
1987.....	857	472	740	364	0.159	0.085	0.137	0.065
1988.....	822	397	731	309	0.113	0.054	0.101	0.042
1989.....	1,081	779	987	691	0.138	0.096	0.126	0.085

Tax year	\$200,000 income threshold measured in constant 1976 dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1977.....	54	75	32	56	0.118	0.127	0.070	0.095
1978.....	62	70	31	39	0.126	0.112	0.063	0.062
1979.....	38	71	15	39	0.068	0.093	0.027	0.051
1980.....	56	71	22	39	0.107	0.099	0.042	0.054
1981.....	53	87	21	55	0.104	0.122	0.041	0.077
1982.....	58	68	27	36	0.098	0.084	0.045	0.044
1983.....	138	135	113	108	0.205	0.144	0.168	0.115
1984.....	170	78	160	66	0.210	0.067	0.198	0.057
1985.....	190	155	137	99	0.198	0.115	0.143	0.073
1986.....	201	189	138	120	0.168	0.099	0.115	0.063
1987.....	312	126	271	85	0.193	0.074	0.168	0.050
1988.....	277	141	251	116	0.118	0.058	0.107	0.048
1989.....	293	128	269	106	0.135	0.056	0.124	0.046

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number of high-income returns whose nontaxability may be attributed to foreign tax credits has been reduced substantially. The reduction appears to be attributable to changes in the foreign tax credit provisions of the "alternative minimum tax" (AMT).

Note that the number of nontaxable returns with incomes of \$200,000 or more are based on samples. Thus, year-to-year differences in the numbers and percentages of nontaxable returns with expanded income of \$200,000 or more may represent sampling variability in addition to actual changes in the numbers of such returns [7].

Figures C and D show the number of nontaxable high-income returns in both current year and constant 1976 dollars, and their proportion of all high-income returns between 1977 and 1989. Figure C is for returns with expanded income of \$200,000 or more and no U.S. income tax liability measured in both current year and constant 1976 dollars. Figure D is for returns with expanded income of \$200,000 or more and no worldwide income tax liability. In both figures, the spread between the two percentage lines is small in the late 1970's, increased in the early 1980's, and decreased again in recent years.

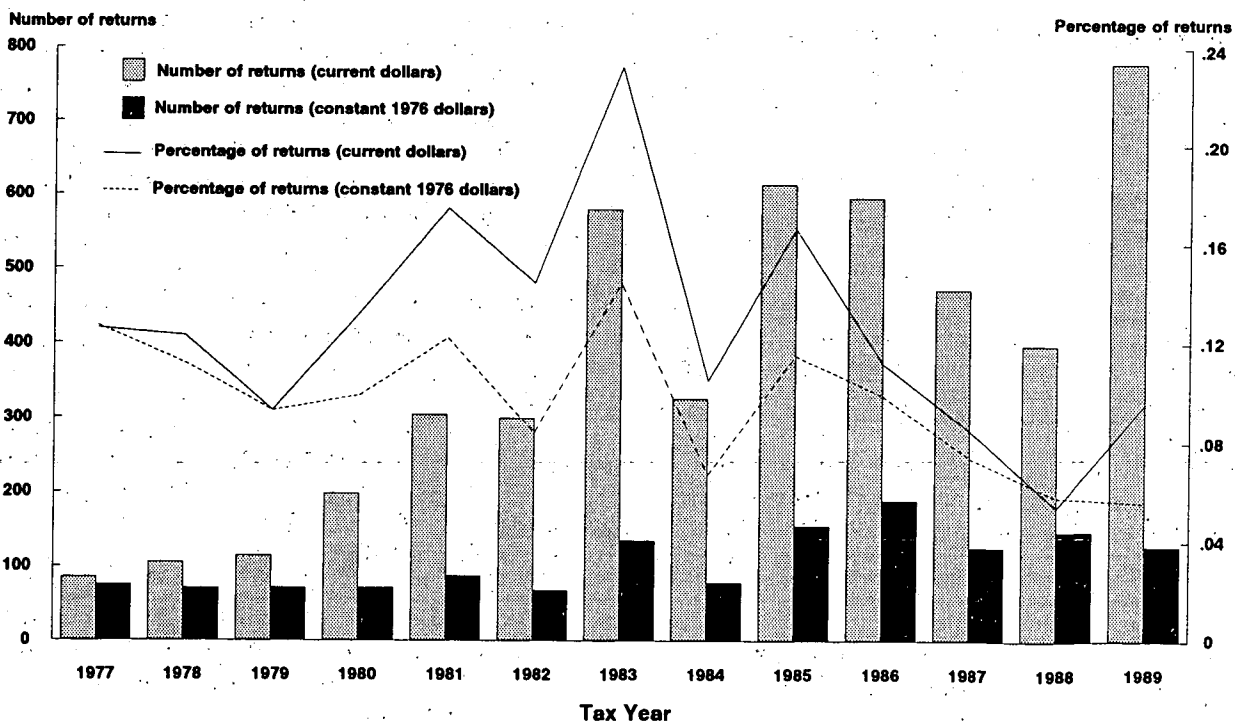
Detailed Data for 1989

Tables 1 through 12 present data based on 1989 income tax returns, mainly those with incomes of \$200,000 or more (measured in current year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income classes (Tables 1 and 2);
- The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and the second most important items in reducing (or eliminating) income taxes (Tables 7 and 8);

Figure C

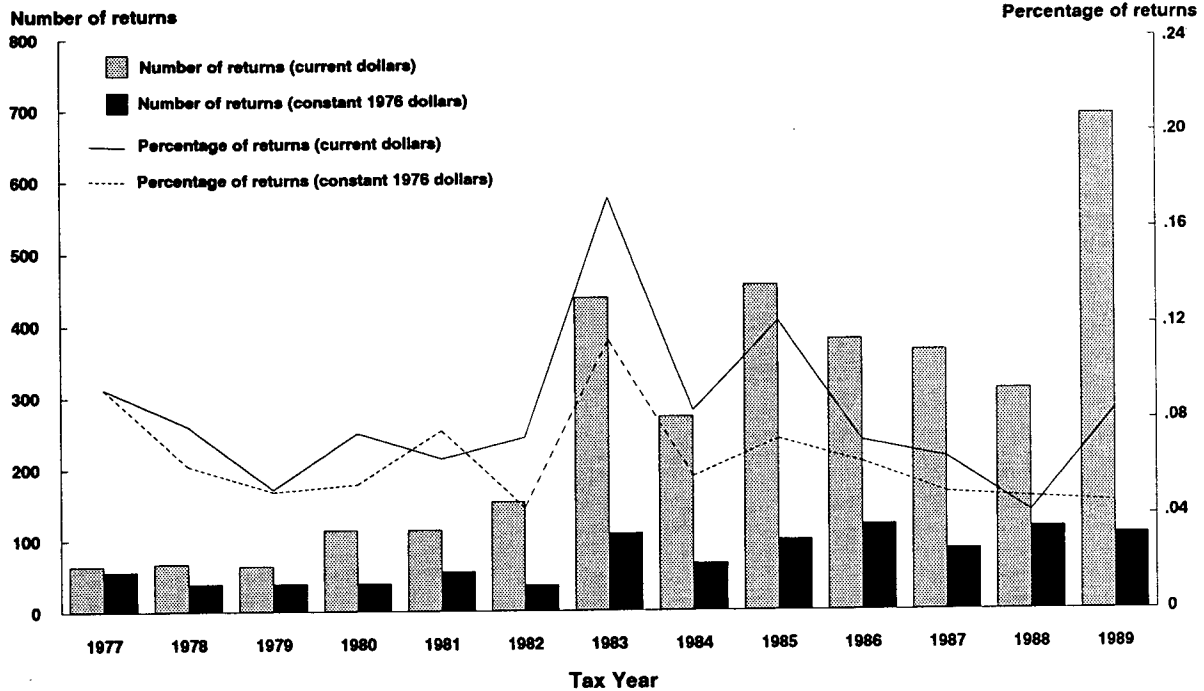
Number and Percentage of Returns with No U.S. Income Tax and with Expanded Income of \$200,000 or more, Tax Years 1977-1989



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Figure D

Number and Percentage of Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or more, Tax Years 1977-1989



- The frequencies with which various itemized deductions, tax credits, and preferences occur as certain percentages of income (Tables 9 and 10); and
- The distributions of effective tax rates, i.e., income tax under each definition as percentages of income, by broad income classes (Tables 11 and 12).

Tables 1, 3, 5, 7, 9 and 11 use the "U.S. Income Tax" concept to classify returns as taxable or nontaxable, whereas Tables 2, 4, 6, 8, 10 and 12 use the concept of "Worldwide Income Tax."

Size of Income

Tables 1 and 2 show the number of all returns, taxable returns, and nontaxable returns, cross-classified by broad AGI and expanded income size classes. The tables show that most returns fall in the same broad income size class under both income concepts, but that expanded income tends to be a broader measure of income and therefore classifies more total and taxable returns in each of the \$50,000-and-over income size classes. However, for nontaxable high-income returns, AGI tends to be a broader measure. For example, Table 1 shows that 1,081 returns with no U.S. income tax had AGI's of \$200,000 or more, but only 779 had expanded incomes of \$200,000 or more.

Distribution of Tax Levels

Tables 3 and 4 show the distributions of high-income returns by the ratios of adjusted taxable income (adjusted to reflect tax credits and special tax computations) to AGI or expanded income. Taxable income has been adjusted for these tables by subtracting from taxable income the deduction equivalents of tax credits and other items [8]. The tables illustrate three important facts about high-income tax returns. (The examples in the paragraphs below are drawn from the "expanded income" columns in Table 4.)

1. As already described, only a small proportion of high-income taxpayers were able to escape all income taxes (0.085 percent).
2. Another group of high-income taxpayers—also a small group, but larger than the nontaxable group—was able to offset a very substantial fraction of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of his or her income. Such taxpayers may be called "nearly nontaxables." (About 0.9 percent of high expanded-income taxpayers were able to reduce their taxable income to less than 25 percent of their expanded income.)

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3. Overall, a large portion of high-income taxpayers were subject to tax on a large share of their income and reported very substantial amounts of tax. (About 67 percent had taxable income exceeding 80 percent of expanded income. Over 95 percent had taxable income of more than 50 percent of expanded income.)

Tables 11 and 12 present another way of showing the distributions of tax returns: by tax burden. These two tables classify all tax returns by both the size of income and the effective tax rate, i.e., income tax as a percentage of income. These tables show that on average, high-income taxpayers do have higher effective tax rates. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. For example, Table 12 shows that while 2.5 percent of returns with expanded incomes of \$200,000 or more had either no worldwide income tax or worldwide income tax of less than 10 percent of expanded income, 31.9 percent had effective tax rates exceeding 25 percent. More than 93 percent had average tax rates ranging from 15 percent to 30 percent, with over 50 percent of high-income taxpayers having effective tax rates between 20 percent and 25 percent.

Characteristics of Tax Returns

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income, the items of "tax preference," and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, nontaxable returns, under both income concepts, are much more likely to have sizable partnership and S Corporation losses than are taxable returns.

Reasons for Nontaxability

It is possible for certain itemized deductions and certain exclusions from income to cause nontaxability by themselves, but high-income returns are more often nontaxable as a result of a combination of reasons, no one of which by itself would result in nontaxability. Moreover, some items which singly or in combination may eliminate regular tax liability cannot eliminate an AMT liability since these items give rise to offsetting adjustments or preferences for AMT purposes.

Because they do not generate AMT adjustments or preferences, tax-exempt bond interest, itemized deductions for interest expense, miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor, moving expenses, casualty losses, and medical expenses (exceeding 7.5 percent of AGI) can, by themselves,

produce nontaxability [9].

Due to the AMT exclusion of \$40,000 on joint returns (\$30,000 on single and head of household returns and \$20,000 on returns of married taxpayers filing separately), a return may be nontaxable even though it includes some items which produce AMT adjustments or preferences [10]. Further, since the starting point for AMT income is taxable income for regular tax purposes, a taxpayer can have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation occurs if taxable income for regular tax purposes is sufficiently negative as a result of itemized deductions and personal exemptions exceeding AGI that the taxpayer's AMT adjustments and preferences are less than the sum of the AMT exclusion and the amount by which regular taxable income is below zero. Note that because of the AMT, taxpayers may find it beneficial to report additional deduction items on their tax returns, even if the items do not produce a benefit for regular tax purposes.

Tables 7 and 8 classify tax returns by the items that had the largest and second largest effects in reducing or eliminating income tax. For returns on which each primary item was most important, the tables show the distributions of the second most important item. For example, on taxable returns with expanded income of \$200,000 or more, the most important item in reducing the amount of tax reported on 54 percent of the returns was the itemized deduction of State and local taxes; for these returns, the itemized deduction for interest payments was the second reason 48 percent of the time and the deduction for charitable contributions was the second reason 41 percent of the time (Table 8). Conversely, on nontaxable returns (with no worldwide income tax), partnership and S Corporation losses were the most important item 34 percent of the time. Where these were the primary item, the interest paid deduction was the second most important item 34 percent of the time, the taxes paid deduction was the second most important item 24 percent of the time, and the deduction for charitable contributions was the second most important item 19 percent of the time.

The four categories which are most frequently the largest item in reducing taxes are: the itemized deduction for casualty or theft losses (66 returns, or 19.1 percent of the 346 returns with expanded income of \$200,000 or more and with no worldwide tax liability); net losses from partnerships or S Corporations (119 returns, or 34.4 percent); the itemized deduction for interest paid (62 returns, or 17.9 percent); and the charitable contributions deduction (39 returns, or 11.3 percent). The four items which were most frequently the second largest factor in

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reducing regular tax liability were partnership and S Corporation losses, the interest paid deduction, the deduction for taxes paid, and the deduction for charitable contributions. Note that the net losses from partnerships and S Corporations reduce AGI; the other three items reduce taxable income.

Tables 9 and 10 represent another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables cover only nontaxable returns. Tables 9 and 10 show the number of times that various items reduced income by different fractions of income. The items shown are the various categories of itemized deductions, the deduction equivalents of two different types of tax credits, and total tax preferences excluded from income. For example, for high expanded-income returns with no worldwide income tax (see Table 10), the itemized deduction for casualty or theft losses exceeded 100 percent of expanded income on 37 of the 691 returns, but there was no casualty or theft loss deduction on 622 returns. The total interest paid deduction exceeded total expanded income on 22 returns.

Notes and References

- [1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).
- [2] Lerman, Allen H., "High-income Tax Returns: 1974 and 1975, A Report on High-income Taxpayers Emphasizing Tax Returns with Little or No Tax Liability," U.S. Department of Treasury, Office of Tax Analysis, March 1977, and "High-income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns," U.S. Department of Treasury, Office of Tax Analysis, August 1978.

U.S. Department of Treasury, Internal Revenue Service, *Statistics of Income—Individual Income Tax Returns*, reports for 1977 through 1982 and 1985 through 1988. (For 1977 and 1978, only the number of nontaxable high-AGI returns were published.)

Lerman, Allen H., "High-income Tax Returns, 1983," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 31-61, and "High-income Tax Returns, 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 1-29.

- [3] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded preferences,

and AGI less investment interest not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (90 Stat. at 815) eliminated the requirement for using the last two income concepts.

- [4] The definition of adjustments to AGI to obtain expanded income given in the text is for 1989. See Appendix A for a discussion of AGI and expanded income, and a list of adjustments covering all years since 1977.
- [5] The price deflator used was the consumer price index (CPI) for all items as reported in Table B-56, page 361 of the 1992 *Economic Report of the President*.
- [6] See Appendix B for a discussion of the tax concepts. In previously published data (see footnote 4), the "U.S. Income Tax" concept was referred to as "Total Income Tax", and the "Worldwide Income Tax" concept was referred to as "Modified Total Income Tax".
- [7] Beginning with Tax Year 1991, nontaxable returns with expanded incomes of \$200,000 or more will be sampled at higher rates for Statistics of Income, which will reduce the sampling variability of these returns.
- [8] See Appendix B for a description of how the deduction equivalent of credits is computed.
- [9] The deduction for charitable contributions would also fall into this class were it not limited to 50 percent of AGI.
- [10] The AMT exclusion phases out above a certain level of AMT income, but since taxpayers will have some AMT liability in the phaseout range, the phaseout is not relevant for nontaxable returns.

Appendix A: Income Concepts

The Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI), but that was based entirely on items already reported on income tax returns. In order to derive such an income concept, it is necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns identified.

This appendix begins by defining "Haig-Simons income," a very broad concept of income used by economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts listed. The final section defines "expanded

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income," the more comprehensive income measure than AGI based entirely on tax return data.

Haig-Simons Income

The broadest measure of annual income generally used by economists and others is defined as the value of a household's consumption plus the change, if any, in its net worth. This income concept is referred to as Haig-Simons income, or H-S income, after the two economists who wrote extensively about it [A1]. The H-S income of a household that consumed \$25,000 and saved \$2,000 in a year would be \$27,000. Alternatively, the H-S income of a household that consumed \$25,000 and had no additions to savings but had assets that declined in value by \$1,000 in a year would be \$24,000.

H-S income consists of three broad components: labor income, capital income (income from assets), and income from transfer payments. The major elements of each of these three components are as follows:

- **Labor income.**—This includes all forms of employee compensation, including wages and salaries; employee fringe benefits, such as employer-provided health insurance and accrued pension benefits or contributions; and the employer share of payroll taxes, such as social security taxes. Labor income also includes the labor share of self-employment income. Expenses of earning labor income would be deducted in arriving at H-S income. Deferred labor income would be counted in the year it was earned, rather than in the year it was received.
- **Capital income.**—This includes all income from assets, including interest, dividends, rents, royalties, accrued capital gains (whether or not realized), the capital income share of self-employment income, and the rental value of consumer durables (most importantly, the rental value of owner-occupied housing). Capital income is measured in real (inflation-adjusted) terms, and is net of real economic depreciation and all other expenses (which could exceed capital income).
- **Transfer payments.**—These include payments in cash, such as social security benefits, workers' compensation, unemployment benefits, aid for dependent children (AFDC), and noncash benefits (such as Medicare, Medicaid, and food stamps).

For purposes of tax analysis, H-S income should be measured on a pre-tax basis, the amount that would be earned if there were no Federal income tax in place. Most items of income are unaffected, or little affected, by the

income tax, and so are reported on a pre-tax basis. However, certain income items from tax-preferred sources may be reduced because of the tax preferences. An example is interest from tax-exempt State and local Government bonds. The interest rate on tax-exempt bonds is generally lower than the interest rate on taxable bonds of the same maturity and risk, with the difference being approximately equal to the tax rate of the typical investor in tax-exempt bonds. Thus, investors in tax-exempt bonds are effectively paying a tax, referred to as an "implicit tax," and tax-exempt interest as reported is measured on an after-tax, rather than a pre-tax, basis. Income from all tax-preferred sources should be grossed up by implicit taxes to properly measure H-S income.

Adjusted Gross Income

AGI is the statutory definition of income for Federal income tax purposes. AGI differs from H-S income by excluding some components of H-S income and by allowing accelerated business deductions and deductions unrelated to income, but also by disallowing or limiting certain expenses of earning income and certain losses. In addition, AGI is not grossed up for implicit taxes.

The components of H-S income excluded from AGI include most employee fringe benefits, the employer share of payroll taxes, accrued but deferred employee compensation, accrued but unrealized real capital gains, the rental value of consumer durables, most social security benefits and most other cash transfers, all noncash transfers, and the real income of borrowers due to inflation [A2].

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated. AGI also excludes contributions to individual retirement arrangements (IRA's) and self-employed retirement plans (Keogh's), which are not expenses related to earning income.

AGI generally *exceeds* H-S income to the extent expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible *from* AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions and then in some cases only to the extent that the sum of all such items exceeds 2 percent of AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on-the-job but not reimbursed

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by the employer; and the employees' travel, meal, and entertainment expenses); job-related moving expenses; and expenses attributable to a taxpayer's investments (as opposed to the active operation of a trade or business) including, but not limited to, interest expense incurred in connection with investments in securities.

Although net capital losses reduce economic income, only the first \$3,000 of net realized capital losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years.

AGI can also exceed H-S income because of differences in the timing of income between the two concepts. For example, a taxpayer may realize more capital gains in a year than he or she accrues in capital gains. Since AGI includes only realizations of capital gains whereas H-S income includes only accruals, AGI in this circumstance would exceed H-S income.

Finally, just as AGI understates the income of borrowers due to inflation, it overstates the income of lenders, which include bond owners and owners of bank deposits.

Expanded Income

Expanded income is meant to be a measure of income that is conceptually closer to H-S income than AGI, but which is derived entirely from items already reported on income tax returns. Figure E shows the adjustments made to AGI to arrive at expanded income. Since the definition of AGI has been changed by legislation several times since 1977, and certain reporting requirements have also changed, the adjustments have differed over the years, as indicated for each item [A3]. Most of these adjustments are relatively straightforward, but the adjustment for investment requires some explanation.

Figure E

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977 - 1989

Adjusted gross income (AGI)

PLUS:	<input type="checkbox"/> Excluded capital gains (tax years prior to 1987)
	<input type="checkbox"/> Tax-exempt interest (1987 and later tax years)
	<input type="checkbox"/> Nontaxable social security benefits (1987 and later tax years)
	<input type="checkbox"/> Tax preferences for alternative minimum tax purposes [A4]
MINUS:	<input type="checkbox"/> Unreimbursed employee business expenses
	<input type="checkbox"/> Nondeductible rental losses (Tax Year 1987)
	<input type="checkbox"/> Moving expense deduction (1987 and later tax years)
	<input type="checkbox"/> Investment interest expense to the extent it does not exceed investment income
	<input type="checkbox"/> Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (Tax Year 1989 only)
EQUALS:	<input type="checkbox"/> Expanded Income

Investment Interest

In measuring H-S income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments, without limit. Investment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and realized capital gains.)

If all income has not been included currently, full deduction of investment expenses might represent a mismatching of receipts and expenses and might result in *understating* income. For example, if a taxpayer borrowed funds to purchase securities, net income would be understated if the taxpayer deducted all interest payments on the loan but did not include as income any accrued gains on the securities. A similar mismatching of income and expenses would occur if investment expenses that should properly be capitalized were deducted when paid. In these instances, a more accurate measure of income might be obtained by postponing the deduction of the expense until such time as the income was recognized for tax purposes.

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and non-income-producing assets, such as a vacation home or yacht. It is not possible to determine what portion of the interest expense should be attributed to taxable income-producing assets and, therefore, ought to be deductible against the gross receipts from such taxable assets. As a result of these problems, it has been necessary to set arbitrary limits on the amount of investment expenses which are deductible in calculating expanded income.

Investment expenses that have not been deducted in determining AGI generally can appear on a Federal individual income tax return in two places. Investment interest is taken into account in the calculation of the itemized deduction for interest. Deductible investment interest is a separate part of the total interest deduction. Other investment expenses, such as management fees, are included in the miscellaneous category of itemized deductions [A5]. Beginning with 1987, most of the types of income-producing expenses included as miscellaneous itemized deductions are only deductible to the extent that their total exceeds 2 percent of AGI. To determine expenses that should be deductible in calculating an approximation of H-S income, investment expenses have been *defined* as the entire interest deduction other than the

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interest paid on a home mortgage. Other investment expenses could not be separated from the remainder of "miscellaneous" deductions. Hence, they have not been used in the adjustment for investment expenses.

To the extent that interest expenses do *not* exceed investment income, they are generally allowed as a deduction in the computation of deductible investment interest and thus expanded income. Investment interest expenses which do *exceed* investment income are *not* deductible in calculating expanded income. One consequence of this definition is that investment expenses can never turn positive investment income into investment losses. Generally, allowing investment expenses to offset all investment income is generous and tends to understate broadly-measured income. However, in some instances, limiting investment expenses to investment income may *overstate* income by disallowing genuine investment losses.

Notes to Appendix A

[A1] Haig, Robert M. (ed.), *The Federal Income Tax*, Columbia University Press, 1921, and Simons, Henry C., *Personal Income Taxation*, University of Chicago Press, 1938.

[A2] Borrowers receive income due to inflation because the real value of debt is reduced by inflation. Even though inflation may be anticipated and reflected in interest rates, tax deductions for nominal interest payments overstate interest costs because part of these payments represents a return of principal to the lender, rather than interest.

[A3] For 1977, 50 percent of long-term capital gains were included in AGI. During 1978, the inclusion ratio was changed to 40 percent. This inclusion ratio remained unchanged through 1986. Beginning with 1987, there was no exclusion allowed for capital gains in computing AGI, and thus this adjustment was not made in computing expanded income for returns for years after 1986. From this time forward, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest income from State and local Government bonds. Since 1987, tax-exempt interest has been included in expanded income. Taxpayers are also required to report social security benefits. Since 1988, nontaxable social security benefits have been included in expanded income. The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. Due to subtracting non-limited miscellaneous

deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is still not strictly comparable to expanded income for 1988. Specific details on the definition of expanded income for any given year are available in the reports and publications enumerated in footnote 2 under Notes and References.

[A4] The tax preferences (obtained from Form 6251, *Alternative Minimum Tax Computation*) excluded from adjusted gross income and tabulated in Tables 5 and 6 include the following items: the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease (for property placed in service before 1987); the excess of rapid amortization allowable on certain capital expenditures (such as pollution control facilities) over depreciation otherwise allowable; the appreciated portion of the value of property contributed to charitable organizations; the excess of percentage depletion over the "adjusted basis" of the property; unrealized gain on the exercise of stock options; and certain intangible drilling costs to the extent that they exceed the otherwise allowable amortization deductions. Preferences from itemized deductions did not represent omitted income; hence, they were not counted as preference items in calculating a broader measure of income. The preference from tax-exempt interest from certain private activity bonds was not included since the interest for all tax-exempt State and local Government bonds was considered as omitted income. Specific details on the tax preference items obtained from Form 6251 for earlier years are available in the reports and publications enumerated in footnote 2 under Notes and References.

[A5] Some income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from certain small business corporations, only the net amounts of which are included in adjusted gross income.

Appendix B: Tax Concepts

This appendix provides a brief summary of the U.S. taxation of worldwide income and the foreign tax credit. The two tax concepts used in the article are then defined. The following section explains the computation of the deduction equivalent of credits and other items. A final section discusses the possible implications of the use of unaudited tax return data for this article.

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U.S. Taxation of Worldwide Income and the Foreign Tax Credit

Citizens and residents of the United States, regardless of where they reside, must generally include in income for Federal income tax purposes income from all geographic sources. Thus, for example, dividends and interest received from a foreign corporation or income earned working abroad is subject to Federal income tax in the same manner as income received from sources inside the United States [B1]. Income from sources outside the United States may also be subject to tax by foreign governments.

To reduce, if not eliminate, the possibility of double taxation of the foreign source income of U.S. citizens and residents, the Federal income tax allows a credit for income taxes paid to foreign governments. This foreign tax credit is generally limited to the amount of (pre-credit) U.S. tax liability attributable to foreign-source income. This limit prevents the foreign tax credit from offsetting the U.S. tax on U.S. source income.

As a result of taxing citizens and residents on a worldwide basis but allowing a foreign tax credit, some Federal income tax returns may report substantial income but little or no U.S. tax liability after credits. This may occur, for example, if a taxpayer has income only from foreign sources (the taxpayer may live abroad the entire year and have no income-producing assets in the United States), or if a taxpayer has foreign-source income that exceeds a net loss from U.S. sources, and pays income taxes to a foreign government that are comparable to the U.S. tax [B2].

For taxpayers with income from foreign sources, these procedures understate the taxpayers' true worldwide income tax liabilities and effective income tax rates. For such taxpayers, it does not seem appropriate to classify U.S. income tax credits for foreign tax payments as reducing tax liabilities. That is particularly true for tax filers who appear to be nontaxable because they do not have any U.S. tax liability but who have paid foreign income taxes. A more accurate measure of overall income tax burden, as well as the numbers of nontaxable returns, can be obtained by considering all income taxes — U.S. as well as foreign. Thus, a second tax concept, "Worldwide Income Tax," has been used in addition to the traditional "U.S. Income Tax."

Two Tax Concepts

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable and to measure the tax burdens on taxable returns: "U.S. Income Tax" and "Worldwide Income Tax." Worldwide income tax is defined for purposes of this article as U.S. income taxes

plus the amount of foreign tax credits reported on the U.S. income tax return. The amount of the foreign tax credits is used as a proxy for foreign tax liabilities [B3]. The relationship of U.S. income tax to tax items reported on individual income tax returns, and to worldwide income tax is shown in Figure F.

Figure F

Derivation of U.S. Income Tax and Worldwide Income Tax, Tax Year 1989

Tax at normal rates (tax generated)	
PLUS:	Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)
EQUALS:	Income tax before credits
PLUS:	Alternative minimum tax (Form 6251)
MINUS:	Tax credits (except the earned income credit)
EQUALS:	U.S. Income Tax
PLUS:	Foreign tax credit
EQUALS:	Worldwide Income Tax

Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations

In order to compare the importance of various exclusions, deductions, tax credits, and special tax computations (such as the alternative minimum tax on tax preferences), the different types of items must be put on the same basis. One way of doing so is to calculate the size of the deduction that would reduce (or increase) income tax by the same amount as a tax credit or special computation. This amount is called the "deduction equivalent" of the tax credit or special computation.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using the ordinary tax rate schedules, would yield the actual tax before the provision in question is considered and the actual tax after the provision. For example, the "deduction equivalent of all tax credits" is equal to the difference between "taxable income which would yield income tax before credits" and "taxable income which would yield income tax after credits."

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated may affect the value of their deduction equivalents. Because the tax rate schedules are

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progressive with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first, unless all relevant taxable income amounts are within a single tax rate bracket.

The deduction equivalents of tax credits shown in Tables 5 and 6 were computed by assuming that deductions and exclusions reduced taxes before credits. As a result, the deduction equivalent of tax credits may be overstated.

Unaudited Data

Tax return data used for Statistics of Income have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). Certain obvious arithmetic errors have been corrected, and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not reflect any changes that may have been made or that may be made in the future as a result of IRS audits. While this is true of data throughout the entire Statistics of Income program, it is of particular relevance for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

The fact that the data have been drawn from unaudited returns is of even greater importance for those high-

income returns that are nontaxable. Almost any audit changes would make such returns taxable. Even where the tax consequences were minor, such returns would be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

Notes to Appendix B

[B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article do not reflect either such excluded income or any foreign tax payments on it.

[B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, may completely offset their pre-credit U.S. income tax liability with their foreign tax credit.

[B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate or understate worldwide taxes on current year income.

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Table 1.—Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income and by Tax Liability¹

(All figures are estimates based on samples)

Size of expanded income	Size of adjusted gross income				
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total	112,135,673	96,278,525	12,980,727	2,090,358	786,063
Under \$50,000	96,075,122	95,658,302	412,476	2,893	1,451
\$50,000 under \$100,000	13,104,046	608,907	12,404,026	89,976	1,137
\$100,000 under \$200,000	2,142,353	8,391	162,332	1,951,779	19,851
\$200,000 or more	814,152	2,926	1,893	45,709	763,624
Returns with U.S. income tax ¹					
Total	91,669,781	75,837,365	12,959,707	2,087,727	784,982
Under \$50,000	75,633,745	75,225,327	405,855	1,596	967
\$50,000 under \$100,000	13,082,126	602,270	12,389,674	89,146	1,036
\$100,000 under \$200,000	2,140,537	7,204	162,307	1,951,302	19,723
\$200,000 or more	813,373	2,563	*1,871	45,683	763,256
Returns without U.S. income tax					
Total	20,465,893	20,441,160	21,020	2,631	1,081
Under \$50,000	20,441,377	20,432,975	6,621	1,297	484
\$50,000 under \$100,000	21,920	6,637	14,352	831	101
\$100,000 under \$200,000	1,817	*1,186	*25	477	128
\$200,000 or more	779	362	*23	*26	368

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

¹Returns with U.S. income tax include returns on which income tax was entirely offset by the earned income credit.

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

High-Income Tax Returns, 1989

Table 2.--Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income and by Tax Liability¹

(All figures are estimates based on samples)

Size of expanded income	Size of adjusted gross income				
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total	112,135,673	96,278,525	12,980,727	2,090,358	786,063
Under \$50,000	96,075,122	95,658,302	412,476	2,893	1,451
\$50,000 under \$100,000	13,104,046	608,907	12,404,026	89,976	1,137
\$100,000 under \$200,000	2,142,353	8,391	162,332	1,951,779	19,851
\$200,000 or more	814,152	2,926	1,893	45,709	763,624
Returns with worldwide income tax¹					
Total	91,689,329	75,856,397	12,959,984	2,087,871	785,076
Under \$50,000	75,652,847	75,244,359	405,923	1,596	968
\$50,000 under \$100,000	13,082,336	602,270	12,389,883	89,146	1,037
\$100,000 under \$200,000	2,140,685	7,204	162,307	1,951,446	19,727
\$200,000 or more	813,461	2,563	1,871	45,683	763,344
Returns without worldwide income tax					
Total	20,446,344	20,422,128	20,743	2,487	987
Under \$50,000	20,422,275	20,413,942	6,553	1,297	483
\$50,000 under \$100,000	21,710	6,637	14,143	831	100
\$100,000 under \$200,000	1,668	1,186	25	333	124
\$200,000 or more	691	362	23	26	280

¹Estimate should be used with caution because of the small number of sample returns on which it is based.

²Returns with worldwide income tax include returns on which income tax was entirely offset by the earned income credit.

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

High-Income Tax Returns, 1989

Table 3.—Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept

(All figures are estimates based on samples)

Specified item	Adjusted gross income			Expanded income		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	786,063	100.0	—	814,152	100.0	—
Returns without U.S. income tax	1,081	0.1	—	779	0.1	—
Returns with U.S. income tax:						
Total	784,982	99.9	100.0	813,373	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent	234	()	()	947	0.1	0.1
5 under 10 percent	1,383	0.2	0.2	543	0.1	0.2
10 under 15 percent	1,216	0.2	0.4	2,819	0.3	0.5
15 under 20 percent	1,732	0.2	0.6	1,995	0.2	0.8
20 under 25 percent	2,268	0.3	0.9	3,580	0.4	1.2
25 under 30 percent	1,003	0.1	1.0	6,118	0.8	2.0
30 under 35 percent	2,266	0.3	1.3	3,858	0.5	2.4
35 under 40 percent	2,733	0.3	1.6	6,653	0.8	3.3
40 under 45 percent	3,155	0.4	2.0	6,429	0.8	4.0
45 under 50 percent	5,379	0.7	2.7	9,231	1.1	5.2
50 under 60 percent	18,287	2.3	5.1	33,444	4.1	9.3
60 under 70 percent	59,911	7.6	12.7	62,300	7.7	17.0
70 under 80 percent	126,121	16.1	28.8	139,652	17.2	34.1
80 percent or more	559,294	71.2	100.0	535,805	65.9	100.0

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

() Less than 0.05 percent.

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

High-Income Tax Returns, 1989

Table 4.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept

(All figures are estimates based on samples)

Specified item	Adjusted gross income			Expanded income		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	788,063	100.0	—	814,152	100.0	—
Returns without worldwide income tax	987	0.1	—	691	0.1	—
Returns with worldwide income tax:						
Total	785,076	99.9	100.0	813,461	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent	217	()	()	938	0.1	0.1
5 under 10 percent	944	0.1	0.1	97	()	0.1
10 under 15 percent	499	0.1	0.2	2,108	0.3	0.4
15 under 20 percent	987	0.1	0.3	683	0.1	0.5
20 under 25 percent	1,590	0.2	0.5	3,603	0.4	0.9
25 under 30 percent	487	0.1	0.6	5,536	0.7	1.6
30 under 35 percent	1,987	0.3	0.9	3,543	0.4	2.0
35 under 40 percent	2,209	0.3	1.1	6,037	0.7	2.8
40 under 45 percent	2,844	0.4	1.5	5,256	0.6	3.4
45 under 50 percent	4,871	0.6	2.1	9,182	1.1	4.5
50 under 60 percent	17,172	2.2	4.3	32,473	4.0	8.5
60 under 70 percent	58,431	7.4	11.7	60,607	7.5	16.0
70 under 80 percent	124,905	15.9	27.7	139,211	17.1	33.1
80 percent or more	567,934	72.3	100.0	544,186	66.9	100.0

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

() Less than 0.05 percent.

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

High-Income Tax Returns, 1989

Table 5.—Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax by Tax Status

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

Item	Returns with adjusted gross income of \$200,000 or more						Returns with expanded income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax		Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Salaries and wages.....	639,885	166,258,971	639,191	166,149,391	694	109,580	641,108	164,786,225	640,821	164,727,876	287	58,349
Business or profession:												
Net income.....	178,681	21,598,002	178,424	21,571,886	257	26,116	184,808	22,110,441	184,700	22,094,130	108	16,311
Net loss.....	57,925	1,713,370	57,750	1,670,768	175	42,602	58,481	1,721,871	58,407	1,706,667	75	15,203
Farm:												
Net income.....	11,628	752,034	11,615	751,665	13	369	12,537	735,363	12,531	734,903	6	460
Net loss.....	27,949	1,228,617	27,871	1,208,168	78	20,448	29,214	1,353,987	28,878	1,265,712	336	88,275
Partnership and S Corporation net income after section 179 property deduction:												
Net income.....	304,369	65,665,409	304,212	65,630,060	157	35,349	313,290	65,529,225	313,219	65,504,877	71	24,348
Net loss.....	236,620	11,631,720	235,932	11,298,560	688	333,160	239,929	11,220,898	239,697	11,104,916	232	115,982
Sales of capital assets:												
Net gain.....	476,040	85,403,561	475,352	85,094,228	688	309,333	499,674	86,082,839	499,372	85,966,263	302	116,576
Net loss.....	147,647	340,685	147,395	339,965	252	720	153,273	352,735	152,876	351,557	397	1,178
Sales of property other than capital assets:												
Net gain.....	64,513	1,905,317	64,373	1,891,452	140	13,865	65,657	1,878,510	65,595	1,871,413	63	7,097
Net gain.....	77,849	744,275	77,693	734,416	156	9,859	80,555	752,483	80,479	744,362	77	8,121
Net loss.....												
Taxable interest received.....	781,040	39,407,192	779,996	38,986,929	1,044	420,263	809,129	40,177,572	808,387	40,073,857	742	103,715
Tax-exempt interest.....	306,175	13,072,075	305,886	13,027,256	289	44,819	349,384	16,838,320	348,892	16,645,362	482	192,937
Dividends.....	637,462	25,055,750	636,620	24,963,429	842	92,321	666,405	26,130,306	665,739	26,057,112	666	73,194
Pensions and annuities in adjusted gross income.....	142,308	4,805,013	142,180	4,799,510	128	5,503	161,525	5,227,484	161,472	5,224,195	53	3,289
Rent:												
Net income.....	156,759	5,996,238	156,555	5,980,530	204	15,709	168,880	6,083,880	168,782	6,074,852	98	9,028
Net loss (deductible and nondeductible).....	180,134	3,335,428	179,737	3,284,734	397	50,694	183,290	3,263,246	183,110	3,245,021	179	18,225
Net loss (nondeductible).....	135,084	2,227,203	134,785	2,190,891	299	36,312	137,928	2,193,225	137,852	2,186,004	76	7,221
Royalty:												
Net income.....	69,763	1,462,966	69,638	1,458,553	125	4,413	72,267	1,525,978	72,222	1,524,745	45	1,233
Net loss.....	6,913	21,345	6,894	21,175	19	170	6,951	21,099	6,947	21,050	4	48
Estate or trust:												
Net income.....	38,568	2,215,253	38,506	2,213,788	62	1,466	41,335	2,322,312	41,308	2,321,594	29	717
Net loss.....	10,578	104,463	10,553	103,705	25	757	11,623	110,993	11,815	110,854	*8	*139
State income tax refunds.....	346,139	1,971,784	345,730	1,965,193	409	6,590	355,572	1,993,451	355,398	1,989,288	174	4,163
Windfall profit tax refunds.....	†	†	†	†	†	†	†	†	†	†	†	†
Windfall profit tax withheld.....	*14	*6	†	†	†	†	†	†	*13	*5	†	†
Alimony received.....	3,380	130,504	†	†	†	†	3,379	130,494	3,379	130,494	†	†
Social security benefits in adjusted gross income	113,811	742,503	113,645	741,501	166	1,002	147,814	975,416	147,730	974,925	84	491
Social security benefits (nontaxable).....	113,811	742,558	113,645	741,555	166	1,002	147,814	975,485	147,730	974,993	84	491
Unemployment compensation.....	7,362	25,668	7,356	25,633	6	35	7,061	25,606	7,057	25,575	4	31
Other income.....	181,914	7,558,298	181,573	7,519,341	341	38,956	183,223	7,296,063	183,110	7,283,377	113	12,686
Other loss.....	7,654	295,068	7,620	288,233	34	6,835	7,609	286,843	7,592	280,781	18	6,062
Foreign earned income exclusion.....	5,324	433,072	5,287	430,269	37	2,803	5,180	426,509	5,150	424,075	30	2,434
Total income.....	786,063	412,281,881	784,982	411,676,463	1,081	605,417	814,152	414,913,414	813,373	414,744,494	779	168,920
Statutory adjustments, total.....	250,251	3,184,621	250,017	3,180,747	234	3,874	253,999	3,163,843	253,890	3,160,592	109	3,250
Payments to an IRA.....	76,275	224,052	76,212	223,887	63	165	79,460	232,148	79,443	232,103	17	45
Payments to a Keogh plan.....	93,935	1,908,900	93,900	1,908,135	35	766	94,269	1,912,979	94,250	1,912,484	19	495
Adjusted gross income.....	786,063	409,097,259	784,982	408,495,716	1,081	601,543	814,152	411,749,571	813,373	411,583,901	779	165,670
Investment interest.....	291,299	7,265,505	290,444	6,788,080	855	477,426	287,498	6,207,702	287,304	6,157,164	194	50,538
Total tax preferences excluded from adjusted gross income.....	378,250	16,045,261	377,852	15,995,346	398	49,915	420,104	20,140,312	419,542	19,905,127	563	235,185
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	149,029	2,841,620	148,862	2,838,913	167	2,707	158,669	3,016,677	158,622	3,015,774	47	904
Passive activity loss (alternative minimum tax adjustment).....	353,114	1,506,086	352,747	1,507,205	367	-1,119	358,739	1,511,581	358,627	1,518,580	112	6,999
Expanded income.....	786,055	416,886,993	784,982	416,751,031	1,073	135,962	814,152	425,383,452	813,373	425,043,502	779	339,950

High-Income Tax Returns, 1989

Table 5.—Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax by Tax Status—Continued

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

Item	Returns with adjusted gross income of \$200,000 or more											
	Total		Returns with U.S. income tax		Returns without U.S. income tax		Returns with expended income of \$200,000 or more		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Exemption amount.....	785,514	4,630,468	†	†	†	†	812,967	4,682,331	†	†	†	†
Itemized deductions:												
Total per adjusted gross income concept.....	768,916	60,025,124	767,879	59,287,740	1,037	737,384	792,043	58,952,534	791,670	58,772,900	373	179,633
Total per income concept.....	768,916	60,025,124	767,879	59,287,740	1,037	737,384	791,947	51,797,264	791,577	51,678,941	370	118,322
Contributions deduction.....	743,329	11,310,580	742,396	11,254,948	933	55,632	765,938	11,652,885	765,605	11,627,565	334	25,319
Interest paid deduction:												
Total per adjusted gross income concept.....	684,257	19,714,425	683,269	19,178,924	988	535,501	694,196	18,398,755	693,859	18,318,945	339	79,810
Total per income concept.....	684,257	19,714,425	683,269	19,178,924	988	535,501	661,901	12,191,053	661,581	12,181,781	320	29,272
Total home mortgage interest deduction.....	587,244	11,735,078	586,455	11,681,667	789	53,412	587,916	11,491,666	587,627	11,464,807	290	26,859
Medical and dental expense deduction.....	9,532	268,926	9,468	259,010	64	9,916	12,879	345,358	12,832	336,156	47	9,202
Net casualty or theft loss deduction.....	1,441	61,328	1,370	31,079	71	30,249	1,511	61,236	1,442	31,130	69	30,106
Taxes paid deduction.....	764,465	25,867,643	763,480	25,828,735	985	38,908	787,473	26,058,139	787,123	26,042,512	351	15,626
Net limited miscellaneous deductions per adjusted gross income concept.....	126,646	2,173,524	126,213	2,143,544	433	29,980	127,288	2,082,815	127,155	2,073,370	133	9,445
Non-limited miscellaneous deductions.....	17,336	427,975	17,232	390,900	104	37,074	17,815	178,283	17,757	168,187	58	10,095
Moving expense deduction.....	21,862	200,723	21,854	200,599	8	124	18,965	175,064	†	†	†	†
Excess of exemptions and deductions over adjusted gross income.....	1,458	332,114	534	114,606	924	217,508	947	149,785	293	56,626	654	93,159
Taxable income.....	784,599	344,686,820	784,448	344,611,528	151	75,292	813,196	348,153,765	†	†	†	†
Tax at normal rates.....	784,628	97,607,847	784,473	97,585,850	155	21,997	813,201	98,557,930	813,078	98,536,214	123	21,715
Income tax before credits.....	784,628	97,873,531	784,473	97,851,815	155	21,716	813,201	98,842,092	813,078	98,820,658	123	21,434
Tax credits:												
Total.....	166,254	1,210,421	166,099	1,188,705	155	21,716	178,329	1,216,320	178,206	1,194,886	123	21,434
Child care credit.....	29,663	15,905	†	†	†	†	29,715	15,824	†	†	†	†
Minimum tax credit.....	20,684	216,903	20,636	214,662	48	2,241	22,197	221,953	22,163	219,807	34	2,146
Foreign tax credit.....	98,323	751,248	98,229	732,473	94	18,775	109,133	755,046	109,045	736,422	88	18,624
Business credit.....	29,312	189,225	29,287	189,078	25	147	29,342	186,325	29,329	186,213	13	112
Alternative minimum tax (Form 6251).....	24,029	460,375	24,029	460,375	—	—	25,528	471,734	25,528	471,734	—	—
Income tax:												
U.S. total income tax.....	784,982	97,123,485	784,982	97,123,485	—	—	813,373	98,097,507	813,373	98,097,507	—	—
Foreign tax credit.....	—	—	—	—	—	—	—	—	—	—	—	—
Taxable income which would yield:												
Income tax before credits.....	784,628	349,206,695	784,473	349,131,594	155	75,101	813,201	352,760,051	813,078	352,686,107	123	73,945
Income tax after credits.....	784,400	344,941,802	784,400	344,941,802	—	—	813,017	348,475,038	813,017	348,475,038	—	—
U.S. total income tax.....	784,982	346,574,874	784,982	346,574,874	—	—	813,373	350,150,401	813,373	350,150,401	—	—
Reconciliation of adjusted gross income and expended income:												
Adjusted gross income.....	786,063	409,097,259	784,982	408,495,716	1,081	6,014,543	814,152	411,749,571	813,373	411,583,901	779	165,670
plus:												
Total tax preferences excluded from adjusted gross income.....	378,250	16,045,261	377,852	15,995,346	398	49,915	420,104	20,140,312	419,542	19,905,127	563	235,185
Social security benefits (nontaxable).....	113,811	742,558	113,645	741,555	166	1,002	147,813	975,485	147,729	974,993	84	491
minus:												
Expended investment interest.....	291,299	7,265,505	290,444	6,788,080	855	477,426	287,498	6,207,702	287,304	6,157,164	194	50,538
Unreimbursed employee business expense.....	147,170	1,103,881	147,052	1,102,007	118	1,874	139,111	920,867	†	†	†	†
Moving expense deduction.....	21,862	200,723	21,854	200,599	8	124	18,965	175,064	†	†	†	†
Non-limited miscellaneous deductions.....	17,336	427,975	17,232	390,900	104	37,074	17,815	178,283	†	†	†	†
equals: Expended income.....	786,055	416,886,993	784,982	416,751,031	1,073	135,962	814,152	425,383,452	813,373	425,043,502	779	339,950

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

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

‡ Includes tax-exempt interest, total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds), and excluded capital gains on returns for Tax Years 1986 and earlier.

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

High-Income Tax Returns, 1989

Table 6.—Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax by Tax Status

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

Item	Returns with adjusted gross income of \$200,000 or more						Returns with expanded income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax		Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Salaries and wages.....	639,885	166,258,971	639,285	166,172,262	620	86,709	641,108	164,786,225	640,889	164,750,098	219	36,127
Business or profession:												
Net income.....	178,681	21,598,002	178,440	21,577,353	241	20,649	184,808	22,110,441	184,714	22,099,515	94	10,826
Net loss.....	57,925	1,713,370	57,755	1,670,767	170	42,583	58,481	1,721,871	58,411	1,706,683	71	15,188
Farm:												
Net income.....	11,628	752,034	11,616	751,946	12	88	12,537	735,363	12,532	735,184	5	179
Net loss.....	27,949	1,228,617	27,872	1,208,187	77	20,430	29,214	1,353,987	28,879	1,265,731	335	88,256
Partnership and S Corporation net income after section 179 property deduction:												
Net income.....	304,369	65,665,409	304,228	65,648,554	141	16,855	313,290	65,529,225	313,234	65,523,235	56	5,989
Net loss.....	236,620	11,631,720	235,948	11,308,401	672	323,320	239,929	11,220,898	239,711	11,111,540	218	109,358
Sales of capital assets:												
Net gain.....	476,040	85,403,561	475,383	85,118,270	657	285,291	499,674	86,082,839	499,400	85,987,897	274	94,942
Net loss.....	147,647	340,685	147,410	340,005	237	680	153,273	352,735	152,889	351,591	384	1,144
Sales of property other than capital assets:												
Net gain.....	64,513	1,905,317	64,375	1,892,123	138	13,194	65,657	1,878,510	65,597	1,872,085	61	6,425
Net loss.....	77,849	744,275	77,696	736,759	153	7,516	80,555	752,483	80,481	746,705	75	5,778
Taxable interest received.....	781,040	39,407,192	780,076	38,992,011	964	415,181	809,129	40,177,572	808,461	40,077,260	668	100,312
Tax-exempt interest.....	306,175	13,072,075	305,893	13,027,620	282	44,454	349,384	16,838,320	348,899	16,845,746	485	192,573
Dividends.....	637,462	25,055,750	636,683	24,970,352	779	85,398	666,405	26,130,306	665,797	26,063,756	608	66,551
Pensions and annuities in adjusted gross income.....	142,308	4,805,013	142,191	4,799,824	117	5,189	161,525	5,227,484	161,482	5,224,509	43	2,976
Rent:												
Net income.....	156,759	5,996,238	156,564	5,980,590	195	15,649	168,880	6,083,880	168,790	6,074,905	90	8,975
Net loss (deductible and nondeductible).....	180,134	3,335,428	179,764	3,285,173	370	50,255	183,290	3,263,246	183,136	3,245,443	153	17,802
Net loss (nondeductible).....	135,084	2,227,203	134,800	2,191,170	284	36,033	137,928	2,193,225	137,867	2,186,283	61	6,942
Royalty:												
Net income.....	69,763	1,462,966	69,641	1,458,752	122	4,213	72,267	1,525,978	72,224	1,524,917	43	1,061
Net loss.....	6,913	21,345	6,894	21,175	19	170	6,951	21,099	6,947	21,050	4	48
Estate or trust:												
Net income.....	38,568	2,215,253	38,508	2,213,961	60	1,292	41,335	2,322,312	41,308	2,321,768	27	544
Net loss.....	10,578	104,463	10,553	103,705	25	757	11,623	110,993	11,615	110,854	8	139
State income tax refunds.....	346,139	1,971,784	345,743	1,965,298	396	6,486	355,572	1,993,451	355,410	1,989,383	162	4,068
Windfall profit tax refunds.....	†	†	†	†	†	†	†	†	†	†	†	†
Windfall profit tax withheld.....	*14	*6	†	†	†	†	*13	*5	*13	*5	†	†
Alimony received.....	3,380	130,504	†	†	†	†	3,379	130,494	3,379	130,494	†	†
Social security benefits in adjusted gross income:												
Social security benefits (nontaxable).....	113,811	742,503	113,653	741,540	158	963	147,814	975,416	147,738	974,964	76	452
Unemployment compensation.....	7,362	25,668	7,356	25,633	6	35	7,081	25,606	7,057	25,575	4	31
Other income.....	181,914	7,558,298	181,588	7,522,350	326	35,948	183,223	7,296,063	183,122	7,288,370	101	9,693
Other loss.....	7,654	295,068	7,621	288,236	33	6,832	7,609	286,843	7,593	280,784	17	6,059
Foreign earned income exclusion.....	5,324	433,072	5,320	432,884	4	188	5,180	426,509	5,180	426,509	—	—
Total income.....	786,063	412,281,881	785,076	411,748,589	987	533,292	814,152	414,913,414	813,461	414,814,976	691	98,438
Statutory adjustments, total.....	250,251	3,184,621	250,034	3,180,897	217	3,725	253,999	3,163,843	253,906	3,160,741	93	3,101
Payments to an IRA.....	76,275	224,052	76,216	223,897	59	155	79,460	232,148	79,447	232,113	13	35
Payments to a Keogh plan.....	93,935	1,908,900	93,905	1,908,192	30	709	94,269	1,912,979	94,254	1,912,540	15	439
Adjusted gross income.....	786,063	409,097,259	785,076	408,567,692	987	529,567	814,152	411,749,571	813,461	411,654,234	691	95,337
Investment interest.....	291,298	7,265,505	290,468	6,790,398	831	475,107	287,498	6,207,702	287,323	6,158,304	175	49,399
Total tax preferences excluded from adjusted gross income.....	378,250	16,045,261	377,861	15,995,780	389	49,480	420,104	20,140,312	419,551	19,905,561	554	234,750
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	149,029	2,841,620	148,866	2,838,984	163	2,636	158,669	3,016,677	158,626	3,015,844	43	833
Passive activity loss (alternative minimum tax adjustment).....	353,114	1,506,086	352,761	1,504,912	353	1,174	358,739	1,511,581	358,638	1,516,114	101	-4,533
Expanded income.....	786,055	416,886,993	785,076	416,820,463	979	66,531	814,152	425,383,452	813,461	425,112,537	691	270,914

High-Income Tax Returns, 1989

Table 6.—Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits and Tax by Tax Status—Continued

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

Item	Returns with adjusted gross income of \$200,000 or more						Returns with expanded income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax		Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns (1)	Amount (2)	Number of returns (3)	Amount (4)	Number of returns (5)	Amount (6)	Number of returns (7)	Amount (8)	Number of returns (9)	Amount (10)	Number of returns (11)	Amount (12)
Exemption amount.....	785,514	4,630,468	784,527	4,624,782	987	5,686	812,967	4,682,331	812,277	4,679,340	691	2,990
Itemized deductions:												
Total per adjusted gross income concept.....	768,916	60,025,124	767,929	59,293,445	987	731,679	792,043	58,952,534	791,714	58,776,969	329	175,565
Total per income concept.....	768,916	60,025,124	767,929	59,293,445	987	731,679	791,947	51,797,264	791,714	51,797,264	329	175,565
Contributions deduction.....	743,329	11,310,580	742,430	11,255,827	899	54,754	765,938	11,652,885	765,636	11,628,378	303	24,507
Interest paid deduction:												
Total per adjusted gross income concept.....	684,257	19,714,425	683,310	19,182,012	947	532,413	694,198	18,398,755	693,894	18,320,611	304	78,144
Total per income concept.....	684,257	19,714,425	683,310	19,182,012	947	532,413	661,901	12,191,053	661,609	12,162,307	292	28,745
Total home mortgage interest deduction.....	587,244	11,735,078	586,483	11,682,390	761	52,688	587,916	11,491,666	587,651	11,465,298	266	26,367
Medical and dental expense deduction.....	9,532	268,926	9,470	259,193	62	9,733	12,879	345,358	12,833	336,334	46	9,024
Net casualty or theft loss deduction.....	1,441	61,328	1,370	31,079	71	30,249	1,511	61,236	1,442	31,130	69	30,106
Taxes paid deduction.....	764,465	25,867,643	763,515	25,829,328	950	38,314	787,473	26,058,139	787,153	26,043,035	321	15,104
Net limited miscellaneous deductions per adjusted gross income concept.....	126,646	2,173,524	126,225	2,144,369	421	29,155	127,288	2,082,815	127,165	2,074,188	123	8,627
Non-limited miscellaneous deductions.....	17,336	427,975	17,234	390,942	102	37,033	17,815	178,283	17,759	168,229	56	10,054
Moving expense deduction.....	21,862	200,723	21,856	200,695	6	28	18,965	175,064	18,965	175,064	—	—
Excess of exemptions and deductions over adjusted gross income.....	1,458	332,114	536	115,199	922	216,915	947	149,785	293	56,626	654	93,159
Taxable income.....	784,599	344,686,820	784,567	344,686,820	922	216,915	813,196	348,153,765	813,166	348,153,765	654	93,159
Tax at normal rates.....	784,628	97,607,847	784,567	97,605,339	61	2,508	813,201	98,557,930	813,166	98,555,552	35	2,378
Income tax before credits.....	784,628	97,673,531	784,567	97,871,023	61	2,508	813,201	98,842,092	813,166	98,839,714	35	2,378
Tax credits:												
Total.....	80,354	459,172	80,293	456,664	61	2,508	82,274	461,274	82,239	458,896	35	2,378
Child care credit.....	29,663	15,905	29,663	15,905	—	—	29,715	15,824	29,663	15,824	—	—
Minimum tax credit.....	20,684	216,903	20,641	215,094	43	1,808	22,197	221,953	22,168	220,240	29	1,713
Foreign tax credit.....	—	—	—	—	—	—	—	—	—	—	—	—
Business credit.....	29,312	189,225	29,289	189,078	23	147	29,342	186,325	29,331	186,213	11	112
Alternative minimum tax (Form 6251).....	24,029	460,375	24,029	460,375	—	—	25,528	471,734	25,528	471,734	—	—
Income tax:												
U.S. total income tax.....	785,076	97,874,734	785,076	97,874,734	—	—	813,461	98,852,553	813,461	98,852,553	—	—
Foreign tax credit.....	98,323	751,248	98,323	751,248	—	—	109,133	755,046	109,133	755,046	—	—
Taxable income which would yield:												
Income tax before credits.....	784,628	349,206,695	784,567	349,197,472	61	9,223	813,201	352,760,051	813,166	352,751,430	35	8,622
Income tax after credits.....	784,566	347,585,691	784,566	347,585,691	—	—	813,165	351,131,880	813,165	351,131,880	—	—
Worldwide total income tax.....	785,076	349,216,375	785,076	349,216,375	—	—	813,461	352,804,692	813,461	352,804,692	—	—
Reconciliation of adjusted gross income and expanded income:												
Adjusted gross income.....	786,063	409,097,259	785,076	408,567,692	987	529,567	814,152	411,749,571	813,461	411,654,234	691	95,337
plus: Total tax preferences excluded from adjusted gross income:												
Social security benefits (nontaxable).....	378,250	16,045,261	377,861	15,995,780	389	49,480	420,104	20,140,312	419,551	19,905,561	554	234,750
minus: Expanded investment interest.....	113,811	742,558	113,653	741,594	158	963	147,813	975,485	147,737	975,032	76	452
Unreimbursed employee business expense.....	291,299	7,265,505	290,468	6,790,398	831	475,107	287,498	6,207,702	287,323	6,158,304	175	49,399
Moving expense deduction.....	147,170	1,103,881	147,058	1,102,568	112	1,313	139,111	920,867	139,077	920,694	34	173
Non-limited miscellaneous deductions.....	21,862	200,723	21,856	200,695	6	28	18,965	175,064	18,965	175,064	—	—
U.S. total income tax.....	17,336	427,975	17,234	390,942	102	37,033	17,815	178,283	17,759	168,229	56	10,054
Foreign tax credit.....	21,862	200,723	21,856	200,695	6	28	18,965	175,064	18,965	175,064	—	—
Worldwide total income tax.....	785,055	416,886,993	785,076	416,820,463	979	66,531	814,152	425,383,452	813,461	425,112,537	691	270,914

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 † Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.
 ‡ Includes tax-exempt interest, total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds), and excluded capital gains on returns for Tax Year 1986 and earlier.
 NOTE: Detail may not add to totals because of rounding.

High-Income Tax Returns, 1989

Table 7.—Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect¹
(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect											
	Total		Interest paid deduction		Investment interest deduction		Taxes paid deduction		Contributions deduction		Medical and dental expense deduction	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Returns with U.S. income tax												
Returns with adjusted gross income of \$200,000 or more												
Total	773,212	100.0	203,203	26.3	29,458	3.8	390,011	50.4	59,706	7.7	3,485	0.4
Interest paid deduction	218,976	28.3	—	—	8,759	29.7	179,485	46.0	9,358	15.7	805	23.2
Investment interest deduction	33,966	4.4	6,901	3.4	—	—	18,883	4.8	2,408	4.0	136	3.9
Taxes paid deduction	249,004	32.2	153,376	75.5	13,077	44.4	—	—	40,182	67.3	1,595	46.0
Contributions deduction	178,625	23.1	24,905	12.3	2,878	9.8	142,378	36.5	—	—	270	7.8
Medical and dental expense deduction	3,192	0.4	1,096	0.5	91	0.3	1,556	0.4	312	0.5	—	—
Net casualty or theft loss deduction	137	()	—	—	—	—	137	()	—	—	—	—
Total miscellaneous deduction	27,772	3.6	5,575	2.7	1,191	4.0	14,966	3.8	3,201	5.4	633	18.3
Foreign tax credit	5,063	0.7	643	0.3	86	0.3	3,453	0.9	154	0.3	—	—
Business credit	5,367	0.7	1,057	0.5	251	0.9	2,907	0.7	276	0.5	—	—
All other tax credits	6,077	0.8	1,392	0.7	438	1.5	2,065	0.5	349	0.6	—	—
Partnership and S Corporation net losses	37,739	4.9	8,178	4.0	2,618	8.9	21,989	5.6	3,217	5.4	25	0.7
No second largest item	7,295	0.9	81	()	73	0.2	2,191	0.6	248	0.4	—	—
Returns with expanded income of \$200,000 or more												
Total	796,864	100.0	208,980	26.2	—	—	423,670	53.2	72,631	9.1	5,818	0.7
Interest paid deduction	233,515	29.3	—	—	—	—	200,021	47.2	11,521	15.9	805	13.8
Investment interest deduction	—	—	—	—	—	—	—	—	—	—	—	—
Taxes paid deduction	260,960	32.7	164,915	78.9	—	—	—	—	50,645	69.7	3,165	54.4
Contributions deduction	208,892	26.2	27,725	13.3	—	—	172,530	40.7	—	—	1,184	20.4
Medical and dental expense deduction	3,334	0.4	1,096	0.5	—	—	1,629	0.4	312	0.4	—	—
Net casualty or theft loss deduction	138	()	—	—	—	—	138	()	—	—	—	—
Total miscellaneous deduction	21,050	2.6	1,830	0.9	—	—	11,994	2.8	4,965	6.8	639	11.0
Foreign tax credit	8,096	0.8	661	0.3	—	—	4,241	1.0	179	0.2	—	—
Business credit	5,771	0.7	1,078	0.5	—	—	3,083	0.7	377	0.5	—	—
All other tax credits	6,187	0.8	1,485	0.7	—	—	2,260	0.5	439	0.6	—	—
Partnership and S Corporation net losses	40,412	5.1	10,088	4.8	—	—	24,616	5.8	3,888	5.4	25	0.4
No second largest item	10,510	1.3	82	()	—	—	3,158	0.7	304	0.4	—	—
Returns without U.S. income tax												
Returns with adjusted gross income of \$200,000 or more												
Total	1,081	100.0	75	6.9	498	46.1	4	0.4	24	2.2	37	3.4
Interest paid deduction	227	21.0	—	—	115	23.1	†	†	†	†	†	†
Investment interest deduction	214	19.8	21	28.0	—	—	†	†	—	—	9	24.3
Taxes paid deduction	135	12.5	24	32.0	63	12.7	—	—	—	—	5	13.5
Contributions deduction	117	10.8	9	12.0	77	15.5	†	†	—	—	—	—
Medical and dental expense deduction	7	0.6	—	—	†	†	—	—	3	12.5	—	—
Net casualty or theft loss deduction	†	†	—	—	—	—	—	—	—	—	18	48.6
Total miscellaneous deduction	53	4.9	†	†	23	4.6	—	—	†	†	†	†
Foreign tax credit	†	†	—	—	†	†	—	—	—	—	†	†
Business credit	†	†	—	—	—	—	—	—	—	—	†	†
All other tax credits	10	0.9	—	—	—	—	—	—	†	†	—	—
Partnership and S Corporation net losses	256	23.7	18	24.0	211	42.4	—	—	†	†	—	—
No second largest item	57	5.3	†	†	†	†	—	—	—	—	—	—
Returns with expanded income of \$200,000 or more												
Total	434	100.0	62	14.3	—	—	7	1.6	40	9.2	38	8.1
Interest paid deduction	118	27.2	—	—	—	—	†	†	†	30.0	†	†
Investment interest deduction	—	—	—	—	—	—	—	—	11	27.5	12	34.3
Taxes paid deduction	106	24.4	27	43.5	—	—	—	—	—	—	†	†
Contributions deduction	52	12.0	10	16.1	—	—	†	†	4	10.0	—	—
Medical and dental expense deduction	†	†	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	†	†	—	—	—	—	—	—	—	—	16	45.7
Total miscellaneous deduction	32	7.4	†	†	—	—	†	†	—	—	†	†
Foreign tax credit	†	†	—	—	—	—	—	—	—	—	—	—
Business credit	—	—	—	—	—	—	—	—	†	†	—	—
All other tax credits	8	1.8	—	—	—	—	—	—	—	—	—	—
Partnership and S Corporation net losses	47	10.8	20	32.3	—	—	†	†	10	25.0	—	—
No second largest item	63	14.5	†	†	—	—	—	—	—	—	—	—

Footnote(s) at end of table

High-Income Tax Returns, 1989

Table 7.—Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect—Continued*
(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect—Continued											
	Net casualty or theft loss deduction		Total miscellaneous deduction		Foreign tax credit		Business credit		All other tax credits		Partnership and S Corporation net losses	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with U.S. income tax												
Returns with adjusted gross income of \$200,000 or more												
Total	350	()	17,905	2.3	10,974	1.4	3,530	0.6	5,067	0.7	49,844	6.4
Interest paid deduction	147	42.0	2,600	14.5	3,228	29.4	613	17.4	1,490	29.4	12,491	25.2
Investment interest deduction	†	†	†	†	190	1.7	425	12.0	187	3.7	4,580	9.2
Taxes paid deduction	99	28.3	11,069	61.8	4,032	36.7	1,039	29.4	2,213	43.7	22,321	45.1
Contributions deduction	25	7.1	3,159	17.6	488	4.4	393	11.1	330	6.5	3,800	7.7
Medical and dental expense deduction	—	—	26	0.1	—	—	—	—	—	—	111	0.2
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	53	15.1	—	—	246	2.2	5	0.1	225	4.4	1,676	3.4
Foreign tax credit	—	—	115	0.6	—	—	14	0.4	—	—	586	1.2
Business credit	—	—	3	()	27	0.2	—	—	42	0.8	805	1.6
All other tax credits	†	†	†	†	192	1.7	85	2.4	—	—	1,321	2.7
Partnership and S Corporation net losses	—	—	448	2.5	647	5.9	228	6.5	389	7.7	—	—
No second largest item	—	—	17	0.1	1,924	17.5	729	20.7	178	3.5	1,854	3.7
Returns with expanded income of \$200,000 or more												
Total	350	()	9,930	1.2	12,139	1.6	3,692	0.6	5,723	0.7	54,051	6.6
Interest paid deduction	147	42.0	1,319	13.3	2,984	24.6	773	21.5	1,736	30.3	14,210	26.3
Investment interest deduction	—	—	—	—	—	—	—	—	—	—	—	—
Taxes paid deduction	100	28.6	6,390	64.4	4,201	34.6	1,233	34.3	2,628	45.9	27,684	51.2
Contributions deduction	26	7.4	1,444	14.5	444	3.7	417	11.6	376	6.6	4,746	8.8
Medical and dental expense deduction	—	—	92	0.9	72	0.6	—	—	21	0.4	111	0.2
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	53	15.1	—	—	149	1.2	5	0.1	238	4.2	1,177	2.2
Foreign tax credit	—	—	191	1.9	—	—	19	0.5	12	0.2	792	1.5
Business credit	—	—	10	0.1	28	0.2	—	—	50	0.9	1,145	2.1
All other tax credits	24	6.9	214	2.2	203	1.7	92	2.6	—	—	1,472	2.7
Partnership and S Corporation net losses	—	—	270	2.7	741	6.1	300	8.4	484	8.5	—	—
No second largest item	—	—	—	—	3,318	27.3	754	21.0	179	3.1	2,715	5.0
Returns without U.S. income tax												
Returns with adjusted gross income of \$200,000 or more												
Total	66	6.1	69	6.4	66	6.0	†	†	†	†	206	19.0
Interest paid deduction	37	56.1	24	34.8	19	22.1	—	—	6	37.5	19	9.3
Investment interest deduction	3	4.5	3	4.3	6	7.0	—	—	3	18.8	162	79.0
Taxes paid deduction	16	24.2	11	15.9	†	†	—	—	†	†	4	2.0
Contributions deduction	†	†	6	8.7	5	5.8	—	—	—	—	10	4.9
Medical and dental expense deduction	†	†	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	†	†	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	†	†	—	—	5	5.8	—	—	—	—	—	—
Business credit	—	—	—	—	—	—	—	—	—	—	—	—
All other tax credits	—	—	—	—	—	—	—	—	—	—	—	—
Partnership and S Corporation net losses	—	—	—	—	—	—	—	—	—	—	—	—
No second largest item	†	†	11	15.9	6	7.0	—	—	4	25.0	—	—
Returns with expanded income of \$200,000 or more												
Total	66	15.2	4	6.9	63	19.1	†	†	†	†	121	27.9
Interest paid deduction	38	57.6	—	—	18	21.7	—	—	6	40.0	40	33.1
Investment interest deduction	—	—	—	—	—	—	—	—	—	—	—	—
Taxes paid deduction	17	25.8	—	—	5	6.0	—	—	—	—	30	24.8
Contributions deduction	†	†	—	—	5	6.0	—	—	—	—	22	18.2
Medical and dental expense deduction	†	†	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	†	†	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—	—	—
Business credit	—	—	—	—	—	—	—	—	—	—	—	—
All other tax credits	—	—	—	—	—	—	—	—	—	—	—	—
Partnership and S Corporation net losses	—	—	—	—	—	—	—	—	—	—	—	—
No second largest item	5	7.6	—	—	6	7.2	—	—	—	—	—	—

*Returns that have at least one of the tax effects are included in the table.

() Less than 0.05 percent.

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

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

High-Income Tax Returns, 1989

Table 8.—Returns With and Without Worldwide. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect—Continued*
(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect—Continued											
	Net casualty or theft loss deduction		Total miscellaneous deduction		Foreign tax credit		Business credit		All other tax credits		Partnership and S Corporation net losses	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with worldwide income tax												
Returns with adjusted gross income of \$200,000 or more												
Total	350	()	18,157	2.4	—	—	3,557	0.5	5,261	0.7	50,200	6.5
Interest paid deduction	147	42.0	2,748	15.1	—	—	625	17.6	1,564	29.7	12,612	25.1
Investment interest deduction	↑	↑	↑	↑	—	—	426	12.0	187	3.6	4,623	9.2
Taxes paid deduction	99	28.3	11,166	61.5	—	—	1,050	29.5	2,238	42.5	22,648	45.1
Contributions deduction	25	7.1	3,175	17.5	—	—	398	11.2	408	7.8	3,861	7.7
Medical and dental expense deduction	—	—	—	0.1	—	—	—	—	—	—	111	0.2
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	53	15.1	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	5	0.1	225	4.3	1,707	3.4
Business credit	—	—	3	()	—	—	—	—	—	—	—	—
All other tax credits	↑	↑	↑	↑	—	—	—	—	42	0.8	805	1.6
Partnership and S Corporation net losses	—	—	—	—	—	—	85	2.4	—	—	1,330	2.6
No second largest item	—	—	467	2.6	—	—	230	6.5	396	7.5	—	—
Returns with expanded income of \$200,000 or more												
Total	350	()	10,984	1.3	—	—	3,620	0.5	5,928	0.7	54,799	6.9
Interest paid deduction	147	42.0	1,467	14.5	—	—	785	21.7	1,810	30.5	14,409	26.3
Investment interest deduction	—	—	—	—	—	—	—	—	—	—	—	—
Taxes paid deduction	100	28.6	6,532	64.8	—	—	—	—	—	—	—	—
Contributions deduction	28	7.4	1,474	14.6	—	—	1,246	34.4	2,658	44.8	28,068	51.2
Medical and dental expense deduction	—	—	—	0.9	—	—	423	11.7	381	6.4	4,890	8.9
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	21	0.4	111	0.2
Total miscellaneous deduction	53	15.1	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	5	0.1	238	4.0	1,215	2.2
Business credit	—	—	10	0.1	—	—	—	—	—	—	—	—
All other tax credits	24	6.9	214	2.1	—	—	—	—	50	0.8	1,146	2.1
Partnership and S Corporation net losses	—	—	—	—	—	—	92	2.5	—	—	1,488	2.7
No second largest item	—	—	284	2.8	—	—	302	8.3	563	9.5	—	—
			11	0.1	—	—	767	21.2	207	3.5	3,470	6.3

Item with second largest tax effect	Item with the largest tax effect—Continued											
	Net casualty or theft loss deduction		Total miscellaneous deduction		Foreign tax credit		Business credit		All other tax credits		Partnership and S Corporation net losses	
	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total	Number of returns	Percent of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without worldwide income tax												
Returns with adjusted gross income of \$200,000 or more												
Total	66	6.7	69	7.9	—	—	↑	↑	↑	↑	202	20.5
Interest paid deduction	37	56.1	24	34.8	—	—	—	—	6	40.0	19	9.4
Investment interest deduction	↑	↑	3	4.3	—	—	—	—	↑	↑	160	79.2
Taxes paid deduction	16	24.2	11	15.9	—	—	—	—	↑	↑	4	2.0
Contributions deduction	4	6.1	6	8.7	—	—	—	—	—	—	10	5.0
Medical and dental expense deduction	↑	↑	↑	↑	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	↑	↑	↑	↑	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—	—	—
Business credit	—	—	↑	↑	—	—	—	—	—	—	—	—
All other tax credits	—	—	—	—	—	—	—	—	—	—	—	—
Partnership and S Corporation net losses	—	—	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	11	15.9	—	—	—	—	4	26.7	—	—
Returns with expanded income of \$200,000 or more												
Total	66	19.1	4	1.2	—	—	↑	↑	↑	↑	119	34.4
Interest paid deduction	38	57.6	—	—	—	—	—	—	6	42.9	40	33.6
Investment interest deduction	—	—	—	—	—	—	—	—	—	—	—	—
Taxes paid deduction	17	25.8	—	—	—	—	—	—	—	—	—	—
Contributions deduction	↑	↑	↑	↑	—	—	—	—	↑	↑	29	24.4
Medical and dental expense deduction	↑	↑	↑	↑	—	—	—	—	↑	↑	22	18.5
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—	—	—
Total miscellaneous deduction	↑	↑	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—	—	—
Business credit	—	—	—	—	—	—	—	—	—	—	—	—
All other tax credits	—	—	—	—	—	—	—	—	—	—	—	—
Partnership and S Corporation net losses	—	—	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	—	—	—	—	—	—	4	28.6	—	—

*Returns that have at least one of the tax effects are included in the table.
() Less than 0.05 percent.
↑ Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.
NOTE: Details may not add to totals because of rounding.

High-Income Tax Returns, 1989

Table 9.--Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income

(All figures are estimates based on samples)

Income concept and type of deduction or credit	Total	Number of returns on which income was reduced by percentages of income									
		No deduction or credit	Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept											
Total itemized deductions.....	1,081	44	26	16	7	11	5	†	†	103	864
Interest paid deduction:											
Total.....	1,081	93	112	47	17	24	21	22	30	284	431
Investment interest per income concept.....	1,081	226	99	24	16	27	38	46	39	270	296
Taxes paid deduction.....	1,081	96	716	160	54	23	11	9	†	6	†
Contributions deduction.....	1,081	148	646	87	46	47	68	39	—	—	—
Medical and dental expense deduction.....	1,081	1,017	16	†	†	4	†	†	†	18	17
Net casualty or theft loss deduction.....	1,081	1,010	†	†	—	†	—	3	3	21	39
Net limited miscellaneous deductions per income concept.....	1,081	648	299	69	25	16	9	3	—	6	6
Non-limited miscellaneous deductions.....	1,081	977	35	4	—	†	5	†	†	27	29
Deduction equivalent of:											
Total credits.....	1,081	926	33	4	6	†	†	5	13	83	7
Foreign tax credit.....	1,081	987	7	—	—	—	—	†	†	74	7
Business credit.....	1,081	1,056	20	†	†	—	†	†	—	—	—
Tax preferences excluded from adjusted gross income.....	1,081	683	260	41	27	12	6	8	5	13	26
Expanded income concept											
Total itemized deductions.....	779	411	31	21	63	10	12	4	10	48	169
Interest paid deduction:											
Total.....	779	461	136	60	27	15	14	5	8	31	22
Investment interest per income concept.....	779	589	82	15	14	6	8	4	9	15	37
Taxes paid deduction.....	779	429	205	102	25	10	†	3	†	†	†
Contributions deduction.....	779	446	230	23	13	16	6	12	7	16	10
Medical and dental expense deduction.....	779	732	†	6	†	5	4	—	4	10	14
Net casualty or theft loss deduction.....	779	710	†	—	—	†	—	†	5	22	37
Net limited miscellaneous deductions per income concept.....	779	658	87	22	4	†	—	†	†	†	†
Non-limited miscellaneous deductions.....	779	722	7	†	—	—	22	†	24	†	—
Deduction equivalent of:											
Total credits.....	779	656	9	4	†	3	†	3	8	83	9
Foreign tax credit.....	779	691	5	—	—	—	—	—	3	71	9
Business credit.....	779	766	†	—	†	†	—	—	†	—	—
Tax preferences excluded from adjusted gross income.....	779	216	69	15	14	7	7	7	6	43	395

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

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

High-Income Tax Returns, 1989

Table 10.--Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income

(All figures are estimates based on samples)

Income concept and type of deduction or credit	Total	Number of returns on which income was reduced by percentages of income									
		No deduction or credit	Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept											
Total itemized deductions.....	987	--	†	4	4	8	3	†	4	99	862
Interest paid deduction:											
Total.....	987	40	84	41	15	23	21	22	30	281	430
Investment interest per income concept..	987	156	82	22	16	26	37	46	39	268	295
Taxes paid deduction.....	987	37	684	158	53	23	11	9	†	6	†
Contributions deduction.....	987	88	617	84	45	47	68	38	--	--	--
Medical and dental expense deduction.....	987	925	15	†	†	4	3	†	†	17	17
Net casualty or theft loss deduction.....	987	916	†	†	--	†	--	3	3	21	39
Net limited miscellaneous deductions per income concept.....	987	566	290	68	24	15	9	3	--	6	6
Non-limited miscellaneous deductions.....	987	885	33	4	--	†	5	†	†	27	29
Deduction equivalent of:											
Total credits.....	987	926	28	3	6	†	†	3	8	9	--
Foreign tax credit.....	987	987	--	--	--	--	--	--	--	--	--
Business credit.....	987	964	18	†	†	--	--	†	--	--	--
Tax preferences excluded from adjusted gross income.....	987	598	252	41	27	12	6	8	4	13	26
Expanded income concept											
Total itemized deductions.....	691	364	8	12	60	8	10	14	9	47	169
Interest paid deduction:											
Total.....	691	400	114	56	26	15	14	5	8	31	22
Investment interest per income concept..	691	518	69	13	13	6	8	4	9	15	36
Taxes paid deduction.....	691	370	178	102	24	9	†	3	†	†	†
Contributions deduction.....	691	389	204	21	11	15	6	12	7	16	10
Medical and dental expense deduction.....	691	645	†	6	†	5	4	--	4	9	14
Net casualty or theft loss deduction.....	691	622	†	--	--	†	--	†	5	22	37
Net limited miscellaneous deductions per income concept.....	691	578	81	21	4	†	--	†	†	†	†
Non-limited miscellaneous deductions.....	691	635	6	†	--	--	22	†	24	†	--
Deduction equivalent of:											
Total credits.....	691	656	6	4	†	3	†	†	5	11	--
Foreign tax credit.....	691	691	--	--	--	--	--	--	--	--	--
Business credit.....	691	680	†	--	†	†	--	--	†	--	--
Tax preferences excluded from adjusted gross income.....	691	137	62	15	13	7	6	7	6	43	395

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

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

High-Income Tax Returns, 1989

Table 11.--Returns With and Without U.S. Income Tax: Number of Returns and Percentages of Returns Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts¹

(All figures are estimates based on samples)

Effective Tax Rate	Size of adjusted gross income									
	Total		Under \$50,000		\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	112,135,673	100.0	96,278,525	100.0	12,980,727	100.0	2,090,358	100.0	786,063	100.0
Returns without U.S. income tax	20,465,893	18.3	20,441,160	21.2	21,020	0.2	2,631	0.1	1,081	0.1
Returns with U.S. income tax	91,669,781	81.7	75,837,365	78.8	12,959,707	99.8	2,087,727	99.9	784,982	99.9
Effective tax rate:										
Under 5 percent	16,819,791	15.0	16,678,255	17.3	121,888	0.9	14,183	0.7	5,466	0.7
5 under 10 percent	35,926,355	32.0	34,326,014	35.7	1,558,675	12.0	35,253	1.7	6,413	0.8
10 under 15 percent	27,252,659	24.3	21,084,940	21.9	5,910,080	45.5	240,865	11.5	16,774	2.1
15 under 20 percent	8,985,964	8.0	3,523,500	3.7	4,580,577	35.3	800,538	38.3	81,349	10.3
20 under 25 percent	2,070,048	1.8	133,946	0.1	717,698	5.5	829,558	39.7	388,845	49.5
25 under 30 percent	545,708	0.5	44,604	()	56,987	0.4	162,299	7.8	281,817	35.9
30 under 35 percent	13,687	()	4,603	()	4,856	()	2,604	0.1	1,624	0.2
35 under 40 percent	9,363	()	5,719	()	2,324	()	96	()	1,224	0.2
40 under 45 percent	4,665	()	1,531	()	1,144	()	1,443	0.1	547	0.1
45 under 50 percent	3,062	()	2,924	()	21	()	4	()	114	()
50 under 60 percent	7,818	()	5,727	()	1,750	()	131	()	209	()
60 under 70 percent	4,498	()	3,388	()	794	()	145	()	171	()
70 under 80 percent	6,518	()	4,521	()	1,725	()	—	()	272	()
80 percent or more	19,645	()	17,693	()	1,189	()	607	()	156	()

Effective Tax Rate	Size of expanded income									
	Total		Under \$50,000		\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All returns	112,135,673	100.0	96,075,122	100.0	13,104,046	100.0	2,142,353	100.0	814,152	100.0
Returns without U.S. income tax	20,465,893	18.3	20,441,377	21.3	21,920	0.2	1,817	0.1	779	0.1
Returns with U.S. income tax	91,669,781	81.7	75,633,745	78.7	13,082,126	99.8	2,140,537	99.9	813,373	99.9
Effective tax rate:										
Under 5 percent	17,946,149	16.0	17,753,357	18.5	159,835	1.2	24,936	1.2	8,020	1.0
5 under 10 percent	35,533,733	31.7	33,921,141	35.3	1,545,166	11.8	52,181	2.4	15,246	1.9
10 under 15 percent	26,690,803	23.8	20,313,128	21.1	6,115,592	46.7	231,344	10.8	30,739	3.8
15 under 20 percent	8,953,684	8.0	3,425,679	3.6	4,575,851	34.9	854,819	39.9	97,334	12.0
20 under 25 percent	2,032,277	1.8	141,909	0.1	637,533	4.9	844,431	39.4	408,405	50.2
25 under 30 percent	455,366	0.4	39,827	()	38,471	0.3	127,375	5.9	249,692	30.7
30 under 35 percent	11,680	()	4,616	()	3,834	()	1,756	0.1	1,474	0.2
35 under 40 percent	7,217	()	5,409	()	369	()	507	()	931	0.1
40 under 45 percent	6,289	()	3,253	()	1,135	()	1,436	0.1	466	0.1
45 under 50 percent	4,253	()	2,323	()	1,768	()	†	†	†	†
50 under 60 percent	3,943	()	3,022	()	732	()	†	†	†	†
60 under 70 percent	5,501	()	3,367	()	1,818	()	152	()	163	()
70 under 80 percent	3,295	()	3,014	()	—	()	—	()	281	()
80 percent or more	15,591	()	13,699	()	21	()	1,585	0.1	286	()

¹Returns with U.S. income tax include returns on which income tax was entirely offset by the earned income credit.

() Less than 0.05 percent.

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

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

High-Income Tax Returns, 1989

Table 12.—Returns With and Without Worldwide Income Tax: Number of Returns and Percentages of Returns Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts¹
(All figures are estimates based on samples)

Effective Tax Rate	Size of adjusted gross income									
	Total		Under \$50,000		\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	112,135,673	100.0	96,278,525	100.0	12,980,727	100.0	2,090,358	100.0	786,063	100.0
Returns without worldwide income tax	20,446,344	18.2	20,422,128	21.2	20,743	0.2	2,487	0.1	987	0.1
Returns with worldwide income tax	91,689,329	81.8	75,856,397	78.8	12,959,984	99.8	2,087,871	99.9	785,076	99.9
Effective tax rate:										
Under 5 percent	16,790,051	15.0	16,661,204	17.3	114,684	0.9	10,499	0.5	3,664	0.5
5 under 10 percent	35,931,289	32.0	34,343,361	35.7	1,550,999	11.9	32,273	1.5	4,656	0.6
10 under 15 percent	27,260,711	24.3	21,099,651	21.9	5,908,605	45.5	237,356	11.4	15,099	1.9
15 under 20 percent	8,992,190	8.0	3,526,444	3.7	4,585,885	35.3	801,032	38.3	78,828	10.0
20 under 25 percent	2,085,026	1.9	134,950	0.1	725,992	5.6	835,018	39.9	389,066	49.5
25 under 30 percent	560,514	0.5	44,672	()	60,016	0.5	166,595	8.0	289,231	36.8
30 under 35 percent	13,936	()	4,603	()	4,856	()	2,672	0.1	1,804	0.2
35 under 40 percent	9,318	()	5,719	()	2,324	()	96	()	1,179	0.1
40 under 45 percent	4,666	()	1,531	()	1,144	()	1,443	0.1	548	0.1
45 under 50 percent	3,140	()	2,924	()	21	()	4	()	192	()
50 under 60 percent	7,818	()	5,727	()	1,750	()	131	()	209	()
60 under 70 percent	4,498	()	3,388	()	794	()	145	()	171	()
70 under 80 percent	6,518	()	4,521	()	1,725	()	—	—	272	()
80 percent or more	19,653	()	17,701	()	1,189	()	607	()	156	()

Effective Tax Rate	Size of expanded income									
	Total		Under \$50,000		\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All returns	112,135,673	100.0	96,075,122	100.0	13,104,046	100.0	2,142,353	100.0	814,152	100.0
Returns without worldwide income tax	20,446,344	18.2	20,422,275	21.3	21,710	0.2	1,668	0.1	691	0.1
Returns with worldwide income tax	91,689,329	81.8	75,652,847	78.7	13,082,336	99.8	2,140,685	99.9	813,461	99.9
Effective tax rate:										
Under 5 percent	17,921,115	16.0	17,741,054	18.5	152,453	1.2	21,329	1.0	6,278	0.8
5 under 10 percent	35,536,616	31.7	33,938,498	35.3	1,535,442	11.7	49,463	2.3	13,213	1.6
10 under 15 percent	26,693,902	23.8	20,321,347	21.2	6,115,098	46.7	228,684	10.7	28,773	3.5
15 under 20 percent	8,962,831	8.0	3,430,426	3.6	4,583,569	35.0	853,853	39.9	94,982	11.7
20 under 25 percent	2,048,237	1.8	142,913	0.1	644,664	4.9	850,872	39.7	409,788	50.3
25 under 30 percent	468,711	0.4	39,895	()	41,432	0.3	130,960	6.1	256,424	31.5
30 under 35 percent	11,778	()	4,616	()	3,834	()	1,823	0.1	1,504	0.2
35 under 40 percent	7,165	()	5,409	()	369	()	506	()	880	0.1
40 under 45 percent	6,303	()	3,253	()	1,135	()	1,444	0.1	472	0.1
45 under 50 percent	4,331	()	2,323	()	1,768	()	†	†	†	†
50 under 60 percent	3,943	()	3,022	()	732	()	†	†	†	†
60 under 70 percent	5,501	()	3,367	()	1,818	()	152	()	163	()
70 under 80 percent	3,295	()	3,014	()	—	—	—	—	281	()
80 percent or more	15,601	()	13,709	()	21	()	1,585	0.1	286	()

¹Returns with worldwide income tax include returns on which income tax was entirely offset by the earned income credit.

() Less than 0.05 percent.

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

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