

SOI BULLETIN



Department of the Treasury
Internal Revenue Service

Volume 5, Number 4

Spring 1986

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Department of the Treasury
Internal Revenue Service

Publication 1136 (Rev. 4-86)

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Director, Statistics of Income Division

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

Information on the availability of additional unpublished data concerning the topics in this issue may be obtained by writing to the Statistics of Income Division, D:R:S, Internal Revenue Service, Washington, DC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

In addition, special Statistics of Income tabulations based on income tax returns can be produced upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, at the address shown above.

Ralph B. Bristol, Jr., Chief, Tax Statistics, Office of Tax Analysis performed the overall policy review and provided comments. For this issue, he was assisted by Daniel J. Frisch and Geraldine Gerardi. Robert A. Wilson and Bettye Jamerson were the technical editors of the publication.

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COMMISSIONER OF INTERNAL REVENUE

Washington, DC 20224

April 21, 1986

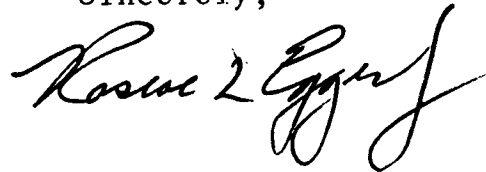
The Honorable James A. Baker, III
The Secretary of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

I am transmitting the Spring 1986 issue of the Statistics of Income Bulletin. This report has been produced in accordance with the mandate of section 6108 of the Internal Revenue Code which requires the preparation and publication of statistics reasonably available with respect to the operation of the internal revenue laws. Presented in this issue are recent financial and tax data obtained from tax returns and associated supporting schedules.

With kind regards,

Sincerely,

A handwritten signature in black ink, appearing to read "Roscoe E. Eggen". The signature is written in a cursive style with a large, sweeping flourish at the end.

Articles in Preparation for Upcoming Issues

- Taxpayer Usage of Forms 1040, 1040A and 1040EZ, 1985
- Sole Proprietorship Returns, 1984
- Partnership Returns, 1984
- Controlled Foreign Corporations by Industry, 1983
- U.S. Possessions Corporations, 1985
- Estates, 1982-84

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Crude Oil Windfall Profit Tax, Second Quarter 1985 By Edward Chung For the second quarter of 1985, the number of barrels of domestically-produced crude oil subject to the windfall profit tax was 474 thousand, down from 614 thousand the quarter before. As a result, the tax continued its long decline, from \$1.7 million to \$1.5 million.	89
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New SOI Statistical Services, 1985-86

By Bettye Jamerson*

The mission of the Statistics of Income (SOI) Division is to compile and publish statistical data about Federal tax laws (as required by section 6108 of the Internal Revenue Code). The SOI program provides annual financial and tax data obtained from the principal tax returns, as well as more detailed data (usually periodic) from supplemental schedules and other tax returns.

Beginning in 1985 the SOI Division introduced a series of new statistical services. This article describes the new statistical services, publications, and other continuing services available. Information on SOI projects and primary contacts are also included.

More detailed information on these statistical services than is described below can be obtained by writing to the Director, Statistics of Income Division, Internal Revenue Service, 1111 Constitution Ave., N.W., Washington, D.C. 20224.



NEW STATISTICAL SERVICES

As mentioned above, the SOI Division has introduced several new statistical services. These tailored services are in response to numerous requests for more detailed and previously unpublished information tabulated from U.S. income tax returns filed by corporations, individuals, estates, and others.

International Income and Taxes

Subscribers to this service will receive a copy of a 516 page report, Compendium of Studies of International Income and Taxes, 1979-83, (Publication 1267) and information on 13 international studies as it becomes available [1].

These studies deal mostly with the foreign activity of U.S. corporations, the U.S. activity of foreign corporations, and the worldwide activity of U.S. corporations owned by foreign interests. Other studies deal with U.S. possessions corporations, international boycott participation, foreign trusts, non-resident alien estates, nonresident alien income and tax withheld, and certain foreign activities of U.S. individuals. Some studies are conducted annually, while others are conducted every 2 to 4 years.

The price of this service is \$45. It includes Publication 1267 and additional information for a year, as it becomes available. In addition to new material, the Compendium contains information previously available only in several separate publications. The 1-year period for receiving additional information can be extended at a cost of \$35 for each additional year. A long-term subscription (\$150) includes Publication 1267 and additional information as it becomes available through August 1990. The next Compendium is scheduled for release in September 1990.

The primary contact person for information regarding this service is Jim Hobbs (202) 376-0177.

Individual Income Taxes

Subscribers to this service will receive a copy of Individual Income Tax Returns, 1983, which contains final tabulations for 1983. Preliminary information on 1984 and 1985 returns will also be provided as part of this service.

*Coordination and Publications Staff. Prepared under the direction of Robert Wilson, Team Leader.

The 1983 information is contained in a 115 page report presenting data on returns filed, sources of income, adjusted gross income (AGI), exemptions, itemized deductions, and tax computations. A brief text highlights the requirements for filing, changes in law, and limitations of the data. In addition, definitions of terms used in the tabulations and copies of tax forms are also included.

Preliminary 1984 and 1985 information will be provided to subscribers as it becomes available throughout the year. Subscriptions are \$20 per year.

Individual Tax Model Files are also available from the SOI Division [2]. These microdata files consist of detailed information taken from a systematic, stratified sample of actual individual tax returns, edited, however, to prevent identification of individual taxpayers. The primary uses made of these Files have been to simulate the administrative and revenue impact of tax law changes, as well as to provide general statistical tabulations relating to sources of income, itemized deductions, and taxes reported by individuals.

The price of the 1983 Tax Model File is \$2,150. General description booklets for the Tax Model Files for 1983 and prior years are available without charge from the SOI Division.

The primary contact person for information regarding the individual income tax return statistical service is Susan Hostetter (202) 376-0083. Information regarding the Tax Model Files is available from Peter Sailer (202) 376-0081.

Partnership Returns

Subscribers to this service will receive a 314 page report presenting previously unpublished data for 1980, 1981, and 1982 (as well as data previously issued in other publications), a discussion of historical trends on partnerships, and an article on partnership employment and payroll for 1979. Data for each year are classified by industry, number of partners, and the state in which the partnership is located. Other tables contain detailed data on partnership balance sheets, data on limited partnerships, and data classified by size of total assets.

Subscribers to this service also will be provided with updated information for 1983 and 1984 when it becomes available and will also be notified of future statistical releases relating to partnership returns. The cost of

the service is \$22 per year. The primary contact person for information regarding this service is Tom Petska (202) 376-0761.

Tax-Exempt Organizations

Subscribers to this service will receive a copy of a compendium on tax-exempt organizations that is being prepared and will be available in the fall of 1987. It will contain reprints of all articles and research papers published on these topics (enhanced by a more detailed analysis of quality and nonsampling issues, reprints of tax forms, more specialized tables, and an explanation of terms). Future compendiums will be released every 5 years.

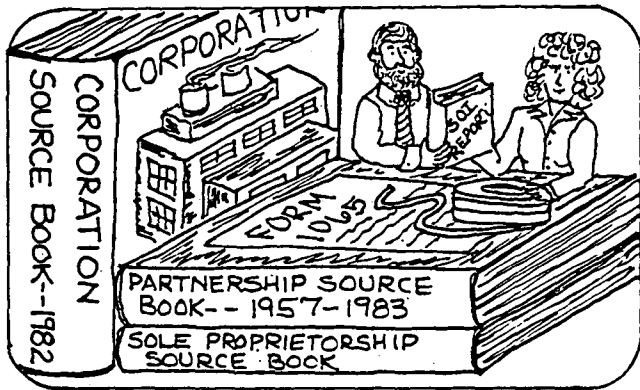
Subscribers to this service also will be provided with updated information on exempt organizations as it becomes available. Subscriptions are \$35 per year. The primary contact person for information regarding this service is Mike Alexander (202) 376-0199.

Small-Area Data

This service includes data on number of individual income tax returns, exemptions, and AGI, presented by state, county, and Standard Metropolitan Statistical Area (SMSA), as well as information on persons who moved from one location to another based on addresses reported on the returns. Tabulations available are:

- "County Migration Flow Data" for Calendar Years 1978-80, 1980-81, 1981-82, 1982-83, and 1983-84 which show for each county both from what county in-migrants moved and to what county out-migrants moved. Tapes for the entire country are available at a cost of \$120 for each of the time periods indicated above.
- "County Migration Data" for Calendar Years 1980-82 and 1982-83, which show the number of in-migrants, out-migrants, and nonmigrants. Tapes for the entire country are available at a cost of \$75.
- "County Income Data" for Tax Year 1982, which provides AGI, wages and salaries, interest, dividends, and rents for each county as well as the number of returns and exemptions. A tape for the entire country is available for \$120.

The primary contact person for information regarding this service is Peter Sailer (202) 376-0081.



BUSINESS SOURCE BOOKS

The SOI Division offers three "source books." In addition to the Corporation Source Book, two new products have been developed, one for partnerships and the other for sole proprietorships.

Corporation Source Book, 1926-82

The Corporation Source Book provides detailed industry data for active corporations. For most years through 1982, it contains income statement and balance sheet data categorized by more detailed industry groups than are used in the published SOI and also by size of total assets.

For 1982, the 481 page Source Book (Publication 1053) is available for \$175. Microfilm (35-mm) covering all industries are also available at \$175. A magnetic tape containing the tabular statistics for 1982 can be purchased for \$1,500.

Corporation Source Books for years before 1982 are also available from the SOI Division. A more comprehensive description of the annual Source Book, which includes lists of the industry groups used for these years, and information on how to obtain single-industry data is available without charge from the SOI Division. Pricing information is also included [2].

The primary contact person for information regarding the Corporation Source Book is Karen Cys (202) 376-0102.

Partnership Source Book, 1957-83

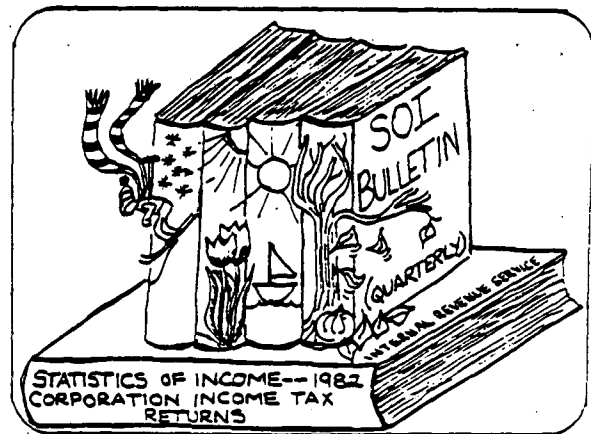
This Source Book shows key partnership data for 1957 through 1983, by detailed industry groupings. It includes a historical definition of terms and legislative changes affecting partnerships during that period. Purchasers of this service will also be advised of the release of subsequent years' data.

Subscriptions are \$30 per year. A magnetic tape containing the tabular statistics can be purchased for \$200. The primary contact person for information regarding this Source Book is Tom Petska (202) 376-0761.

Sole Proprietorship Source Book, 1957-84

The Sole Proprietorship Source Book is being prepared and will be available later in 1986. It is a companion to that for partnerships and will include data on number of returns; business receipts; interest paid, depreciation and taxes-paid deductions; payroll; and net income.

Subscription price will be announced. As with partnerships, there will also be a magnetic tape version. The primary contact person for information regarding this Source Book is Peter Sailer (202) 376-0081.



OTHER PUBLICATIONS AND SERVICES [3]

The Statistics of Income (SOI) Bulletin (Quarterly) -- Publication No. 1136 - Subscription price, \$20; single-copy price, \$5.50.

The SOI Bulletin provides the earliest published financial statistics from the various types of tax and information returns filed with the Internal Revenue Service. The Bulletin also includes information from periodic or special analytical studies of particular interest to tax administrators and economists.

Statistics of Income--1982, Corporation Income Tax Returns, Publication No. 16 -- Price \$6.

This report contains detailed information on receipts, deductions, net income, income tax liability, tax credits, and distributions to stockholders. Information is classified by industry and size of total assets or business receipts.

Other Services

(Prices depend on requests)

Unpublished tabulations based on SOI data are also available. Prices depend on the nature of the request. Included are detailed tables underlying those published in the SOI Bulletin as well as in other SOI publications.

Special tabulations also can be specifically produced to a particular user's specifications. Some recent special tabulations that have been produced to fulfill requests from various organizations are special tabulations on average deductions requested by a private accounting firm; sole proprietorship data by sex for the Small Business Administration, Office of Women's Business Ownership; and individual income tax return data on contract construction workers for another private accounting firm.

NOTES AND REFERENCES

- [1] SOI published reports offered as part of the statistical services in some instances may be purchased individually from the Superintendent of Documents, U.S. Government Printing Office.
- [2] Magnetic tapes of the Individual Tax Model Files for 1966-78 and Corporation Source Book Files for years 1965-79 are available for purchase through the Machine-Readable Archives Branch of the National Archives and Records Service, Washington, D.C. 20408.
- [3] Available for purchase from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

CORPORATION STATISTICS BRANCH
PROJECTS AND PRIMARY CONTACTS

Project	Frequency	Primary Contacts Area Code (202)	Comments
Corporation Income Tax Returns: 1983 Program 1984 Program 1985 Program	Annual	Victor Rehula (376-0102) David Jordan (376-0102) Tim Wheeler (376-0102)	Basic SOI program covering complete income statement, balance sheet, tax and tax credits, and distributions to stockholders, and details from supporting schedules.
Partnership Returns of Income	Annual	Alan Zempel (376-0761)	Basic SOI program covering income statement, balance sheet, and details from supporting schedules.
Secretary's Percentage Study	Annual	Joe Middough (376-0061)	Data for computation of percentage used in determining income tax liability of foreign life insurance companies with operations in the United States.
Employment Tax Return Studies: Unincorporated Businesses Corporations	Periodic, based on availability of outside funding	Charles Day (376-0761) Bill Gerber (376-0761)	Addition of payroll and employment data to SOI files of corporations, partnerships and sole proprietorships based on linkages with employment tax returns, Forms 941 and 943. Last completed study was for Tax Year 1979.
Partnership Geo-Coding Study	Periodic, based on availability of outside funding	Charles Day (376-0761)	Addition of (Census) geographic code to IRS Master File records of partnership returns for use in tabulations classified by state, county and industry. Last completed study was for Tax Year 1983.
Census-IRS Link Study	Every 5 years	Bertie Brame (376-0762)	A by-product of data provided by IRS for the Economic Census, project involves linking business returns of partnerships and Small Business Corporations to the income tax returns of selected partners and shareholders. The last completed study was for Tax Year 1982.
Partnership Schedule K/K-1 Study	Periodic, based on availability of outside funding	Alan Zempel (376-0761)	An examination of the recognized "gap" between income reported by the partnership and income reported by the partners through a link of Schedules K and K-1 to Forms 1065. Study for 1983 is underway.
Tax Shelter Registration Study	Not yet determined	Tom Petska (376-0761)	The development of a file of Forms 8264, Application for Registration of a Tax Shelter, which will eventually be matched to partnership return data for analysis of "tax shelter" characteristics.
Statistical Subscription Series: Corporation Source Book Partnership Source Book	Annual	Sandy Byberg (376-0102) Gail Moglen (376-0761)	Detailed industry data and other information for sale.

FOREIGN STATISTICS BRANCH (DOMESTIC STUDIES)
PROJECTS AND PRIMARY CONTACTS

Project	Frequency	Primary Contacts Area Code (202)	Comments
Private Foundations	Annual	Peggy Riley (376-0199)	Net worth and various data from the balance sheet and income statement. The sample is longitudinal in design so that essentially the same organizations are observed over time. The last complete study was for 1982.
Other Exempt Organizations	Annual	Cecelia Hilgert (376-0199)	Net worth and various data from the balance sheet and income statement for only those organizations classified as tax exempt under subsection 501(c)(3) of the Internal Revenue Code. The groups covered are religious, educational, scientific, and literary (excluding private foundations). The sample is longitudinal in design so that essentially the same organizations are observed over time. The last complete study was for 1982.
Farmers' Cooperatives	Periodic, based on availability of outside funding	Mike Alexander (376-0199)	The next farmers' cooperative study is planned to coincide with the 1987 Economic Census. The last complete study was for Tax Year 1977.
Estates	Annual	Marvin Schwartz (376-0199) Kathy Medve (376-0199) John Kozielec (376-0199)	Gross estate and its composition, deductions, and tax. Also included is information on the age, sex, and marital status of the decedents. Basic estate tax return data by year in which returns are filed are produced every year. Other statistics are available on a year-of-death basis (approximately every 3 years). The last complete estate study was for returns filed in 1984.
Personal Wealth	Periodic	Marvin Schwartz (376-0199) Kathy Medve (376-0199)	Estimates of personal wealth are generated based on estate tax return data using the "estate multiplier" technique, using both the filing year and year-of-death estate data bases. The most recent data available are based on returns filed in 1983. Complete data based on individuals who died in 1982 will be available in the summer of 1986.
Estate Collation	Periodic	Marvin Schwartz (376-0199)	Studies link estate data for decedents and beneficiaries. Income information for beneficiaries is available both for years preceding and following the decedent's death. Information on gift tax returns is available for the last 2 years of the decedent's life. The most recent study is based on decedents who died in 1982.
Intergenerational Wealth	One time	Marvin Schwartz (376-0199)	This study, which involves estate returns filed since the inception of that tax (1916), focuses on the changes in the concentration of wealth and the intergenerational transfer of wealth, as well as the history of the estate tax system. The asset composition, available demographic information, and an analysis of beneficiaries of the estates will be emphasized. Information from the first phase of this study (1916-35) will be available in fall 1986.
Fiduciary	Annual	John Kozielec (376-0199)	The next full-scale fiduciary study will cover data on income, deductions, and taxes for 1989. The last complete study was for Tax Year 1982.

FOREIGN STATISTICS BRANCH (FOREIGN STUDIES)
PROJECTS AND PRIMARY CONTACTS

Project	Frequency	Primary Contacts Area Code (202)	Comments
Corporation Foreign Tax Credit: 1982 Program 1984 Program	Biennial	Chris Carson (376-0177) Vergie Mose (376-0177)	Foreign income and taxes paid, and foreign tax credit shown on corporation income tax returns. Data are classified by industry and country.
Controlled Foreign Corporations/Foreign Corporations: 1982 Program (CFC) 1984 Program (FC)	Biennial	Bill States (376-0177) Jeff Hartzok (376-0177)	Activities of corporations which are controlled by U.S. corporations. Data are classified by industry and country.
U.S. Possessions Corporations (1983)	Biennial	Jeff Hartzok (376-0177)	Income statement, balance sheet, tax and possessions tax credit data for "qualifying" U.S. possessions corporations. (Most of these corporations are located in Puerto Rico.)
International Boycott Participation (1984)	Annual	Vergie Mose (376-0177)	Business operations of U.S. persons in boycotting countries, as well as the requests and agreements to participate in, or cooperate with, international boycotts not sanctioned by the U.S. Government.
Nonresident Alien Income and Tax Withheld (1984)	Annual	Maggie Lewis (376-0177) Chris Carson (376-0177)	U.S. source income paid to nonresident aliens and the amount of tax withheld for the U.S. Government.
Domestic International Sales Corporations (1984)	Annual, through 1984	Art Gianelos (376-0177)	Balance sheet, income statement, distributions, and export gross receipt data for DISC's. (These corporations were given special tax treatment to promote U.S. exports.)
Interest Charge Domestic International Sales Corporations (IC-DISC): 1984 Program 1985 Program	Annual, beginning with 1984	Art Gianelos (376-0177) Bill States (376-0177)	These corporations replaced the DISC (see above), as of January 1, 1985. Balance sheet, income statement, export-related data will be tabulated.
Foreign Sales Corporations (FSC): 1984 Program 1985 Program	Annual, beginning with 1984	Art Gianelos (376-0177) Chris Carson (376-0177)	These corporations replaced the DISC (see above), as of January 1, 1985. Balance sheet, income statement, and export-related data will be tabulated.
Foreign Trusts (1986)	Every 4 years	Bill Sutton (376-0177)	Foreign trusts that have U.S. persons as grantors, transferors, or beneficiaries. Data include country where trust was created, value of transfer to the trusts, and when trust was created.
Nonresident Alien Estates (1986)	Every 4 years	Bill Sutton (376-0177)	Estates of nonresident aliens who have more than \$60,000 of assets in the United States. The estates are subject to U.S. estate taxation on the U.S. property.
Sales of U.S. Real Property Interests by Foreign Persons (1985)	Annual, beginning with 1985	Mary Barlow (376-0177)	Transfers of U.S. real property interests, when these interests are acquired from foreign persons. Data will include amount realized on the transfer, amount of U.S. tax withheld, and country of foreign person.

INDIVIDUAL STATISTICS BRANCH
PROJECTS AND PRIMARY CONTACTS

Project	Frequency	Primary Contacts Area Code (202)	Comments
Individual Income Tax Returns: 1984 Program 1985 Program	Annual	Terry Smith (376-0083) David Barker (376-0083)	Basic SOI program covering income, deductions, credits, and taxes reported on individual income tax returns and associated schedules.
Sole Proprietors: 1984 Program 1985 Program	Annual	Ray Wolfe (376-0083)	Basic SOI program covering the same data provided in the Individual SOI program plus detailed data on business receipts, deductions, and net income reported on Schedule C. Similar data from Schedule F (for farmers) are available every 5 years beginning with 1982.
Taxpayer Usage Study	Annual	Lisa Gross (376-0081)	Basic SOI program providing frequencies of specific line entries made by taxpayers, the use of various return schedules and associated forms, as well as general characteristics of the individual taxpayer population. Weekly reports are produced during the primary filing season (January through April).
Tax Models	Annual	Michael Strudler (376-0104)	Microdata files consisting of detailed information obtained from the Individual SOI program with identifiable information omitted to make the file available for public dissemination. In addition to microdata files, specific tabulations are produced on a reimbursable basis.
Sales of Capital Assets 1985 Program 1983-87 Panel Study	Every 4 years	Marshall Epstein (376-0083)	Basic SOI program covering the same data provided in the Individual SOI program plus detailed data focused on the sales of capital assets reported on Schedule D, plus sales of residences, sales of personal or business depreciable property, and the computation of installment sale income reported on other return schedules. The 1985 study is now beginning. Results from the 1981 study have been published. The panel study provides the same data on capital asset transactions for a subsample of the returns in the Sales of Capital Assets basic study; however, data for these taxpayers are obtained over a 5-year period.
Americans Living Aboard	Every 4 years	Dan Holik (376-0083)	Basic SOI program covering the same data provided in the Individual SOI program, plus detailed data on foreign earned income and foreign tax credit.
Individual Matching Studies	As requested	Barry Windheim (376-0081) Charles Crossed (376-0081)	Obtaining IRS Master File data for income, deductions, credits, and taxes for selected groups of taxpayers specified by the sponsor. Requests range from a stripoff of the entire Master File for the Bureau of the Census (as authorized by law) to a tabulation of the data based on specific social security numbers as requested by the Veterans Administration. Unless permitted by law, only tabular output is provided because of disclosure concerns.
Occupation Studies	Periodic, based on availability of outside funding	Patricia Crabbe (376-0104)	A series of studies designed to classify individual income tax returns by occupation and to develop a dictionary of occupation titles that can be used to enhance the economic data of many other studies.
Small-Area Data	Periodic, based on availability of outside funding	Gary Estep (376-0104) Bobby Clark (376-0081)	The development of a program to provide selected tax return information obtained from the IRS Master File system at the county or ZIP Code level. In addition, program provides migration flow data by county.

Foreign Tax Credit by Industry, 1982

By Mary Barlow*

The foreign tax credit claimed by corporations declined for the third consecutive year, to \$18.9 billion for 1982 [1]. Many corporations suffered foreign or domestic losses in this year and, therefore, were unable to claim a foreign tax credit. Because of this reduction in foreign income, less tax was paid to foreign countries. These factors resulted in a \$2.9 billion decline in credit from 1981. While the foreign tax credit reached an all-time high of nearly \$37 billion for 1979, not since 1973 has the credit been under \$19 billion.

Although 1.2 million corporations had a U.S. tax obligation for 1982, only 4,941, or 0.4 percent, claimed a credit for foreign taxes [2]. This compares to 6,132 corporations that claimed a foreign tax credit for 1981. While only 38 percent of all corporations claiming a credit were in manufacturing, these corporations accounted for 78 percent of the total credit. Corporations engaged in integrated petroleum activities (i.e., extracting, refining, and also marketing petroleum products) represented a considerable portion (39 percent) of the total credit claimed for 1982.

Foreign-source interest income (excluding interest from foreign branches) rose by nearly 80 percent from 1980 for all corporations that claimed a foreign tax credit [3]. While interest income increased from \$12.5 billion in 1980 to nearly \$22.5 billion in 1982, nearly all of that increase was attributable to the banking industry [4]. During this period, foreign non-branch interest income in the banking industry more than doubled to \$16.6 billion, largely a reflection of high interest rates and increased lending.

Nearly one-fourth (\$14.6 billion) of total foreign-source taxable income for 1982 was earned by unincorporated foreign branches of U.S. corporations. This income played a significant role in the banking industry, as 67 percent of foreign taxable banking income was attributable to foreign branches. In contrast, manufacturing and wholesale and

retail companies were more likely than corporations in other industries to operate through foreign subsidiary corporations. This is evidenced by the high percentage of dividend income (including dividend gross-up) earned by companies in these industries (48 percent and 47 percent of gross income, respectively).

In general, foreign effective tax rates were higher on foreign-source taxable income of U.S. corporations than the U.S. effective tax rate [5]. While this was true on an overall basis, rates varied considerably by industry. The petroleum industry (including both integrated and extracting oil companies) had by far the highest effective foreign tax rate, as shown in the following table. Conversely, the banking industry's effective foreign tax rate was only one-third of the corresponding U.S. rate. This was mainly attributable to low or zero foreign withholding tax rates on interest, which made up 90 percent of non-branch banking gross income. The effective foreign tax rate for all other industries approximated the U.S. rate.

Industry	Effective foreign tax rate	Effective U.S. tax rate
All industries....	38.3%	35.5%
Petroleum.....	60.1	38.7
Banking.....	12.7	38.4
Other.....	32.3	34.1

BACKGROUND

Prior to 1918, U.S. corporations could deduct foreign taxes from their worldwide gross income to determine their income subject to U.S. tax. Not until World War I, when the economic climate of the United States and abroad changed dramatically, did the need for new legislation begin to emerge. U.S. foreign trade experienced new growth and tax rates both in the United States and overseas rose quickly. The U.S. income tax on

*Foreign Returns Analysis Section. Prepared under the direction of James Hobbs, Chief.

foreign-source income combined with the taxes imposed on U.S. corporations by foreign countries generally made for a very high effective tax rate on foreign income. This double taxation provided little incentive for U.S. corporations to establish overseas operations. In 1918, Congress enacted legislation allowing U.S. corporations a dollar-for-dollar credit for foreign taxes paid on foreign income, excess profits, and war profits. Essentially, the credit reduced the U.S. income tax liability by the amount of foreign tax paid or accrued on foreign income. While many modifications to the foreign tax credit have been made since then, the underlying framework remains intact [6].

Before passage of the Revenue Act of 1921, U.S. corporations were unlimited in the amount of foreign taxes they could credit. As a result, many corporations used the foreign tax credit mechanism to offset their income tax liability on domestic, as well as on foreign, income since foreign taxes in excess of the U.S. rate could be credited without limitation. To remedy this situation, the 1921 act imposed a limitation on foreign tax credits.

Currently, corporations are subject to a limitation in which the credit can not be greater than that percentage of total U.S. income tax that foreign-source taxable income (but not in excess of worldwide taxable income) is of worldwide taxable income [7]. This calculation results in a limitation of zero if a corporation has an overall foreign loss. In addition, corporations with worldwide losses would have no U.S. tax against which to claim a credit. For 1982, this limitation had to be separately calculated for four categories of income: (1) section 904(d) (passive) interest income, (2) dividends from a Domestic International Sales Corporation (DISC) or former DISC, (3) foreign oil-related income, and (4) all other income from foreign sources. Any foreign tax paid or accrued or deemed paid (see "Current-year foreign taxes" in the Explanation of Selected Terms Section) in excess of the limitation could be carried back two years and then brought forward five years, provided that these taxes do not exceed the limitation for those years.

To claim a foreign tax credit, a U.S. corporation must have foreign-source taxable income, pay foreign income tax on the foreign income, and have a U.S. income tax liability. As previously stated, only certain taxes are creditable. These include taxes imposed by U.S. possessions or the national government of a foreign country, as well as its cities, states, and other subdivisions. Taxes such as excise, franchise, sales, etc., do not qualify as creditable foreign taxes, but can be

deducted in calculating worldwide taxable income.

Since U.S. corporations are taxed on their worldwide income, the foreign tax credit serves to eliminate double taxation. While foreign taxes may be treated as a deduction, corporations almost always benefit more by crediting these taxes, as is shown in Figure A.

Note that by crediting the foreign taxes rather than deducting them, the "total tax" figure is significantly reduced, yielding a larger income after tax. While the effective worldwide tax rate on worldwide income is approximately 58 percent if the deduction method is used, the effective tax rate is reduced to about 46 percent by opting for the credit (assuming the foreign tax rate equals the U.S. rate). Furthermore, the corresponding effective U.S. tax rate on foreign-source income is virtually zero by crediting foreign taxes, and about 25 percent using the deduction.

FOREIGN INCOME, TAXES, AND CREDIT, BY INDUSTRY

The foreign tax credit decreased 12 percent from 1980 to 1981 and another 13 percent for 1982. The following table depicts the foreign tax credit by industrial division and the changes in the credit from 1980 to 1982.

Foreign Tax Credit by Industrial Division, 1980 and 1982

[Money amounts in millions]

Industrial division	1980	1982	Percent- age change
	(1)	(2)	(3)
All industries	\$24,880	\$18,932	- 23.9%
Agriculture, forest- ry, and fishing.....	7	2	- 74.6
Mining.....	1,964	1,610	- 18.0
Construction.....	151	175	16.1
Manufacturing.....	19,192	14,775	- 23.0
Transportation and public utilities....	462	255	- 44.9
Wholesale and retail trade.....	1,525	436	- 71.4
Finance, insurance, and real estate.....	1,397	1,458	4.4
Services.....	181	220	21.4

While the foreign tax credit fell nearly 24 percent for all industries, the most significant decrease was the \$4.4 billion reduction in credit claimed by companies in the manufacturing industry. The 23 percent drop in the credit for this industry accounted for nearly three-fourths of the total reduction between 1980 and 1982.

Figure A
A Comparative Example of Foreign Tax Treatment:
Credit Versus Deduction

Item	Foreign tax credit	Deduction for foreign taxes
1. Worldwide taxable income	\$20,000,000	\$20,000,000
a. Domestic	10,000,000	10,000,000
b. Foreign (before foreign tax deduction)	10,000,000	10,000,000
2. Foreign taxes	4,580,250	4,580,250
3. Foreign income subject to U.S. tax	10,000,000	5,419,750
4. Total income subject to U.S. tax (line 1a + line 3)	20,000,000	15,419,750
5. U.S. tax before credits	9,180,250	7,086,635
a. On domestic income	4,580,250	4,580,250
b. On foreign income	4,600,000	2,506,385
6. Foreign tax credit	4,580,250	—
7. U.S. tax after credits (line 5 - line 6)	4,600,000	7,086,635
8. Total tax (line 2 + line 7)	9,180,250	11,666,885
9. Net income after total tax (line 1 - line 8)	10,819,750	8,333,115
10. Effective worldwide tax rate (line 8 ÷ line 1)	45.9%	58.3%
11. Effective U.S. tax rate on foreign income ((line 7 - line 5a) ÷ line 1b)	0.2%	25.1%

NOTE: Deducting foreign taxes is preferable to crediting only when less than 46 percent of current-year taxes can be credited for the current year, or be used as either a carryback or carryforward credit to other years.

Several other industrial divisions experienced dramatic decreases (in percentage terms) in the credit, as shown. The impact that these smaller industries had on the total foreign tax credit claimed, however, was not significant. In contrast, three industrial divisions showed an increase in the credit claimed, the most substantial being in finance, insurance, and real estate. Specifically, banking exhibited the greatest change (to \$1.2 billion), an increase of 10 percent since 1980.

Dominance of the Petroleum Industry

While the number of corporations in the petroleum industry was a small portion of the total number of corporations claiming a foreign tax credit, these companies constituted a significant share of foreign income, taxes, and

credit. Figure B illustrates the sizeable foreign presence of corporations engaged in integrated petroleum activities and oil and gas extraction operations.

It is interesting to note that petroleum companies represented 3 percent of all corporations claiming a foreign tax credit, but claimed nearly half of the total foreign tax credit. Also noteworthy is the fact that these companies accounted for 34 percent of foreign-source taxable income, but 54 percent of total current-year foreign taxes. The petroleum industry's effective foreign tax rate on this foreign taxable income averaged 60 percent [8].

Foreign Taxable Income and Taxes

Foreign-source taxable income (see the

Foreign Tax Credit by Industry, 1982

Figure B. -- Petroleum Industry Compared to All Industries, 1982

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

Selected items	All industries	Petroleum industry	Petroleum industry as a percentage of all industries
	(1)	(2)	(3)
Number of returns.....	4,941	149	3.0%
Total assets.....	\$3,773,175,346	\$438,467,919	11.6
Total non-branch foreign gross income....	87,519,590	29,309,460	33.5
Total non-branch foreign deductions.....	44,180,091	14,352,797	32.5
Foreign branch income and specially allocable income (section 863(b)).....	16,142,432	5,546,000	34.4
Total foreign-source taxable income.....	59,481,932	20,502,664	34.5
Current-year foreign taxes.....	22,795,300	12,317,090	54.0
Income subject to U.S. tax.....	107,213,248	28,623,504	26.7
Foreign tax credit.....	18,932,390	8,951,129	47.3

Explanation of Selected Terms Section) accounted for 29 percent of worldwide taxable income for all corporations for 1982. This ratio remained unchanged from 1980, as both foreign and worldwide income decreased approximately 16 percent, to \$59.5 billion and \$205.2 billion, respectively. The \$41.4 billion reduction in worldwide taxable income was partially due to the 49 percent increase in interest expense [9]. Several industrial divisions experienced a reduction in foreign income, yet losses sustained by the manufacturing industries were the most substantial. Within this industrial division, corporations primarily engaged in integrated petroleum activities accounted for 71 percent of the total \$11.1 billion reduction in foreign income.

Current-year foreign taxes for U.S. corporations claiming a credit fell 24 percent from 1980, a \$7.2 billion difference. Manufacturers engaged in integrated petroleum activities experienced a 28 percent decrease in these taxes compared to 1980, closely approximating the 32 percent decrease in their foreign taxable income. This industry was still responsible for \$10.2 billion or 45 percent of the total \$22.8 billion of current-year foreign taxes that qualified for the 1982 credit.

Foreign taxes in the banking industry rose by 31 percent from 1980 to 1982, to \$1.4 billion. In contrast, foreign banking taxable income rose a modest 9 percent, while gross income and deductions more than doubled. The tax increase exceeded the rise in taxable income because most foreign withholding taxes are imposed on gross, rather than taxable (net), income.

If foreign tax rates were the same as the U.S. rate, it would follow that the ratio of foreign-source taxable income to worldwide

taxable income should approximate the ratio of current-year foreign taxes to U.S. income tax after credits (excluding the foreign tax credit). Figure C suggests that foreign tax rates on an overall basis are slightly higher than the U.S. tax rate, since the foreign tax ratio (34.5 percent) is higher than the foreign income ratio (29.0 percent) [10]. Although the finance, insurance, and real estate industrial division had a high foreign-source taxable income relative to its worldwide taxable income (60.8 percent), its foreign taxes were only 24.1 percent as great as its U.S. income tax liability. Low foreign withholding rates on banking income (primarily interest) were responsible for the low effective foreign tax rate for the finance division.

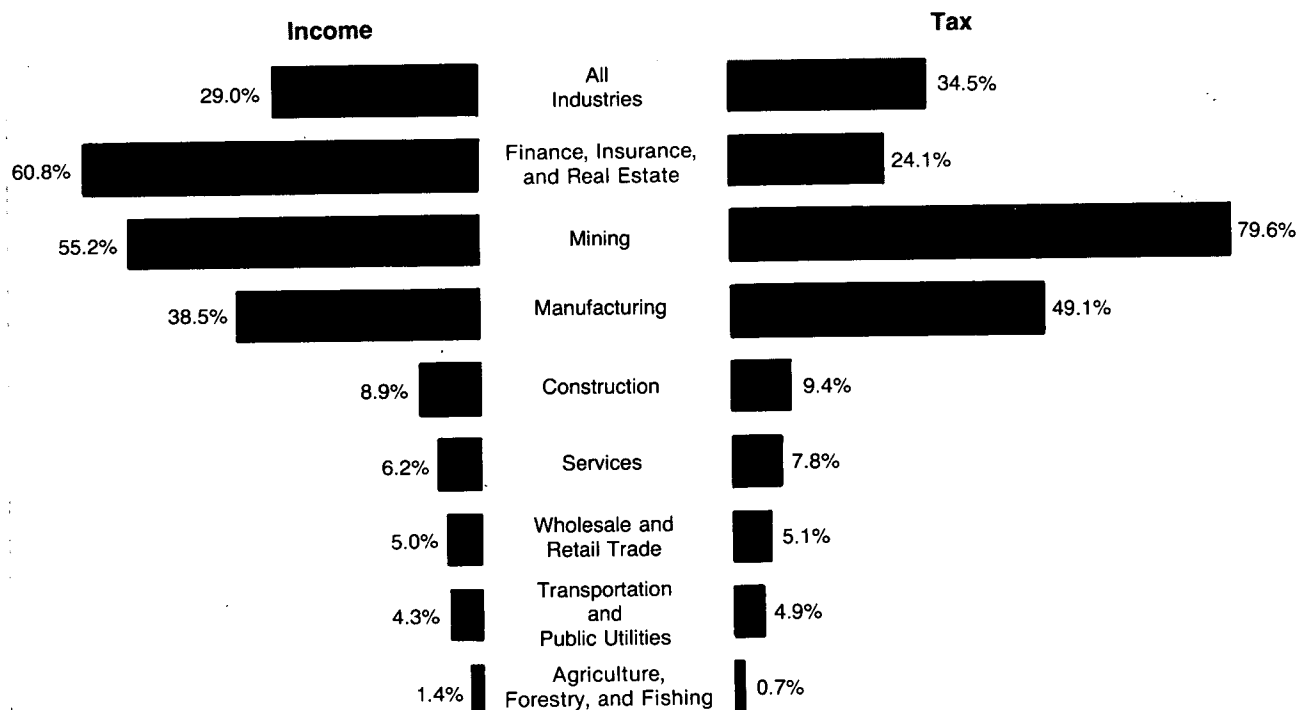
In contrast, about one half of taxable income generated in mining was foreign earned, but foreign taxes were nearly 80 percent as great as U.S. income tax after credits (excluding foreign tax credit). The large foreign tax liability for mining was due to the high tax rates associated with oil and gas extraction income. Manufacturing industries also had a large foreign tax liability, with foreign taxes amounting to nearly half of the amount the United States would have levied on worldwide income, although only 38.5 percent of this industry's income was from foreign sources.

Foreign Gross Income and Taxes

Corporations with foreign business activity can operate by using a variety of business structures or methods. These include:

- unincorporated foreign branches--income reported as branch taxable income;
- controlled foreign corporations [11] --income reported as dividends and

Figure C
Foreign-Source Taxable Income as a Percentage of Worldwide Taxable Income and Current-Year Foreign Taxes as a Percentage of U.S. Tax after Credits (Excluding the Foreign Tax Credit), by Industrial Division, 1982



Note: The amounts of worldwide taxable income and U.S. income tax after credits (excluding foreign tax credit) used in these calculations represent all corporations rather than those with foreign tax credit. These percentages are estimates, as a small amount of foreign income and tax data are not included in these statistics (see the Data Sources and Limitations section of this article).

- dividend gross-up; and
- direct transactions with a foreign corporation (whether controlled or not) or unrelated entities--gross income of other types, for example interest, rents, royalties, and services income.

Corporations that operated through foreign branches are discussed in the section "Branch Income." The following discussion describes the income and taxes associated with alternative business structures.

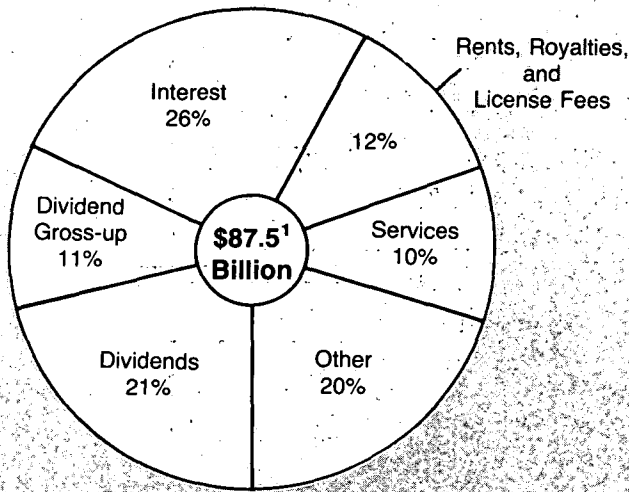
Total foreign gross income remained virtually the same as 1980; however, significant changes occurred in its composition. Interest surpassed dividends and rents (including royalties and license fees) as the most common type of foreign income (see Figure D). Interest income other

than from foreign branches rose dramatically from \$12.5 billion for 1980 to \$22.5 billion for 1982.

Increased interest rates on loan repayments in 1982 helped U.S. banks earn \$16.6 billion of foreign non-branch interest, an increase of 125 percent over 1980. Another factor was an "enormous increase in bank lending abroad" [12]. By comparison, U.S. corporations other than banks reported only a 16 percent gain in foreign non-branch interest, to \$5.9 billion.

Corporations in manufacturing and trade seemed more likely than corporations in other industry groups to operate through foreign subsidiaries. This practice is shown in Figure E by the high percentage of dividends (including dividend gross-up) these industries reported (48 percent

Figure D
Total Gross Income by Income Type, 1982



¹Excludes branch income and specially allocable income.

and 47 percent of gross income, respectively). This is probably due to the sizeable foreign presence required for these industries to operate in foreign countries. Unlike corporations in these industries, financial companies seldom operated through foreign subsidiaries. These companies received only 4 percent of their gross income in dividends and dividend gross-up.

For 1982, U.S. corporations paid or accrued \$7.5 billion in foreign taxes on \$87.5 billion of "gross income" (see Figure D), an increase of 4 percent since 1980. Taxes withheld on dividends and rents, royalties, and license fees each accounted for 16 percent of this foreign tax. Manufacturers alone were responsible for nearly all of the tax withheld on dividends, rents, royalties, and license fees.

While interest income constituted one fourth of gross income, tax withheld on interest as a percentage of non-branch taxes paid or accrued was only 12 percent. This was largely due to low withholding rates associated with interest income, especially when U.S. tax treaties with foreign countries allowed for a zero withholding tax rate on this income. Almost three-fourths of the foreign tax on interest was withheld on payments to U.S. banks.

One type of income included but not shown separately in Figure D is foreign partnership

income. While corporations with a foreign tax credit earned \$13.9 million in partnership net income for 1982, those in oil and gas extraction reported losses totaling \$90.5 million. In comparison, domestic partnerships in the same industry sustained losses totaling \$7.7 billion [13].

Close to half of the taxes on the income depicted in Figure D were paid or accrued on "other" income. This income category is characterized by non-branch business receipts, generally from sales. The majority of this income (74 percent) was attributable to the petroleum industry. In contrast to the taxes, "other" income accounted for only 20 percent of total foreign gross income. Ninety-one percent of "other" taxes can similarly be attributed to corporations engaged in the petroleum industry.

The distribution of foreign gross income varied considerably by industry as shown in Figure E. The income and taxes of manufacturers approximated both the income and tax distribution for most income types at the all-industry level, as these corporations comprised over half of both total gross income and total taxes. While the wholesale and retail trade industries followed this pattern for income, over half of their taxes represented amounts withheld on dividends and less than 10 percent was paid on "other" income.

The other industry groups deviated substantially from the overall distribution. Finance, insurance, and real estate corporations, for example, received almost exclusively foreign interest income. For construction firms, a high concentration of income was from services.

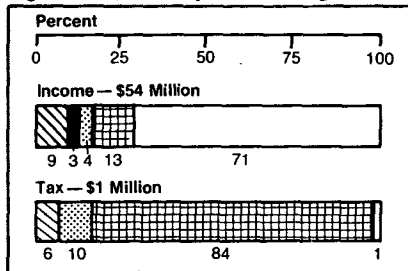
Corporations in the motion picture and television production industry generally receive income from renting or licensing the use of their films and television shows. The majority (76 percent) of this industry's foreign-source gross income (\$1.1 billion) was from rents, royalties, and license fees. This income played a major role in the distribution of income for the services industry (which includes motion picture and television production) as shown in Figure E. Foreign taxes, however, represented only 2 percent of foreign rent, royalty, and license fee income for the motion picture and television production industry. In comparison, the average foreign tax rate on the same income type was 12 percent for all industries. This industry's rate was low because the United States has tax treaties with many major countries eliminating withholding taxes on this income [14].

Branch Income

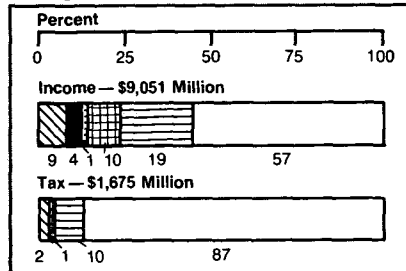
As an alternative to foreign incorporation, many U.S. companies have established unincorporated foreign branches to operate in

Figure E
Percentage of Total Gross Income and Total Tax by Income Type, by Industrial Division, 1982¹

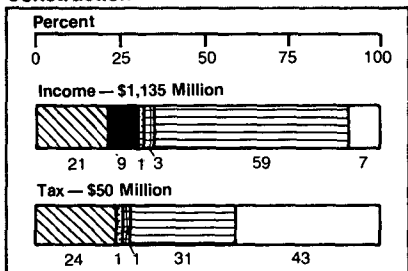
Agriculture, Forestry, and Fishing



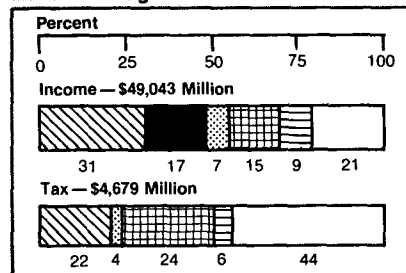
Mining



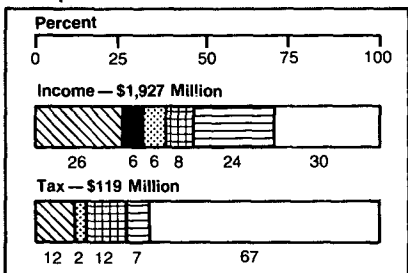
Construction



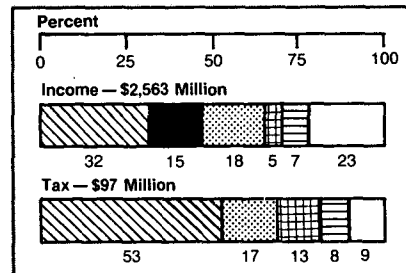
Manufacturing



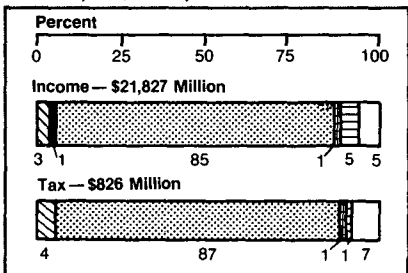
Transportation and Public Utilities



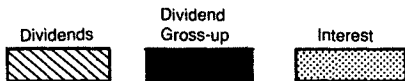
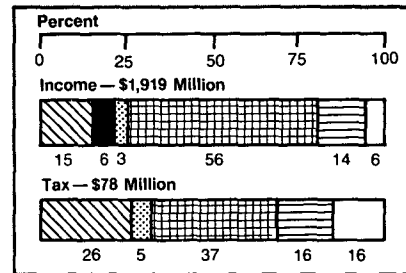
Wholesale and Retail Trade



Finance, Insurance, and Real Estate



Services



¹Excludes branch and specially allocable income.
 Note: Detail may not add to total because of rounding.

foreign countries. Income from these branches represented nearly one-fourth of total foreign-source taxable income. Branch income fell by a third, from \$21.9 billion for 1980 to \$14.6 billion for 1982. While foreign branch income fell for most industries, the reduction was most significant for manufacturing corporations. Eighty-nine percent of the \$7.3 billion decrease in branch income was accounted for by this industry, with nearly all of this decrease in the integrated petroleum industry.

The portion of total foreign-source taxable income received from foreign branches varied by industry. The following table provides an industry comparison of this relationship.

Foreign Branch Income as a Percentage of
Total Foreign-Source Taxable Income,
by Selected Industry, 1982

[Money amounts in millions]

Selected industry	Total foreign-source taxable income	Foreign branch income	Percentage
	(1)	(2)	(3)
All industries.....	\$59,482	\$14,572	24.5%
Agriculture, forestry, and fishing	23	1/	2/
Mining.....	4,041	440	10.9
Construction.....	534	23	4.2
Manufacturing.....	39,359	6,584	16.7
Transportation and public utilities..	1,128	100	8.9
Wholesale and retail trade.....	1,518	17	1.1
Finance, insurance, and real estate...	12,138	7,401	61.0
Banking.....	10,766	7,182	66.7
Services.....	741	3	0.4

1/ Less than \$500,000.

2/ Less than 0.05 percent.

Although U.S. banks received \$16.6 billion of foreign non-branch interest, two-thirds of bank taxable income was derived from foreign branches. As shown, the banking industry surpassed all other industries in the percentage of total foreign-source taxable income derived from foreign branches. Historically, U.S. banks have made foreign loans through foreign branches rather than establishing foreign banking subsidiaries.

For 1982, banking and manufacturing made up the greatest percentage of total branch taxable

income, 49 percent and 45 percent, respectively. The \$6.6 billion of manufacturing branch income represented less than 17 percent of all foreign income for manufacturers, while the corresponding portion for banking was nearly 67 percent (\$7.2 billion). In 1982, both banks and manufacturers each earned nearly half of total foreign branch income, although for 1980, banking represented only 34 percent while manufacturing accounted for 60 percent of the total.

SUMMARY

Between 1980 and 1982, the foreign tax credit claimed by U.S. corporations fell \$5.9 billion, a decrease of 24 percent. During 1982, many corporations experienced foreign or worldwide losses, reducing foreign taxes and precluding them from claiming a foreign tax credit. While many industries sustained decreases in foreign income, foreign taxes, and credit, the petroleum industry accounted for a substantial amount of these reductions.

Non-branch interest income emerged as the largest component of total foreign gross income in 1982, accounting for 26 percent of the \$87.5 billion total. Between 1980 and 1982, this income nearly doubled, with banks earning close to 75 percent of total interest income. This increase was due to both high interest rates and increased foreign lending.

Foreign branch operations were important to the banking industry, as 67 percent of banking foreign taxable income was earned through branches. While banks generally operate through foreign branches, corporations in the trade and manufacturing industries more often establish foreign corporations. This was shown by the high percentage of dividend income they earned in 1982.

DATA SOURCES AND LIMITATIONS

Sample Selection and Variability

The statistics for the 1982 Tax Year (which included accounting periods ending between July 1982 and June 1983) were estimated from a stratified probability sample of about 97,000 corporation income tax returns selected after revenue processing, but before audit. A description of the sample selection procedures for corporate returns is presented in the Appendix of this publication.

Returns claiming a foreign tax credit were selected for the 1982 statistics presented in this article from the general corporate sample. Slight differences exist between the 1982 foreign tax credit data presented here and the data previously published in Statistics of Income--1982, Corporation Income Tax Returns (and also shown in Table 8 of the Selected

Statistical Series, at the end of this publication). The differences exist because the statistics presented in this article include 1982 data for nine returns with foreign tax credit that were prescribed for inclusion in the 100 percent sample class, but were received too late to be included in the corporate sample statistics. However, estimates were used for the most significant (four) returns in the corporate statistics.

Sampling error is a limitation only to the extent that returns are selected at a rate of less than 100 percent. However, for this article, returns selected at the 100 percent rate accounted for the largest part of the estimated amounts. For instance, for 1982, corporations with \$250 million or more in total assets (which were selected at the 100 percent rate) accounted for almost all of total assets (97.6 percent), foreign tax credit claimed (96.2 percent), and foreign-source taxable income (95.9 percent) reported by all corporations claiming a foreign tax credit. Because of the predominance of these large corporations, sampling error is not considered a major limitation of the statistics.

General Limitations

The foreign tax credit is claimed under section 901 of the Internal Revenue Code. Corporations claiming a foreign tax credit generally provide supporting foreign income and tax data on Form 1118, Computation of Foreign Tax Credit--Corporations, attached to their U.S. Form 1120 income tax return. Form 1118 is the source of the foreign income and tax data for this article. The statistics do not reflect any adjustments that may be made during audit examination, when the acceptability of the foreign income and taxes reported for purposes of this credit is finally determined. In addition, some corporations provided only preliminary foreign income and tax data with their U.S. tax returns because not all the information on their foreign operations was available at the time the U.S. income tax return was filed.

There is a certain amount of undercoverage of foreign income and tax data. Some corporations with foreign income and taxes operated at a deficit and had no U.S. tax liability against which a foreign tax credit could be claimed. Other corporations may have chosen to deduct their foreign taxes from gross income rather than credit them against their U.S. tax liability. For these particular returns, it is believed that the foreign income and tax amounts were insignificant. In both circumstances, these returns would have been excluded from this study. In other instances, corporations did not provide a Form 1118 in support of the foreign tax credit claimed with their tax return as originally filed. Since the foreign tax credit

claimed by these corporations represented approximately 0.001 percent of the total foreign tax credit claimed by all corporations, it is believed that the income and tax data would be insubstantial. Certain Form 1120 data for these returns are, however, included in columns 1-17 of Table 1.

The U.S. tax law allows parent corporations to file consolidated income tax returns presenting the combined financial data of an entire group of affiliated corporations. Therefore, the actual number of corporations claiming a foreign tax credit is understated, as the statistics in this article represent the number of corporation income tax returns with foreign tax credit. For purposes of this article, however, the term "corporations" is used to denote "returns."

EXPLANATION OF SELECTED TERMS

Current-year foreign taxes.--Generally, current-year foreign taxes available for credit included (a) foreign taxes directly paid or accrued by a U.S. corporation on profits of foreign branch operations; withholding taxes on dividends, interest, rents, royalties and license fees; and other foreign taxes paid or accrued on partnership and services income; and (b) foreign taxes indirectly, or deemed, paid by a U.S. corporation. These "deemed paid" taxes were the taxes paid or accrued by a related foreign corporation on the profits from which dividends were paid (or constructive distributions made) to the U.S. corporation.

Dividend gross-up.--An amount of income equal to tax deemed paid that is associated with dividends received or includable income constructively received from foreign corporations.

Foreign-source taxable income.--Foreign-source gross income (including certain income "constructively" although not "actually" received, i.e., "foreign dividend gross-up" and "includable income of Controlled Foreign Corporations") less or "net" of the allocable deductions determined under the Internal Revenue Code and by provisions of any tax treaty between the United States and a particular foreign country. This taxable income was the amount on which the U.S. income tax on foreign earnings was determined. It could differ from the taxable income from overseas business operations and investments computed under foreign tax law, which was used as the basis for foreign taxation. In general, foreign-source taxable income included foreign branch profits, dividends received from foreign corporations, rental income, royalties, license fees, interest, gains from the sale of real property, and compensation for labor or services performed.

Specially allocable (section 863(b)) income.--Income partially earned within the United States

and partially earned within a foreign country or U.S. possession. In general, the income covered by section 863(b) is generated either by production within the United States and sales abroad or vice versa, or by transportation, telegraph, or cable services.

NOTES AND REFERENCES

- [1] For an explanation of the difference between the total foreign tax credit figure shown here and the figure shown in Statistics of Income -- 1982, Corporation Income Tax Returns and Table 8 of the Selected Statistical Series at the end of this publication, see the "Data Sources and Limitations" section of this article.
- [2] An article in the Fall 1986 Statistics of Income Bulletin will present geographically classified foreign income and tax data for corporations claiming a foreign tax credit for Tax Year 1982.
- [3] The amount of branch interest is not determinable because branch income is reported as taxable (not gross) income and is not allocated to specific types of income.
- [4] Since detailed corporate foreign tax credit statistics are available for only even numbered years, most foreign tax credit items are compared to 1980 rather than 1981 in this article.
- [5] The effective foreign tax rate is defined as current-year foreign taxes as a percentage of foreign-source taxable income. The U.S. effective tax rate was calculated as U.S. income tax after credits (except the foreign tax credit) as a percentage of worldwide taxable income. If the total available credits exceed the amount of tax, these other credits are limited, since the foreign tax credit is claimed before most other credits. The amount of these other credits that would have been claimed, if not for the foreign tax credit, was not tabulated. Including these unavailable amounts would slightly lower the U.S. effective tax rate.
- [6] See Isenbergh, Joseph, "The Foreign Tax Credit: Royalties, Subsidiaries, and Creditable Taxes," Tax Law Review, Spring 1984, pp. 227-231.
- [7] For a more detailed explanation of the foreign tax credit limitation, see States, William, "Corporate Foreign Tax Credit, 1980: An Industry Focus," Statistics of Income Bulletin, Summer 1984, pp. 63-64.
- [8] Note that this high effective foreign tax rate may be a result of either high statutory rates on oil income or differences in foreign accounting principles, or both.
- [9] Since interest deductions were not determined exclusively for corporations claiming a foreign tax credit, the increase described represents these deductions for all corporations. See Statistics of Income, Corporation Income Tax Returns, for 1980 and 1982.
- [10] The calculation does not consider the small amount of unused tax credits (other than the foreign tax credit). For purposes of this calculation, excluding the foreign tax credit would increase the allowable amount of other credits. Including these unavailable amounts would slightly lower the amount of U.S. tax after credits, and, as a result, increase the ratio of current-year foreign taxes to U.S. income tax after credits (excluding the foreign tax credit).
- [11] A controlled foreign corporation (CFC) is generally described as a corporation created under the laws of a government outside of the United States and with more than 50 percent of the voting stock or more than 50 percent of all classes of stock owned by U.S. persons on any day during the taxable year of the CFC. An article in the Summer 1986 issue of the Statistics of Income Bulletin will present industrially classified controlled foreign corporation income and tax data for Tax Year 1982.
- [12] Scholl, Russell B., "The International Investment Position of the United States in 1984," Survey of Current Business, Department of Commerce, June 1985, p. 28.
- [13] See Piet, Patrick, "Partnership Returns, 1982," Statistics of Income Bulletin, Summer 1984, pp. 86-91.
- [14] See U.S. Department of the Treasury, Withholding of Tax on Nonresident Aliens and Foreign Corporations, Publication 515, November 1983.

All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

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

Major industry	Foreign income and taxes reported on Form 1118—Continued									
	Gross income (less loss) excluding branch operations and specially allocable income—Continued							Oil and gas extraction gross income (less loss)		
	Dividend gross-up	Interest income	Rents, royalties and license fees	Service income	Net capital gain	Partnership income (net)	Other income	Total	From extraction of oil or gas	From sale of business assets
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	
All industries	9,641,417	22,497,860	10,060,087	8,625,545	876,975	13,912	17,344,542	25,561,544	19,944,160	287,155
Agriculture, forestry, and fishing	*1,475	*2,129	*6,886	—	*152	*-9	*38,531	—	—	—
Mining	333,529	103,550	894,198	1,745,678	30,346	-90,522	5,259,181	3,612,904	3,367,727	22,206
Metal mining	*81	*542	*481	*34,791	—	—	*131,177	—	—	—
Coal mining	—	1,826	40	—	—	—	—	—	—	—
Oil and gas extraction	333,449	100,334	893,677	1,710,887	30,346	-90,522	5,128,004	3,612,904	3,367,727	22,206
Nonmetallic minerals, except fuels	—	848	—	—	—	—	—	—	—	—
Construction	99,458	14,517	32,528	674,402	4,077	49,320	21,985	47,244	47,244	—
General building contractors and operative builders	20,108	2,102	136	38,187	4,080	12,755	19,938	47,244	47,244	—
Heavy construction contractors	77,681	11,365	30,289	635,795	-4	36,565	1,784	—	—	—
Special trade contractors	1,669	1,050	2,103	420	—	—	263	—	—	—
Manufacturing	8,351,355	3,217,622	7,470,845	4,299,421	695,379	39,404	9,870,524	21,504,566	16,216,027	201,753
Food and kindred products	566,477	216,248	271,517	133,339	104	-3,773	269,398	—	—	—
Tobacco manufactures	34,998	86,723	177,327	1,101,809	103,651	—	237,879	130,290	-64,969	185,258
Textile mill products	26,443	1,046	11,384	1,383	-5	453	890	—	—	—
Apparel and other textile products	27,343	27,431	58,171	3,660	654	92	6,477	—	—	—
Lumber and wood products	1,737	1,097	1,944	67	—	—	1,842	—	—	—
Furniture and fixtures	1,758	193	3,910	41	261	—	1,454	—	—	—
Paper and allied products	173,194	17,419	156,113	19,627	215,263	3,587	33,666	—	—	—
Printing and publishing	51,091	23,861	82,534	66,107	8,352	-21	78,713	—	—	—
Chemicals and allied products	1,346,640	240,221	824,258	160,462	59,186	886	311,078	1,154,004	830,534	58
Petroleum (including integrated) and coal products	3,340,369	1,474,136	1,752,372	951,578	45,739	19,129	8,342,508	20,207,059	15,441,097	6,427
Rubber and miscellaneous plastics products	108,932	11,785	113,919	7,566	10,780	-182	12,235	3,839	—	—
Leather and leather products	947	7	1,925	63	—	—	2,606	—	—	—
Stone, clay, and glass products	85,016	30,083	88,163	22,954	6,476	918	23,223	—	—	—
Primary metal industries	60,941	25,423	84,656	1,458	3,460	9,184	123,429	314	314	—
Fabricated metal products	197,765	45,465	115,966	10,486	21,527	-5,729	61,250	—	—	—
Machinery, except electrical	1,114,262	407,009	2,666,238	722,334	17,878	15,525	243,799	—	—	—
Electrical and electronic equipment	453,245	238,689	659,160	783,560	188,099	-5,308	240,056	9,059	9,051	9
Motor vehicles and equipment	311,437	310,937	70,212	289,095	-3,552	4,604	-178,549	—	—	—
Transportation equipment, except motor vehicles	90,104	16,882	80,560	31,142	5,763	—	11,020	—	—	—
Instruments and related products	345,351	38,042	210,845	-11,314	11,703	38	31,992	—	—	—
Miscellaneous manufacturing products and manufacturing not allocable	13,305	4,925	39,668	4,004	40	—	15,558	—	—	—
Transportation and public utilities	112,351	123,265	146,930	454,154	52,136	41,801	495,406	378,256	295,166	63,196
Transportation	17,827	38,443	33,190	56,220	-2,671	1,125	33,535	19,826	18,711	—
Water transportation	2,144	760	19,528	—	—	739	18,711	19,440	18,711	—
Other transportation	15,683	37,682	13,662	56,220	-2,671	386	14,824	386	—	—
Communication	70,355	4,782	103,387	282,179	-197	5,496	104,964	—	—	—
Electric, gas, and sanitary services	24,170	80,040	10,353	115,754	55,003	35,180	356,907	358,430	276,455	63,196
Wholesale and retail trade	381,580	462,559	124,711	174,543	42,571	-582	557,484	3,947	3,947	—
Wholesale trade	186,613	327,968	57,488	139,483	15,927	-697	512,297	3,947	3,947	—
Groceries and related products	—	*1,185	*199	*1,620	—	—	—	—	—	—
Machinery, equipment, and supplies	18,954	18,638	7,818	16,954	1,157	—	38,623	—	—	—
Miscellaneous wholesale trade	167,659	308,146	49,471	120,909	14,764	-697	473,674	3,947	3,947	—
Drugs, chemicals, and allied products	7,793	1,779	6,371	409	431	—	28,983	—	—	—
Petroleum and petroleum products	*96,855	*27,804	*2,405	*5,210	*5,484	—	*-11,054	—	—	—
Other miscellaneous wholesale trade	63,010	278,563	40,694	115,289	8,849	-697	455,746	3,947	3,947	—
Retail trade	194,947	134,591	67,223	35,060	26,651	115	45,187	—	—	—
Building materials, garden supplies, and mobile home dealers	—	—	—	—	—	—	—	—	—	—
General merchandise stores	134,750	111,369	9,299	27,596	6,994	—	6,288	—	—	—
Food stores	48,196	533	9,059	—	—	—	-69	—	—	—
Automotive dealers and service stations	—	*2	*158	*140	—	—	*688	—	—	—
Apparel and accessory stores	*52	*537	*3,875	*1,660	*5,515	—	*37,550	—	—	—
Eating and drinking places	4,089	20,713	43,724	4,149	1,536	115	322	—	—	—
Miscellaneous retail stores	7,860	1,437	1,108	1,515	12,606	—	407	—	—	—
Finance, insurance, and real estate	237,013	18,523,459	310,096	1,014,011	43,338	-52,276	1,023,857	11,014	10,437	—
Banking	120,761	16,553,608	284,658	123,732	35,932	-46,791	854,470	469	469	—
Credit agencies other than banks	2,148	195,157	711	116	50	-64	3,014	—	—	—
Security, commodity brokers and services	12,343	51,706	2	23,662	678	66	50,829	—	—	—
Insurance carriers	42,779	1,705,929	11,834	856,306	-6,977	-6,884	86,124	9,968	9,968	—
Insurance agents, brokers, and services	21,260	6,246	4,254	8,899	62	625	24,855	—	—	—
Real estate	23	149	6,301	—	—	—	6	—	—	—
Holding and other investment companies except bank holding companies	37,699	10,664	2,337	1,296	13,592	772	4,558	577	—	—
Services	124,676	50,760	1,073,892	263,336	8,977	26,776	77,573	3,612	3,612	—
Hotels and other lodging places	2,384	404	7,761	5,050	6,157	719	5,661	—	—	—
Personal services	*6,599	*344	*688	*2,776	*2	—	*487	—	—	—
Business services	38,334	46,718	85,903	132,956	2,817	167	39,574	—	—	—
Auto repair; miscellaneous repair services	—	*894	*883	*1,254	—	—	*102	—	—	—
Amusement and recreational services	74,002	231	958,900	13,139	—	344	4,918	—	—	—
Other services	3,357	2,168	19,756	108,162	—	25,546	26,832	3,612	3,612	—

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit

Table 1. — Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry — Continued

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

Major industry	Foreign income and taxes reported on Form 1118 — Continued									
	Oil and gas extraction gross income (less loss) — Continued			Deductions other than from branch operations and specially allocable income						
	Dividends from foreign corporations	Includable income of Controlled Foreign Corporations	Partnership income	Total	Deductions allocable to specific types of income					Deductions not allocable to specific types of income
					Total	Rental, royalty and licensing expenses		Service expenses	Other deductions	
(30)	(31)	(32)	(33)	(34)	Depreciation, depletion and amortization	Other	(37)			(38)
All Industries	5,312,210	58,706	-40,686	44,180,091	27,285,615	367,129	1,101,196	3,905,792	21,911,498	18,894,475
Agriculture, forestry, and fishing	—	—	—	*30,905	*217	—	—	—	*217	*30,687
Mining	300,472	3,606	-81,107	5,455,503	5,230,666	122,996	41,471	1,009,087	4,057,112	224,837
Metal mining	—	—	—	*121,656	*121,656	*8,525	—	—	*113,131	—
Coal mining	—	—	—	—	—	—	—	—	—	—
Oil and gas extraction	300,472	3,606	-81,107	5,332,317	5,107,798	114,472	41,471	1,009,087	3,942,769	224,519
Nonmetallic minerals, except fuels	—	—	—	1,529	1,211	—	—	—	1,211	318
Construction	—	—	—	643,971	615,716	742	339	574,365	40,270	28,255
General building contractors and operative builders	—	—	—	39,751	22,502	—	1	13,871	8,630	17,250
Heavy construction contractors	—	—	—	603,013	592,224	723	72	560,448	30,982	10,788
Special trade contractors	—	—	—	1,207	990	19	266	46	659	217
Manufacturing	5,011,738	55,052	19,997	17,740,123	13,461,237	106,146	790,522	1,217,343	11,347,226	4,278,886
Food and kindred products	—	—	—	539,290	313,150	813	24,338	37,793	250,208	226,141
Tobacco manufactures	—	—	—	1,331,760	114,475	—	4,718	2,073	107,685	1,217,285
Textile mill products	—	—	—	3,382	2,046	458	—	694	822	1,337
Apparel and other textile products	—	—	—	39,876	21,586	9	4,377	1,226	15,985	18,279
Lumber and wood products	—	—	—	2,550	2,055	142	410	—	1,503	495
Furniture and fixtures	—	—	—	1,528	1,258	—	—	—	1,258	272
Paper and allied products	—	—	—	159,385	123,760	—	647	5,299	117,814	35,625
Printing and publishing	—	—	—	131,454	120,024	58	25,612	38,102	56,252	11,430
Chemicals and allied products	323,412	—	—	1,457,111	941,856	464	23,351	40,854	877,187	515,255
Petroleum (including integrated) and coal products	4,688,326	51,267	19,942	9,020,480	8,592,600	57,827	523,148	168,495	7,843,130	427,879
Rubber and miscellaneous plastics products	—	3,784	55	109,262	35,381	8	1,451	410	33,513	73,881
Leather and leather products	—	—	—	882	735	—	20	—	715	147
Stone, clay, and glass products	—	—	—	98,650	59,711	309	320	5,719	53,362	38,939
Primary metal industries	—	—	—	211,223	187,316	7,708	44,349	1,313	133,945	23,907
Fabricated metal products	—	—	—	150,551	42,623	2,958	5,471	1,920	32,373	107,928
Machinery, except electrical	—	—	—	2,163,089	1,659,759	12,336	22,292	237,112	1,388,030	503,320
Electrical and electronic equipment	—	—	—	1,440,039	864,932	21,074	93,535	432,765	317,558	575,106
Motor vehicles and equipment	—	—	—	593,492	293,381	—	7,653	227,205	58,522	300,112
Transportation equipment, except motor vehicles	—	—	—	76,060	27,565	1,643	6,125	12,134	7,664	48,495
Instruments and related products	—	—	—	184,011	46,668	—	21	345	46,301	137,344
Miscellaneous manufacturing products and manufacturing not allocable	—	—	—	26,049	10,337	338	2,612	3,983	3,403	15,712
Transportation and public utilities	—	—	19,895	951,599	613,923	9,867	31,918	87,647	484,492	337,676
Transportation	—	—	1,115	124,201	85,952	44	3,297	20,176	62,435	38,249
Water transportation	—	—	729	11,519	11,519	—	—	—	6,222	—
Other transportation	—	—	386	112,682	74,433	44	3,297	20,176	56,213	38,249
Communication	—	—	—	273,007	219,617	9,240	28,392	19,263	162,722	53,390
Electric, gas, and sanitary services	—	—	18,779	554,390	308,354	583	228	48,208	259,334	246,037
Wholesale and retail trade	—	—	—	1,066,675	708,540	692	14,122	110,558	583,168	358,134
Wholesale trade	—	—	—	910,817	623,404	658	13,410	89,238	520,098	287,413
Groceries and related products	—	—	—	*858	*104	—	—	*104	*754	—
Machinery, equipment, and supplies	—	—	—	62,191	33,513	—	—	30,285	3,227	28,679
Miscellaneous wholesale trade	—	—	—	847,768	589,787	658	13,410	58,953	516,766	257,890
Drugs, chemicals, and allied products	—	—	—	38,586	35,225	—	—	—	35,225	3,361
Petroleum and petroleum products	—	—	—	*81,502	*19,492	—	—	*1,635	*17,858	*62,010
Other miscellaneous wholesale trade	—	—	—	727,679	535,070	658	13,410	57,318	463,684	192,609
Retail trade	—	—	—	155,858	85,136	34	712	21,320	63,070	70,722
Building materials, garden supplies, and mobile home dealers	—	—	—	—	—	—	—	—	—	—
General merchandise stores	—	—	—	116,900	81,017	—	—	21,086	59,931	35,884
Food stores	—	—	—	1,655	365	—	—	—	365	1,289
Automotive dealers and service stations	—	—	—	*102	*102	—	—	*100	*3	—
Apparel and accessory stores	—	—	—	*728	*703	—	—	—	*703	*26
Eating and drinking places	—	—	—	31,270	2,755	—	712	135	1,909	28,515
Miscellaneous retail stores	—	—	—	5,203	184	34	—	—	160	5,009
Finance, insurance, and real estate	—	48	529	17,109,611	6,072,784	83,809	134,533	759,875	5,094,568	11,036,827
Banking	—	—	—	14,817,104	4,129,796	80,363	129,283	83,649	3,836,501	10,687,308
Credit agencies other than banks	—	—	—	190,410	22,052	—	—	—	22,052	168,358
Security, commodity brokers and services	—	—	—	94,263	73,350	—	—	18,631	54,719	20,913
Insurance carriers	—	—	—	1,956,192	1,819,803	2,053	5,219	656,377	1,156,154	136,389
Insurance agents, brokers, and services	—	—	—	28,794	17,573	—	—	1,219	16,354	11,221
Real estate	—	—	—	1,454	1,446	1,393	31	—	22	8
Holding and other investment companies except bank holding companies	—	48	529	21,394	8,765	—	—	—	8,765	12,629
Services	—	—	—	1,181,704	582,531	42,877	88,292	146,917	304,446	599,173
Hotels and other lodging places	—	—	—	15,226	6,594	—	54	(¹)	6,540	8,632
Personal services	—	—	—	*2,477	*2,339	—	*187	*209	*1,943	*138
Business services	—	—	—	213,386	149,924	1,406	27,899	67,727	52,891	63,462
Auto repair; miscellaneous repair services	—	—	—	*1,208	*1,175	*202	*19	*853	—	*34
Amusement and recreational services	—	—	—	830,825	332,759	40,607	59,140	32,547	200,465	498,065
Other services	—	—	—	118,582	89,741	661	993	45,480	42,606	28,842

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit

Table 1. — Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry — Continued

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

Major industry	Foreign income and taxes reported on Form 1118 — Continued									
	Deductions other than from branch operations and specially allocable income — Continued			Deductions from oil and gas extraction income			Taxable income (less loss)			
	Deductions not allocable to specific types of income — Continued			Total	Allocable to specific types of income	Not allocable to specific types of income	Before loss recapture			
	Research and development expenses	Interest expenses	General and administrative expenses				Total	Foreign branch income	Specially allocable income (Section 863(B))	Other than from branch operations and specially allocable income
(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	
All industries	57,016	7,213,718	1,761,806	7,992,911	7,833,523	159,388	59,481,932	14,572,145	1,570,287	43,339,500
Agriculture, forestry, and fishing	—	—	—	—	—	—	*23,000	*8	—	*22,992
Mining	9,494	86,151	65,107	965,468	887,328	78,141	4,041,405	444,070	1,540	3,595,795
Metal mining	—	—	—	—	—	—	*45,785	—	—	*45,785
Coal mining	—	—	—	—	—	—	1,961	—	—	1,961
Oil and gas extraction	9,494	86,151	65,107	965,468	887,328	78,141	3,988,685	439,438	1,540	3,547,707
Nonmetallic minerals, except fuels	—	—	—	—	—	—	4,974	4,632	—	342
Construction	—	2,787	624	7,991	7,991	—	533,552	22,658	19,714	491,180
General building contractors and operative builders	—	—	—	7,991	7,991	—	192,550	5,422	13,513	173,615
Heavy construction contractors	—	2,787	624	—	—	—	331,660	17,236	6,201	308,223
Special trade contractors	—	—	—	—	—	—	9,342	—	—	9,342
Manufacturing	45,418	569,243	557,369	6,912,320	6,837,526	74,793	39,359,210	6,584,357	1,471,457	31,303,396
Food and kindred products	3,627	52,052	35,412	—	—	—	2,014,328	170,124	29,838	1,814,366
Tobacco manufactures	—	1,427	34,498	12,839	12,839	—	470,243	-71,417	804	540,856
Textile mill products	—	—	—	—	—	—	70,493	610	26	69,857
Apparel and other textile products	—	—	—	—	—	—	135,498	—	196	135,302
Lumber and wood products	—	—	—	—	—	—	7,347	(¹)	—	7,347
Furniture and fixtures	—	1	—	—	—	—	10,002	—	—	10,002
Paper and allied products	—	3,581	1,514	—	—	—	834,211	27,786	5,141	801,284
Printing and publishing	—	342	3,721	—	—	—	256,594	-21,551	3,832	274,313
Chemicals and allied products	3,402	33,451	76,790	152,797	138,009	14,787	4,740,287	624,658	186,925	3,928,704
Petroleum (including integrated) and coal products	2,005	45,617	32,464	6,738,680	6,678,678	60,002	16,513,979	4,974,994	130,028	11,408,957
Rubber and miscellaneous plastics products	23,910	15,585	27,439	7	7	—	350,235	2,535	2,561	345,139
Leather and leather products	—	—	—	—	—	—	6,302	178	—	6,124
Stone, clay, and glass products	—	6,830	20,943	—	—	—	325,650	1,730	9,695	314,225
Primary metal industries	—	122	64	9	5	4	345,272	75,925	17,882	251,465
Fabricated metal products	1	2,235	10,976	—	—	—	783,018	68,067	32,512	682,439
Machinery, except electrical	11,587	173,485	94,135	—	—	—	5,193,701	253,929	322,009	4,617,763
Electrical and electronic equipment	473	37,001	36,616	7,988	7,988	—	3,181,720	362,791	203,852	2,615,077
Motor vehicles and equipment	—	192,717	85,180	—	—	—	2,211,888	76,406	330,634	1,804,848
Transportation equipment, except motor vehicles	—	—	—	—	—	—	451,387	-6,029	4,507	452,909
Instruments and related products	414	3,733	96,478	—	—	—	1,379,773	43,807	189,140	1,146,826
Miscellaneous manufacturing products and manufacturing not allocable	—	1,064	1,140	—	—	—	77,282	-186	1,873	75,595
Transportation and public utilities	—	38,564	105,668	104,688	98,270	6,418	1,128,047	99,852	52,311	975,884
Transportation	—	1,525	8,199	—	—	—	259,569	97,308	27,312	134,950
Water transportation	—	—	—	—	—	—	57,691	—	—	57,691
Other transportation	—	1,525	8,199	—	—	—	201,878	97,308	27,312	77,258
Communication	—	3,650	14,522	—	—	—	501,949	11,797	11,011	479,141
Electric, gas, and sanitary services	—	33,388	82,947	104,688	98,270	6,418	366,529	-9,252	13,988	361,794
Wholesale and retail trade	43	105,192	42,971	1,363	1,327	36	1,518,119	16,758	5,420	1,495,942
Wholesale trade	17	90,653	41,041	1,363	1,327	36	681,862	30,888	4,167	646,808
Groceries and related products	—	—	—	—	—	—	*2,293	*41	—	*2,252
Machinery, equipment, and supplies	—	—	—	—	—	—	103,989	30,160	40	73,789
Miscellaneous wholesale trade	17	90,653	41,041	1,363	1,327	36	575,580	687	4,126	570,762
Drugs, chemicals, and allied products	17	374	395	—	—	—	24,253	2,390	—	21,864
Petroleum and petroleum products	—	—	—	—	—	—	*167,614	*-1,293	—	*168,907
Other miscellaneous wholesale trade	—	90,279	40,647	1,363	1,327	36	383,713	-410	4,126	379,996
Retail trade	26	14,539	1,930	—	—	—	836,256	-14,131	1,253	849,134
Building materials, garden supplies, and mobile home dealers	—	—	—	—	—	—	*38	—	—	*38
General merchandise stores	—	14,539	1,930	—	—	—	555,943	-14,000	—	569,943
Food stores	—	—	—	—	—	—	130,851	—	—	130,851
Automotive dealers and service stations	—	—	—	—	—	—	*2,560	—	—	*2,560
Apparel and accessory stores	*26	—	—	—	—	—	*49,036	*115	—	*48,921
Eating and drinking places	—	—	—	—	—	—	47,658	-3,070	—	50,728
Miscellaneous retail stores	—	—	—	—	—	—	50,171	2,824	1,253	46,094
Finance, insurance, and real estate	2,062	6,408,712	852,324	—	—	—	12,138,014	7,401,327	19,710	4,716,977
Banking	1,902	6,245,881	843,496	—	—	—	10,765,661	7,182,382	3,508	3,579,771
Credit agencies other than banks	—	134,227	3,301	—	—	—	14,372	—	—	14,372
Security, commodity brokers and services	—	19,377	109	—	—	—	89,186	16,114	—	73,072
Insurance carriers	160	5,632	156	—	—	—	1,071,765	202,269	16,202	853,294
Insurance agents, brokers, and services	—	3,596	5,234	—	—	—	65,925	561	—	65,364
Real estate	—	—	—	—	—	—	5,449	—	—	5,449
Holding and other investment companies except bank holding companies	—	—	28	—	—	—	125,655	—	—	125,655
Services	—	3,068	137,742	1,082	1,082	—	740,585	3,116	135	737,334
Hotels and other lodging places	—	1,584	6,210	—	—	—	30,311	14,003	—	16,308
Personal services	—	*48	—	—	—	—	*15,197	*595	—	*14,603
Business services	—	1,436	5,160	—	—	—	219,776	24,586	135	195,055
Auto repair, miscellaneous repair services	—	—	—	—	—	—	*1,924	—	—	*1,924
Amusement and recreational services	—	—	126,372	—	—	—	385,131	-28,472	—	413,603
Other services	—	—	—	1,082	1,082	—	88,246	-7,596	—	95,842

Footnotes at end of table.

Corporate Foreign Tax Credit, 1982

All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

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

Major industry	Foreign income and taxes reported on Form 1118—Continued								
	Income and taxes of related foreign corporations and DISC's—Continued								
	Dividends paid or constructively distributed to domestic corporations	Taxes deemed paid by related foreign corporations	Dividends paid to related foreign corporations and DISC's by second-tier foreign corporations	Dividends paid to second-tier foreign corporations by third-tier foreign corporations	Income and taxes of first, second, and third-tier foreign corporations from which constructive distributions were received				
					Gains, profits and income	Taxes paid on gains, profits and income	Dividends constructively distributed to domestic corporations	Taxes deemed paid by related foreign corporations	Taxes deemed paid by domestic corporations
(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	
All industries	14,904,952	2,221,006	2,643,238	241,799	7,071,843	1,698,206	3,198,248	248,554	1,016,374
Agriculture, forestry, and fishing	*4,399	—	—	—	*621	*582	*39	—	*36
Mining	685,081	14,700	16,362	780	179,676	40,218	101,852	7,300	40,637
Metal mining	*118	—	—	—	—	—	—	—	—
Coal mining	—	—	—	—	—	—	—	—	—
Oil and gas extraction	684,963	14,700	16,362	780	179,676	40,218	101,852	7,300	40,637
Nonmetallic minerals, except fuels	—	—	—	—	—	—	—	—	—
Construction	194,484	3,231	6,626	—	99,046	16,024	28,784	3,231	9,462
General building contractors and operative builders	81,792	3,231	6,626	—	67,958	6,931	24,408	3,231	7,891
Heavy construction contractors	110,424	—	—	—	31,088	9,093	4,376	—	1,571
Special trade contractors	2,268	—	—	—	—	—	—	—	—
Manufacturing	12,025,495	2,033,334	2,406,744	174,680	5,904,144	1,529,020	2,530,266	181,364	846,409
Food and kindred products	795,304	137,655	211,859	17,676	395,697	158,018	116,858	14,545	94,387
Tobacco manufactures	94,472	47,245	92,220	60	118,823	32,196	30,792	641	10,568
Textile mill products	31,428	543	779	—	740	304	340	—	231
Apparel and other textile products	47,339	224	560	14	12,437	2,604	3,812	12	1,116
Lumber and wood products	2,982	—	—	—	—	—	—	—	—
Furniture and fixtures	3,902	—	—	—	374	77	173	—	53
Paper and allied products	237,879	40,227	72,594	30,433	9,632	2,419	5,833	350	2,165
Printing and publishing	84,577	8,332	29,181	—	341	166	37	—	44
Chemicals and allied products	1,904,860	166,009	235,594	10,991	1,058,981	239,351	441,998	75,204	204,846
Petroleum (including integrated) and coal products	3,511,016	896,148	903,210	3,230	1,289,196	432,280	360,979	51,344	196,967
Rubber and miscellaneous plastics products	166,432	3,541	6,255	—	25,205	9,587	6,106	—	3,711
Leather and leather products	1,370	—	—	—	793	245	548	—	245
Stone, clay, and glass products	123,492	14,101	18,074	2,312	20,388	3,994	8,422	553	2,835
Primary metal industries	96,320	15,123	34,530	26,919	82,127	6,148	8,882	—	2,938
Fabricated metal products	288,465	34,713	61,083	11,000	63,351	26,746	21,372	212	11,346
Machinery, except electrical	1,461,579	445,430	260,307	34,137	545,138	213,489	187,931	24,296	128,250
Electrical and electronic equipment	1,033,011	124,694	393,292	32,957	385,481	74,200	173,115	8,533	47,737
Motor vehicles and equipment	1,512,217	34,790	33,436	3,282	1,316,829	129,048	1,076,108	1,274	117,121
Transportation equipment, except motor vehicles	158,163	14,619	18,027	1,669	62,422	4,854	15,299	1,133	3,863
Instruments and related products	450,232	49,860	35,661	—	513,050	192,783	69,031	3,267	17,476
Miscellaneous manufacturing products and manufacturing not allocable	20,456	82	82	—	3,139	510	2,629	—	510
Transportation and public utilities	380,762	56,114	64,232	2,575	392,110	36,317	220,566	27,695	43,469
Transportation	51,137	470	458	559	34,941	3,874	18,687	—	2,611
Water transportation	17,500	—	—	—	33,286	3,406	17,500	—	2,144
Other transportation	33,637	470	458	559	1,655	468	1,187	—	468
Communication	150,553	53,320	48,177	188	127,297	14,576	86,886	26,041	24,847
Electric, gas, and sanitary services	179,073	2,324	15,598	1,828	229,872	17,868	114,992	1,654	16,011
Wholesale and retail trade	770,144	60,474	70,755	47,031	209,066	32,267	104,326	27,672	44,173
Wholesale trade	300,562	38,425	36,004	3,581	126,627	22,031	46,029	24,789	32,098
Groceries and related products	—	—	—	—	—	—	—	—	—
Machinery, equipment, and supplies	28,906	—	—	—	515	218	297	—	218
Miscellaneous wholesale trade	271,656	38,425	36,004	3,581	126,112	21,813	45,732	24,789	31,880
Drugs, chemicals, and allied products	14,573	40	132	—	206	30	176	40	70
Petroleum and petroleum products	*119,173	*13,578	*22,241	—	*95,614	*15,040	*29,942	*4,643	*9,210
Other miscellaneous wholesale trade	137,909	24,807	13,631	3,581	30,293	6,744	15,614	20,106	22,601
Retail trade	469,582	22,049	34,751	43,451	82,439	10,236	58,297	2,883	12,075
Building materials, garden supplies, and mobile home dealers	—	—	—	—	—	—	—	—	—
General merchandise stores	386,693	10,427	18,626	43,451	77,479	7,813	55,761	2,883	9,651
Food stores	66,449	11,600	16,000	—	—	—	—	—	—
Automotive dealers and service stations	—	—	—	—	—	—	—	—	—
Apparel and accessory stores	*381	—	—	—	*294	*13	*281	—	*13
Eating and drinking places	5,954	—	—	—	4,666	2,410	2,255	—	2,410
Miscellaneous retail stores	10,106	22	125	—	—	—	—	—	—
Finance, insurance, and real estate	607,816	44,608	72,083	16,589	239,580	32,411	186,994	807	23,999
Banking	392,108	12,746	26,847	192	181,639	14,343	153,288	482	10,684
Credit agencies other than banks	2,907	937	937	—	1,131	258	873	—	258
Security, commodity brokers and services	23,940	1,376	4,423	—	13,128	3,513	9,511	—	3,451
Insurance carriers	95,868	2,911	2,214	358	29,450	7,236	16,331	325	2,903
Insurance agents, brokers, and services	25,342	14,141	15,439	5,983	267	32	235	—	32
Real estate	29	—	—	—	—	—	—	—	—
Holding and other investment companies except bank holding companies	67,621	12,497	22,223	10,055	13,965	7,030	6,755	—	6,671
Services	236,770	8,545	6,436	144	47,601	11,367	25,421	484	8,190
Hotels and other lodging places	3,392	—	—	—	2,294	819	1,475	—	819
Personal services	*6,183	—	—	—	*282	*127	*155	—	*127
Business services	53,225	7,688	5,396	—	4,623	1,602	1,321	—	617
Auto repair; miscellaneous repair services	—	—	—	—	—	—	—	—	—
Amusement and recreational services	154,967	857	1,040	144	15,876	6,469	5,848	484	4,341
Other services	19,004	—	—	—	24,526	2,351	16,622	—	2,285

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

†Less than \$500 per return.

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

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 2. — Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Size of Total Assets

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

Size of total assets	Number of returns	Total assets	Total receipts	Dividends received from foreign corporations	Dividends received from DISC's	Includable income of Controlled Foreign Corporations	Foreign dividend income resulting from foreign taxes deemed paid (gross-up)	Net income (less deficit)	Income subject to U.S. tax
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	4,931	3,772,519,972	2,340,758,287	12,309,152	3,993,258	4,223,473	9,641,529	110,827,679	107,140,378
Zero assets	50	—	7,053,765	5,980	9,336	2,151	7,251	254,584	249,588
\$1 under \$1,000,000	1,288	465,329	937,004	4,997	1,557	791	4,234	84,528	77,939
\$1,000,000 under \$10,000,000	1,443	5,363,237	8,537,303	17,917	16,048	10,684	18,963	622,143	549,450
\$10,000,000 under \$50,000,000	854	20,053,903	30,801,503	76,221	80,195	24,844	54,826	2,309,928	2,185,929
\$50,000,000 under \$100,000,000	259	18,302,387	26,535,972	164,797	64,143	7,837	114,287	2,080,290	1,887,439
\$100,000,000 under \$250,000,000	296	47,989,979	61,767,867	261,166	164,271	43,311	189,124	4,221,136	4,047,844
\$250,000,000 under \$500,000,000	188	67,848,601	91,005,420	352,954	196,999	57,524	230,562	5,400,278	5,159,163
\$500,000,000 under \$1,000,000,000	141	103,756,341	120,051,044	584,262	263,486	212,150	443,049	6,788,856	6,612,364
\$1,000,000,000 or more	412	3,508,740,195	1,994,068,409	10,840,858	3,197,222	3,864,180	8,579,233	89,065,935	86,370,663

Size of total assets	U.S. income tax before credits		Foreign tax credit claimed	U.S. possessions tax credit	Investment credit	Jobs credit	Other credits	U.S. income tax after credits	Foreign income and taxes reported on Form 1118	
	Total	Regular and alternative tax							Gross income (less loss) excluding branch operations and specially allocable income	
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	Total	Dividends
Total	48,642,428	47,794,170	18,932,138	18,768	9,863,262	64,105	675,194	19,088,961	87,519,590	18,459,252
Zero assets	114,326	112,867	41,729	—	9,279	832	1,542	60,945	2,431,721	13,697
\$1 under \$1,000,000	24,657	24,512	11,352	100	963	—	32	12,210	46,511	5,950
\$1,000,000 under \$10,000,000	224,932	222,953	40,054	136	19,242	2,276	5,083	158,142	258,111	29,375
\$10,000,000 under \$50,000,000	973,137	962,283	112,250	17,915	81,585	2,643	17,676	741,068	838,096	105,564
\$50,000,000 under \$100,000,000	857,916	851,035	179,796	—	76,801	2,071	12,025	587,224	680,174	181,153
\$100,000,000 under \$250,000,000	1,827,923	1,806,123	335,079	616	235,635	5,019	28,764	1,222,810	1,220,700	334,406
\$250,000,000 under \$500,000,000	2,346,962	2,322,538	380,048	—	336,161	8,806	35,904	1,588,043	2,002,780	436,467
\$500,000,000 under \$1,000,000,000	3,019,436	2,985,649	673,650	—	546,794	6,854	38,735	1,753,403	3,160,656	835,702
\$1,000,000,000 or more	39,253,138	38,506,210	17,158,181	—	8,556,801	37,605	535,435	12,965,117	76,880,842	16,516,938

Size of total assets	Foreign income and taxes reported on Form 1118 — Continued									
	Gross income (less loss) excluding branch operations and specially allocable income — Continued			Total gross income (less loss) from extraction of oil or gas	Total deductions excluding branch operations and specially allocable income	Total deductions from oil and gas extraction income	Taxable income (less loss)			
	Dividend gross-up	Interest income	Other income				Before loss recapture			
				Total	Foreign branch income	Specially allocable income (Section 863(B))	Other than from branch operations and specially allocable income			
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	
Total	9,641,417	22,497,860	36,921,060	25,561,544	44,180,091	7,992,911	59,481,932	14,572,145	1,570,287	43,339,500
Zero assets	7,251	2,367,261	43,512	—	2,095,405	—	380,846	44,068	462	336,315
\$1 under \$1,000,000	4,218	3,423	32,920	48	16,057	—	30,805	351	—	30,453
\$1,000,000 under \$10,000,000	18,878	43,599	166,258	9,955	99,250	1,266	164,482	5,590	31	158,861
\$10,000,000 under \$50,000,000	54,822	56,451	621,258	95,582	445,539	49,884	417,930	15,144	10,229	392,557
\$50,000,000 under \$100,000,000	114,287	19,074	365,660	243,613	192,954	39,071	506,617	15,152	4,245	487,219
\$100,000,000 under \$250,000,000	189,118	71,219	625,957	83,055	347,436	574	922,433	17,175	31,994	873,264
\$250,000,000 under \$500,000,000	230,559	262,808	1,072,946	252,493	936,905	100,644	1,182,379	34,829	81,676	1,065,875
\$500,000,000 under \$1,000,000,000	443,049	246,286	1,635,619	249,731	1,000,108	75,312	2,297,561	88,589	48,424	2,160,548
\$1,000,000,000 or more	8,579,235	19,427,741	32,356,929	24,627,067	39,046,436	7,726,160	53,578,880	14,351,248	1,393,225	37,834,407

Footnotes at end of table.

Corporate Foreign Tax Credit, 1982

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 2. — Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Size of Total Assets — Continued

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

Size of total assets	Foreign income and taxes reported on Form 1118 — Continued									
	Taxable income (less loss) — Continued		Foreign taxes available for credit							
	Recapture of prior year foreign losses	After loss recapture	Total after reduction	Reduction for certain foreign taxes	Total before reduction	Paid or accrued on				
						Total	Dividends	Interest	Rents, royalties and license fees	Branch income
(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	
Total	93,974	59,387,958	38,180,816	2,084,544	40,265,361	13,153,885	1,211,202	915,105	1,208,761	5,629,804
Zero assets	—	380,846	53,906	—	53,906	41,369	963	33,941	1,740	3,199
\$1 under \$1,000,000	890	29,915	16,486	—	16,486	8,112	584	827	1,520	35
\$1,000,000 under \$10,000,000	121	164,360	60,082	—	60,082	27,530	1,760	3,616	6,040	1,588
\$10,000,000 under \$50,000,000	299	417,631	166,285	7,223	173,508	75,845	9,282	2,441	17,766	5,224
\$50,000,000 under \$100,000,000	67	506,550	199,653	6,577	206,230	76,986	11,905	1,792	8,626	7,916
\$100,000,000 under \$250,000,000	649	921,784	490,054	7,243	497,297	179,189	26,151	3,523	16,286	17,931
\$250,000,000 under \$500,000,000	3,535	1,178,844	456,730	13,064	469,794	159,015	33,933	8,438	15,831	20,309
\$500,000,000 under \$1,000,000,000	944	2,296,617	774,155	17,248	791,403	286,226	56,124	15,053	27,968	48,508
\$1,000,000,000 or more	87,468	53,491,411	35,963,466	2,033,190	37,996,655	12,299,614	1,070,499	845,474	1,112,982	5,525,093

Size of total assets	Foreign income and taxes reported on Form 1118 — Continued					
	Foreign taxes available for credit — Continued		Foreign tax credit computed			
	Paid or accrued on — Continued	Total deemed paid	Carryover available for credit	Before reduction for international boycott operations	Reduction for international boycott operations	After reduction for international boycott operations
(40)	(41)	(42)	(43)	(44)	(45)	
Total	4,189,013	9,641,415	17,470,061	18,945,923	1,546	18,944,382
Zero assets	1,525	7,250	5,287	41,729	—	41,729
\$1 under \$1,000,000	5,147	4,217	4,157	11,349	—	11,352
\$1,000,000 under \$10,000,000	14,525	18,878	13,675	40,148	—	40,148
\$10,000,000 under \$50,000,000	41,130	54,821	42,842	112,444	192	112,252
\$50,000,000 under \$100,000,000	46,747	114,267	14,857	180,005	8	179,997
\$100,000,000 under \$250,000,000	115,298	189,118	128,890	335,103	—	335,103
\$250,000,000 under \$500,000,000	80,503	230,559	80,221	380,052	3	380,049
\$500,000,000 under \$1,000,000,000	138,572	443,049	62,128	673,673	24	673,650
\$1,000,000,000 or more	3,745,566	8,579,235	17,117,807	17,171,421	1,318	17,170,103

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

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 3. — Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Type of Foreign Income for which Separate Credit was Computed

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

Type of foreign income for which separate credit was computed	Number of returns	Total assets	Total receipts	Dividends received from foreign corporations	Dividends received from DISC's	Includable income of Controlled Foreign Corporations	Foreign dividend income resulting from foreign taxes deemed paid (gross-up)	Net income (less deficit)	Income subject to U.S. tax
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	4,931	3,772,519,972	2,340,758,287	12,309,152	3,993,258	4,223,473	9,641,529	110,827,679	107,140,378
Certain interest income	206	707,746,922	640,304,182	4,540,390	1,335,206	1,139,822	3,980,457	33,404,784	33,189,547
Dividends received from DISC's	116	458,412,086	415,769,283	2,331,865	1,483,422	1,635,841	1,987,463	21,145,582	20,927,488
Foreign oil related income	133	687,102,018	749,547,373	4,287,969	690,629	1,182,453	4,169,710	33,629,901	32,528,238
Foreign oil and gas extraction income	117	610,842,768	693,705,516	4,027,496	600,100	1,089,277	4,023,301	31,722,557	31,146,846
All other foreign source income	4,747	3,731,010,560	2,263,720,102	12,303,329	3,967,165	4,218,557	9,636,997	109,327,526	105,629,675

Type of foreign income for which separate credit was computed	U.S. income tax before credits		Foreign tax credit claimed	U.S. possessions tax credit	Investment credit	Jobs credit	Other credits	U.S. income tax after credits	Foreign income and taxes reported on Form 1118	
	Total	Regular and alternative tax							Gross income (less loss) excluding branch operations and specially allocable income	
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	Total	Dividends
Total	48,642,428	47,794,170	18,932,138	18,766	9,863,262	64,105	675,194	19,088,961	87,519,590	18,459,252
Certain interest income	15,239,418	15,034,955	7,837,355	—	2,843,859	9,928	225,171	4,323,105	762,175	—
Dividends received from DISC's	9,597,219	9,468,267	4,916,389	—	1,929,691	5,526	134,744	2,610,868	1,446,336	1,440,237
Foreign oil related income	14,876,635	14,694,234	9,817,106	—	2,193,587	4,090	50,710	2,811,142	25,413,729	4,260,521
Foreign oil and gas extraction income	14,266,340	14,110,935	9,685,947	—	2,090,081	4,075	45,887	2,460,350	25,133,376	4,103,182
All other foreign source income	47,988,501	47,158,545	18,624,476	18,766	9,782,995	62,219	673,620	18,846,425	59,897,350	12,758,494

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118 — Continued									
	Gross income (less loss) excluding branch operations and specially allocable income — Continued			Total gross income (less loss) from extraction of oil or gas	Total deductions excluding branch operations and specially allocable income	Total deductions from oil and gas extraction income	Taxable income (less loss)			
	Dividend gross-up	Interest income	Other income				Before loss recapture			
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	
Total	9,641,417	22,497,860	36,921,060	25,561,544	44,180,091	7,992,911	59,481,932	14,572,145	1,570,287	43,339,500
Certain interest income	—	762,175	—	—	186,330	—	575,845	—	—	575,845
Dividends received from DISC's	6,099	—	—	—	228,325	—	1,218,011	—	—	1,218,011
Foreign oil related income	3,648,836	876,837	16,627,534	25,561,544	11,579,469	7,992,911	19,635,880	5,670,795	130,825	13,834,260
Foreign oil and gas extraction income	3,548,670	854,712	16,626,811	25,561,544	11,478,557	7,992,911	17,568,633	5,670,795	130,825	13,654,819
All other foreign source income	5,986,482	20,858,848	20,293,526	—	32,185,966	—	39,052,197	8,901,350	1,439,462	27,711,384

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118 — Continued									
	Taxable income (less loss) — Continued					Foreign taxes available for credit				
	Recapture of prior year foreign losses	After loss recapture	Total after reduction	Reduction for certain foreign taxes	Total before reduction	Paid or accrued on				
(30)	(31)	(32)	(33)	(34)	Total	Dividends	Interest	Rents, royalties and license fees	Branch income	
Total	93,974	59,387,958	38,180,816	2,084,544	40,265,361	13,153,885	1,211,202	915,105	1,208,761	5,629,804
Certain interest income	47	575,798	41,038	—	41,038	40,227	—	40,227	—	—
Dividends received from DISC's	—	1,218,011	6,479	—	6,479	366	366	—	—	—
Foreign oil related income	46,545	19,589,335	26,244,076	2,079,985	28,324,060	8,752,612	277,727	27,368	706,436	4,150,571
Foreign oil and gas extraction income	46,545	19,409,893	26,009,097	2,078,798	28,089,891	7,027,234	262,910	27,307	706,421	4,150,571
All other foreign source income	47,382	38,004,815	11,889,223	4,560	11,893,783	4,360,681	933,109	847,511	502,325	1,479,233

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118 — Continued					
	Foreign taxes available for credit — Continued			Foreign tax credit computed		
	Paid or accrued on — Continued	Total deemed paid	Carryover available for credit	Before reduction for international boycott operations	Reduction for international boycott operations	After reduction for international boycott operations
(40)	(41)	(42)	(43)	(44)	(45)	
Total	4,189,013	9,641,415	17,470,061	18,945,923	1,546	18,944,382
Certain interest income	—	—	812	39,921	—	—
Dividends received from DISC's	—	6,099	15	6,474	—	—
Foreign oil related income	3,590,510	3,648,836	15,922,612	8,939,339	—	—
Foreign oil and gas extraction income	3,583,863	2,721,956	139,977	8,660,986	—	—
All other foreign source income	598,503	5,986,480	1,546,623	9,960,190	—	—

NOTE: The data in columns 1-17 pertain to the total activity of the domestic parent corporation. Since many corporations compute a foreign tax credit for more than one type of foreign income, the data in these columns are not additive. The data in columns 44 and 45 are reported as corporate totals only, not by type of income. The data in columns 19-22, 24, 27-32, 34, 36-40, and 43 of the foreign oil and gas extraction income line represent the amounts of total foreign oil related income and tax for those corporations reporting foreign oil and gas extraction income and taxes. The data in columns 23, 25, 26, 33, 35, 41, and 42 of the foreign oil and gas extraction income line are the actual foreign oil and gas extraction income and tax amounts. Form 1118 detail may not add to totals because of rounding.

High-Income Returns, 1983

By Allen Lerman*

Although only a small number - representing only a tiny fraction - of Federal individual income tax returns reporting incomes of at least \$200,000 do not show any tax liability, the actual number of such returns and their share of all high-income returns rose dramatically for 1983. As measured by adjusted gross income (AGI), the number of high-income returns not showing any income tax liability to either the United States or a foreign government increased by 194 percent, from 109 in 1982 to 321 for 1983. From 1982 to 1983, the proportion of all high-income returns that were nontaxable rose by 153 percent, to 0.162 percent of all high-income returns. Although precise increases varied depending on the definitions of income and nontaxability used, increases in the numbers and frequencies of nontaxable, high-income returns for 1983 were significant regardless of definition [1].

Actual numbers of nontaxable, high-income returns for 1983 reached the highest levels in recent history. Their proportion continued, at an accelerated pace, the steady upward creep occurring since 1979.

This article is part of a continuing series of reports summarizing the characteristics of high-income returns and the numbers of nontaxable, high-income returns since 1974.

The Tax Reform Act of 1976 required annual publication of data on individuals with high incomes as defined under four different income concepts, including the number of such individuals who did not pay any income tax and the importance of various tax provisions in making those individuals nontaxable [2]. Reports covering 1974 through 1976 and including the basic data and analyses of their implications were published by the U.S. Department of the Treasury's Office of Tax Analysis [3]. To make high-income data available to a wider audience, since 1979 selected data for high-income individuals, taxable as well as nontaxable, have been published, without analysis, by the Internal Revenue Service in separate chapters

of each year's Statistics of Income--Individual Income Tax Returns [4]. Publication of the 1983 data in the Statistics of Income Bulletin provides more scope for discussion of the data and of the implications of any changes.

This article is divided into four sections. The first, "Income Concepts: A Primer," describes and explains the differences between the two major and two minor concepts used to measure income. The second, "Measurement of Taxes," discusses the proper measurement of income tax burdens and explains the different treatment of the foreign tax credit, outlines the methodology used to equate the importance of exclusions and deductions as compared with tax credits, and reviews certain limitations in the data underlying this article. The third, "High-income Tax Returns for 1983," describes the contents of the data tables accompanying this article and includes selected observations about significant changes from previous years. The Fourth, "Increases in Nontaxable, High-income Returns, 1983," discusses some possible reasons for increases in the numbers of nontaxable, high-income returns for 1983.

INCOME CONCEPTS: A PRIMER

Economic Income, the Ideal Measure

High-income tax return data are published to help analysts assess the equity of the income tax system and its impact on high income families and individuals. For this purpose, both income and income taxes must be measured accurately.

Economists generally agree that for analyzing the impact of taxes, the ideal measure of income over a particular period of time, say a year, is the value of what the individual or family consumed over that period plus the change, if any, in its net worth [5]. For example, if during a year a family spent \$10,000 and saved \$2,000, economists would say the family had an income of \$12,000. Similarly, if the family spent \$10,000 but owned an asset such as an auto-

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mobile that has decreased in value by \$1,000, economists would say that the family had an income of only \$9,000.

A brief examination of the differences between income as defined by economists, often called economic income, and the adjusted gross income (AGI) concept, currently used for Federal income tax administration, illustrates some of the problems of measuring income, especially for high-income individuals.

Adjusted Gross Income

The concept of adjusted gross income was developed for tax administration. It was never meant to be an accurate measure of so-called economic income. Indeed, it is well recognized that AGI is deficient as a measure of economic income. AGI excludes certain types of income, such as interest from tax-exempt state and local government bonds, Social Security benefits, imputed rent on owner-occupied housing, and the value of many employee fringe benefits. Also, while not strictly excluded from AGI, income from other activities is deferred to a later year, or indefinitely, for income tax purposes. Depreciation deductions allowed for income tax purposes that exceed the decrease in the economic value of an asset often reduce AGI below economic income early in an asset's life. The resulting lower depreciation deductions in later years may raise AGI above economic income. The net effect, however, of accelerated depreciation is to postpone taxes, perhaps indefinitely [6].

Adjusted gross income excludes most changes in net worth, such as the excluded portion of realized long-term capital gains and all accrued, but unrealized, capital gains [7].

Even though some types of income are excluded, AGI may overstate economic income because some expenses incurred in the production of income are not deductible in the computation of AGI. Most of these expenses, however, are deductible from AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions. Expenses falling into this category include certain expenses incurred by employees (such as union dues and expenditures for items used on-the-job but not reimbursed by the employer) and expenses attributable to a taxpayer's investments (as opposed to 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. Moreover, only 50 percent of realized, net long-term capital losses may be deducted in computing AGI.

Redefining Income

Ideally, the impact of all taxes should be measured relative to economic income. However, no accurate, detailed data on such a broadly-defined income measure are available from income tax returns (or from any other source) for a cross-section of American taxpayers. As a practical matter, any broad income measure must be calculated from data already available from Federal individual income tax returns. Thus, a more comprehensive income measure must start from AGI and, to the extent that data are available, must make adjustments for omitted income items and expenses that ought to be deductible in calculating economic income [8].

Omitted Income and Accelerated Deductions

Tax returns contain information about only a portion of the income included in economic income but excluded from AGI. The omitted income that can be identified on tax returns consists of the excluded portion of long-term capital gains (and current-year losses in excess of currently deductible amounts), the dividend exclusion of up to \$100 per tax return (up to \$200 on joint returns), the "all-savers" interest exclusion, payments to Keogh and IRA pension savings plans, and income from sources considered to be tax preferences for purposes of the alternative minimum tax. For 1983, unless such preferences were large enough to result in payment of alternative minimum tax, taxpayers did not have to file Form 6251 (Alternative Minimum Tax Computation), and the total amount of most types of 1983 preference income is not known [9].

Even after including preference income which is not in AGI but which is identifiable on tax returns, several major sources of income for high-income taxpayers are still omitted:

- Interest on tax-exempt state and local bonds;
- All accrued but unrealized income, primarily unrealized capital gains;
- Certain agricultural expenses deducted when paid, even though related income items are not includable in income until a later year;
- Imputed rental income from owner-occupied housing and from consumer durables;
- Straight-line depreciation deductions on real estate to the extent that they exceed economic depreciation;
- Income "sheltered" from taxation -- primarily partnership income -- through deferral of the recognition of income

for tax purposes and/or the acceleration of deduction items; and

- The value of employee fringe benefits [10].

For real estate, the combination of a shorter life for tax purposes than the true economic life of the property and the use of accelerated depreciation methods may produce tax depreciation deductions exceeding economic depreciation, especially in the early years of ownership. In the future, income may be correspondingly higher, but in the meantime, the taxpayer has had the interest-free use of the deferred taxes. Also, if taxed in the future, the income may be converted into a long-term capital gain, which is taxed at a lower rate than is ordinary income.

Because income sources not identifiable from tax return data are excluded, all income measures used in the data for this article may understate economic income. As a consequence, some individuals with high economic incomes may have been omitted completely from the high-income group covered by this report. Moreover, even for individuals who are included, the income of some has been understated, and tax as a percentage of income (i.e., the effective tax rate) has been overstated.

Investment Expenses

In measuring economic income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments. Since economic income would include all investment income, including accrued capital gains and losses, it would be proper to deduct all investment expenses without limit. Investment expenses in excess of income would then represent net economic losses, roughly akin to "net operating losses" from a trade or business. However, such a liberal deduction for investment-related expenses is not necessarily correct when all income items have not been included currently.

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 post-

poning the deduction of the expense until such time as the income were 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 a broader measure of income.

Investment expenses that have not been deducted in determining AGI generally appear on a Federal individual income tax return in two places. Investment interest appears as part of the itemized deduction for interest; other investment expenses such as management fees are included in the miscellaneous category of itemized deductions [11]. To determine expenses that should be deductible in calculating an approximation to economic income, investment expenses have been defined as the entire interest deduction other than the interest paid on a home mortgage. Other investment expenses could not be determined since they 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 have been allowed as a deduction in the computation of a broader measure of 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. This arbitrary procedure has been selected because, with the omission of accrued capital gains from measured income, allowing all investment expenses to be deducted would represent a mismatching of income and expenses.

The amount of investment income against which investment interest can be offset depends on the amount of investment income included in the income measure under consideration. Investment income consists of interest, dividends, and net capital gains (or losses). However, if only a portion of capital gains are included in the income concept, as is the case with AGI, then only that portion is considered to be invest-

ment income. A similar adjustment is also made for the dividend exclusion of up to \$100 per tax return (\$200 on a joint return) and for the all-savers exclusion for interest income.

Expanded Income

The Congress has asked for high-income data to be tabulated on the basis of a measure closely approximating economic income but using only data available on tax returns. This measure is called "expanded income."

Expanded income is defined as adjusted gross income plus items of tax preference income excluded from AGI less investment expenses to the extent that they do not exceed investment income [12]. Tax preferences considered are the \$100-per-tax-return exclusion for qualifying dividends (\$200 on a joint return), excluded "all-savers" interest, the excluded portion of net long-term capital gains, and, where the taxpayer has filed a Form 6251 (Alternative Minimum Tax Computation), all other excluded income preferences subject to the minimum tax [13]. For individuals, the only preference income items of significance other than the excluded portion of capital gains are the excess of accelerated depreciation over straight-line depreciation on real property and on personal property subject to a lease, the excess of percentage depletion over the cost of the property, and deductions for intangible drilling costs in excess of the amounts deductible if these costs had been amortized. Because expanded income is based on tax return data, it excludes items such as interest on tax-exempt state and local bonds, accrued but unrealized capital gains, straight-line depreciation on real estate in excess of economic depreciation, most employee fringe benefits, and other items mentioned under "Omitted Income and Accelerated Deductions."

Four Income Measures

The Congress has mandated that high-income tax return data be selected and classified on the basis of four definitions of income. Expanded income and AGI have already been discussed. Each of the two other measures embodies only one of the two major differences between expanded income and AGI. "Adjusted gross income plus tax preferences" is AGI plus the amount of tax preference income excluded from AGI. "Adjusted gross income less investment interest" is AGI less the amount of investment interest to the extent that it does not exceed investment income.

When ranked according to size of income, AGI plus references is largest, AGI less investment interest is smallest, and AGI and expanded income fall in the middle. For any given taxpayer, AGI can be larger or smaller than ex-

panded income depending on whether preferences are larger or smaller than investment interest.

The four income concepts are related in the following manner [14]:

Expanded income

$$= \text{Adjusted gross income} + \text{preferences} - \text{investment interest}$$

Adjusted gross income

$$= \text{Expanded income} - \text{preferences} + \text{investment interest}$$

Adjusted gross income plus preferences

$$= \text{Adjusted gross income} + \text{preferences}$$

or = Expanded income + investment interest

Adjusted gross income less investment interest

$$= \text{Adjusted gross income} - \text{investment interest}$$

or = Expanded income - preferences

Expanded income is the measure which most closely approximates economic income.

MEASUREMENT OF TAXES

Foreign Tax Credits: Worldwide Taxes on Worldwide Income

Just as income must be measured properly, so must income taxes.

United States income taxes are based on global (worldwide) income. Thus, U.S. citizens and residents generally must include income on their U.S. income tax returns regardless of whether it has been generated in the United States or in a foreign country. However, when a taxpayer has foreign source income, the U.S. income tax computed on global income may often be reduced dollar-for-dollar by the amount of foreign income taxes that have been paid on that foreign income. These offsets for foreign income taxes are called "foreign tax credits" [15].

Statistics of Income (SOI) data collected as a by-product of tax administration include global income as reported on U.S. income tax returns. The SOI data, however, usually include only U.S. income taxes net of the foreign tax credits that represent offsets for foreign income tax payments. Where taxpayers have income from foreign sources, this procedure understates their tax liabilities and their effective tax rates. Since worldwide income is reported on U.S. tax returns, a more accurate measure of the tax burden imposed on that income would be obtained if all income taxes--U.S. as well as foreign--were also included. Analysis of high-income tax returns

indicates that a substantial portion of the so-called nontaxable, high-incomes have large shares of their income from non-U.S. sources and have paid substantial amounts of foreign income taxes on that income. Thus, it does not seem appropriate to classify these individuals as nontaxable or to classify their foreign tax credits as special tax benefits.

In order to present a more realistic picture of the number of nontaxable, high-income tax returns and the reasons they were nontaxable, several tables and charts in this article have been prepared by redefining income tax liability to consist of the total amount of U.S. income taxes (income taxes after credits plus the alternative minimum tax) plus the amount of foreign tax credits. Because information on foreign tax liabilities is not available on U.S. income tax returns, foreign tax credits were selected as a proxy for foreign tax liabilities. Where foreign tax rates exceed U.S. rates, and in certain other instances, foreign tax credits actually will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign taxes understates global income tax liability. In cases in which foreign tax credits are for taxes paid on income from earlier years, use of foreign tax credits may either overstate or understate global taxes on the current year's income.

Tables redefining tax liability to include the foreign tax credit attempt to present an approximation of the true worldwide (global) income tax burden on worldwide income. For the vast majority of taxpayers--with high incomes or otherwise--this adjustment is irrelevant, for they have little or no foreign source income. However, for the small proportion of taxpayers with substantial foreign income, this adjustment is important. The policy implications of a person with a very large amount of income not paying U.S. income tax certainly would be different if U.S. nontaxability were the result of the person's living and working abroad and paying substantial amounts of foreign tax than if all income were from U.S. sources and the person paid no income tax to either the U.S. government or any other government.

In order to be consistent with data from earlier years, all tables showing nontaxability or the amount of taxability on the basis of worldwide tax liability have been duplicated by other tables with tax liability defined in the more traditional way used for tax administration purposes: U.S. income tax liability after subtracting the value of any foreign tax credits.

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 and the income averaging tax computation), 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. This amount is called the "deduction equivalent" of the tax credit.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using 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 tax before credits" and "taxable income which would yield 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 affects the value of their deduction equivalents. Because the tax rate schedules are 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.

The deduction equivalents of tax credits shown in the accompanying tables were computed by assuming that deductions and exclusions reduced taxes before tax credits. As a result, the deduction equivalent of tax credits is biased upwards.

Share of Income Subject to Tax

The total impact of various deductions, exclusions, tax credits, and special tax computations can be measured only if the aggregate value of all of, or groups of, these items in reducing, or increasing, income taxes is put on a comparable basis. Two often-used measures of the value of deductions and exclusions are the share of income that has been excluded from tax and the share of income that remains subject to tax. The latter measure can also include the impact of tax credits and special tax computations if the deduction equivalent of these items is added to taxable income defined in the ordi-

nary manner. Doing so yields what the tables accompanying this article call "taxable income which would yield income tax before credits," "taxable income which would yield income tax after credits," and "taxable income which would yield total income tax." These measures could be computed directly from taxable income and from the deduction equivalents of the appropriate items. However, these measures have been computed by using the tax rate schedules to calculate the amounts of taxable income that would have been necessary (when subject to tax under the appropriate, ordinary tax rate schedule) to yield the given amounts of tax.

Unaudited Data

Tax return data used in the Statistics of Income program have been tabulated as they have been reported on tax returns filed with the Internal Revenue Service. 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 are likely to be made in the future as a result of IRS audits. While this is true of data throughout the entire SOI 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.

HIGH-INCOME TAX RETURNS FOR 1983

This section contains 13 tables and four charts with data from income tax returns, mainly those with incomes of \$200,000 or more. Data are shown for all returns, and separately for taxable and nontaxable returns. Data in Tables 1 through 12 are from 1983 income tax returns. Data in the remaining table (Figure A) and in the four Charts (Figures B through E) summarize nontaxable, high-income returns from 1977 through 1983.

Separate parts of four of the 1983 tables contain data on high-income returns as defined by each of four different income concepts. In the remaining 1983 tables, data are depicted for the two main income concepts, adjusted gross income and expanded income.

The tables show:

- The numbers of high-income returns (total, taxable, and nontaxable) under the various income concepts (Tables 1 and 2);
- The numbers of high-income, non-taxable returns and the relative frequency of such returns from 1979 through 1983 (Figures A through E);
- The distributions of taxable income as a percentage of total income (Tables 3 and 4);
- The distributions of effective tax rates, that is, income tax as a percentage of income (Tables 11 and 12);
- The frequencies and amounts of various sources of income, exclusions, deductions, and tax credits, as well as the relationships between all four income concepts used in this article (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income taxes (Tables 7 and 8); and
- The frequencies with which various itemized deductions and tax credits occur as certain percentages of income (Tables 9 and 10).

Tables 1, 3, 5, 7, 9, and 11 and Figures B and D contain data with foreign tax credits treated as items which reduce U.S. income taxes; this is the treatment on tax returns. Tables 2, 4, 6, 8, 10, and 12 and Figures C and E are similar to the first set of tables and figures but treat foreign tax credits as part of the individual's income tax liability. Figure A includes both types of data. This different treatment is explained in more detail under the heading "Foreign Tax Credits."

Numbers of High-income Tax Returns

For 1983, the numbers of tax returns with incomes of \$200,000 or more ranged from 187,321 to 262,453, depending on the income concept. These numbers represent from 0.19 percent to 0.27 percent of all tax returns filed. (Tables 1 and 2.)

For 1983, there were 249,319 income tax returns with expanded income of \$200,000 or more. Of these, 579, or 0.232 percent, had no U.S. income tax liability, and only 437, or 0.175 percent, showed no worldwide income tax liability.

There were 198,608 tax returns with AGI of \$200,000 or more. Of these, 447, or 0.225

Figure A.--Nontaxable Returns With Income of \$200,000 or More: Number and Percent of Returns by Income Concept, 1977-1983

Income concept	1977		1978		1979	
	Number	Percent ¹	Number	Percent ¹	Number	Percent ¹
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with no total income tax:						
Adjusted gross income (AGI).....	60	.112%	98	.143%	70	.075%
Expanded income.....	85	.126	105	.123	114	.093
AGI plus excluded pre-ferences.....	95	.134	113	.125	127	.098
AGI less investment interest.....	52	.104	90	.140	56	.064
Return with no modified total income tax:						
Adjusted gross income (AGI).....	37	.069%	60	.088%	28	.030%
Expanded income.....	64	.095	67	.079	64	.052
AGI plus excluded pre-ferences.....	72	.101	75	.083	74	.057
AGI less investment interest.....	31	.062	52	.081	18	.021

Income concept	1980		1981		1982		1983	
	Number	Percent ¹	Number	Percent ¹	Number	Percent ¹	Number	Percent ¹
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Returns with no total income tax:								
Adjusted gross income (AGI).....	143	.122%	226	.164%	262	.155%	447	.225%
Expanded income.....	198	.132	304	.174	299	.144	579	.232
AGI plus excluded pre-ferences.....	242	.152	363	.194	385	.175	810	.309
AGI less investment interest.....	120	.110	188	.147	223	.140	229	.122
Returns with no modified total income tax:								
Adjusted gross income (AGI).....	56	.048%	79	.057%	109	.064%	321	.162%
Expanded income.....	114	.076	114	.065	153	.074	437	.175
AGI plus excluded pre-ferences.....	154	.097	156	.083	232	.105	663	.253
AGI less investment interest.....	36	.033	54	.042	78	.049	108	.058

¹Percent of all returns with income \$200,000 or more, for each concept.

Figure B.

Number and Percent of Returns with Adjusted Gross Income of \$200,000 or More Without Total Income Tax, 1977-1983

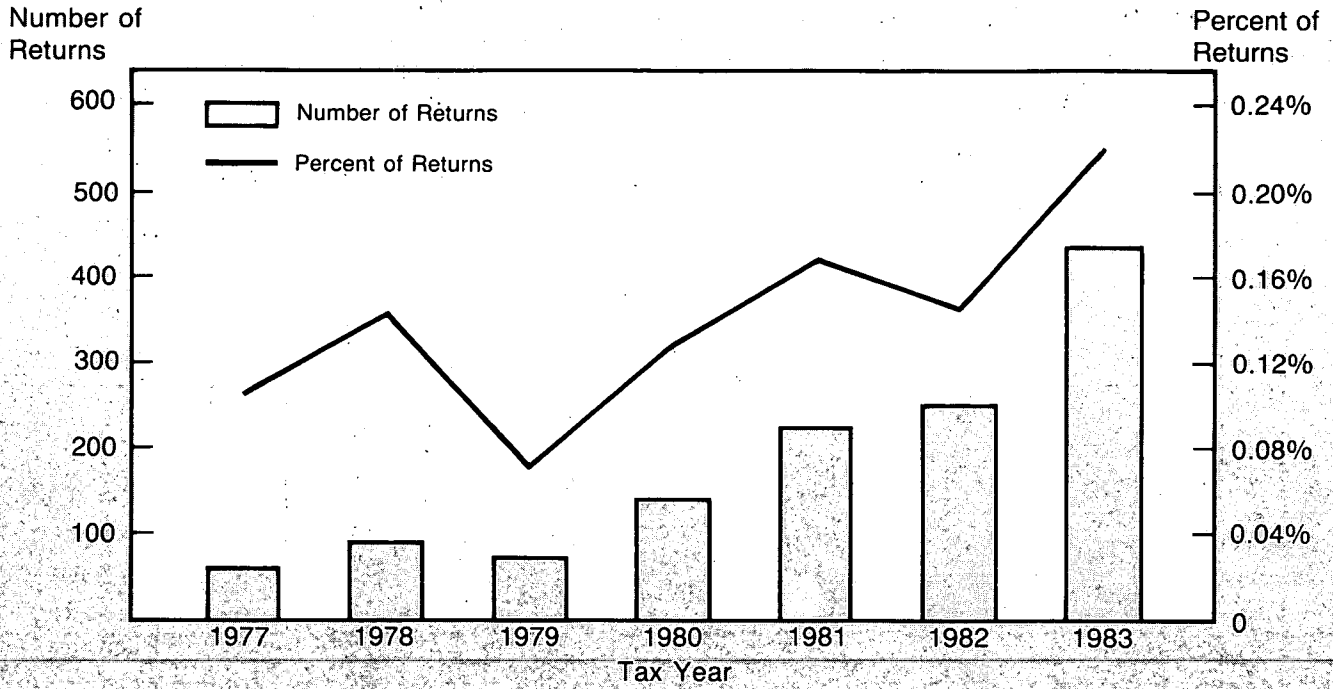


Figure C.

Number and Percent of Returns with Adjusted Gross Income of \$200,000 or More Without Total Income Tax as Modified for the Foreign Tax Credit, 1977-1983

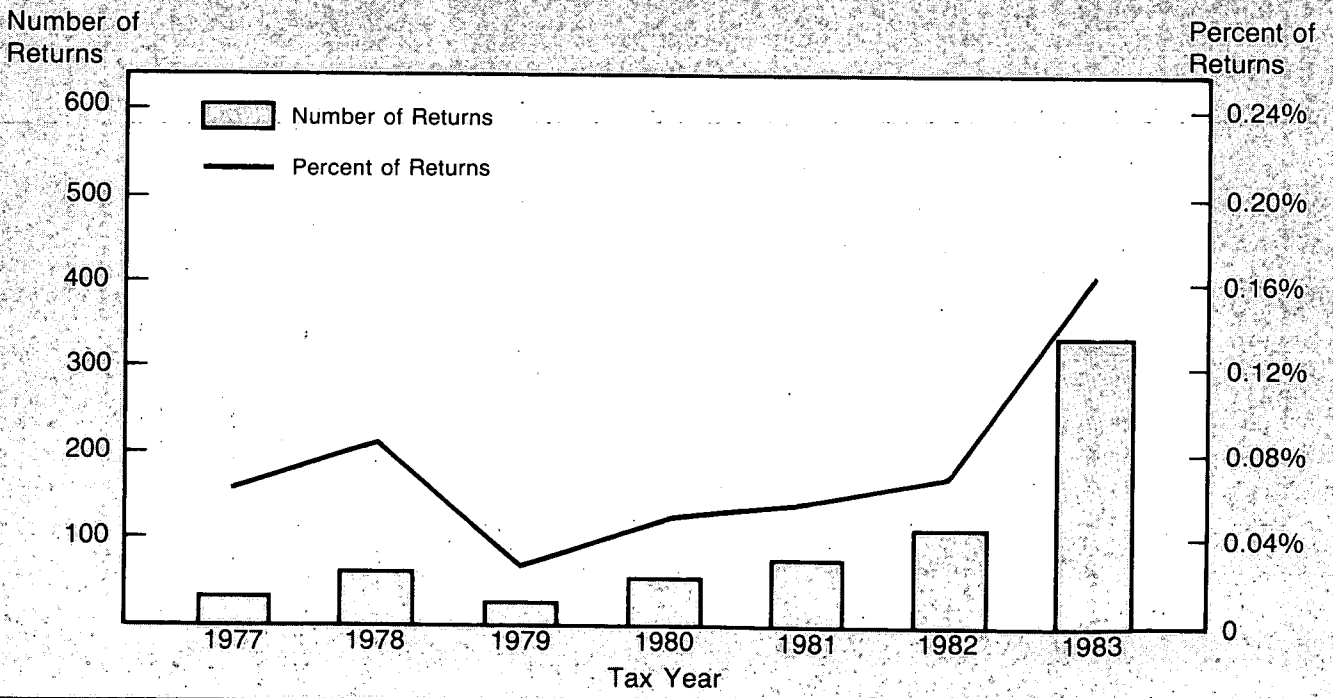


Figure D.
Number and Percent of Returns with Expanded Income of \$200,000 or More Without Total Income Tax, 1977-1983

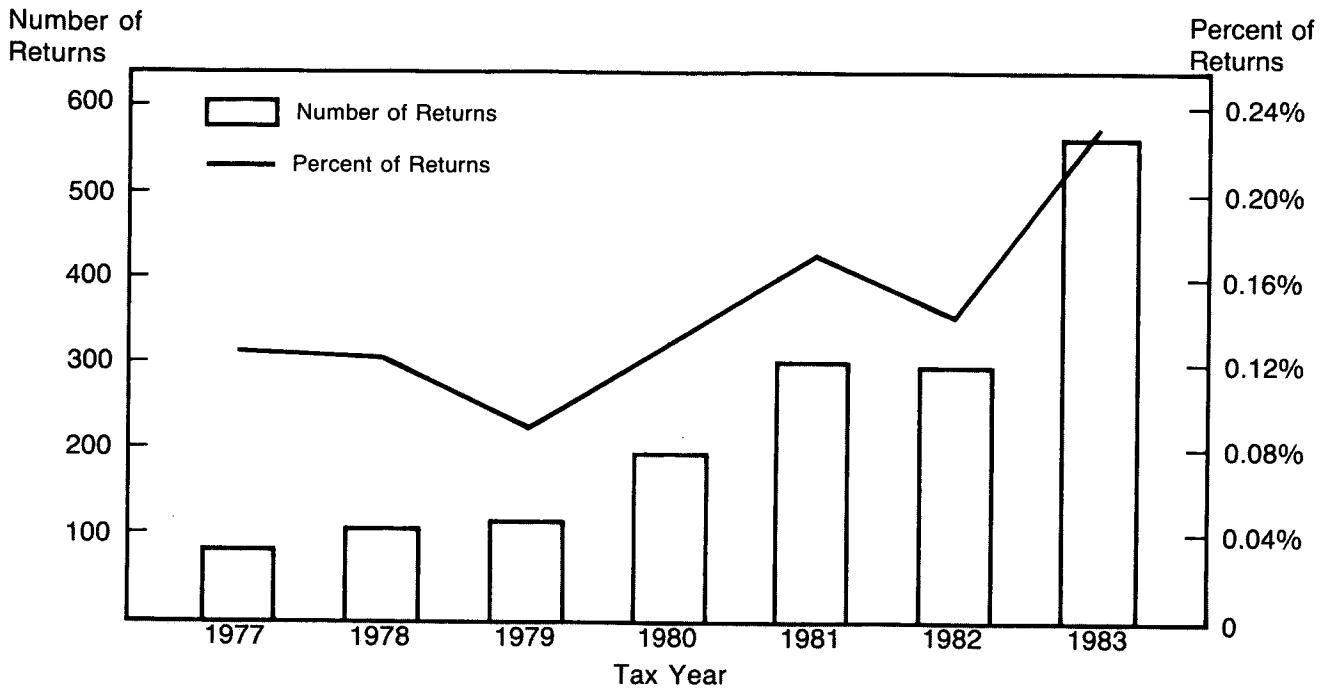
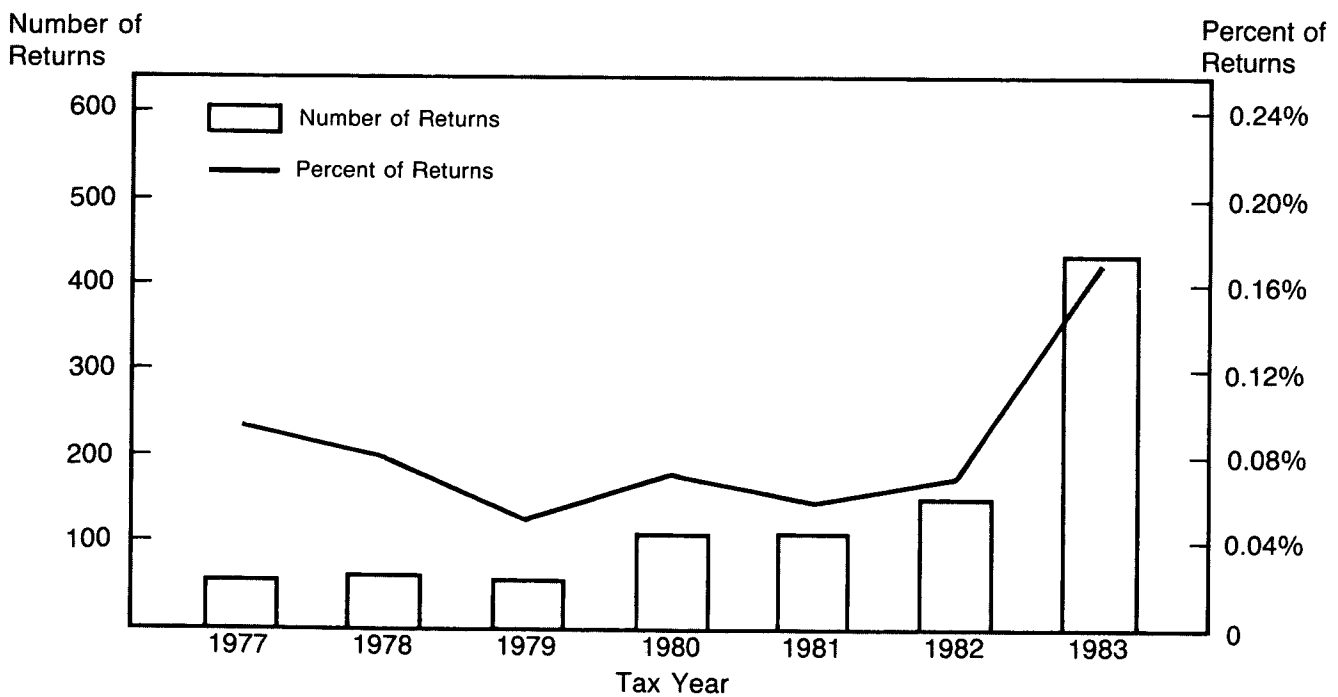


Figure E.
Number and Percent of Returns with Expanded Income of \$200,000 or More Without Total Income Tax as Modified for the Foreign Tax Credit, 1977-1983



percent, reported no U.S. income tax, and 321, or 0.162 percent, had no worldwide tax liability.

U.S. Tax Liability. If only income payable to the United States are considered, between 229 and 810 of all high-income returns (depending on the income measure used) were nontaxable (Table 1). This represents a change from 1982, ranging from a 3 percent to a 110 percent increase. The numbers of nontaxable returns increased more rapidly than high-income tax returns overall, so that the proportion of nontaxable, high-income returns increased from 1982. As measured by expanded income, the number of nontaxable returns increased by 93 percent, from 299 for 1982 to 579 for 1983, and the proportion of nontaxable returns increased from 0.144 percent to 0.232 percent in 1983. As measured by AGI, the number of nontaxable returns increased by 71 percent to 447 for 1983, and the proportion of such returns rose from 0.155 percent to 0.225 percent (Figure A).

Overall, 1983 nontaxable, high-income returns represented only a small proportion (0.122 percent to 0.309 percent) of all high-income returns, but in most cases the proportion increased dramatically. These increases represent the continuation of a trend that, except for 1982, has been occurring since the proportion of nontaxable, high-income returns reached historical lows in 1979. As measured by expanded income, a high-income return was two and one-half times more likely to be nontaxable for 1983 than for 1979. As measured by AGI, the probability that a high-income return would be nontaxable had tripled (Figure A).

Worldwide Tax Liability. If nontaxability is measured by worldwide income tax liabilities, between 108 and 663 high-income returns were nontaxable. Thus, treating foreign tax credits as if they represent tax payments reduced the numbers of nontaxable returns (and the probability of being nontaxable) by 25 percent to 53 percent, depending on the income concept used.

Both the numbers of nontaxable returns and their proportion of all high-income returns increased markedly from 1982. As measured by expanded income, the number of nontaxable returns almost tripled, from 153 to 437. As measured by AGI, the number of returns more than tripled, rising from 109 for 1982 to 321 for 1983. (Figure A.)

As measured by worldwide income tax, the probability of being nontaxable increased in 1983 under all four income concepts. This increase continued a general pattern of increases from the 1979 lows. Thus, by 1983, a high-income tax return was from 176 percent to 440 percent more likely to be nontaxable than for 1979.

Data in Figure A can be used to calculate the numbers of nontaxable returns due primarily to foreign income tax payments, as evidenced by foreign tax credits. Between 1982 and 1983, the number of such returns actually declined slightly, no matter which income concept was considered.

Number of Returns Nontaxable Because of Foreign Tax Payments by Income Concept, 1982 and 1983

Income concept	1982	1983
	(1)	(2)
Adjusted gross income (AGI)...	153	126
Expanded income.....	146	142
AGI plus preferences.....	153	147
AGI less investment interest..	145	121

Income concept	Change 1982 to 1983	
	Number (3)	Percent (4)
Adjusted gross income (AGI)...	-27	-18%
Expanded income.....	-4	-3
AGI plus preferences.....	-5	-3
AGI less investment interest..	-24	-17

The declines as percentages of all high-income returns were even larger. Thus, the increase in the numbers of nontaxable, high-income returns for 1983 is not attributable to the foreign income taxes or foreign tax credit.

Tables 3 and 4 show the distributions of high-income returns by the ratios of taxable income (as adjusted to reflect tax credits and special tax computations) to total income on the returns. The tables illustrate three important facts about high-income tax returns.

1. As already described, only a small proportion of high-income taxpayers are able to escape all income taxes.
2. Another group of high-income taxpayers--still a small group but larger than the nontaxable group--is able to offset half or more of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of its income, perhaps a smaller share of income than that of a typical median-income family. Such taxpayers are called "nearly nontaxables."

Legitimate questions can be raised about whether this nearly nontaxable group is paying its "fair share" of the aggregate income tax. Despite the small amount of tax payable by the nearly nontaxables,

they have escaped the notoriety accorded high-income tax returns showing absolutely no tax liability.

- Overall, a large portion of high-income taxpayers are subject to tax on a large share of their income and pay very substantial amounts of tax.

Tables 11 and 12 represent 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 illustrate the distribution of effective tax rates for high-income returns as compared with the distribution for returns with lower income levels: under \$50,000; \$50,000 to \$100,000; and \$100,000 to \$200,000.
- The tables also illustrate the wide dispersion of effective tax rates for high-income returns. While 1.6 percent of high expanded income returns show tax liabilities of less than 10 percent of expanded income, 1.6 percent had effective tax rates of 45 percent to 50 percent of income, and approximately 0.2 percent had tax liability exceeding half of their income. More than 82 percent had average tax rates ranging from 15 percent to 45 percent of income, with over half of high-income taxpayers having effective tax rates between 20 percent and 40 percent of income.

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, the ratios of both partnership income to total income and partnership losses to total income were far higher on nontaxable returns.

Tables 7 and 8 classify tax returns by the items that had largest and second largest effects in reducing or eliminating income tax. For the returns on which each primary item is most important, the tables show the distributions of the second most important items. For example, on taxable returns with expanded incomes of at least \$200,000, the most important item on 45 percent of the returns was the itemized deduction of state and local taxes. For those returns on which taxes were the largest item, the itemized deduction for interest payments was the second most important item 40 percent of the time and charitable contributions were the second most important 37 percent of the time. Conversely, on nontaxable returns

(with no worldwide tax), the interest-paid deduction was the most important item 62 percent of the time. And where interest paid was the primary item, there was no secondary item 51 percent of the time, charitable contributions were the second item 24 percent of the time, and the deduction for taxes paid was second most important 18 percent of the time.

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 show data only for nontaxable returns. For returns without any income tax, these tables 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, total tax preferences excluded from income, and the deduction equivalents of four different types of tax credits. For example, for high expanded income returns with no worldwide tax, the itemized deduction for casualty losses exceeded 100 percent of expanded income on 10 of 437 returns, and the deduction equivalent of the investment credit was between 50 percent and 100 percent of expanded income on three returns.

INCREASES IN HIGH-INCOME, NONTAXABLE RETURNS, 1983

The tabulations of data for 1983 that show large increases in both the absolute numbers of nontaxable, high-income returns and the frequencies with which they occurred provoked skepticism by this author about the data's accuracy, followed by attempts to determine and explain the possible reasons for the increases.

Data Accuracy

The existence of such a large number of nontaxable, high-income returns has been verified by the manual review of each of the 447 nontaxable, high-AGI tax returns. Manual review confirmed that all 447 returns do exist and that all of them were nontaxable, as nontaxability has been defined for these purposes since the 1970's.

The review did disclose, however, that 67, or 15 percent, of the returns actually did have some income tax liability attributable to recapture of investment credits allowed in prior years. Although this finding does not alter the fact that significantly more returns were nontaxable for 1983 than for the immediately preceding years, it does raise questions about the proper definition of nontaxability.

Analyses of nontaxable, high-income returns have focused on finding taxpayers with large amounts of income who pay little or no income tax, as well as the features of the tax system

which allow them to escape taxation. Such information provides a basis for discussing whether such features are appropriate in a broadly based income tax system and whether they should be changed. In this regard, interest originally focused on current-year tax on current-year income. Thus, any taxes that may have depended on prior-year income were not considered, including any current-year tax resulting from early disposition of assets and the recapture of investment credits allowed when those assets were acquired. Furthermore, manual examination of tax returns for 1975 and 1976 did not indicate that the taxability or nontaxability of any high-income return depended on investment credit recapture. Thus, as a practical matter, the proper treatment of investment credit recapture was not deemed important.

Even though single-year tabulations of data from tax returns generally show tax attributable to a single year, there are multiyear effects from several income tax features that render income tax returns "impure" as a measure of one year's tax on one year's income. Most relevantly, the investment credit itself is taken for the year equipment is acquired even though the equipment is expected to be used for several years. Similarly, depreciation deductions may be accelerated, resulting in a mismatching of the income from, and the expenses attributable to, an asset. In this regard, a return could become nontaxable in one year primarily because of an investment credit. Current methodology could classify that taxpayer as nontaxable in later years even if the person paid tax from the recapture of some of the investment credit previously allowed. These considerations would argue for symmetrical treatment. Since deductions and credits have been considered even if they are for income extending more than one year, taxes ought to be treated in the same way.

Symmetrical treatment would suggest that any taxpayer who pays tax from the recapture of a prior-year investment credit ought not be considered nontaxable. Because changing the classification of such returns for 1983 would not result in major changes, no attempts will be made to retabulate the data because of this definitional change. It is, however, anticipated that the definitions of nontaxability will be altered for 1984 and subsequent years.

The previously mentioned manual review of nontaxable, high-AGI returns did show that if any return with investment credit recapture were treated as taxable, there would have been only 380 nontaxable, high-AGI returns for 1983. The 380 nontaxable returns would have been 0.19 percent of all high-AGI returns. Since corrected data for 1982 are not available, the percentage change for 1982 cannot be known with precision, but at minimum the increase was 45

percent. For high-AGI returns with tax redefined to include foreign tax payments, a redefinition of nontaxability to exclude returns with tax only from investment credit recapture reduces the number of nontaxables by 59 returns, or 18 percent, from 321 to 262.

Similar adjusted data using the expanded income concept are not available.

Reasons for 1983 Changes

The significant increases in the numbers of nontaxable, high-income returns for 1983 seem to be attributable to the elimination of the minimum tax and the taxation of all preference items under the expanded alternative minimum tax. These changes were enacted as part of the Tax Equity and Fiscal Responsibility Act of 1982 (commonly called TEFRA) and became effective for 1983. The increase in nontaxable, high-income returns seems to stem from changes in the list of itemized deductions that may give rise to tax preferences under the alternative minimum tax.

In 1982, the Congress eliminated the minimum tax and transferred the taxation of all tax preferences to a more comprehensive alternative minimum tax. In part, these changes were intended to reduce taxes for some taxpayers who had modest amounts of tax preferences but who paid substantial amounts of ordinary income tax. The primary goal, however, was to concentrate the burden of (alternative) minimum taxation on those who would otherwise not pay a fair share of the total tax burden relative to their incomes. This objective was clearly stated:

"Congress amended the present minimum tax provisions applying to individuals with one overriding objective: no taxpayer with substantial economic income should be able to avoid all tax liability by using exclusions, deductions and credits. Although these provisions provide incentives for worthy goals, they become counter-productive when individuals are allowed to use them to avoid virtually all tax liability. The ability of high-income individuals to pay little or no tax undermines respect for the entire tax system and, thus, for the incentive provisions themselves. Therefore, Congress provided an alternative minimum tax which was intended to insure that, when an individual's ability to pay taxes is measured by a broad-based concept of income, a measure which can be reduced by only a few of the incentive provisions, tax liability is at least a minimum percentage of that broad measure" [16].

The major change made by TEFRA to minimum taxation of individuals was the concentration of the taxation of all preference items under the alternative minimum tax rather than having

the capital gains exclusion and preferences for itemized deductions taxed under the alternative minimum tax and all other preferences taxed under the minimum tax. Other changes were also made. The alternative minimum tax exclusion was raised to \$30,000 (to \$40,000 for joint returns) from its previous level of \$20,000. Some new preferences items were added for exclusions and deferrals of income. Finally, the list of itemized deductions that may give rise to an alternative minimum tax preference was altered, and the way in which the itemized deduction preference is calculated was changed [17].

Calculation of tax preferences from itemized deductions was changed so that an eligible itemized deduction became more likely to generate a tax preference for 1983 than it was for 1982. Hence, it was believed that the TEFRA changes would make it more likely for itemized deductions to give rise to the alternative minimum tax. For 1982, the preference from itemized deductions was the amount by which a taxpayer's total itemized deductions (other than the itemized deductions for medical expenses, casualty losses, and state and local taxes) exceeded 60 percent of AGI as reduced by the just mentioned itemized deductions. Thus, itemized deductions could be a tax preference only if their total represented a large share of AGI. Beginning with 1983, every dollar of certain categories of itemized deductions could generate a tax preference, even if the particular itemized deduction or the total of all itemized deductions represented only a modest share of AGI.

In addition to changing the structure of the itemized deduction tax preference under the alternative minimum tax, TEFRA changed the list of itemized deductions that could result in preferences. Before TEFRA, preferences generally could come from any itemized deduction other than those for medical expenses, casualty losses, and deductible state and local taxes. After TEFRA, tax preferences could come from any itemized deduction other than charitable contributions, casualty losses, mortgage interest expense, investment interest to the extent of investment income, gambling losses, and the medical expense deduction to the extent that the allowable portion exceeded 5 percent of AGI. These were quite dramatic changes. The only items left unchanged were casualty losses and the medical expense deduction to the extent that the allowable deduction exceeded 5 percent of AGI. Most importantly, under the new law, a preference could be generated by any amount of state and local tax expenses. Preferences, however, could no longer be generated by charitable contributions, mortgage interest, gambling losses, or most deductible investment interest [18].

These changes were believed to represent a significant tightening of the alternative mini-

um tax. In fact, the changes seem to have provided the means for a major increase in the number of nontaxable, high-income returns.

The impact of these minimum tax changes has been approximated for nontaxable, high-AGI returns for 1983 that had no U.S. tax liability and did not have any tax from recapture of prior-year investment credits. To the extent possible based on data shown on 1983 tax returns, the impacts of the 1982 minimum tax and the 1982 alternative minimum tax have been simulated for these returns. The simulation indicates that if the 1982 provisions had been in effect for 1983, 362 of the 380 returns would have been taxable. That is, only 18 of the 380 returns that were actually nontaxable for 1983 would have remained nontaxable. In addition, 15 returns that were taxable for 1983 would have been nontaxable if the 1982 provisions had remained in effect. Thus, this simulation indicates that there would have been a total of only 33 nontaxable, high-AGI returns for 1983 if the 1982 minimum and alternative minimum tax provisions had not been altered. Most of these changes appear to stem from changes in the preference for itemized deductions.

A similar simulation for the high-AGI returns where the foreign tax credit has been redefined to represent a legitimate tax indicates that of the 262 returns that actually were nontaxable for 1983 (including no tax from investment credit recapture), 245 would have been taxable if the minimum and alternative minimum tax provisions had remained as in 1982. Leaving those provisions unchanged would also have resulted in an additional 13 returns being made nontaxable, for a nontaxable total of 30 returns.

Since the numbers of nontaxable returns estimated by these simulations is far below the numbers of returns actually found by tabulating 1982 data, the simulation results must be treated with caution, and the precise effects of the minimum and alternative minimum tax changes made by TEFRA remain unknown. Nevertheless, together with an analysis of what could have happened for 1983 compared with 1982 for returns with hypothetical combinations of itemized deductions, these simulations indicate that the changes attributed to TEFRA's alternative minimum tax are both possible and probable.

In TEFRA in 1982, the Congress enacted changes to increase the overall level of minimum taxation, to concentrate such taxes on individuals whose tax preferences represented a large share of their income, and to reduce the number of nontaxable, high-income returns. The changes apparently have accomplished the first two goals. They do not, however, appear to have been successful in achieving the third goal. In fact, the alternative minimum tax changes in

TEFRA--particularly the changes in the types of itemized deductions that may give rise to tax preferences--have actually opened the way for a significantly larger number of nontaxable, high-income tax returns.

NOTES AND REFERENCES

[1] See section in this article titled "High-income Tax Returns for 1983" for a more detailed analysis of the numbers of nontaxable, high-income returns.

[2] Section 2123, 90 Stat. at 1915.

[3] 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. Washington, D.C.: U.S. Department of the Treasury, Office of Tax Analysis, March 1977.

Lerman, Allen H., High Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns. Washington, DC: U.S. Department of the Treasury, Office of Tax Analysis, August 1978.

[4] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--Individual Income Tax Returns, Reports for 1979, 1980, 1981, and 1982.

High-income taxpayer data for 1977 and 1978 have been tabulated but not published, except for the actual number of high adjusted gross income nontaxable returns. Data for 1977 and 1978 and a brief explanation of the tables may be published in a future issue of the Statistics of Income Bulletin.

[5] This is the Haig-Simons definition of income.

[6] The Internal Revenue Code defines adjusted gross income as all gross income that is not specifically excluded or reduced by statutory adjustments. Among the exclusions are trade or business deductions (including some deductions by employees) and depreciation deductions allowable for tax purposes, the deduction for 60 percent of net long-term capital gains, limited deductions for losses from the sale or exchange of property, deductions attributable to rents and royalty income, the moving expenses adjustment, and deductions for contributions to individual retirement arrangements (IRA's) and self-employed (Keogh) retirement plans.

[7] Gross income includes only income that has been "realized." Thus, for tax purposes, accrued increases or decreases in the value of assets are generally not included in income until any gain or loss is realized by a sale or exchange. In addition, gross income does not include the value of the services received from the use of durable goods, such as imputed net rent from owner-occupied homes or from consumer durables. Finally, gross income and, hence, adjusted gross income, do not include interest on most types of state and local government debt, social security benefits, workers' compensation benefits, and most types of welfare benefits.

[8] There have been attempts to create micro-data files that include approximations of economic income. Tax return data files have been "statistically merged" with other files such as the Current Population Survey (CPS) of the Bureau of the Census. After the merge, certain additional data items that were not on either file have been "imputed" to each record of the merged file. Although such statistically merged files have proven useful for many purposes, they have only limited use--and must be used with great caution--for high-income individuals and families, each of which is likely to have more unique financial and income characteristics that are not likely to be duplicated accurately through imputations and statistical merges.

[9] If the sum of tax preferences that were subject to the alternative minimum tax (including both preferences representing income excluded from adjusted gross income and certain itemized deductions that may be considered preferences) together with the taxpayer's AGI and ordinary income tax were sufficient to result in the imposition of any alternative minimum tax, the taxpayer was required to complete Form 6251, Alternative Minimum Tax Computation. For such taxpayers, the tax preferences excluded from adjusted gross income, as tabulated in Tables 5 and 6, include the following items: the dividend exclusion; the "all-savers" interest exclusion; the excluded portion of long-term capital gains; the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease; the excess of rapid amortization allowable on certain capital expenditures (such as pollution control facilities) over depreciation otherwise allowable; 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 exceeded the otherwise-allowable amortization deduction.

Any preferences from itemized deductions do not represent omitted income; hence, they have not been counted as preference items in calculating a broader measure of income.

Before 1983, preferences had to be listed on income tax returns if total preferences other than the capital gains exclusion and any preferences from itemized deductions were at least \$10,000 (\$5,000 for married taxpayers filing separately). Preferences had to be listed and included with the income tax return even if they did not give rise to any minimum tax liability.

[10] Omission of social security benefits and certain other items is relatively unimportant for high-income taxpayers.

[11] In addition, 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.

[12] For the sake of brevity, "investment interest to the extent that it does not exceed investment income" is called "investment interest." "Investment interest in excess of investment income" is called "excess investment interest."

[13] See footnote [9].

[14] The borderline between excess and non-excess investment interest depends on the income items actually included under each income concept. Hence, the investment interest adjustment differs depending on which income definition is used.

[15] Certain amounts of income earned abroad are excluded from adjusted gross income by statute. Any foreign taxes paid on such income are not creditable against U.S. income taxes. The tables in this section do not reflect either the amounts of income excluded or the tax payments on them.

[16] U.S. Congress, Joint Committee on Taxation, General Explanation of the Revenue Provisions of the Tax Equity and Fiscal Responsibility Act of 1982, December 31, 1982, p. 17.

[17] See pp. 16-23, Joint Committee on Taxation, op. cit., for a complete explanation of the minimum and alternative minimum taxes before and after TEFRA. Readers may also see the changes by comparing the appropriate income tax forms for 1982 and 1983: Form 4265 for 1982 and Form 6251 for both 1982 and 1983.

[18] The itemized deductions that could not give rise to tax preferences and the changes between 1982 and 1983 are summarized in the following chart. Under proper conditions, all other itemized deductions might produce tax preferences and some amount of alternative minimum tax.

Itemized Deductions That Cannot Generate Tax Preferences

<u>1982</u>	<u>1983</u>
Medical expense deduction ^{1/}	Medical expense deduction ^{1/} over 5 percent of adjusted gross income
State and local taxes	
Casualty losses	Casualty losses
	Charitable contributions
	Mortgage interest expense
	Investment and interest expense to the extent of investment income
	Gambling losses

^{1/} The itemized deduction for medical expenses consisted of the portion of medical expenses in excess of a floor of 3 percent of AGI (5 percent in 1983) for all medical costs, including the expenses for medicines and drugs in excess of a separate floor of 1 percent of AGI.

Table 1 — Returns With and Without Total Income Tax: Number of Returns Classified by Size of Income Under Alternative Concepts
 (All figures are estimates based on samples)

Size of income under alternative concepts	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	96,321,310	91,086,723	4,414,028	621,951	198,608
Size of expanded income					
Under \$50,000	90,906,700	90,797,277	108,564	761	98
\$50,000 under \$100,000	4,477,515	281,347	4,175,842	20,077	249
\$100,000 under \$200,000	687,776	6,412	125,195	551,425	4,744
\$200,000 or more	249,319	1,687	4,427	49,688	193,517
Size of adjusted gross income plus excluded tax preferences					
Under \$50,000	90,744,765	90,744,765	—	—	—
\$50,000 under \$100,000	4,593,684	332,663	4,261,021	—	—
\$100,000 under \$200,000	720,408	7,416	147,782	565,210	—
\$200,000 or more	262,453	1,879	5,225	56,741	198,608
Size of adjusted gross income less investment interest					
Under \$50,000	91,243,984	91,086,723	155,209	1,758	294
\$50,000 under \$100,000	4,294,656	—	4,258,819	35,330	507
\$100,000 under \$200,000	595,349	—	—	584,863	10,486
\$200,000 or more	187,321	—	—	—	187,321
Returns With Total Income Tax					
Total	79,421,285	74,207,121	4,396,236	619,767	198,161
Size of expanded income					
Under \$50,000	74,028,553	73,923,488	104,555	*508	2
\$50,000 under \$100,000	4,458,872	276,608	4,162,744	19,313	207
\$100,000 under \$200,000	685,120	5,536	124,547	550,359	4,678
\$200,000 or more	248,740	1,489	4,390	49,587	193,274
Size of adjusted gross income plus excluded tax preferences					
Under \$50,000	73,874,894	73,874,894	—	—	—
\$50,000 under \$100,000	4,568,322	324,227	4,244,095	—	—
\$100,000 under \$200,000	716,426	6,322	146,956	563,148	—
\$200,000 or more	261,643	1,678	5,185	56,619	198,161
Size of adjusted gross income less investment interest					
Under \$50,000	74,359,079	74,207,121	150,323	1,458	177
\$50,000 under \$100,000	4,280,984	—	4,245,913	34,603	468
\$100,000 under \$200,000	594,130	—	—	583,706	10,424
\$200,000 or more	187,092	—	—	—	187,092
Returns Without Total Income Tax					
Total	16,900,025	16,879,602	17,792	2,184	447
Size of expanded income					
Under \$50,000	16,878,147	16,873,789	4,009	253	96
\$50,000 under \$100,000	18,643	4,739	13,098	764	42
\$100,000 under \$200,000	2,656	876	*648	1,066	66
\$200,000 or more	579	198	*37	*101	243
Size of adjusted gross income plus excluded tax preferences					
Under \$50,000	16,869,871	16,869,871	—	—	—
\$50,000 under \$100,000	25,362	8,436	16,926	—	—
\$100,000 under \$200,000	3,982	1,094	826	2,062	—
\$200,000 or more	810	201	*40	122	447
Size of adjusted gross income less investment interest					
Under \$50,000	16,884,905	16,879,602	4,886	300	117
\$50,000 under \$100,000	13,672	—	12,906	727	39
\$100,000 under \$200,000	1,219	—	—	1,157	62
\$200,000 or more	229	—	—	—	229

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

Table 2 — Returns With and Without Modified Total Income Tax: Number of Returns Classified by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Size of income under alternative concepts	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	96,321,310	91,086,723	4,414,028	621,951	198,608
Size of expanded income					
Under \$50,000	90,906,700	90,797,277	108,564	761	98
\$50,000 under \$100,000	4,477,515	281,347	4,175,842	20,077	249
\$100,000 under \$200,000	687,776	6,412	125,195	551,425	4,744
\$200,000 or more	249,319	1,687	4,427	49,688	193,517
Size of adjusted gross income plus excluded tax preferences					
Under \$50,000	90,744,765	90,744,765	—	—	—
\$50,000 under \$100,000	4,593,684	332,663	4,261,021	—	—
\$100,000 under \$200,000	720,408	7,416	147,782	565,210	—
\$200,000 or more	262,453	1,879	5,225	56,741	198,608
Size of adjusted gross income less investment interest					
Under \$50,000	91,243,984	91,086,723	155,209	1,758	294
\$50,000 under \$100,000	4,294,656	—	4,258,819	35,330	507
\$100,000 under \$200,000	595,349	—	—	584,863	10,486
\$200,000 or more	187,321	—	—	—	187,321
Returns With Modified Total Income Tax					
Total	79,450,915	74,233,981	4,398,302	620,345	198,287
Size of expanded income					
Under \$50,000	74,055,433	73,950,326	104,597	*508	2
\$50,000 under \$100,000	4,460,917	276,629	4,164,631	19,450	207
\$100,000 under \$200,000	685,683	5,537	124,684	550,779	4,683
\$200,000 or more	248,882	1,489	4,390	49,608	193,395
Size of adjusted gross income plus excluded tax preferences					
Under \$50,000	73,901,732	73,901,732	—	—	—
\$50,000 under \$100,000	4,570,272	324,248	4,246,024	—	—
\$100,000 under \$200,000	717,121	6,323	147,093	563,705	—
\$200,000 or more	261,790	1,678	5,185	56,640	198,287
Size of adjusted gross income less investment interest					
Under \$50,000	74,385,981	74,233,981	150,365	1,458	177
\$50,000 under \$100,000	4,283,145	—	4,247,937	34,740	468
\$100,000 under \$200,000	594,576	—	—	584,147	10,429
\$200,000 or more	187,213	—	—	—	187,213
Returns Without Modified Total Income Tax					
Total	16,870,395	16,852,742	15,726	1,606	321
Size of expanded income					
Under \$50,000	16,851,267	16,846,951	3,967	253	96
\$50,000 under \$100,000	16,598	4,718	11,211	627	42
\$100,000 under \$200,000	2,093	875	*511	646	61
\$200,000 or more	437	196	*37	*80	122
Size of adjusted gross income plus excluded tax preferences					
Under \$50,000	16,843,033	16,843,033	—	—	—
\$50,000 under \$100,000	23,412	8,415	14,997	—	—
\$100,000 under \$200,000	3,287	1,093	689	1,505	—
\$200,000 or more	663	201	*40	101	321
Size of adjusted gross income less investment interest					
Under \$50,000	16,858,003	16,852,742	4,844	300	117
\$50,000 under \$100,000	11,511	—	10,882	590	39
\$100,000 under \$200,000	773	—	—	716	57
\$200,000 or more	108	—	—	—	108

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

Table 3 — Returns With and Without Total Income Tax, and With Income \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Taxable Income to Specified Alternative Income

(All figures are estimates based on samples)

Specified items	Adjusted gross income			Expanded income			Adjusted gross income plus excluded tax preferences			Adjusted gross income less investment interest		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	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)	(7)	(8)	(9)	(10)	(11)	(12)
Total	198,608	100.0	—	249,319	100.0	—	262,453	100.0	—	187,321	100.0	—
Returns without total income tax.....	447	0.2	—	579	0.2	—	810	0.3	—	229	0.1	—
Returns with total income tax:												
Total.....	198,161	99.8	100.0	248,740	99.8	100.0	261,643	99.7	100.0	187,092	99.9	100.0
Ratio of taxable income to alternative income:												
Under 5 percent.....	152	0.1	0.1	180	0.1	0.1	239	0.1	0.1	107	0.1	0.1
5 under 10 percent.....	335	0.2	0.2	231	0.1	0.2	489	0.2	0.3	212	0.1	0.2
10 under 15 percent.....	798	0.4	0.6	588	0.2	0.4	1,146	0.4	0.7	264	0.1	0.3
15 under 20 percent.....	451	0.2	0.9	592	0.2	0.6	1,125	0.4	1.1	349	0.2	0.5
20 under 25 percent.....	814	0.4	1.3	930	0.4	1.0	2,384	0.9	2.1	392	0.2	0.7
25 under 30 percent.....	998	0.5	1.8	2,941	1.2	2.2	4,917	1.9	3.9	599	0.3	1.0
30 under 35 percent.....	1,631	0.8	2.6	3,946	1.6	3.8	7,455	2.8	6.8	849	0.5	1.5
35 under 40 percent.....	2,503	1.3	3.9	12,991	5.2	9.0	19,896	7.6	14.4	1,449	0.8	2.3
40 under 45 percent.....	3,452	1.7	5.6	44,732	18.0	27.0	41,787	16.0	30.4	2,526	1.4	3.6
45 under 50 percent.....	4,124	2.1	7.7	17,060	6.9	33.8	16,855	6.4	36.8	2,862	1.5	5.1
50 under 60 percent.....	12,065	6.1	13.8	25,846	10.4	44.2	27,313	10.4	47.2	8,805	4.7	9.8
60 under 70 percent.....	21,027	10.6	24.4	27,562	11.1	55.3	30,195	11.5	58.8	16,048	8.6	18.4
70 under 80 percent.....	41,844	21.1	45.5	38,486	15.5	70.8	40,542	15.5	74.3	36,491	19.5	37.9
80 percent or more.....	107,967	54.5	100.0	72,655	29.2	100.0	67,300	25.7	100.0	116,139	62.1	100.0

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

Table 4 — Returns With and Without Modified Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Taxable Income to Specified Alternative Income

(All figures are estimates based on samples)

Specified items	Adjusted gross income			Expanded income			Adjusted gross income plus excluded tax preferences			Adjusted gross income less investment interest		
	Number of returns	Percent of total	Cumulative percent of total	Number of returns	Percent of total	Cumulative percent of total	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)	(7)	(8)	(9)	(10)	(11)	(12)
Total	198,608	100.0	—	249,319	100.0	—	262,453	100.0	—	187,321	100.0	—
Returns without modified total income tax.....	321	0.2	—	437	0.2	—	663	0.3	—	108	0.1	—
Returns with modified total income tax:												
Total	198,287	99.8	100.0	248,882	99.8	100.0	261,790	99.7	100.0	187,213	99.9	100.0
Ratio of taxable income to alternative income:												
Under 5 percent.....	144	0.1	0.1	168	0.1	0.1	226	0.1	0.1	99	0.1	0.1
5 under 10 percent.....	187	0.1	0.2	84	()	0.1	344	0.1	0.2	63	()	0.1
10 under 15 percent.....	592	0.3	0.5	355	0.1	0.2	912	0.3	0.6	58	()	0.1
15 under 20 percent.....	401	0.2	0.7	539	0.2	0.5	1,048	0.4	1.0	299	0.2	0.3
20 under 25 percent.....	622	0.3	1.0	766	0.3	0.8	2,200	0.8	1.8	221	0.1	0.4
25 under 30 percent.....	968	0.5	1.5	2,742	1.1	1.9	4,734	1.8	3.6	551	0.3	0.7
30 under 35 percent.....	1,601	0.8	2.3	3,924	1.6	3.4	7,278	2.8	6.4	836	0.4	1.1
35 under 40 percent.....	1,899	1.0	3.2	12,204	4.9	8.4	19,699	7.5	13.9	1,124	0.6	1.7
40 under 45 percent.....	3,828	1.9	5.2	45,439	18.3	26.6	42,056	16.1	30.0	2,633	1.4	3.1
45 under 50 percent.....	4,083	2.1	7.2	17,043	6.8	33.5	16,835	6.4	36.4	2,830	1.5	4.7
50 under 60 percent.....	11,035	5.6	12.8	25,096	10.1	43.5	26,706	10.2	46.6	8,035	4.3	8.9
60 under 70 percent.....	21,218	10.7	23.5	27,681	11.1	54.7	30,001	11.5	58.1	16,538	8.8	17.8
70 under 80 percent.....	42,264	21.3	44.8	39,099	15.7	70.4	41,208	15.7	73.8	36,328	19.4	37.2
80 percent or more.....	109,445	55.2	100.0	73,742	29.6	100.0	68,543	26.2	100.0	117,598	62.8	100.0

() Less than 0.05 percent.

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

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

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

Item	Returns with adjusted gross income \$200,000 or more						Returns with expanded income \$200,000 or more					
	Total		Returns with total income tax		Returns without total income tax		Total		Returns with total income tax		Returns without total 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.....	160,883	36,614,261	160,559	36,544,453	324	69,807	191,714	38,673,285	191,301	38,617,818	413	55,467
Business or profession:												
Net income.....	33,747	4,457,696	33,658	4,444,396	89	13,301	42,736	4,858,582	42,636	4,840,815	100	17,767
Net loss.....	21,978	1,008,550	21,896	989,098	82	19,452	29,545	1,347,048	29,380	1,312,903	165	34,145
Farm:												
Net income.....	4,371	282,180	4,361	280,986	10	1,194	4,736	294,633	4,734	294,206	2	427
Net loss.....	14,276	930,767	14,222	919,482	54	11,285	16,865	1,264,689	18,826	1,253,845	39	10,843
Partnership:												
Net income.....	58,753	6,959,196	58,649	6,929,714	104	29,483	71,185	7,336,437	71,121	7,312,299	64	24,138
Net loss.....	81,701	5,733,846	81,499	5,683,564	202	50,282	100,865	7,306,819	100,639	7,259,077	226	47,742
Small Business Corporation:												
Net income.....	24,217	4,468,187	24,185	4,464,339	32	3,848	27,477	4,559,992	27,453	4,557,432	24	2,560
Net loss.....	19,450	1,005,139	19,360	990,788	90	14,372	24,436	1,346,617	24,334	1,316,588	102	30,030
Sales of capital assets:												
Net gain.....	137,190	20,407,204	136,958	20,371,576	232	35,627	188,662	25,061,973	188,223	24,960,043	439	101,930
Net loss.....	29,535	69,461	29,487	69,343	48	118	28,825	67,757	28,792	67,679	33	77
Sales of property other than capital assets:												
Net gain.....	16,452	432,317	16,413	430,888	39	1,428	22,651	550,864	22,605	547,781	46	3,082
Net loss.....	14,229	137,993	14,182	136,184	47	1,809	17,683	185,328	17,621	175,399	62	9,929
Interest received.....	195,316	8,332,704	194,894	8,257,039	422	75,665	245,027	9,502,334	244,471	9,464,256	556	38,078
Dividends in AGI.....	165,774	11,028,785	165,458	10,962,796	316	65,989	206,699	11,837,876	206,396	11,804,590	303	33,286
Pensions and annuities in AGI.....	26,228	537,349	26,195	536,713	33	636	35,561	673,210	35,540	672,727	21	483
Rent:												
Net income.....	43,882	1,868,568	43,804	1,863,815	78	4,753	53,364	1,989,879	53,228	1,985,900	136	3,978
Net loss.....	53,518	1,348,968	53,332	1,340,683	186	8,285	67,969	1,787,907	67,742	1,772,481	227	15,426
Royalty:												
Net income.....	25,515	1,895,571	25,461	1,890,178	54	5,393	30,365	2,057,712	30,325	2,052,495	40	5,217
Net loss.....	2,660	49,038	2,653	48,975	†	†	3,601	58,691	3,596	58,632	5	59
Estate or trust:												
Net income.....	26,053	1,277,942	26,000	1,273,364	53	4,578	34,571	1,390,077	34,541	1,386,518	30	3,559
Net loss.....	2,368	58,048	2,355	56,427	13	1,622	2,887	85,743	2,873	84,454	†4	†1,290
State income tax refunds.....	70,382	329,777	70,279	328,266	103	1,511	85,371	365,425	85,278	364,491	93	935
Windfall profit tax refunds.....	9,456	22,036	9,441	22,013	15	22	11,846	27,665	11,834	27,642	12	23
Windfall profit tax withheld.....	39,723	279,944	39,649	279,155	74	789	47,284	311,682	47,235	310,962	49	719
Alimony received.....	486	25,583	†	†	††	†	†	602	29,010	601	†	300
Unemployment compensation in AGI.....	589	1,336	†	†	††	†	1,373	3,661	1,372	3,660	1	1
Other income.....	40,796	1,055,919	40,668	1,045,615	128	10,304	48,847	1,153,140	48,763	1,144,069	84	9,071
Other loss.....	5,342	466,595	5,287	452,730	55	13,865	8,524	834,610	8,349	790,843	175	43,766
Total statutory adjustments.....	145,630	1,300,301	145,431	1,297,116	199	3,185	174,055	1,482,873	173,828	1,477,061	227	5,812
Expanded income.....	198,607	113,325,111	198,161	113,221,229	446	103,882	249,319	127,604,413	248,740	127,388,569	579	215,844
AGI plus excluded tax preferences.....	198,608	116,980,170	198,161	116,758,299	447	221,870	245,319	131,184,614	248,740	130,950,688	579	243,925
AGI less investment interest.....	198,606	84,131,884	198,160	84,049,378	446	82,506	249,236	90,862,720	248,658	90,789,540	578	73,180
Investment interest per AGI concept.....	150,734	3,561,067	150,369	3,444,819	365	116,247	184,993	3,505,360	184,730	3,478,070	263	27,290
Investment interest per alternative income concept.....	150,734	3,561,067	150,369	3,444,819	365	116,247	185,113	3,590,201	184,850	3,562,119	263	28,081
Tax preferences excluded from adjusted gross income:												
Total.....	179,910	29,287,219	179,558	29,264,102	352	23,117	231,229	36,826,533	230,726	36,683,078	503	143,455
Excluded long-term capital gains.....	131,893	27,877,389	131,694	27,854,326	199	23,063	183,770	34,647,718	183,338	34,504,305	432	143,413
Dividend exclusion.....	162,011	28,437	161,716	28,386	295	51	202,640	35,501	202,378	35,462	38	38
All other.....	24,758	13,661,535	24,758	13,661,535	—	—	53,831	19,052,358	53,831	19,052,358	—	—
Adjusted gross income.....	198,608	87,692,950	198,161	87,494,197	447	198,753	249,319	94,368,081	248,740	94,267,610	579	100,470

Footnote(s) at end of table.

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

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

Item	Returns with adjusted gross income \$200,000 or more						Returns with expanded income \$200,000 or more					
	Total		Returns with total income tax		Returns without total income tax		Total		Returns with total income tax		Returns without total 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	198,608	672,952	198,161	671,405	447	1,547	249,319	835,551	248,740	833,672	579	1,879
Itemized deductions:												
Total per AGI concept	196,609	17,753,516	196,207	17,543,257	402	210,259	244,203	18,992,443	243,806	18,886,041	397	106,401
Total per alternative income concept	196,609	17,753,516	196,207	17,543,257	402	210,259	244,203	15,402,242	243,806	15,323,922	397	78,320
Contributions deduction	192,543	4,382,781	192,189	4,368,221	354	14,560	238,630	4,763,754	238,288	4,755,360	342	8,393
Interest paid deduction:												
Total per AGI concept	172,423	5,677,905	172,035	5,521,695	388	156,210	212,155	5,797,125	211,794	5,742,052	361	55,073
Total per alternative income concept	172,423	5,677,905	172,035	5,521,695	388	156,210	164,633	2,206,924	164,341	2,179,933	292	26,991
Total home mortgage interest	118,705	1,410,345	118,427	1,395,690	278	14,654	144,651	1,622,480	144,388	1,610,371	263	12,108
Investment interest exceeding investment income per AGI concept	81,796	706,494	81,559	681,186	237	25,308	97,693	669,284	97,565	653,610	128	15,674
Investment interest exceeding investment income per alternative income concept	81,796	706,494	81,559	681,186	237	25,308	96,451	584,444	96,324	569,561	127	14,883
Medical and dental expense deduction	6,132	135,430	6,111	134,119	21	1,311	11,219	178,459	11,166	177,383	53	1,076
Net casualty or theft loss deduction	538	47,846	511	38,724	27	9,122	837	47,039	813	38,118	24	8,921
Taxes paid deduction	196,502	6,162,792	196,113	6,151,368	389	11,423	244,096	6,704,097	243,710	6,696,695	386	7,402
Miscellaneous deductions	168,529	1,346,761	168,201	1,329,128	328	17,633	208,538	1,501,969	208,172	1,476,433	366	25,537
Excess itemized deductions	196,523	17,115,854	196,121	16,906,881	402	208,973	243,967	18,202,312	243,570	18,097,039	397	105,273
Zero bracket amount	198,608	644,105	198,161	642,672	447	1,433	249,319	806,901	248,740	805,169	579	1,733
Excess of exemptions and deductions over AGI	980	133,925	683	73,781	297	60,144	2,719	386,518	2,334	327,488	385	59,030
Taxable income:												
As computed under current law	197,726	70,035,177	197,560	69,987,728	166	47,450	246,655	75,723,484	246,451	75,671,774	204	51,710
As computed under prior law	197,628	69,394,027	197,478	69,347,083	150	46,944	246,600	74,925,222	246,406	74,874,095	194	51,127
Tax at normal rates	197,628	32,036,490	197,478	32,014,817	150	21,674	246,600	34,171,498	246,406	34,148,103	194	23,395
Tax savings	38,625	261,364	38,609	261,111	16	254	63,156	377,531	63,106	376,737	50	793
Income tax before credits	197,632	31,875,787	197,482	31,854,366	150	21,421	246,615	33,925,977	246,421	33,903,375	194	22,603
Tax credits:												
Total	154,143	1,099,250	153,993	1,077,829	150	21,421	187,523	1,189,358	187,329	1,166,755	194	22,603
Foreign tax credit	24,216	182,736	24,090	161,689	126	21,048	28,195	187,228	28,053	165,296	142	21,932
Investment credit	113,711	870,293	113,682	869,919	29	373	137,680	951,803	137,626	951,132	54	670
Jobs credit	3,345	20,221	3,345	20,221	—	—	3,919	21,687	3,919	21,687	—	—
Minimum tax reported on Form 1040	98	3,810	98	3,810	—	—	436	7,327	436	7,327	—	—
Alternative minimum tax reported on Form 1040	24,965	955,102	24,965	955,102	—	—	53,838	1,566,405	53,838	1,566,405	—	—
Total income tax:												
Taxes paid to the U.S.	198,161	31,735,448	198,161	31,735,448	—	—	248,740	34,310,352	248,740	34,310,352	—	—
Foreign taxes paid	—	—	—	—	—	—	—	—	—	—	—	—
Taxable income which would yield:												
Income tax before credits	197,632	69,117,112	197,482	69,070,510	150	46,603	246,615	74,481,334	246,421	74,431,548	194	49,786
Income tax after credits	196,936	66,880,288	196,936	66,880,288	—	—	244,474	72,018,206	244,474	72,018,206	—	—
Total income tax	198,161	68,857,424	198,161	68,857,424	—	—	248,740	75,367,497	248,740	75,367,497	—	—

* 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.

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

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

Table with 12 columns: Item, Number of returns, Amount, Number of returns, Amount, Number of returns, Amount, Number of returns, Amount, Number of returns, Amount, Number of returns, Amount. Rows include categories like Salaries and wages, Business or profession, Farm, Partnership, Small Business Corporation, Sales of capital assets, etc.

Footnote(s) at end of table.

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

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

Item	Returns with adjusted gross income \$200,000 or more						Returns with expanded income \$200,000 or more					
	Total		Returns with modified total income tax		Returns without modified total income tax		Total		Returns with modified total income tax		Returns without modified total 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.....	198,608	672,952	198,287	671,849	321	1,103	249,319	835,551	248,882	834,222	437	1,329
Itemized deductions:												
Total per AGI concept.....	196,609	17,753,516	196,289	17,548,022	320	205,493	244,203	18,992,443	243,904	18,890,152	299	102,291
Total per alternative income concept.....	196,609	17,753,516	196,289	17,548,022	320	205,493	244,203	15,402,242	243,904	15,326,920	299	75,322
Contributions deduction.....	192,543	4,382,781	192,253	4,368,658	290	14,123	238,630	4,763,754	238,348	4,755,771	282	7,983
Interest paid deduction:												
Total per AGI concept.....	172,423	5,677,905	172,112	5,524,252	311	153,653	212,155	5,797,125	211,866	5,743,944	289	53,180
Total per alternative income concept.....	172,423	5,677,905	172,112	5,524,252	311	153,653	164,633	2,206,924	164,396	2,180,713	237	26,211
Total home mortgage interest.....	118,705	1,410,345	118,473	1,396,325	232	14,019	144,651	1,622,480	144,429	1,610,930	222	11,550
Investment interest exceeding investment income per AGI concept.....	81,796	706,494	81,595	681,501	201	24,993	97,693	669,284	97,596	653,851	97	15,434
Investment interest exceeding investment income per alternative income concept.....	81,796	706,494	81,595	681,501	201	24,993	96,451	584,444	96,355	569,783	96	14,661
Medical and dental expense deduction.....	6,132	135,430	6,117	134,149	15	1,281	11,219	178,459	11,172	177,413	47	1,046
Net casualty or theft loss deduction.....	538	47,846	511	38,724	27	9,122	837	47,039	813	38,118	24	8,921
Taxes paid deduction.....	196,502	6,162,792	196,189	6,152,696	313	10,055	244,096	6,704,097	243,802	6,698,091	294	6,006
Miscellaneous deductions.....	168,529	1,346,761	168,270	1,329,543	259	17,219	208,538	1,501,969	208,257	1,476,815	281	25,155
Excess itemized deductions.....	196,523	17,115,854	196,203	16,911,384	320	204,470	243,967	18,202,312	243,668	18,100,833	299	101,479
Zero bracket amount.....	198,608	644,105	198,287	643,079	321	1,027	249,319	806,901	248,882	805,630	437	1,272
Excess of exemptions and deductions over AGI.....	980	133,925	683	73,781	297	60,144	2,719	386,518	2,334	327,488	385	59,030
Taxable income:												
As computed under current law.....	197,726	70,035,177	197,686	70,033,842	40	1,335	246,655	75,723,484	246,593	75,720,063	62	3,421
As computed under prior law.....	197,628	69,394,027	197,604	69,392,792	24	1,236	246,600	74,925,222	246,548	74,921,923	52	3,299
Tax at normal rates.....	197,628	32,036,490	197,604	32,036,048	24	442	246,600	34,171,498	246,548	34,170,160	52	1,338
Tax savings.....	38,625	261,364	38,619	261,237	6	127	63,156	377,531	63,115	376,862	*41	*669
Income tax before credits.....	197,632	31,875,787	197,608	31,875,472	24	315	246,615	33,925,977	246,563	33,925,308	52	670
Tax credits:												
Total.....	147,514	916,513	147,490	916,198	24	315	179,871	1,002,129	179,819	1,001,460	52	670
Foreign tax credit.....	—	—	—	—	—	—	—	—	—	—	—	—
Investment credit.....	113,711	870,293	113,687	869,977	24	315	137,680	951,803	137,628	951,133	52	670
Jobs credit.....	3,345	20,221	3,345	20,221	—	—	3,919	21,687	3,919	21,687	—	—
Minimum tax reported on Form 1040.....	98	3,810	98	3,810	—	—	436	7,327	436	7,327	—	—
Alternative minimum tax reported on Form 1040.....	24,965	955,102	24,965	955,102	—	—	53,838	1,566,405	53,838	1,566,405	—	—
Total income tax:												
Taxes paid to the U.S.....	198,287	31,918,185	198,287	31,918,185	—	—	248,882	34,497,580	248,882	34,497,580	—	—
Foreign taxes paid.....	24,216	182,736	24,216	182,736	—	—	28,195	187,228	28,195	187,228	—	—
Taxable income which would yield:												
Income tax before credits.....	197,632	69,117,112	197,608	69,116,127	24	986	246,615	74,481,334	246,563	74,479,283	52	2,051
Income tax after credits.....	197,089	67,253,968	197,089	67,253,968	—	—	244,925	72,404,422	244,925	72,404,422	—	—
Total income tax.....	198,287	69,230,050	198,287	69,230,050	—	—	248,882	75,749,857	248,882	75,749,857	—	—

*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.

Table 7 — Returns With and Without Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect									
	Total		Interest paid 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
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Returns With Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	198,161	100.0	56,190	28.4	91,173	46.0	28,371	14.3	1,763	0.9
Interest paid deduction	51,267	25.9	—	—	38,597	42.3	6,248	22.0	136	7.7
Taxes paid deduction	63,559	32.1	36,801	65.5	—	—	16,731	59.0	1,094	62.1
Contributions deduction	45,360	22.9	9,054	16.1	33,088	36.3	—	—	246	14.0
Medical and dental expense deduction	1,282	0.6	106	0.2	475	0.5	302	1.1	—	—
Net casualty or theft loss deduction	75	()	31	0.1	38	()	5	()	—	—
Miscellaneous deductions	18,737	9.5	4,160	7.4	11,475	12.6	2,394	8.4	260	14.7
Foreign tax credit	1,111	0.6	300	0.5	486	0.5	300	1.1	—	—
Investment credit	13,916	7.0	4,686	8.3	6,710	7.4	2,301	8.1	—	—
Jobs credit	210	0.1	37	0.1	29	()	50	0.2	—	—
No second largest item	2,644	1.3	1,015	1.8	275	0.3	40	0.1	—	—
Returns with expanded income \$200,000 or more										
Total	248,740	100.0	68,401	27.5	112,375	45.2	36,018	14.5	2,541	1.0
Interest paid deduction	63,136	25.4	—	—	44,947	40.0	7,936	22.0	306	12.0
Taxes paid deduction	78,294	31.5	44,863	65.6	—	—	20,830	57.8	1,322	52.0
Contributions deduction	56,105	22.6	10,196	14.9	42,073	37.4	—	—	343	13.5
Medical and dental expense deduction	2,248	0.9	139	0.2	730	0.6	829	2.3	—	—
Net casualty or theft loss deduction	76	()	31	()	39	()	5	()	—	—
Miscellaneous deductions	24,011	9.7	4,775	7.0	15,252	13.6	2,998	8.3	504	19.8
Foreign tax credit	1,420	0.6	307	0.4	644	0.6	301	0.8	—	()
Investment credit	16,215	6.5	4,332	6.3	8,327	7.4	2,954	8.2	65	2.6
Jobs credit	279	0.1	64	0.1	29	()	50	0.1	—	—
No second largest item	6,956	2.8	3,694	5.4	334	0.3	115	0.3	—	—
Returns Without Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	447	100.0	271	60.6	3	0.7	10	2.2	4	0.9
Interest paid deduction	76	17.0	—	—	—	—	—	—	—	—
Taxes paid deduction	144	32.2	123	45.4	—	—	—	—	—	—
Contributions deduction	118	26.4	101	37.3	—	—	—	—	—	—
Medical and dental expense deduction	3	0.7	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	3	0.7	3	1.1	—	—	—	—	—	—
Miscellaneous deductions	36	8.1	30	11.1	—	—	—	—	—	—
Foreign tax credit	7	1.6	6	2.2	—	—	—	—	—	—
Investment credit	7	1.6	5	1.8	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	53	11.9	—	—	—	—	—	—	—	—
Returns with expanded income \$200,000 or more										
Total	579	100.0	273	47.2	4	0.7	8	1.4	4	0.7
Interest paid deduction	183	31.6	—	—	1	25.0	5	62.5	—	—
Taxes paid deduction	90	15.5	49	17.9	—	—	1	12.5	—	—
Contributions deduction	82	14.2	65	23.8	2	50.0	—	—	2	50.0
Medical and dental expense deduction	1	0.2	—	—	—	—	—	12.5	—	—
Net casualty or theft loss deduction	2	0.3	2	0.7	—	—	—	—	—	—
Miscellaneous deductions	22	3.8	17	6.2	—	—	—	—	2	50.0
Foreign tax credit	3	0.5	2	0.7	1	25.0	—	—	—	—
Investment credit	3	0.5	1	0.4	—	—	1	12.5	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	193	33.3	137	50.2	—	—	—	—	—	—

Footnote(s) at end of table.

Table 7 — Returns With and Without Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Number of Returns and Percents 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		Miscellaneous deductions		Foreign tax credit		Investment credit		Jobs credit	
	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
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Return With Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	131	0.1	5,947	3.0	1,551	0.8	12,792	6.5	243	0.1
Interest paid deduction.....	93	71.0	1,639	27.6	587	37.8	3,848	30.1	119	49.0
Taxes paid deduction.....	9	6.9	3,065	51.5	521	33.6	5,324	41.6	14	5.8
Contributions deduction.....	23	17.6	919	15.5	69	4.4	1,951	15.3	†	†
Medical and dental expense deduction.....	—	—	236	4.0	138	8.9	24	0.2	†	†
Net casualty or theft loss deduction.....	—	—	†	†	—	—	—	—	—	—
Miscellaneous deductions.....	6	4.6	—	—	99	6.4	343	2.7	—	—
Foreign tax credit.....	—	—	5	0.1	—	—	19	0.1	—	—
Investment credit.....	—	—	77	1.3	18	1.2	—	—	98	40.3
Jobs credit.....	—	—	—	—	—	—	94	0.7	—	—
No second largest item.....	—	—	†	†	119	7.7	1,189	9.3	†	†
Returns with expanded income \$200,000 or more										
Total	114	()	8,030	3.2	1,906	0.8	19,020	7.6	335	0.1
Interest paid deduction.....	75	65.8	2,208	27.5	574	30.1	6,997	36.8	93	27.8
Taxes paid deduction.....	10	8.8	4,084	50.9	701	36.8	6,452	33.9	32	9.6
Contributions deduction.....	23	20.2	1,048	13.1	70	3.7	2,346	12.3	6	1.8
Medical and dental expense deduction.....	—	—	387	4.8	138	7.2	24	0.1	1	0.3
Net casualty or theft loss deduction.....	—	—	—	()	—	—	—	—	—	—
Miscellaneous deductions.....	6	5.3	—	—	121	6.3	355	1.9	—	—
Foreign tax credit.....	—	—	5	0.1	—	—	162	0.9	—	—
Investment credit.....	—	—	292	3.6	43	2.3	—	—	202	60.3
Jobs credit.....	—	—	—	—	—	—	136	0.7	—	—
No second largest item.....	—	—	5	0.1	259	13.6	2,548	13.4	1	0.3
Returns Without Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	23	5.1	17	3.8	115	25.7	4	0.9	—	—
Interest paid deduction.....	17	73.9	7	41.2	42	36.5	†	†	—	—
Taxes paid deduction.....	†	†	5	29.4	10	8.7	†	†	—	—
Contributions deduction.....	—	—	—	—	12	10.4	—	—	—	—
Medical and dental expense deduction.....	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction.....	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions.....	†	†	—	—	3	2.6	—	—	—	—
Foreign tax credit.....	—	—	—	—	—	—	—	—	—	—
Investment credit.....	—	—	—	—	—	—	—	—	—	—
Jobs credit.....	—	—	—	—	—	—	—	—	—	—
No second largest item.....	—	—	†	†	48	41.7	†	†	—	—
Returns with expanded income \$200,000 or more										
Total	22	3.8	91	15.7	137	23.7	40	6.9	—	—
Interest paid deduction.....	16	72.7	81	89.0	41	29.9	39	97.5	—	—
Taxes paid deduction.....	4	18.2	5	5.5	31	22.6	—	—	—	—
Contributions deduction.....	1	4.5	1	1.1	11	8.0	—	—	—	—
Medical and dental expense deduction.....	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction.....	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions.....	1	4.5	—	—	2	1.5	—	—	—	—
Foreign tax credit.....	—	—	—	—	—	—	—	—	—	—
Investment credit.....	—	—	1	1.1	—	—	—	—	—	—
Jobs credit.....	—	—	—	—	—	—	—	—	—	—
No second largest item.....	—	—	3	3.3	52	38.0	1	2.5	—	—

() Less than 0.05 percent.
 †Data deleted to avoid disclosure of information of specific taxpayers. Deleted data are included in the appropriate totals.
 NOTE: Detail may not add to total because of rounding.

Table 8 — Returns With and Without Modified Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Number of Returns and Percents Classified by Item With Largest Tax Effect and by Item With Second Largest Tax Effect

(All figures are estimates based on samples)

Item with second largest tax effect	Item with the largest tax effect									
	Total		Interest paid 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
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Returns With Modified Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	198,287	100.0	56,994	28.7	91,706	46.2	28,452	14.3	1,901	1.0
Interest paid deduction	51,421	25.9	—	—	39,220	42.8	6,289	22.1	136	7.2
Taxes paid deduction	64,293	32.4	37,577	65.9	—	—	17,028	59.8	1,233	64.9
Contributions deduction	45,583	23.0	9,137	16.0	33,290	36.3	—	—	246	12.9
Medical and dental expense deduction	1,147	0.6	107	0.2	475	0.5	303	1.1	—	—
Net casualty or theft loss deduction	76	()	3 ¹	0.1	38	()	5	()	—	—
Miscellaneous deductions	18,905	9.5	4,224	7.4	11,642	12.7	2,430	8.5	260	13.7
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	13,940	7.0	4,694	8.2	6,735	7.3	2,307	8.1	26	1.4
Jobs credit	210	0.1	37	0.1	29	()	50	0.2	—	—
No second largest item	2,712	1.4	1,187	2.1	277	0.3	40	0.1	—	—
Returns with expanded income \$200,000 or more										
Total	248,882	100.0	69,330	27.9	113,109	45.4	36,099	14.5	2,879	1.1
Interest paid deduction	63,354	25.5	—	—	45,592	40.3	7,976	22.1	306	11.4
Taxes paid deduction	78,864	31.7	45,655	65.9	—	—	21,128	58.5	1,461	54.5
Contributions deduction	56,443	22.7	10,257	14.8	42,412	37.5	—	—	343	12.8
Medical and dental expense deduction	2,112	0.8	140	0.2	730	0.6	830	2.3	—	—
Net casualty or theft loss deduction	77	()	31	()	39	()	5	()	—	—
Miscellaneous deductions	24,220	9.7	4,838	7.0	15,482	13.7	3,035	8.4	504	18.8
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	16,348	6.6	4,337	6.3	8,489	7.5	2,960	8.2	65	2.4
Jobs credit	280	0.1	64	0.1	29	()	50	0.1	—	—
No second largest item	7,184	2.9	4,008	5.8	336	0.3	115	0.3	—	—
Returns Without Modified Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	321	100.0	263	81.9	+	+	10	3.1	+	+
Interest paid deduction	34	10.6	—	—	+	+	+	+	—	—
Taxes paid deduction	131	40.8	121	46.0	—	—	+	+	—	—
Contributions deduction	105	32.7	101	38.4	—	—	—	—	+	+
Medical and dental expense deduction	3	0.9	+	+	—	—	+	+	—	—
Net casualty or theft loss deduction	+	+	+	+	—	—	—	—	—	—
Miscellaneous deductions	33	10.3	30	11.4	—	—	—	—	+	+
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	7	2.2	5	1.9	—	—	+	+	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	+	+	+	+	—	—	—	—	—	—
Returns with expanded income \$200,000 or more										
Total	437	100.0	270	61.8	2	0.5	8	1.8	4	0.9
Interest paid deduction	142	32.5	—	—	1	50.0	5	62.5	—	—
Taxes paid deduction	58	13.3	48	17.8	—	—	1	12.5	—	—
Contributions deduction	70	16.0	65	24.1	1	50.0	—	—	2	50.0
Medical and dental expense deduction	1	0.2	—	—	—	—	1	12.5	—	—
Net casualty or theft loss deduction	2	0.5	2	0.7	—	—	—	—	—	—
Miscellaneous deductions	20	4.6	17	6.3	—	—	—	—	2	50.0
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	3	0.7	1	0.4	—	—	1	12.5	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	141	32.3	137	50.7	—	—	—	—	—	—

Footnote(s) at end of table.

Table 8 — Returns With and Without Modified Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Number of Returns and Percents 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		Miscellaneous deductions		Foreign tax credit		Investment credit		Jobs credit	
	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
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Returns With Modified Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	131	0.1	6,049	3.1	—	—	12,811	6.5	243	0.1
Interest paid deduction	93	71.0	1,708	28.2	—	—	3,856	30.1	119	49.0
Taxes paid deduction	9	6.9	3,096	51.2	—	—	5,336	41.7	14	5.8
Contributions deduction	23	17.6	923	15.3	—	—	1,955	15.3	†	†
Medical and dental expense deduction	—	—	236	3.9	—	—	†	†	†	†
Net casualty or theft loss deduction	—	—	†	†	—	—	†	†	—	—
Miscellaneous deductions	6	4.6	—	—	—	—	343	2.7	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	80	1.3	—	—	—	—	98	40.3
Jobs credit	—	—	—	—	—	—	—	—	94	0.7
No second largest item	—	—	†	†	—	—	1,202	9.4	†	†
Returns with expanded income \$200,000 or more										
Total	114	()	8,153	3.3	—	—	19,063	7.7	335	0.1
Interest paid deduction	75	65.3	2,298	28.2	—	—	7,014	36.8	93	27.8
Taxes paid deduction	10	8.8	4,115	50.5	—	—	6,463	33.9	32	9.6
Contributions deduction	23	20.2	1,052	12.9	—	—	2,350	12.3	6	1.8
Medical and dental expense deduction	—	—	387	4.7	—	—	24	0.1	1	0.3
Net casualty or theft loss deduction	—	—	1	()	—	—	—	()	—	—
Miscellaneous deductions	6	5.3	—	—	—	—	355	1.9	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	295	3.6	—	—	—	—	202	60.3
Jobs credit	—	—	—	—	—	—	—	—	137	0.7
No second largest item	—	—	5	0.1	—	—	2,719	14.3	1	0.3
Returns Without Modified Total Income Tax										
Returns with adjusted gross income \$200,000 or more										
Total	23	7.2	17	5.3	—	—	3	0.9	—	—
Interest paid deduction	17	73.9	7	41.2	—	—	†	†	—	—
Taxes paid deduction	†	†	5	29.4	—	—	—	—	—	—
Contributions deduction	†	†	†	†	—	—	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions	†	†	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	†	†	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	†	†	—	—	†	†	—	—
Returns with expanded income \$200,000 or more										
Total	22	5.0	91	20.6	—	—	40	9.2	—	—
Interest paid deduction	16	72.7	81	89.0	—	—	39	97.5	—	—
Taxes paid deduction	4	18.2	5	5.5	—	—	—	—	—	—
Contributions deduction	1	4.5	—	1.1	—	—	—	—	—	—
Medical and dental expense deduction	—	—	—	—	—	—	—	—	—	—
Net casualty or theft loss deduction	—	—	—	—	—	—	—	—	—	—
Miscellaneous deductions	1	4.5	—	—	—	—	—	—	—	—
Foreign tax credit	—	—	—	—	—	—	—	—	—	—
Investment credit	—	—	1	1.1	—	—	—	—	—	—
Jobs credit	—	—	—	—	—	—	—	—	—	—
No second largest item	—	—	3	3.3	—	—	1	2.5	—	—

() 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 total because of rounding.

Table 9 — Returns Without Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Itemized Deductions as a Percent of Income

(All figures are estimates based on samples)

Type of deduction or credit	Returns with adjusted gross income \$200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total itemized deductions	447	45	53	9	7	2	3	4	5	34	285
Interest paid deduction:											
Total	447	59	79	17	9	8	10	8	9	89	159
Investment interest per income concept	447	82	109	23	19	15	16	21	15	83	64
Investment interest exceeding investment income per concept	447	210	126	21	20	16	9	3	3	26	13
Taxes paid deduction	447	58	321	44	12	4	4	†	†	†	—
Contributions deduction	447	93	256	37	11	16	24	10	—	—	—
Medical and dental expenses deduction	447	426	13	†	—	†	†	—	—	3	†
Net casualty or theft loss deduction	447	420	†	—	†	—	—	†	†	7	12
Miscellaneous deductions	447	119	276	22	6	†	†	†	5	7	7
Deduction equivalent of:											
Total credits	447	297	14	3	6	5	†	7	†	109	†
Foreign tax credit	447	321	†	†	†	4	3	5	—	108	†
Investment credit	447	418	17	3	4	—	—	—	—	—	—
Jobs credit	447	417	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income	447	95	258	31	22	7	5	†	†	8	15

Type of deduction or credit	Returns with expanded income \$200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Total itemized deductions	579	187	133	12	5	42	79	10	1	15	95
Interest paid deduction:											
Total	579	290	165	16	42	4	6	4	1	22	29
Investment interest per income concept	579	321	157	9	47	11	6	7	2	6	13
Investment interest exceeding investment income per concept	579	455	73	8	4	4	3	3	1	11	17
Taxes paid deduction	579	196	353	17	5	3	1	—	2	—	2
Contributions deduction	579	240	299	15	2	5	3	9	1	1	4
Medical and dental expenses deduction	579	527	46	2	—	—	—	—	—	3	1
Net casualty or theft loss deduction	579	555	—	—	1	—	—	2	1	10	10
Miscellaneous deductions	579	217	250	9	3	4	75	2	2	9	8
Deduction equivalent of:											
Total credits	579	385	46	1	3	5	25	7	3	104	—
Foreign tax credit	579	437	1	—	1	4	25	5	3	103	—
Investment credit	579	525	47	1	2	1	—	2	—	1	—
Jobs credit	579	579	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income	579	76	118	18	7	2	22	84	8	63	181

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

Table 10 — Returns Without Modified Total Income Tax and With Income \$200,000 or More Under Alternative Concepts: Itemized Deductions as a Percent of Income

(All figures are estimates based on samples)

Type of deduction or credit	Returns with adjusted gross income \$200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total itemized deductions.....	321	†	†	—	†	—	—	†	†	†	285
Interest paid deduction:											
Total.....	321	10	18	13	6	5	7	7	8	88	159
Investment interest per income concept.....	321	24	51	19	17	13	16	20	14	83	64
Investment interest exceeding investment income per concept.....	321	120	94	20	18	15	9	3	3	26	13
Taxes paid deduction.....	321	8	255	38	10	†	4	†	†	†	—
Contributions deduction.....	321	31	198	31	11	16	24	10	—	—	—
Medical and dental expenses deduction.....	321	306	7	†	—	†	†	—	—	3	†
Net casualty or theft loss deduction.....	321	294	†	—	†	—	†	†	†	7	12
Miscellaneous deductions.....	321	62	211	19	5	†	†	†	5	7	7
Deduction equivalent of:											
Total credits.....	321	297	13	3	4	†	—	†	—	†	—
Foreign tax credit.....	321	321	—	—	—	—	—	—	—	—	—
Investment credit.....	321	297	13	3	4	†	—	†	—	†	—
Jobs credit.....	321	321	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income.....	321	51	189	25	22	6	5	†	†	7	11

Type of deduction or credit	Returns with expanded income \$200,000 or more										
	Total	No deduction or credit	Under 10%	10% under 20%	20% under 30%	30% under 40%	40% under 50%	50% under 60%	60% under 70%	70% under 100%	100% or more
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Total itemized deductions.....	437	138	58	5	2	40	77	7	1	14	95
Interest paid deduction:											
Total.....	437	200	120	12	39	4	6	4	1	22	29
Investment interest per income concept.....	437	237	106	9	43	10	5	7	1	6	13
Investment interest exceeding investment income per concept.....	437	341	48	7	2	4	3	3	1	11	17
Taxes paid deduction.....	437	143	270	15	3	2	1	—	1	—	2
Contributions deduction.....	437	155	246	11	2	5	3	9	1	1	4
Medical and dental expenses deduction.....	437	392	41	2	—	—	—	—	—	3	1
Net casualty or theft loss deduction.....	437	413	—	—	1	—	—	2	1	10	10
Miscellaneous deductions.....	437	156	173	6	2	4	75	2	2	9	8
Deduction equivalent of:											
Total credits.....	437	385	45	1	2	1	—	2	—	1	—
Foreign tax credit.....	437	437	—	—	—	—	—	—	—	—	—
Investment credit.....	437	385	45	1	2	1	—	2	—	1	—
Jobs credit.....	437	437	—	—	—	—	—	—	—	—	—
Tax preferences excluded from adjusted gross income.....	437	35	51	12	6	2	—	79	8	63	181

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

Table 11 — Returns With and Without Total Income Tax: Number of Returns and Percents Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Effective Tax Rate	Size of adjusted gross income					Size of expanded income				
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	96,321,310	91,086,723	4,414,028	821,951	198,608	96,321,310	90,906,700	4,477,515	687,776	249,319
Returns without total income tax:										
Number of returns.....	16,900,025	16,879,602	17,792	2,184	447	16,900,025	16,878,147	18,643	2,656	579
Percent of total.....	17.5	18.5	0.4	0.4	0.2	17.5	18.6	0.4	0.4	0.2
Returns with total income tax:										
Number of returns.....	79,421,285	74,207,121	4,396,236	619,767	198,161	79,421,285	74,028,553	4,458,872	685,120	248,740
Percent of total.....	82.5	81.5	99.6	99.6	99.8	82.5	81.4	99.6	99.6	99.8
Effective tax rate:										
Under 5 percent:										
Number of returns.....	14,836,903	14,774,453	55,343	5,658	1,449	14,997,424	14,915,239	75,023	5,919	1,243
Percent of total.....	15.4	16.2	1.3	0.9	0.7	15.6	16.4	1.7	0.9	0.5
5 under 10 percent:										
Number of returns.....	25,724,147	25,535,349	173,997	13,209	1,592	25,873,852	25,577,373	270,867	23,300	2,312
Percent of total.....	26.7	28.0	3.9	2.1	0.8	26.9	28.1	6.0	3.4	0.9
10 under 15 percent:										
Number of returns.....	25,318,863	24,591,169	695,043	28,846	3,805	25,252,495	24,416,954	739,764	82,557	13,220
Percent of total.....	26.3	27.0	15.7	4.6	1.9	26.2	26.9	16.5	12.0	5.3
15 under 20 percent:										
Number of returns.....	10,018,278	8,240,311	1,711,125	58,980	7,862	10,051,495	8,129,265	1,756,832	104,937	60,461
Percent of total.....	10.4	9.0	38.8	9.5	4.0	10.4	8.9	39.2	15.3	24.3
20 under 25 percent:										
Number of returns.....	2,399,311	953,670	1,311,306	122,938	11,397	2,300,291	896,024	1,241,341	133,381	29,545
Percent of total.....	2.5	1.0	29.7	19.8	5.7	2.4	1.0	27.7	19.4	11.9
25 under 30 percent:										
Number of returns.....	658,492	83,710	362,006	190,744	22,032	603,231	73,067	321,394	179,468	29,302
Percent of total.....	0.7	0.1	8.2	30.7	11.1	0.6	0.1	7.2	26.1	11.8
30 under 35 percent:										
Number of returns.....	260,197	6,367	69,142	143,516	41,172	207,789	4,326	47,197	117,190	39,076
Percent of total.....	0.3	()	1.6	23.1	20.7	0.2	()	1.1	17.0	15.7
35 under 40 percent:										
Number of returns.....	121,192	3,740	10,954	46,229	60,269	88,237	2,361	4,572	34,061	47,243
Percent of total.....	0.1	()	0.2	7.4	30.3	0.1	()	0.1	5.0	18.9
40 under 45 percent:										
Number of returns.....	52,637	6,890	1,902	6,247	37,598	32,304	6,031	195	3,430	22,648
Percent of total.....	0.1	()	()	1.0	18.9	()	()	()	0.5	9.1
45 under 50 percent:										
Number of returns.....	14,572	1,994	2,041	1,572	8,965	5,610	1,930	1,019	268	3,393
Percent of total.....	()	()	()	0.3	4.5	()	()	()	()	1.4
50 under 60 percent:										
Number of returns.....	7,811	3,991	1,599	900	1,321	3,334	3,043	4	171	116
Percent of total.....	()	()	()	0.1	0.7	()	()	()	()	()
60 under 70 percent:										
Number of returns.....	2,254	1,231	372	308	343	525	1	137	247	140
Percent of total.....	()	()	()	()	0.2	()	()	()	()	0.1
70 under 80 percent:										
Number of returns.....	1,469	442	461	398	168	193	—	1	171	21
Percent of total.....	()	()	()	0.1	0.1	()	()	()	()	()
80 percent or more:										
Number of returns.....	5,159	3,804	945	222	188	3,505	2,939	526	20	20
Percent of total.....	()	()	()	()	0.1	()	()	()	()	()

() Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.

Table 12 — Returns With and Without Modified Total Income Tax: Number of Returns and Percents Classified by Effective Tax Rate and by Size of Income Under Alternative Concepts

(All figures are estimates based on samples)

Effective Tax Rate	Size of adjusted gross income					Size of expanded income				
	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more	Total	Under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns	96,321,310	91,086,723	4,414,028	621,951	198,608	96,321,310	90,906,700	4,477,515	687,776	249,319
Returns without modified total income tax:										
Number of returns	16,870,395	16,852,742	15,726	1,606	321	16,870,395	16,851,267	16,598	2,093	437
Percent of total	17.5	18.5	0.4	0.3	0.2	17.5	18.5	0.4	0.3	0.2
Returns with modified total income tax:										
Number of returns	79,450,915	74,233,981	4,398,302	620,345	198,287	79,450,915	74,055,433	4,460,917	685,683	248,882
Percent of total	82.5	81.5	99.6	99.7	99.8	82.5	81.5	99.6	99.7	99.8
Effective tax rate:										
Under 5 percent										
Number of returns	14,824,546	14,766,473	52,276	4,732	1,065	14,985,074	14,907,214	71,980	5,068	812
Percent of total	15.4	16.2	1.2	0.8	0.5	15.6	16.4	1.6	0.7	0.3
5 under 10 percent										
Number of returns	25,725,778	25,541,171	170,810	12,445	1,352	25,875,690	25,583,503	267,886	22,347	1,954
Percent of total	26.7	28.0	3.9	2.0	0.7	26.9	28.1	6.0	3.2	0.8
10 under 15 percent										
Number of returns	25,331,398	24,605,311	694,438	28,176	3,473	25,263,955	24,430,872	738,610	81,709	12,764
Percent of total	26.3	27.0	15.7	4.5	1.7	26.2	26.9	16.5	11.9	5.1
15 under 20 percent										
Number of returns	10,026,749	8,251,390	1,709,725	58,012	7,622	10,060,485	8,139,566	1,755,522	104,774	60,623
Percent of total	10.4	9.1	38.7	9.3	3.8	10.4	9.0	39.2	15.2	24.3
20 under 25 percent										
Number of returns	2,404,056	955,911	1,314,590	122,356	11,199	2,306,647	899,521	1,245,331	132,701	29,094
Percent of total	2.5	1.0	29.8	19.7	5.6	2.4	1.0	27.8	19.3	11.7
25 under 30 percent										
Number of returns	665,108	85,085	366,506	191,709	21,808	609,682	73,967	326,027	180,422	29,266
Percent of total	0.7	0.1	8.3	30.8	11.0	0.6	0.1	7.3	26.2	11.7
30 under 35 percent										
Number of returns	264,239	6,411	71,023	145,214	41,591	210,780	4,348	48,555	118,489	39,388
Percent of total	0.3	()	1.6	23.3	20.9	0.2	()	1.1	17.2	15.8
35 under 40 percent										
Number of returns	123,449	3,877	11,614	47,181	60,777	90,592	2,361	5,124	35,151	47,956
Percent of total	0.1	()	0.3	7.6	30.6	0.1	()	0.1	5.1	19.2
40 under 45 percent										
Number of returns	54,157	6,890	1,902	7,098	38,267	33,587	6,031	195	4,102	23,259
Percent of total	0.1	()	()	1.1	19.3	()	()	()	0.6	9.3
45 under 50 percent										
Number of returns	14,691	1,973	2,041	1,594	9,083	6,820	2,046	1,019	311	3,444
Percent of total	()	()	()	0.3	4.6	()	()	()	()	1.4
50 under 60 percent										
Number of returns	7,858	4,012	1,599	899	1,348	3,379	3,064	4	171	140
Percent of total	()	()	()	0.1	0.7	()	()	()	()	0.1
60 under 70 percent										
Number of returns	2,256	1,231	372	307	346	526	1	137	247	141
Percent of total	()	()	()	()	0.2	()	()	()	()	0.1
70 under 80 percent										
Number of returns	1,469	442	461	399	167	193	—	1	171	21
Percent of total	()	()	()	0.1	0.1	()	—	()	()	()
80 percent or more										
Number of returns	5,161	3,804	945	223	189	3,505	2,939	526	20	20
Percent of total	()	()	()	()	0.1	()	()	()	()	()

() Less than 0.05 percent.
NOTE: Detail may not add to total because of rounding.

An Analysis of Partnership Activity, 1981-83

By Lowell Dworin*

The extensive marketing of "tax shelter" investments has caused many taxpayers to question the fairness of the tax system [1]. Because partnerships have frequently been used to conduct tax shelter activities, there has been considerable interest in examining the statistics on partnership income and losses. However, there are a number of reasons why previous Statistics of Income (SOI) data on partnership activity [2, 3] may not have fully revealed the impact of tax shelter activity.

TAXATION OF PARTNERSHIPS AND PARTNERS

There are two types of partnerships: general and limited. Tax shelter investors are more likely to acquire interests in limited partnerships, since doing so limits their exposure to the amount invested (or pledged under a letter of credit or other guarantee). As a result, aggregating the income and deductions reported by limited and general partnerships may somewhat mask the true picture of partnership tax shelter activity. Because no distinction had been made between these two types of partnerships in previous studies [2, 3], one objective of this article is to specifically examine the different patterns of deductions claimed and other aspects of their financial behavior.

Although a partnership is a legal entity, it is not taxed on the income it earns. Instead, the individual partners are generally taxed on their share of partnership earnings, whether they receive any actual partnership distributions. The partnership files an annual information return, Form 1065, with the Internal Revenue Service (IRS) and also provides a supplemental information schedule, Schedule K-1 (Form 1065), to each partner. The Schedule K-1 indicates the partner's share of the various items of partnership income, credits, deductions and other items so that the partner has the information necessary to complete his or her income tax return. A copy of each Schedule K-1 is provided with the Form 1065 filed with the IRS. An additional information schedule, Schedule K, which summarizes the information contained on the

individual Schedules K-1, is also provided with the Form 1065. (For 1983 and later years, however, if the partnership has 10 or fewer partners, it may elect not to file a Schedule K.)

In general, only by examining the items reported on the Schedule K (or separate Schedules K-1 if a Schedule K is not filed) can the tax consequences for the individual partners be determined. The net income reported on the Form 1065 represents only one component (although frequently the major component) of the income or loss reported by the partners.

Specifically, with reference to Table 1, partnership net income, which is the "bottom line" of the Form 1065, indicates the amount of "ordinary" income (or loss) to be allocated to the individual partners in accordance with their profit (or loss) sharing ratios (capital gains or losses are excluded). However, if items of income or expense are specially allocated to individual partners or are subject to special treatment by partners (such as capital gains), or are subject to special limitations or elections applicable at the partner level (such as investment interest expense or intangible drilling costs), they are not included in the net income reported on the Form 1065. Most of these items are reported instead on Schedules K-1 and K, but some, such as oil and gas depletion, are not reported on either the Form 1065 or Schedules K-1 or K. In short, the Form 1065 partnership net income or deficit does not necessarily reflect all of the partnership's income or deductions.

Thus, a second objective of this article is to use these Schedule K items, some of which were tabulated for 1983, to determine the tax benefits or costs that flow to the partners by virtue of their ownership of a partnership interest. These Schedule K items are also shown in Table 1. Because some items may not have been reported on either the Form 1065 or Schedule K, or may not have been available because no Schedule K was filed, it is not

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possible to compute the total income or loss incurred by the individual partners without use of some estimating procedures.

For this study, the most significant items that could not be directly determined, but that could be inferred from other available information, are those related to mineral extraction. In particular, oil and gas depletion, hard-mineral exploration and development costs, and intangible drilling costs (including dry hole costs) all had to be estimated and are indicated in Table 1. Although, in principle, the reported investment interest expense for 1983 should also be adjusted for partnerships with 10 or fewer partners that were not required to file a Schedule K, it was not possible to discern a consistent method for doing so. Therefore, this adjustment was not made. (The specific methods used to impute the mineral extraction costs are described below, under Data Sources and Limitations [4].)

In addition to the need to estimate certain items that were not included in the annual SOI studies of partnerships, certain other adjustments were also necessary for Table 1 in order to obtain an amount representing the contribution to taxable income reported by the partners as a result of partnership activities. Although guaranteed payments to partners are reported as a partnership expense on the Form 1065, they also represent income that must be reported by the partner (or partners) receiving such payments, and thus should be added back to the Form 1065 partnership net income to reflect more clearly the total income required to be reported by the partners. Also, a partnership may have income or losses through its ownership of interests in other partnerships. Since inclusion of such amounts would represent double counting of aggregate partnership income, these amounts (which generally are losses) should be deducted from the Form 1065 net income. Because the activities of partnerships that are classified as holding companies would be distorted if such income were eliminated, this adjustment was not made for this one industry (although it was made for all other industries and for the aggregate amounts noted).

GROWTH IN PARTNERSHIP ACTIVITY

Table 1 also provides summary statistics for partnerships for Tax Years 1981-83. The number of partnerships and the number of partners, both in total and by type of partnership (general or limited), are shown. Total assets and the partnership net income or deficit, together with the adjustments previously mentioned that are necessary to reflect the contribution to the taxable income reported by the partners with respect to their

partnership interests, are also noted. This table shows the overall level of partnership activity and the growth of such activity in recent years.

Data in the first three rows and columns of Table 1 are consistent with those previously published on partnerships [2, 3]. However, a more detailed separation into limited and general partnerships, and the additional data on items other than the Form 1065 partnership net income (and capital gain income) are new [5]. It may be noted from this table that whereas the number of partners in general partnerships remained fairly steady, the number of partners in limited partnerships, and the number of such partnerships, increased rapidly from 1981 to 1983. Indeed, despite the fact that for 1983 there were nearly six times as many general partnerships, there were more partners in limited partnerships than in general partnerships.

The adjustments noted were made to the partnership (Form 1065) net income or deficit to obtain amounts more reflective of the total taxable income that the partners had to report as a result of their ownership of partnership interests. (As already mentioned, the first adjustment consisted of subtracting the income reported as earned from their ownership of other partnership interests and adding back the guaranteed payments to partners.) For convenience, these adjustments also involved the subtraction of the estimated dry hole costs and non-oil and gas depletion reported on the Form 1065 so that these specific costs could be included with the estimated mineral exploration costs also shown in Table 1.

From the resulting "adjusted" partnership net income or deficit several additional adjustments were made. These essentially involved inclusion of those items of income or expense reported on Schedule K rather than on Form 1065. Because foreign source income and net losses from sales of partnership assets under Code section 1231 and specially allocated losses were not compiled for 1981 and 1982, the 1983 values were assumed for those years. Investment interest expense, which is the interest incurred to acquire or carry certain passive investment property, was not compiled for 1981, and thus the 1982 value (scaled to reflect the relative change in partnership long-term debt between 1981 and 1982) was used as a surrogate for the 1981 value. Because this approximation neglects the fact that interest rates were higher in 1981 than in 1982, it may understate the 1981 value.

As a result of these adjustments, an ordinary net income or deficit was obtained. To this income, 40 percent of the net long-term capital gains and section 1231 net

gains and specially allocated income were added to represent the portion of long-term gains taxable to partners and are included in "contribution to partner's taxable income before investment credit adjustment". Unfortunately, the section 1231 gains are not available for 1981 and 1982, and thus only the partnership "ordinary" net income or loss is shown for those years. ("Contribution to taxable income after investment credit adjustment" is the total effective taxable income that would have been reported by the partners if their share of the estimated investment credit earned by the partnership were expressed as an equivalent deduction, as described under Data Sources and Limitations.)

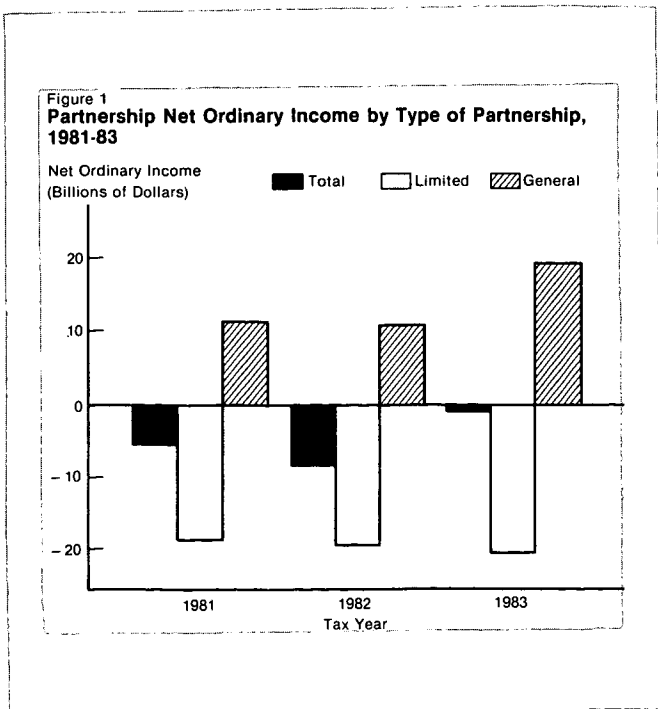
As may be noted from Table 1 and highlighted in Figure A, general partnerships in the aggregate appear to realize ordinary net income, while limited partnerships tend to incur losses. In addition though, for 1983, the net income of general partnerships clearly reflects the 1983 recovery from the 1980-82 recession [6]. In contrast, the losses of limited partnerships continued to grow, despite the 1983 upturn. It may also be noted that the estimated mineral exploration costs for both general and limited partnerships declined from 1981 through 1983. This largely reflects the cutback in oil and gas drilling activity over this period in response to the decline in oil prices [7].

The difference between the net income required to be reported by the partners and the Form 1065 partnership net income may be seen by comparing the ordinary net income or deficit with the partnership (Form 1065) net income or deficit amounts shown in Table 1. In general, the losses incurred by the partners in limited partnerships are seen to be somewhat greater than the Form 1065 net losses, while the profits incurred by the partners in general partnerships are somewhat greater than the partnership net income reported on the Form 1065 [8]. A similar correspondence between Form 1065 partnership net income and contribution to partner's taxable income after investment credit adjustment may be noted for 1983, which is the only year shown for which data on section 1231 net gains were actually available and the only year for which data were available to estimate the investment credit.

INCOME AND DEDUCTIONS BY INDUSTRY

In Table 2 the income and deductions reported by (or attributed to) partnerships for 1983 are disaggregated by the nature of the partnership activity. Summary statistics for most industrial divisions, and for each industrial group for which aggregate partnership losses exceeded \$100 million, are presented. The purpose of this table is to indicate the level of partnership activity across industries, as well as to indicate the relative magnitude of the interest, depreciation, mineral exploration costs, and all other partnership deductions, and investment credit equivalent for each industry. Thus, in addition to the estimated mineral exploration costs, ordinary net income or deficit, and investment credit adjustment noted in Table 1, more detailed information regarding the income and deductions reported by all partnerships for 1983 is provided in this table.

The ordinary gross income shown in column 1 of Table 2 represents the sum of business receipts less cost of sales and operations, gross rents, interest and dividend income, farm and royalty net income or loss, ordinary net gain from the sale of partnership assets, and other income reported on the Form 1065, plus ordinary net losses under section 1231 (which, for the most part, represent the depreciation recapture) and foreign source income reported on the Schedule K [9]. Income from "other" partnerships is excluded from the aggregate amount and from the partnership income reported for each industry (with the exception of partnerships classified as holding companies).



Interest expense, depreciation, and estimated mineral exploration costs (depletion, hard-mineral exploration and development costs, and intangible drilling costs, including dry hole costs) are presented in columns 2 through 4 of Table 2. The interest expense shown is the sum of the net interest reported on the Form 1065 (i.e., interest received minus interest deducted) and the investment interest expense reported on Schedule K, plus the separately reported rental interest expense. The depreciation expense shown is the sum of the depreciation deduction reported in the Form 1065 income statement and the additional depreciation on rental property as listed in the schedule in support of rental net income. The estimated mineral exploration costs are obtained as described under Data Sources and Limitations, below.

The deductions shown in column 5 of Table 2 include certain salaries and wages, rent, taxes, bad debts, repairs, rental expenses (other than interest and depreciation), and "other" deductions shown on the Form 1065. Cost of sales and operations, guaranteed payments to partners, interest expense, depreciation, depletion (other than oil and gas), and estimated dry hole costs are excluded. (Dry hole costs are included in mineral exploration costs.) The partnership ordinary net income or deficit is shown in column 6. As has already been noted, because some items of income and expense are not reported in the Form 1065 income statement, and because of the adjustments made for income from other partnerships and guaranteed payments to partners, the amounts shown in this column are not the same as those shown in the previously-published statistics on partnerships which present only Form 1065 income statement information [2, 3]. Nevertheless, the ordinary net income shown in this table for the industries noted does not differ appreciably from the partnership net income reported in the Bulletin article examining 1983 data [2] with one exception: oil and gas extraction for which a larger net deficit is indicated.

The total long-term capital gain shown in column 7 of Table 2 was approximated by combining the net long-term capital gains and section 1231 net gain reported on the Schedule K. By adding 40 percent of this amount to the amount shown in column 6, a rough estimate of the total contribution to the taxable income required to be reported by the partners can be made.

The estimated investment credit was derived from the cost of property eligible for the credit reported on schedules attached to Form 1065 and is shown in column 8 of Table 2. Using an effective individual tax rate of 24

percent for loss partnerships and 29 percent for net income partnerships, as obtained from an analysis of data from individual income tax returns, this estimated investment credit was converted to an equivalent deduction by dividing the amount of the credit by an average marginal tax rate. For example, a \$100 investment credit would shelter \$400 of taxable income for a taxpayer subject to a 25-percent tax rate. Subtracting this equivalent deduction (which, due to possible neglect of investment credit or net operating loss carryforwards, may be somewhat overstated) from the taxable income as obtained above, an effective total contribution to the taxable income "after credits" required to be reported by the partners is obtained, as shown in column 9 of this table. These numbers are not appreciably different from the Form 1065 net income with the exception of the oil and gas industry (for which the effective contribution to taxable income represents a greater loss than may be inferred from the Form 1065 net deficit [10]) and the real estate industry (for which the effective contribution to taxable income represents a smaller loss than the Form 1065 net deficit).

From Table 2 it may be seen that although partnerships may engage in all types of business activities, they appear to be especially active in oil and gas extraction, construction, wholesale and retail trade, land development, and services. As expected, mineral exploration costs (depletion and intangible drilling costs, including dry hole costs) are a major factor in oil and gas extraction while, among the specific deductions noted, depreciation and interest deductions play an important role in real estate operations. Depreciation is also important in oil and gas extraction and equipment leasing, while interest expense deductions are an important factor in holding and investment company activity.

PARTNERSHIP CHARACTERISTICS

Summary statistics of various partnership characteristics for 1983, including various measures of debt financing, are presented in Table 3 by industry and type of partnership. From Table 1 the income reported by limited and general partnerships was seen to differ. The purpose of Table 3 is to further explore the differences between these two kinds of partnerships. In particular, the business activity and the financing arrangements are compared. Note that the ratios shown in columns 7 and 8 in Table 3 are based on partnership debt and partners' capital account as reported for financial accounting purposes. Although partners' loss deductions are limited to their individual tax basis,

which thus cannot fall below zero, their capital accounts would fully reflect their shares of partnership losses, and could thus fall below zero. This would typically arise only in cases in which the partnership is heavily leveraged.

In some industries, such as manufacturing, construction, electric and gas services, and beef cattle (except feedlots), the fraction of partnerships operated as limited partnerships is relatively low. In contrast, in other industries, such as oil and gas extraction, real estate operators and lessors of buildings, and motion picture and video production, limited partnerships constitute a significant fraction of total partnerships.

The average number of partners in each limited partnership is much larger than the average number of partners in general partnerships in nearly all industries. Moreover, fewer limited partnerships report a "positive" net income than general partnerships. This, of course, is consistent with the fact (as noted in the discussion of Table 1) that, in the aggregate, general partnerships report profits while limited partnerships report losses.

From this table it can be seen that greater financial leverage is used in those industries in which the underlying assets may serve as security (such as real estate, motels and hotels, and equipment leasing). A greater fraction of nonrecourse debt (i.e., debt for which no partner is personally responsible) is used by limited partnerships, especially in the real estate industry. This may be explained by the fact that there are two separate limitations on a partner's ability to use the greater tax losses possible with debt financing. First, although a partner's tax basis in a general partnership (or a general partner's basis in a limited partnership) may include his or her share of partnership debt, this is not generally the case for a limited partner. A limited partner's basis may, however, include his or her share of the nonrecourse debt of the partnership. This, of course, encourages the use of nonrecourse debt by limited partnerships. Nevertheless, the benefit of such debt is greatly reduced for partners subject to the "at risk" limitation. (Individual taxpayers are generally only allowed to claim deductions related to their business or investment activities to the extent of the amount they are at risk for such activity.) Since, under current law, investment in real estate does not generally subject the partners to the "at risk" limitation, this method of financing is particularly attractive in this industry.

AGE OF PARTNERSHIPS

Table 4 shows how the various items of partnership income and expense vary by age of the partnership. The purpose of this table is to demonstrate that losses are usually incurred in the early years of the partnership, whereas profits are typically not realized until later in the partnership's life.

By examining the pattern of partnership receipts and expenses as a function of the age of the partnership, the temporal behavior of the taxable income that might be reported by the typical partnership may be inferred. The distribution of income and expense items by age of partnership is not, however, a perfect proxy for the actual temporal behavior of any individual partnership. Business cycles and secular economic growth cannot, of course, be captured. In order to adjust for the rapid growth in limited partnership activity, both the aggregate dollar amounts and the amount per partner are presented in Table 4.

From this table it may be seen that newly-formed partnerships (both limited and general) incur losses, whereas older partnerships realize positive income (or capital gains). However, the per partner losses appear to be somewhat greater for the limited partnerships than for the general partnerships. Moreover, per partner ordinary net income also appears to increase more rapidly with partnership vintage for general partnerships than for limited partnerships.

Although the single year's picture of the profits or losses reported by partnerships of varying vintage shown in Table 4 need not reflect the life cycle of the "typical" limited or general partnership, it is tempting to treat the per partner share of ordinary income and capital gains as if these amounts do in fact represent such profits or losses. If it is assumed that the pre-1973 partnerships noted in Table 4 were formed no earlier than 1969 (i.e., that partnerships have a 15-year life), then the sum of the per partner ordinary income and capital gains (without regard to the long-term capital gains exclusion) over each of the 15 years (as obtained from the per partner averages for partnerships of corresponding vintage) is found to be \$22,438 for limited partnerships and \$112,453 for general partnerships. To some extent, the greater cumulative per partner net income for general partnerships reflects the somewhat greater per partner total assets deployed (\$70,160 for limited partnerships and \$98,192 for general partnerships formed in 1983). Because taxable profits and losses need not represent economic

profits and losses (although, over the assumed 15-year "life" of the partnership, the cumulative amounts should not be too different), these results do not necessarily imply (though they strongly suggest) that investments in limited partnerships provide less economic benefits than investments in general partnerships.

DATA SOURCES AND LIMITATIONS

The data examined in this report are from three annual studies of partnership returns, for 1981 through 1983, carried out by the Statistics of Income (SOI) Division. For each year, the estimates were derived from probability samples stratified by combinations of receipts, total assets, net income (or deficit), and industry. Descriptions of the methodology used to obtain these data as well as analyses of them are available from previous issues of the SOI Bulletin [2, 3].

Some caveats must be noted with reference to the information presented in the tables. First, it has been assumed that Code section 1231 net gains reported by the partnership will ultimately be treated as long-term capital gains by the partners (and conversely that net section 1231 net losses will be treated as ordinary losses by the partners). Second, limitations imposed by the tax laws on the amount of partnership losses that may be claimed by a partner, such as that due to inadequate basis in his or her partnership interest, the limitation on losses (section 704 (d)), the "at risk" limitation (section 465), the investment interest expense limitation (section 163(d)), have all been ignored. Third, potential tax liabilities resulting from each partner's share of partnership tax preference items under the alternative minimum tax are ignored. Fourth, any gains or losses that must be reported by individual partners resulting from their receipt of partnership distributions or sale of their partnership interest are ignored. Finally, not all partners are individuals, and thus the use of a 60 percent exclusion for long-term capital gains and the use of effective individual tax rates to translate the tax benefits associated with the investment credit into a single statistic, the "contribution to partner's taxable income after investment credit adjustment", is not altogether valid.

The method of reporting certain items of partnership expense and income has varied. For a number of years oil and gas depletion has been computed at the partner level and so it has not been reported in either the Form 1065 income statement or in Schedule K. For the returns examined, a number of other items, including hard-mineral exploration and

development expenses and intangible drilling costs, were reported in Schedule K, but were not tabulated. (After 1983, intangible drilling costs are also not separately reported on either the Form 1065 or Schedule K.)

Although data on hard-mineral exploration and development costs and intangible drilling costs were not available, certain so-called tax preference items related to these costs were obtained from Schedule K. In particular, excess intangible drilling costs from oil, gas, or geothermal wells, net income from oil, gas, or geothermal wells, and "other" tax preference items were tabulated for partnerships filing a Schedule K.

To estimate intangible drilling costs attributable to successful wells, the reported excess intangible drilling costs were increased by an estimated 10 percent. This was to adjust for the fact that the reported "excess" amount under current law is net of the deduction for intangible drilling costs (that would have been claimed had these costs been capitalized and either amortized over 10 years or written off on a units-of-production basis). Although a 10-percent increase may overstate the adjustment, had 10-year amortization been used, it may understate the adjustment if a units-of-production method were used to calculate the excess intangible drilling costs.

The oil and gas depletion deduction was estimated as the lesser of 15 percent of the business receipts reported in the income statement, or 50 percent of the net income from oil, gas, and geothermal wells for those oil and gas partnerships that filed a Schedule K. This estimate is only approximate, because the net income from oil, gas, and geothermal wells does not take into account excess intangible drilling costs on productive property. It was thus implicitly assumed that such excess intangible drilling costs were incurred on nonproductive properties (and thus did not affect percentage depletion, which is computed on a property-by-property basis). It was also implicitly assumed that production from all productive properties would qualify for percentage depletion. (This would not be valid if the partnership acquired proven properties.) However, in some instances cost depletion might provide larger deductions than percentage depletion. Thus, while the estimate may overstate the actual percentage depletion claimed, the calculated deduction may provide a more accurate measure of the total depletion allowance (cost or percentage).

Since the excess intangible drilling costs may be obtained only for those oil and gas partnerships that filed a Schedule K, the

computed intangible drilling costs were "scaled up" by the ratio (1.575) of the "other" deductions for oil and gas partnerships to the "other" deductions reported in the Form 1065 income statement for those oil and gas partnerships that filed a Schedule K. Likewise, the percentage depletion for those oil and gas partnerships not filing a Schedule K was imputed by "scaling up" the computed depletion by the ratio (1.867) of the business receipts for all oil and gas partnerships to the business receipts reported by those oil and gas partnerships filing a Schedule K.

These adjustments, which were required to compensate for the fact that not all partnerships filed a Schedule K for 1983, were not necessary for 1981 and 1982. As a test of their accuracy, the relative magnitude of the 1981, 1982, and 1983 estimated intangible drilling costs were compared with the level of drilling activity in these years [7]. Despite the several assumptions, it was found that the pattern of computed intangible drilling costs matched nearly exactly the pattern of rotary rig activity and reported industry-wide drilling expenditures during those years.

In addition, dry hole costs (which should be reported in "other" deductions on the Form 1065) were taken to be three-sevenths of the intangible drilling costs incurred on successful wells. This is the 1982 industry-wide ratio of dry hole costs to the drilling costs of successful wells [11]. For convenience, these estimated dry hole costs were subtracted from "other" deductions reported on the Form 1065 and added to the estimated intangible drilling costs on successful wells. Because the ratio of dry hole costs to successful well costs is likely to be greater for partnership ventures than for the overall industry, the resulting estimated intangible drilling costs (including dry hole costs) would tend to understate the actual costs. This should offset the possible overstatement of the percentage oil and gas depletion claimed.

The hard-mineral depletion expense was obtained directly from the Form 1065. It was assumed that the hard-mineral exploration and development costs constitute the "other" tax preference reported on Schedule K by partnerships in the mining industry. These costs were found to be relatively minor in comparison with the corresponding depletion expense obtained directly from the Form 1065.

NOTES AND REFERENCES

[1] See, for example, Nelson, Susan, "Taxes Paid by High - Income Taxpayers and the

Growth of Partnerships," Statistics of Income Bulletin, Fall 1985, Vol. 5, No. 1. In this study, it was found that partnership losses are the principal means of offsetting the positive income of high-income individuals.

- [2] Piet, Patrick, "Partnership Statistics for 1981 Reflect Tax Shelter Activity," Statistics of Income Bulletin, Winter 1983-84, Vol. 3, No. 3; "Partnership Returns, 1982," Statistics of Income Bulletin, Summer 1984, Vol. 4, No. 1; and "Partnership Returns, 1983," Statistics of Income Bulletin, Summer 1985, Vol. 5, No. 1.
- [3] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income 1978-82, Partnership Returns, Internal Revenue Service, June 1985.
- [4] In previous Bulletin articles on partnership activity, it was assumed that some of these mineral extraction costs (especially intangible drilling costs) may have been included in "other" deductions on the Form 1065, notwithstanding tax form instructions to the contrary. Despite the (possible) validity of this assumption, the analysis described here expressly assumes that this is not the case.
- [5] Selected items for selected industries for limited partnerships have been previously presented in a prior Statistics of Income publication, for Tax Years 1979-1982 [3].
- [6] The temporal behavior of the net income reported by general partnerships (but not limited partnerships) matches rather closely the corresponding behavior of corporate profits.
- [7] Moore, W.D. III, "Drilling Stabilizes at Sustainable Level with Broad Improvement Due in 1985," OGJ Special Report, Oil and Gas Journal, Oct. 1, 1984, p. 104.
- [8] This is not the case for the general partnership gains for 1981. However, the assumed amounts (\$1.3 billion in foreign source income and \$0.6 billion section 1231 net gains or specially allocated items) are comparable in magnitude to the difference noted (\$0.9 billion) and may be in part responsible for the anomalous behavior observed for this year.
- [9] If the total of all section 1231 transactions leads to a net gain, the gain is treated as a long-term capital gain, while if the total represents a net loss, the loss is an ordinary loss.

[10] As already noted, it is possible that some partnerships may have reported intangible drilling costs as part of the "other" deductions shown in the Form 1065 income statement. To the extent this occurred, the losses shown for this industry may be somewhat overstated.

[11] U.S. Department of Commerce, Bureau of the Census, Current Industrial Reports, Annual Survey of Oil and Gas, 1982, March 1984.

Table 1. Growth in Partnership Activity by Type of Partnership for Selected Items, 1981-83
 [All figures are estimates based on samples -- money amounts are in billions of dollars]

Selected items	All partnerships			Limited partnerships			General partnerships		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of partnerships.....	1,460,502	1,514,212	1,541,539	208,204	225,886	233,986	1,252,298	1,288,326	1,307,553
Number of partners 1/.....	9,095,165	9,764,667	10,589,338	4,176,572	4,709,723	5,434,870	4,918,593	5,054,944	5,154,468
Total partnership assets.....	715.2	845.3	887.0	282.4	331.7	381.4	432.8	513.6	505.6
Business receipts including gross rents.....	281.6	312.2	313.5	55.7	70.3	70.9	225.9	241.9	242.6
Partnership (Form 1065) net income or deficit.....	-2.7	-7.3	-2.6	-15.7	-17.5	-18.7	13.0	10.2	16.1
Plus: dry hole costs, non-oil and gas depletion, and guaranteed payments to partners.	8.9	8.6	8.3	2.7	2.4	2.3	6.2	6.3	6.0
Less: income from other partnerships.....	5.1	6.8	5.7	3.1	3.4	3.2	2.0	2.3	2.5
Adjusted partnership net income or deficit.....	11.3	8.1	11.4	-9.9	-11.7	-13.2	21.2	19.8	24.6
Other adjustments 2/:									
Plus: foreign source income....	1.4	1.4	1.4	.1	.1	.1	1.3	1.3	1.3
Less: mineral exploration costs.	-12.7	-10.3	-8.0	-5.9	-4.6	-4.1	-6.8	-5.7	-4.0
Less: investment interest expense.....	-4.9	-5.8	-5.1	-1.9	-2.2	-2.7	-3.0	-3.6	-2.4
Less: section 1231 net losses and specially allocated losses.	-.9	-.9	-.9	-.3	-.3	-.3	-.6	-.6	-.6
Total ordinary net income or deficit.....	-5.8	-7.5	-1.1	-17.9	-18.7	-20.1	12.1	11.2	19.0
Plus: net long-term capital gains.....	5.5	7.1	8.8	1.7	2.2	2.2	3.8	4.9	6.6
Plus: section 1231 net gains or specially allocated gains...	n.a.	n.a.	7.1	n.a.	n.a.	3.5	n.a.	n.a.	3.6
Contribution to partners' taxable income before investment credit adjustment 3/.....	n.a.	n.a.	5.2	n.a.	n.a.	-17.8	n.a.	n.a.	23.0
Investment credit adjustment.....	1.5	2.1	1.7	.5	.7	.8	1.0	.6	.9
Contribution to partners' taxable income after investment credit adjustment 4/.....	n.a.	n.a.	-.9	n.a.	n.a.	-20.6	n.a.	n.a.	19.6
Percent of partnerships with positive ordinary net income.....	45.1	52.6	50.9	18.9	38.1	34.6	48.6	54.7	53.8

n.a.-Not available.

1/Includes partners that are corporations and partnerships, as well as individuals.

2/Represents either items reported in "other deductions" in the partnership income statement or reported only on Schedule K or K-1, Partner's Share of Income, Credits, Deductions, etc.

3/Contribution to partners' taxable income before investment credit adjustment equals ordinary net income plus 40 percent (representing the taxable portion) of the estimated total of net long-term capital gains including section 1231 net gains.

4/Contribution to partners' taxable income after investment credit adjustment equals ordinary net income plus 40 percent (representing the taxable portion) of net long-term capital gains including section 1231 net gains, less the investment credit adjustment divided by an average marginal tax rate (for individuals).

Table 2. Summary of 1983 Partnership Income and Deductions by Selected Industry
 [All figures are estimates based on samples -- money amounts are in millions of dollars]

Selected industry	Ordinary gross income 1/	Interest deduction	Depreciation	Mineral exploration costs 2/	Other selected deductions 3/	Ordinary net income less deficit	Net long-term capital gains 4/	Investment credit adjustment 5/	Contribution to partners' taxable income 6/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All industries 7/.....	213,517.7	48,215.4	32,285.5	8,045.5	126,102.9	-1,131.6	15,942.0	1,713.8	-947.3
Agriculture, forestry and fishing.....	3,396.8	474.1	457.8	N/A	2,216.6	248.3	746.4	105.9	157.5
Fruits and tree nut.....	-84.9	42.0	35.0	N/A	106.5	-268.4	51.4	21.2	-323.7
Beef cattle, except feedlots.....	57.7	65.5	47.8	N/A	202.0	-257.6	171.2	13.9	-237.9
Livestock breeding.....	-21.4	7.7	47.1	N/A	61.2	-137.4	18.1	7.0	-154.2
Mining.....	12,996.2	1,394.7	2,563.2	7,887.1	10,089.9	-8,938.7	274.0	163.2	-9,435.4
Metal mining.....	588.0	122.4	228.8	90.3	452.2	-335.7	20.9	9.9	-362.5
Coal mining.....	763.1	118.2	147.5	108.8	584.0	-195.4	20.8	2.5	-196.9
Oil and gas extraction.....	11,404.0	1,114.1	2,127.9	7,656.8	8,889.7	-8,384.5	227.6	141.6	-8,820.2
Construction.....	6,688.9	553.7	480.1	N/A	3,194.9	2,460.2	178.4	12.6	2,483.4
Manufacturing.....	3,332.0	403.6	727.8	N/A	2,857.6	-657.0	113.9	128.2	-1,065.4
Lumber and wood products except furniture.....	449.5	99.4	128.5	N/A	314.9	-93.3	66.0	22.4	-145.4
Chemicals and allied products.....	189.6	94.6	184.9	N/A	469.7	-559.6	6.2	19.1	-626.6
Transportation, communication, electric, gas and sanitary services.....	5,005.7	855.9	1,292.6	N/A	2,918.8	-61.6	46.0	128.2	-474.2
Water transportation.....	406.7	169.3	206.6	N/A	178.9	-148.1	.2	.9	-151.8
Communications.....	1,114.1	234.0	339.1	N/A	984.2	-443.2	.2	40.1	-600.3
Electric, gas and water services.....	346.7	161.0	237.5	N/A	456.9	-508.7	4.1	39.6	-653.8
Wholesale trade.....	3,034.8	325.2	221.2	N/A	2,019.8	468.6	54.4	6.4	465.7
Retail trade.....	13,011.7	550.2	763.4	N/A	9,937.6	1,760.5	84.2	1.9	1,655.9
Finance, insurance and real estate.....	96,918.9	38,830.0	18,910.1	83.2	50,764.5	-11,668.9	13,833.7	653.8	-8,460.0
Real estate.....	68,994.1	26,777.7	16,780.7	N/A	38,237.9	-12,802.2	6,987.7	8.9	-11,534.8
Subdividers and developers, except cemeteries.....	4,991.7	2,827.3	486.5	N/A	2,754.8	-1,076.9	409.9	44.3	-1,069.9
Holding and other investment companies 8/.....	7,081.6	3,483.0	968.6	409.9	3,179.7	-959.6	3,985.9	103.7	265.2
Services.....	68,824.9	4,814.0	6,848.4	N/A	41,983.2	15,179.3	609.9	488.0	13,631.5
Hotels.....	4,233.3	988.7	763.7	N/A	3,336.2	-855.3	108.5	67.4	-1,048.2
Motels, motor hotels and tourist courts.....	3,511.4	691.6	572.8	N/A	2,366.6	-119.6	53.8	20.8	-173.6
Equipment rental and leasing services.....	4,038.2	1,316.1	2,305.2	N/A	1,287.0	-870.1	18.8	130.9	-1,329.2
Motion pictures.....	1,113.5	70.8	396.0	N/A	852.4	-205.7	23.2	90.2	-527.2
Racing, including track operations.....	41.5	3.9	70.8	N/A	122.8	-155.2	.6	1.0	-158.4
Other amusement and recreation services.....	1,845.2	217.2	389.0	N/A	1,415.8	-176.8	21.1	27.5	-267.6

N/A-Not applicable.

1/After reduction by cost of sales and operations and net income from other partnerships.

2/Includes estimated depletion (including amounts claimed on oil and gas), hard-mineral exploration and development costs, and intangible drilling costs (including dry hole costs).

3/Excludes deduction for guaranteed payments to partners.

4/Includes net long-term capital gains plus section 1231 net gains reported on Schedule K or K-1.

5/Estimated based on cost of property eligible for credit.

6/This is the contribution to partners' taxable income after investment credit adjustment.

7/Includes "Wholesale and Retail Trade, not allocable", and "Nature of Business not allocable", not shown separately.

8/Income and expenses from other partnerships.

Table 3. Summary of 1983 Partnership Characteristics by Industry and Type of Partnership

Selected industry	Number of partnerships		Average number of partners		Percent formed in 1981-83		Ratio of debt to equity ^{1/}		Nonrecourse debt as a percent of total debt		Percent with positive ordinary net income	
	Limited	General	Limited	General	Type of partnership							
					Limited	General	Limited	General	Limited	General	Limited	General
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
All industries ^{2/}	233,986	1,307,552	23.2	3.9	44.6	37.5	9.5	3.8	33.3	15.6	34.6	53.8
Agriculture, forestry and fishing.....	9,198	127,405	13.1	2.7	39.4	23.8	2.0	5.3	15.5	1.9	25.7	55.8
Fruits and tree nut.....	2,461	9,630	13.0	2.6	62.2	10.6	5.4	3.1	28.0	7.4	23.7	53.1
Beef cattle, except feedlots.....	408	18,444	15.4	2.4	9.8	11.1	1.4	9.9	.7	11.2	53.2	32.8
Livestock breeding.....	633	1,636	20.2	2.9	76.2	88.6	2.1	1.9	-	3.7	.5	10.0
Mining.....	23,418	36,117	67.5	26.3	52.7	64.2	1.2	.6	15.5	10.3	34.3	44.3
Metal mining.....	1,509	284	31.6	80.5	32.5	17.0	.5	1.0	4.3	2.0	.7	14.3
Coal mining.....	183	369	67.2	3.3	8.9	43.7	-1.2	.4	64.5	11.3	2.8	46.0
Oil and gas extraction.....	20,913	35,259	72.2	13.5	56.6	52.2	.9	.6	7.9	10.7	36.0	44.3
Construction.....	1,592	62,000	5.3	2.3	77.4	48.5	-36.9	3.1	26.4	3.2	49.8	72.4
Manufacturing.....	786	25,665	35.5	2.4	57.8	45.6	12.7	1.8	48.3	5.6	17.8	48.1
Lumber and wood products, except furniture.....	23	4,366	58.6	2.5	25.9	6.0	5.2	1.7	61.5	25.3	65.3	69.1
Chemicals and allied products.....	172	136	44.9	2.4	94.2	39.8	1.8	1.3	14.3	-	3.6	77.1
Transportation, communication electric, gas, and sanitary services.....	2,397	17,735	22.0	2.8	74.3	49.4	4.2	1.0	28.9	14.4	18.8	48.3
Water transportation.....	291	363	16.1	4.8	16.5	64.9	15.9	-206.0	30.2	42.4	8.3	28.6
Communications.....	449	3,081	76.4	4.3	67.3	63.5	4.4	4.6	17.5	2.8	41.4	35.2
Electric, gas and water services.....	67	1,318	81.9	2.1	83.3	5.6	1.3	.3	20.6	3.1	19.8	19.4
Wholesale trade.....	1,323	22,792	10.0	2.4	10.4	49.3	4.9	2.5	19.4	1.2	15.5	67.3
Retail trade.....	6,171	161,982	6.0	2.3	31.2	44.3	1.6	1.6	6.7	3.8	60.0	50.6
Finance, insurance and real estate.....	163,384	566,683	19.5	4.8	41.6	31.3	12.8	5.5	40.2	18.2	34.7	47.7
Real estate.....	109,491	382,210	20.2	3.8	44.9	32.0	57.9	11.1	54.9	24.5	30.0	44.6
Subdividers and developers, except cemeteries.....	11,280	31,390	12.2	4.1	39.9	42.4	11.0	6.8	28.4	15.0	33.3	39.2
Holding and other investment companies.....	28,762	79,993	18.6	5.4	28.8	17.8	1.5	2.6	20.4	13.7	50.1	60.4
Services.....	25,538	280,756	15.6	3.1	57.9	45.4	103.1	4.4	33.4	12.8	33.4	63.9
Hotels.....	994	2,080	20.6	4.1	45.4	46.0	-33.9	7.9	49.3	28.3	13.1	39.2
Motels, motor hotels and tourist courts.....	1,430	5,968	25.8	3.3	48.1	23.4	-51.7	9.2	37.0	11.0	2.6	63.7
Equipment rental and leasing services.....	4,693	31,642	26.1	3.4	68.2	42.8	-49.4	-26.5	18.3	25.1	51.0	52.4
Motion pictures.....	1,793	2,589	13.0	10.6	5.8	66.2	-5.9	2.0	34.0	2.9	32.4	44.0
Racing, including track operations.....	8	3,940	11.4	3.1	74.5	50.3	1.4	.5	-	4.3	25.6	12.3
Other amusement and recreation service.....	679	6,849	21.3	3.0	28.7	62.5	247.7	5.8	1.4	4.6	20.5	24.9

^{1/}Because the partners' capital account (unlike their tax basis in their partnership interest) can be negative (which implies that partnership losses have exceeded amounts contributed), this ratio can be negative.

^{2/}Includes "Wholesale and Retail Trade not allocable" and "Nature of Business not allocable", not shown separately.

Table 4. Summary Statistics for 1983 Partnerships by Year Partnership was Formed
 (All figures are estimates based on samples)

Selected items	All partnerships					Limited partnerships					General partnerships				
	Year of Formation														
	1983	1981-82	1978-80	1973-77	Before 1973	1983	1981-82	1978-80	1973-77	Before 1973	1983	1981-82	1978-80	1973-77	Before 1983
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
Number of partnerships.....	231,876	363,329	350,045	260,495	335,794	41,856	62,571	59,246	40,739	29,574	190,020	300,758	290,799	219,756	306,22
Number of partners.....	1,803,995	3,186,395	2,215,785	1,430,118	1,950,960	1,183,324	1,922,779	1,193,633	668,654	466,480	620,671	1,263,616	1,022,152	761,464	1,484,48
Aggregate amount (in billions of dollars):															
Ordinary gross income 1/.....	10.8	42.0	48.1	39.4	73.2	2.8	13.5	15.8	10.6	13.1	8.0	28.5	32.3	28.8	60.1
Deductions excluding depreciation, interest, and mineral exploration costs.....	12.8	27.7	25.5	20.6	39.5	5.4	10.2	8.6	5.1	6.8	7.4	17.5	16.9	15.5	32.7
Interest deduction.....	3.5	15.2	14.3	7.6	7.6	2.0	7.5	6.8	2.9	3.4	1.5	7.7	7.5	4.7	4.2
Depreciation.....	2.8	10.8	9.0	5.1	4.6	1.5	5.0	4.0	1.7	.9	1.3	5.8	5.0	3.4	3.7
Estimated mineral exploration costs.....	4.6	2.0	.8	.5	.5	2.3	1.3	.4	.2	.1	2.3	.7	.4	.3	.4
Ordinary net income (less loss).....	-12.9	-13.7	-1.5	5.6	20.9	-8.4	-10.5	-4.0	.7	2.0	-4.5	-3.2	2.5	4.9	18.9
Net long-term capital gain.....	.4	1.9	3.9	3.3	6.4	.1	.9	2.1	1.2	1.5	.3	1.0	1.8	2.1	4.9
Contribution to taxable income (after investment credit adjustment).....	-12.3	-15.3	-.7	6.5	23.0	-8.5	-11.3	-3.4	1.1	2.5	-3.8	-4.0	2.7	5.4	20.5
Average per partner (in dollars):															
Ordinary gross income 1/.....	5.98	13,181	21,708	27,550	37,520	2,366	7,021	13,237	15,853	28,083	12,889	22,554	31,600	37,822	40,486
Deductions excluding depreciation, interest, and mineral exploration costs.....	7,095	8,693	11,508	14,404	20,246	4,563	5,305	7,205	7,627	14,577	11,923	13,849	16,534	20,356	22,028
Interest deduction.....	1,940	4,770	6,454	5,314	3,896	1,690	3,901	5,697	4,337	7,289	2,417	6,094	7,337	6,172	2,829
Depreciation.....	1,552	3,389	4,042	3,566	2,358	1,268	2,600	3,351	2,542	1,929	2,095	4,590	4,892	4,465	2,492
Estimated mineral exploration costs.....	2,550	628	361	350	256	1,944	676	335	299	214	3,706	534	391	394	269
Ordinary net income (less loss).....	-7,151	-4,300	-677	3,916	10,713	-7,099	-5,461	-3,351	1,047	4,287	-7,250	-2,532	2,446	6,435	12,732
Net long-term capital gain.....	222	596	1,760	2,308	3,280	85	468	1,759	1,795	3,216	483	791	1,761	2,758	3,301
Contribution to taxable income (after investment credit adjustment).....	-6,818	-4,802	-316	4,545	11,789	-7,183	-5,877	-2,848	1,645	5,359	-6,122	-3,166	2,641	7,092	13,810
Debt to equity ratio.....	3.88	5.21	7.91	14.48	2.95	3.55	5.41	22.35	-12.12	-60.77	4.43	5.06	4.90	6.02	1.71
Nonrecourse debt to equity ratio.....	1.08	1.15	2.26	4.59	.68	1.30	1.83	8.93	-6.33	-20.78	.72	.61	.87	1.11	.27
Percent nonrecourse debt.....	27.84	22.07	28.57	31.70	23.05	36.62	33.83	39.96	52.23	34.19	16.25	12.06	17.76	18.44	15.79

1/Reduced by cost of sales and operations and net income from other partnerships.

Environmental Taxes, 1981-84

By Rashida Belal*

Through the calendar year ended December 1984, \$978 million in tax liability was reported by companies for environmental excise taxes. Of this amount \$642 million was for petrochemicals; \$172.2 million for inorganic chemicals, \$150.3 million for petroleum and petroleum products, and \$10.7 million for hazardous wastes.

In 1980, Congress created a major Federal program to clean the worst abandoned hazardous waste sites. The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) provided for a 5-year clean-up program. Funds were to be accumulated through the Hazardous Substance Response Trust Fund portion of CERCLA, more commonly referred to as Superfund [1]. The tax rates of the "front-end tax" were formulated so that they produce \$1.6 billion over 5 years and the tax liability incurred for petroleum and chemicals would reflect the respective percentage in which they were found in hazardous waste sites (based on data available in 1980) [2].

REQUIREMENTS FOR REPORTING TAXES

Requirements for filing and reporting a tax on petroleum apply to the following:

1. Operators of U.S. refineries receiving crude oil;
2. Importers of petroleum products for consumption, use, or warehousing; and
3. Users or exporters of crude oil on which the environmental tax has been paid.

The requirements for filing and reporting the tax on chemicals apply to any importer, manufacturer, or producer that sells or uses any of the 42 taxable chemicals listed in Table 1. Since the tax is imposed only once on a product, once it has been paid it cannot be imposed again on another business that would otherwise be liable. There are some exceptions to what is taxed, with the following being nontaxable:

1. Ammonia, if used directly as a fertilizer;
2. Methane or butane used as a fuel (however, the business using the chemical for a taxable purpose is liable);
3. Nitric acid, sulfuric acid, ammonia, or methane used in the production of ammonia for fertilizer;
4. Sulfuric acid produced solely as a by-product of, and on the same site as, air pollution control equipment; and
5. Any substance derived from coal.

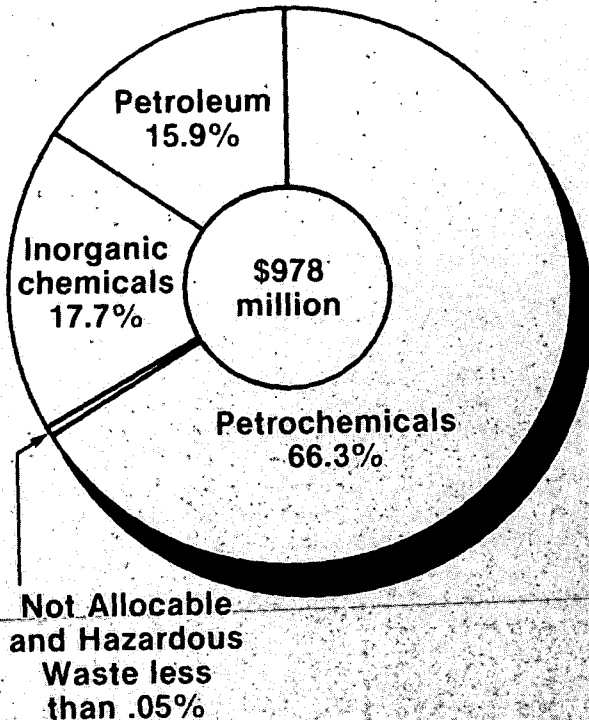
CERCLA, which contains the provisions for reporting liability against hazardous waste, also established the Post-closure Liability Trust Fund which includes the Hazardous Waste Tax. The Hazardous Waste Tax, "a waste-end tax," is imposed on the receipt of hazardous waste at a "qualified" hazardous waste disposal facility. The tax applies to any hazardous waste that will remain after the facility is closed. The tax took effect October 1, 1983 and will be in effect until the unobligated balance of the Post-closure Liability Trust Fund exceeds \$200 million.

As shown in Figure A, the largest share of taxes has been from petrochemicals. Tax liability reported for petrochemicals accounted for 66 percent of the total reported through December 1984. Inorganic chemicals represented 17 percent of the tax liability and petroleum and petroleum products accounted for 16 percent of tax liability.

It is interesting that, while the tax on petrochemicals accounted for 66 percent of total tax, it continued to be reported by the fewest number of businesses. As a result, these businesses had the highest average tax liability, more than \$2.5 million per company for petrochemicals. Inorganic chemicals, reported by 41 percent of the companies, ac-

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Figure A
Sources of Environmental Taxes,
Quarters Ending June 30, 1981,
through December 31, 1984



counted for an average tax of \$400,000 per company. In comparison, while petroleum and petroleum products were reported by 42 percent of the companies, the average tax was \$347,000 per company.

Number of Businesses and Amount of
Environmental Taxes for Quarters Ending
June 30, 1981 through December 31, 1984
[Money amounts are in thousands of dollars]

Type of tax	Number of businesses	Total tax	Average tax
	(1)	(2)	(3)
Total Environmental Tax	1,015	978,108 ¹	964
"Superfund"			
Petroleum	433	150,335	347
Petrochemicals	252	641,842	2,547
Inorganics	430	172,187	400
Post-closure Liability Trust Fund	122	10,703	88

¹Includes taxes not allocable to a specific category. For this reason and also because of rounding, detail will not add to total.

The number of companies reporting liability for hazardous wastes under the Post-closure Liability Trust Fund increased by 62 percent over 1983, from the 74 companies reported as of December 1983 to 122 companies as of December 1984. The average tax for that same period rose from \$23,000 to more than \$87,700.

Since the quarter ended June 1981, 1,015 companies reported liability for environmental taxes at least once and the average reported liability was \$963,000 per company. This picture warrants a closer inspection, however. The 40 companies reporting \$5 million or more in tax liability accounted for 78 percent of the tax. The 23 companies reporting \$10.5 million or more in tax liability averaged \$18.5 million in tax and were responsible for 65 percent of the total. But the lion's share of the tax was in fact reported by fewer than 1 percent of the reporting companies. The companies reporting \$20 million or more in tax liability accounted for more than 50 percent of the tax. These twelve top companies averaged more than \$40 million in environmental taxes.

The quarter ended June 1983 showed an increase for petroleum, petrochemicals and inorganic chemicals for the first time since the quarter ended June 1982. Total tax liability for the quarter ended December 1983 was \$68.6

"Superfund" Taxes by Category for Quarters
Ending June 30, 1981, through December 31, 1984

[Millions of dollars]

Quarter ending	Total	Petrochemicals	Inorganic chemicals	Petroleum
Total ¹	(1)	(2)	(3)	(4)
June 1981	68.7	45.8	12.8	10.0
Sept. 1981	61.0	40.0	11.6	9.3
Dec. 1981	68.2	43.9	11.3	11.7
Mar. 1982	59.2	39.4	10.5	9.0
June 1982	60.7	40.1	10.8	9.8
Sept. 1982	55.4	35.7	8.9	9.4
Dec. 1982	56.8	37.2	10.1	9.4
Mar. 1983	59.7	40.0	11.3	8.8
June 1983	69.9	45.4	9.6	10.0
Sept. 1983	64.8	42.6	10.9	11.3
Dec. 1983	68.6	45.3	11.4	9.9
Mar. 1984	77.0	52.0	12.6	11.0
June 1984	75.6	49.2	12.8	10.5
Sept. 1984	66.0	42.9	10.8	9.5
Dec. 1984	69.3	42.2	14.6	10.4

¹Includes taxes not allocable to a specific category. For this reason and also because of rounding, detail will not add to total.

million, up by almost \$4 million over the September 1983 figure. March 1984 figures showed an increase of \$17.3 million over March 1983 and almost \$8.5 million in tax liability over the quarter ended December 1983. Tax liability dipped slightly for the quarter ended June 1984 to \$75.6 million, a decrease of about \$1.4 million from the previous quarter. This was especially noteworthy since the second quarter has traditionally shown a rise because of the increase in chemical shipments to the agricultural and construction markets. The slide continued into the quarter ended September 1984, when tax liability dropped to \$66.0 million. The liability reported for the quarter ended December 1984 climbed back up to \$69.3 million; however, that amount was still more than \$7.7 million off the mark set in March 1984 [3] [4] [5].

PETROCHEMICALS

Two hundred and fifty-two companies, only 25 percent, reported tax for petrochemicals and those companies averaged \$2.5 million in petrochemical tax. The 47 companies that reported more than \$257 million in tax liability for ethylene averaged \$5.5 million. The next largest amount of liability, \$116 million, was reported for propylene. A total of 58 companies averaged \$2.0 million in liability for propylene. Naphthalene was reported by only 9 companies and the average tax reported was about \$135,000. Toluene, reported by the largest number of companies, 104, averaged \$412,000.

INORGANIC CHEMICALS

Tax on inorganic chemicals was reported by 430 companies or 42 percent of the companies reporting environmental taxes. Those companies reported an average of \$400,000 in tax for inorganic chemicals. Sulfuric acid was the single most reported chemical, reported by 26 percent of the companies. The average tax on sulfuric acid was \$82,000.

SUMMARY

Through the calendar year ended December 1984, \$978 million in liability was reported for environmental excise taxes. The largest share of taxes reported was from petrochemicals. This was by design, since rates were formulated so that liability per class of substance would reflect the percentage in which these substances were found in hazardous waste sites.

The Superfund portion of CERCLA expired September 30, 1985. The tax liability reported for hazardous waste reached \$11.5 million dol-

lars in Calendar Year 1984. This portion of CERCLA will remain in effect until the unobligated balance of the Post-closure Liability Trust Fund exceeds \$200 million or until it is repealed.

Since the quarter ended June 1981, 1,015 companies reported liability for environmental taxes at least once and the average reported liability was \$938,000 per company. However, the lion's share of the liability is, in fact, reported by fewer than 1 percent of the reporting companies. These top 12 companies accounted for more than 50 percent of the tax, an average of \$40 million in environmental tax per company.

DATA SOURCES AND LIMITATIONS

The Quarterly Excise Tax Return, Form 720, is the form on which environmental taxes are reported. Form 6627, Environmental Taxes, is the supporting schedule on which the tax liability for petroleum, chemicals and hazardous waste is computed. The tax as imposed by Congress is levied at different rates ranging from \$.0079 per barrel of crude oil or petroleum to as much as \$4.87 per ton of certain chemicals. The average tax levied is \$3.24 per medium.

Returns are due to be filed one month after the end of the quarter in which the business is liable for environmental taxes. These returns are the source of data for this study. Data in this article reflect information reported on returns filed for the tax quarters ending June 30, 1981, through December 31, 1984.

Any adjustments, credits, or refunds to environmental taxes on either the Form 720 or Form 843, Claim, are not reflected in the data. A taxpayer can take an adjustment or credit if a taxed chemical is later used to manufacture or produce any other substance subject to the tax. If a tax is paid on a chemical subsequently used to produce fertilizer, a credit or adjustment can also be claimed.

The Internal Revenue Service also releases environmental tax statistics in a report on excise taxes issued quarterly [6]. These figures, taken from the Form 720, show the total liability, after adjustment, on returns recorded on the computerized Business Master File as part of routine tax administration processing. There is, however, no distribution of tax by type of chemical. Returns are due one month after the end of the calendar quarter and are reflected in the statistics for the quarter in which they are filed (and processed). Also included are returns filed late because of routine filing extensions and other reasons. Therefore, that report covers whatever tax was recorded during a quarter, regard-

less of when it was incurred. Consequently, the two series of data are not directly comparable.

Since no statistical sampling was involved, the data are not subject to sampling error, but may be subject to nonsampling error. Although efforts were made to secure missing returns, some returns from previous quarters were substituted because of time and resource constraints. In addition, the returns were passed through a series of validity checks to verify the accuracy and completeness of the returns. For those returns supplying a total chemical tax with no distribution by category, the amount was included in the statistics under "unallocable chemicals."

NOTES AND REFERENCES

- [1] See also Barnhardt, Janet, "Superfund for Environmental Taxes," Statistics of Income Bulletin, Fall 1982, pp. 31-34.
- [2] United States Senate, Report of the Committee on Finance on S.51, Report 99-73, U.S. Government Printing Office, May 23, 1985.
- [3] "Chemicals' Third Quarter: A Majority of Minor Gains," Chemical Week, November 21, 1984.
- [4] See also Belal, Rashida, "Environmental Taxes: Superfund and Hazardous Waste, 1981-83," Statistics of Income Bulletin, Spring 1985, pp 61-67.
- [5] See also Belal, Rashida, "Superfund for Environmental Taxes, 1981 and 1982," Statistics of Income Bulletin, Fall 1983, pp. 31-34.
- [6] U.S. Department of the Treasury, Internal Revenue Service, Internal Revenue Report of Excise Taxes.

Table 1.--Environmental Taxes Reported by Type of Substance, Quarters Ended June 1981- December 1984

[Money amounts are in thousands of dollars]

Type of substance	Total	Quarter ended				
		June 1981	Sept. 1981	Dec. 1981	Mar. 1982	June 1982
	(1)	(2)	(3)	(4)	(5)	(6)
Petroleum	150,334,988	10,099	9,324	11,710	9,017	9,796
Petrochemicals, total	641,842,137	45,760	40,010	43,859	39,362	40,105
Acetylene	2,335,703	206	235	188	120	135
Benzene	81,756,936	5,322	4,225	5,265	4,558	4,543
Butane	11,950,056	1,248	1,088	1,050	1,020	1,218
Butylene	15,585,817	1,333	1,247	1,442	971	1,212
Butadiene	25,799,937	1,832	1,483	2,015	1,454	1,685
Ethylene	257,128,094	17,024	15,215	15,969	15,293	15,881
Methane	28,238,152	2,479	2,264	2,309	2,031	2,004
Naphthalene	1,216,646	139	65	93	99	53
Propylene	115,912,467	9,510	7,950	7,661	7,994	6,889
Toluene	42,805,708	2,564	2,354	2,711	1,973	2,143
Xylene	59,112,632	4,103	3,883	5,157	3,849	4,343
Inorganic chemicals, total	172,187,332	12,811	11,643	11,323	10,589	10,779
Ammonia	31,943,952	2,295	2,138	2,191	2,118	2,059
Antimony	44,543	4	2	2	2	2
Antimony trioxide	291,136	13	17	24	20	17
Arsenic	13,956	1	1/	1	1	1
Arsenic trioxide	224,192	21	23	23	22	19
Barium sulfide	976,959	*	*	3	1/	*
Bromine	3,037,805	205	156	206	149	143
Cadmium	286,229	3	2	3	3	2
Chlorine	91,357,655	7,079	6,186	5,777	5,540	5,682
Chromium	274,826	76	36	25	27	10
Chromite	2,315,772	114	182	247	80	81
Potassium dichromate	1,086	*	*	*	1/	1/
Sodium dichromate	64,454	*	17	*	2	1
Cobalt	103,260	3	4	11	8	6
Cupric sulphate	220,649	10	17	11	11	11
Cupric oxide	95,450	4	3	4	7	4
Cuprous oxide	112,552	3	4	4	4	4
Hydrochloric acid	2,087,390	90	116	211	148	140
Hydrogen flouride	4,295,230	328	337	238	259	274
Lead oxide	5,446,892	366	327	393	330	324
Mercury	30,965	2	2	2	2	6
Nickel	1,990,336	121	157	156	164	124
Phosphorus	6,054,718	494	423	420	409	407
Stannous chloride	16,151	*	*	2	1	1
Stannic chloride	62,818	1	1/	11	4	5
Zinc chloride	195,570	15	T3	15	12	15
Zinc sulfate	205,189	18	13	15	16	16
Potassium hydroxide	268,092	15	13	16	12	14
Sodium hydroxide	9,724,076	713	657	646	602	599
Sulfuric acid	9,144,579	703	700	593	567	745
Nitric acid	1,293,063	101	93	74	68	67
Unallocable chemicals	3,040,274	67	28	1,318	221	10
Hazardous waste	10,703,428	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>

Environmental Taxes, 1981-84

Table 1.--Environmental Taxes Reported by Type of Substance, Quarters Ended June 1981- December 1984
- Continued

[Money amounts are in thousands of dollars]

Type of substance	Quarter ended - Continued.					
	Sept. 1982	Dec. 1982	Mar. 1983	June 1983	Sept. 1983	Dec. 1983
	(7)	(8)	(9)	(10)	(11)	(12)
Petroleum	9,444	9,354	8,840	9,989	11,344	9,885
Petrochemicals, total	35,916	37,151	40,042	45,410	42,615	45,300
Acetylene	112	1/	*	*	132	*
Benzene	5,097	4,283	4,870	5,730	5,168	6,681
Butane	831	728	721	557	704	434
Butylene	733	949	925	1,103	683	809
Butadiene	1,413	1,337	1,742	1,745	1,658	1,833
Ethylene	15,303	16,680	16,769	18,112	18,011	17,497
Methane	1,621	1,654	1,633	1,647	1,710	1,760
Naphthalene	88	1/	*	*	68	*
Propylene	6,139	5,587	7,045	7,768	7,455	7,878
Toluene	2,003	2,139	2,675	4,757	3,156	3,755
Xylene	2,577	3,612	3,470	3,787	3,870	4,403
Inorganic chemicals, total ...	9,485	10,165	10,630	11,269	10,890	11,408
Ammonia	1,924	1,663	1,901	2,027	2,070	1,953
Antimony	2	1	4	3	3	3
Antimony trioxide	13	13	17	18	17	22
Arsenic	1	1/	1/	1/	4	3
Arsenic trioxide	16	T2	T0	T5	5	8
Barium sulfide	*	*	*	2	1	1
Bromine	179	388	189	198	186	200
Cadmium	2	2	4	3	2	1
Chlorine	4,900	5,587	5,735	6,130	6,071	6,234
Chromium	8	7	11	13	10	10
Chromite	90	118	108	77	59	96
Potassium dichromate	1/	1/	1/	1/	1/	1/
Sodium dichromate	*	1	2	2	T2	3
Cobalt	3	5	9	8	7	4
Cupric sulphate	25	10	20	22	17	11
Cupric oxide	6	4	7	7	7	7
Cuprous oxide	3	*	4	5	4	4
Hydrochloric acid	117	129	152	174	132	142
Hydrogen flouride	220	204	255	280	261	270
Lead oxide	319	330	288	317	345	413
Mercury	4	1/	1/	*	2	2
Nickel	62	96	152	156	74	161
Phosphorus	384	380	404	428	336	414
Stannous chloride	1	*	2	1	1/	1
Stannic chloride	4	3	5	5	1	6
Zinc chloride	10	11	16	14	10	12
Zinc sulfate	10	3	20	17	10	10
Potassium hydroxide	10	12	68	12	13	15
Sodium hydroxide	520	522	580	624	648	661
Sulfuric acid	565	584	580	619	504	637
Nitric acid	86	76	87	91	79	103
Unallocable chemicals	600	154	204	235	1/	194
Hazardous waste	2/	2/	2/	2/	2/	1,776

Table 1.--Environmental Taxes Reported by Type of Substance, Quarters Ended June 1981 - December 1984
- Continued

[Money amounts are in thousands of dollars]

Type of substance	Quarter ended - Continued			
	Mar. 1984	June 1984	Sept. 1984	Dec. 1984
	(13)	(14)	(15)	(16)
Petroleum	11,007	10,503	9,610	10,353
Petrochemicals, total	51,959	49,194	42,921	42,238
Acetylene	*	172	155	207
Benzene	7,486	7,273	6,040	5,216
Butane	533	798	470	550
Butylene	791	1,079	1,108	1,201
Butadiene	1,962	1,978	1,905	1,757
Ethylene	21,081	19,602	16,915	17,776
Methane	1,699	1,885	1,829	1,715
Naphthalene	*	108	61	66
Propylene	10,028	8,574	8,027	7,407
Toluene	4,033	3,258	2,929	2,356
Xylene	4,125	4,466	3,482	3,986
Inorganic chemicals, total	12,582	12,803	11,184	14,625
Ammonia	2,119	2,545	2,145	2,796
Antimony	6	4	3	4
Antimony trioxide	27	31	22	19
Arsenic	1	1	1/	1/
Arsenic trioxide	12	15	12	11
Barium sulfide	222	2	1	733
Bromine	201	214	206	218
Cadmium	10	14	2	235
Chlorine	6,959	6,095	5,918	7,464
Chromium	10	12	10	9
Chromite	72	791	75	125
Potassium dichromate	1	1/	1/	*
Sodium dichromate	2	3	2	1
Cobalt	11	12	8	4
Cupric sulphate	18	19	14	12
Cupric oxide	10	9	10	6
Cuprous oxide	5	4	3	*
Hydrochloric acid	173	148	144	130
Hydrogen flouride	346	394	338	294
Lead oxide	451	389	395	463
Mercury	4	1	2	2
Nickel	140	157	120	150
Phosphorus	307	430	391	426
Stannous chloride	2	1	1	1
Stannic chloride	4	6	5	4
Zinc chloride	15	15	12	11
Zinc sulfate	19	14	12	12
Potassium hydroxide	15	18	13	20
Sodium hydroxide	736	710	670	837
Sulfuric acid	579	656	570	543
Nitric acid	105	92	81	92
Unallocable chemicals	1	8	1/	1/
Hazardous waste	1,466	3,087	2,292	2,080

*This figure is not shown to avoid disclosure of information for specific businesses. However, the data are included in the appropriate totals.

1/Less than \$1,000, however, the data are included in the appropriate totals.

2/Tax not in effect until October 1, 1983.

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

Table 2.--Environmental Taxes Reported by Type of Substance, Aggregate for the Quarters Ended June 1981 - December 1984.

Type of substance	Number of businesses	Number of tons (000's)	Tax rate per ton (dollars)	Average tax per business (dollars)
	(1)	(2)	(3)	(4)
Petroleum	429	19,029,745 ¹	.0079 ²	347,193.96
Petrochemicals, total	252 ³	N/A	N/A	2,546,992.00
Acetylene	53	469	4.87	44,069.00
Benzene	65	479	4.87	1,257,799.02
Butane	37	16,787	4.87	322,974.51
Butylene	25	3,164	4.87	623,432.70
Butadiene	35	5,298	4.87	737,141.00
Ethylene	47	52,798	4.87	5,470,810.50
Methane	33	8,209	3.44	855,701.50
Naphthalene	9	250	4.87	135,182.90
Propylene	58	23,801	4.87	1,998,490.80
Toluene	104	8,790	4.87	411,593.30
Xylene	83	12,138	4.87	712,079.90
Inorganics chemicals, total	430	N/A	N/A	400,435.60
Ammonia	103	12,104	2.64	310,135.40
Antimony	22	10	4.45	2,024.60
Antimony trioxide	29	78	3.75	10,039.10
Arsenic	16	1	4.45	872.26
Arsenic trioxide	21	66	3.41	10,675.80
Barium sulfide	6	425	2.30	162,826.57
Bromine	11	683	4.45	276,164.10
Cadmium	31	64	4.45	9,233.20
Chlorine	55	32,837	2.70	1,661,048.28
Chromium	21	62	4.45	13,086.81
Chromite	20	1,524	1.52	115,788.64
Potassium dichromate	7	1	1.69	155.24
Sodium dichromate	14	34	1.87	4,603.80
Cobalt	28	23	4.45	3,687.80
Cupric sulfate	36	122	1.87	6,179.70
Cupric oxide	22	27	3.59	4,338.64
Cuprous oxide	7	28	3.97	16,078.90
Hydrochloric acid	94	7,198	.29	22,206.00
Hydrogen flouride	22	1,015	4.23	195,237.70
Lead oxide	41	1,315	4.14	132,851.00
Mercury	13	7	4.45	2,382.00
Nickel	31	447	4.45	62,198.00
Phosphorus	14	1,361	4.45	432,480.00
Stannous chloride	8	6	2.85	2,018.97
Stannic chloride	9	30	2.12	6,979.79
Zinc chloride	22	88	2.22	8,889.60
Zinc sulfate	27	108	1.90	7,600.00
Potassium hydroxide	28	1,218	.22	9,574.00
Sodium hydroxide	83	34,728	.28	117,157.00
Sulfuric acid	111	35,171	.26	82,383.00
Nitric acid	41	5,388	.24	31,538.00
Unallocable chemicals	126	N/A	N/A	24,129.16
Hazardous waste	120	5,025	2.13	87,733.00

N/A - Not applicable.

¹Number of barrels.²Rate per barrel.³Detail in column one may not add to any meaningful total because businesses may report more than one of the indicated substances.

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

Preliminary Individual Income Statistics, 1984

By Marshall S. Epstein and David Barker *

Adjusted gross income reported by individual income tax filers exceeded \$2 trillion for the first time for Tax Year 1984. This 11.1 percent increase in income led to an 11.0 percent increase in taxable income and a 10.9 percent increase in total income tax. This was the first increase in total income tax since implementation of the Economic Recovery Tax Act of 1981.

This and other information that was unavailable in time for inclusion in the Winter 1985-86 issue of the SOI Bulletin is presented in Table 1 by size of adjusted gross income. Among the new statistics for 1984 are itemized deductions by type. They show that the 15 percent increase in total itemized deductions reflected similar increases in the two predominant deductions, for interest and taxes paid. To assist the user of the data, the definitions and tax law changes and the descriptions of the data sources and limitations from the Winter issue are repeated below.

DEFINITIONS AND TAX LAW CHANGES

In general, the definitions of the terms used here are the same as those shown in the complete report, Individual Income Tax Returns 1983.

Following is a partial list of 1984 tax law and administrative changes that are reflected in the preliminary data in this article. Changes are listed in the same order as the topics are presented in this article.

- o Beginning with Tax Year 1984, a percentage of social security benefits (or tier 1 railroad retirement benefits) became taxable. The amount of benefits that had to be included in income was the lesser of half the benefits received for the year or half the excess of the taxpayer's modified AGI over a specified base amount. Modified adjusted gross income was the taxpayer's AGI plus the following:

- 1) any tax-exempt interest,

- 2) the two-earner married couple deduction,
- 3) the foreign earned income exclusion and the foreign housing deduction and
- 4) the exclusion for income from U.S. possessions and Puerto Rico.

The base amount that applied was \$25,000 for single persons, \$32,000 for married couples filing jointly, \$25,000 for married persons filing separately and not living with their spouse, and zero for married persons filing separately and living together.

- o Beginning with Tax Year 1984 contributions to IRA's could no longer be made after the due date for filing a return. Previously taxpayers could make contributions to their IRA until the due date for filing their return including any extensions.
- o The limit for excluding "reasonable" amounts of employer-provided foreign housing increased by \$263 to \$6,878 for 1984.
- o For Tax Year 1983, taxpayers could only deduct expenditures for prescription and over-the-counter products, including vitamins and minerals recommended by a doctor, greater than 1 percent of their AGI. The 1 percent floor was removed for Tax Year 1984. Offsetting this, starting with 1984 only prescription medicines and drugs and insulin were deductible.
- o Before Tax Year 1984, all casualty and theft losses exceeding \$100 were combined and only the portion of these losses in excess of 10 percent of AGI was deductible. For Tax Year 1984, casualty and theft gains were netted. The 10 percent casualty loss limitation still applied. However, net casualty and theft gains were treated as capital gains.

*Individual Returns Analysis Section. Prepared under the direction of Susan Hostetter, Chief

- Beginning with Tax Year 1984, taxpayers not itemizing their deductions could deduct up to \$75 (\$37.50 for married couples filing separately) for charitable contributions. For Tax Years 1982 and 1983, non-itemizing taxpayers could only deduct up to \$25 (\$12.50 for a married couple not filing a joint return).

- Features from the disability income exclusion and the credit for the elderly were combined into a new credit--the credit for the elderly and permanently and totally disabled. The following individuals qualified for the credit:

- taxpayers who were 65 or older, and

- taxpayers under 65 receiving taxable disability benefits who were retired on permanent and total disability and who had not reached the age for mandatory retirement. Prior law allowed taxpayers under 65 to claim the credit for the elderly if they received income from a public retirement system. For 1984, these individuals could only take the credit if they met the permanent and total disability requirement.

- Beginning with 1984, the investment credit, jobs credit, alcohol fuels credit, and employee stock ownership credit were combined into the general business credit. Separate limits based on tax liability and individual carryback and carryover provisions no longer applied to each credit. Instead, a single tax limit and carryback and carryover rule applied to the combined business credit.

- The 1984 Tax Table and Tax rate schedules reflected the final annual 10 percent tax cut mandated by the Economic Recovery Tax Act of 1981.

- "Income averaging" changed for Tax Year 1984. The base period was reduced from 4 years to 3. The base period encompasses the years closest to the current tax year. In order to "income average," taxpayers' current-year income had to exceed 140 percent of their average taxable income for the 3-year base period. Previously, taxpayers current income only had to exceed 120 percent of their average base period income.

DATA SOURCES AND LIMITATIONS

These preliminary statistics are based on a sample of individual income tax returns, Forms 1040, 1040A and 1040EZ, filed for Tax Year

1984. Returns in the sample were stratified based on the presence or absence of Schedule C, Profit (or Loss) from Business or Professions; Schedule F, Profit (or Loss) from Farms; the larger of total income or total loss, and the size of business plus farm receipts. For Tax Year 1984, returns were selected at rates ranging from 0.02 percent to 100 percent. There were 79,797 returns in the 1984 preliminary sample, estimating a total population of 99,604,975. The corresponding sample size and population for the preliminary 1983 data were 104,970 and 96,293,634, respectively. Sample size and population for the final 1983 data, referenced in this article, were 122,997 and 96,563,687, respectively.

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

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

Number of Returns	Approximate Coefficient of Variation
40,438,600	.01
10,109,700	.02
1,617,500	.05
404,400	.10
101,100	.20
44,900	.30
33,000	.35
16,200	.50

These preliminary estimates are subject to several types of nonsampling reporting error. While the estimates are intended to represent the full year's taxpayer reporting, they are actually based on returns filed January through late September 1985. Returns filed after that (which were sampled for use in the revised estimates for the year) tend to have slightly different characteristics than those filed earlier. These characteristics include higher income, a larger proportion of investment income (such as capital gains), a higher average tax liability, and a larger proportion of certain other items such as the alternative minimum tax.

Individual Returns/1984

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

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

Size of adjusted gross income	Number of returns	Adjusted gross income less deficit	Salaries and wages		Interest received		Domestic and foreign dividends received			
			Number of returns	Amount	Number of returns	Amount	Total		Dividends in adjusted gross income	
							Number of returns	Amount	Number of returns	Amount
All returns, total.....	99,604,775	2,157,738,100	86,346,235	1,818,588,323	62,199,618	173,855,732	18,564,113	51,309,681	14,154,993	49,396,478
No adjusted gross income.....	950,706	-27,447,960	433,549	8,280,381	609,227	2,752,963	194,635	510,362	142,717	490,611
\$1 under \$1,000.....	2,328,269	1,338,149	1,977,589	1,815,092	716,843	419,501	107,071	51,041	85,851	43,781
\$1,000 under \$2,000.....	3,478,680	5,234,670	2,963,064	4,632,224	1,148,160	790,880	188,167	87,244	146,298	85,423
\$2,000 under \$3,000.....	3,411,751	8,516,722	2,943,679	7,957,763	1,337,511	1,076,867	221,022	173,098	185,373	159,222
\$3,000 under \$4,000.....	3,418,382	11,948,410	2,883,781	9,847,566	1,436,789	1,278,461	233,759	137,727	196,931	120,904
\$4,000 under \$5,000.....	3,814,084	16,206,564	2,973,212	12,744,763	1,530,361	1,949,421	258,799	239,053	222,754	219,744
\$5,000 under \$6,000.....	3,234,237	17,824,926	2,549,515	13,816,117	1,469,088	2,341,280	345,191	330,483	276,405	305,805
\$6,000 under \$7,000.....	3,331,537	21,698,717	2,709,335	17,328,006	1,514,763	2,553,553	347,216	318,013	251,987	287,090
\$7,000 under \$8,000.....	3,359,607	25,258,934	2,757,592	20,461,954	1,540,954	3,041,319	352,536	376,789	283,185	346,121
\$8,000 under \$9,000.....	3,452,544	29,300,603	2,739,061	22,581,549	1,709,351	3,508,607	337,387	348,959	253,801	319,777
\$9,000 under \$10,000.....	3,079,544	29,250,534	2,545,182	23,370,150	1,545,398	3,286,805	323,720	422,137	235,669	396,130
\$10,000 under \$11,000.....	2,981,777	31,242,714	2,427,159	24,301,921	1,556,009	3,587,161	313,441	469,578	238,347	439,338
\$11,000 under \$12,000.....	2,992,780	34,402,737	2,433,624	26,832,923	1,619,500	4,179,297	372,075	448,288	271,417	415,222
\$12,000 under \$13,000.....	2,909,039	36,334,043	2,477,460	29,850,516	1,608,765	3,579,979	452,114	567,083	334,761	524,164
\$13,000 under \$14,000.....	2,750,050	37,138,995	2,328,268	30,360,698	1,478,935	3,304,435	392,218	564,441	299,963	532,379
\$14,000 under \$15,000.....	2,447,374	35,445,941	2,090,807	29,040,997	1,331,963	2,814,467	299,557	532,906	214,793	504,275
\$15,000 under \$16,000.....	2,464,893	38,169,740	2,168,109	31,997,716	1,518,380	3,435,415	405,803	671,146	319,906	632,271
\$16,000 under \$17,000.....	2,436,036	40,163,093	2,099,629	32,905,682	1,440,366	3,981,487	393,465	492,044	313,064	641,285
\$17,000 under \$18,000.....	2,396,734	41,925,903	2,102,370	35,128,577	1,534,918	3,935,209	396,502	533,974	276,814	498,220
\$18,000 under \$19,000.....	2,185,322	40,450,887	1,917,148	34,170,905	1,364,237	3,654,670	361,050	564,441	286,587	515,463
\$19,000 under \$20,000.....	2,038,597	39,753,927	1,755,966	33,376,831	1,349,105	3,297,292	366,182	590,931	311,614	556,179
\$20,000 under \$25,000.....	8,851,872	198,862,955	7,969,872	170,695,879	6,058,460	15,117,460	1,659,398	2,832,510	1,247,187	2,666,820
\$25,000 under \$30,000.....	7,634,031	209,242,505	7,099,321	187,512,249	5,735,798	11,686,671	1,459,374	1,832,596	1,016,174	1,701,833
\$30,000 under \$40,000.....	11,105,077	385,234,523	10,457,987	351,941,216	9,200,770	20,892,219	2,792,909	4,423,184	2,036,398	4,147,133
\$40,000 under \$50,000.....	5,995,701	266,380,033	5,544,354	236,158,095	5,426,608	15,952,045	2,150,522	4,164,778	1,545,408	3,923,154
\$50,000 under \$75,000.....	4,693,361	276,660,739	4,285,310	235,594,519	4,415,506	21,191,703	2,338,868	7,221,273	1,821,866	6,920,302
\$75,000 under \$100,000.....	1,040,069	88,468,300	883,554	85,853,775	1,004,194	8,499,589	696,583	4,256,344	601,524	4,156,319
\$100,000 under \$200,000.....	770,502	101,287,588	647,568	69,787,820	751,105	10,041,940	590,412	6,587,104	532,598	6,499,437
\$200,000 under \$500,000.....	203,697	57,814,615	162,647	32,480,939	200,517	5,994,399	172,845	5,080,443	163,522	5,052,655
\$500,000 under \$1,000,000.....	31,906	21,516,047	28,206	9,205,040	31,584	2,160,108	28,356	2,176,754	27,233	2,172,008
\$1,000,000 or more.....	16,862	38,114,546	13,497	8,478,490	16,543	3,448,529	15,207	4,305,997	14,846	4,303,413
Taxable returns, total.....	81,850,383	2,110,502,287	71,955,071	1,752,327,117	55,310,080	161,888,396	17,142,210	49,507,207	13,081,592	47,717,487
Nontaxable returns, total.....	17,754,392	47,235,813	14,391,164	66,261,206	6,889,536	11,967,336	1,421,903	1,802,473	1,073,401	1,678,991

Size of adjusted gross income	State income tax refunds		Alimony received		Business or profession net profit less loss		Pensions and annuities in adjusted gross income		Farm net profit less loss	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
All returns, total.....	17,768,834	7,015,658	347,239	2,565,956	11,229,289	69,915,552	11,572,923	80,003,021	2,691,666	-12,660,956
No adjusted gross income.....	80,947	82,358	467	1,769	413,714	-4,783,063	45,969	224,178	342,118	-8,052,079
\$1 under \$1,000.....	*4,845	*838	—	—	162,852	-87,763	29,576	27,562	45,549	-195,815
\$1,000 under \$2,000.....	18,178	5,630	—	—	179,468	-39,639	62,544	93,526	33,441	-31,492
\$2,000 under \$3,000.....	41,265	6,637	*1,831	*11,033	178,953	113,890	114,327	276,284	37,038	-285,902
\$3,000 under \$4,000.....	35,875	20,896	*18,010	*72,060	282,053	463,353	145,488	358,705	58,259	-39,556
\$4,000 under \$5,000.....	43,549	16,213	*4,045	*4,854	296,143	587,019	252,555	660,289	45,714	38,019
\$5,000 under \$6,000.....	87,062	25,033	*10,711	*41,140	279,028	607,801	294,772	820,615	72,146	-253,520
\$6,000 under \$7,000.....	128,070	33,899	*8,090	*22,814	264,078	737,037	401,839	1,426,444	81,490	30,080
\$7,000 under \$8,000.....	93,876	27,009	*16,871	*45,807	268,361	612,280	431,716	1,409,202	67,310	-64,257
\$8,000 under \$9,000.....	104,143	22,467	*11,750	*47,318	256,191	633,973	500,898	2,330,467	93,583	-49,483
\$9,000 under \$10,000.....	116,465	26,411	*4,045	*16,989	253,758	687,101	462,306	2,196,476	56,162	-88,557
\$10,000 under \$11,000.....	140,918	43,676	*18,009	*72,938	244,442	1,213,767	454,130	2,063,353	35,372	-5,956
\$11,000 under \$12,000.....	223,574	50,148	*32,359	*117,293	279,198	1,202,312	485,123	2,308,016	56,360	-1,259
\$12,000 under \$13,000.....	176,505	38,658	*4,045	*8,465	255,170	746,019	401,573	2,113,737	77,163	67,945
\$13,000 under \$14,000.....	189,741	43,131	*13,965	*70,349	208,792	944,244	386,342	2,545,632	57,470	-205,419
\$14,000 under \$15,000.....	214,786	41,680	*5,221	*65,134	234,875	1,081,646	297,753	2,095,977	64,251	65,501
\$15,000 under \$16,000.....	311,527	81,114	*7,704	*48,535	261,820	1,163,446	333,200	2,288,488	64,637	-212,367
\$16,000 under \$17,000.....	298,105	76,955	*12,427	*65,473	246,425	1,057,830	330,264	2,015,976	50,918	-128,563
\$17,000 under \$18,000.....	248,593	69,053	*5,514	*39,091	260,256	1,076,584	305,714	2,065,218	45,149	-277,268
\$18,000 under \$19,000.....	332,348	71,410	*8,905	*48,454	223,969	827,929	320,147	2,270,185	54,754	-81,385
\$19,000 under \$20,000.....	305,639	92,685	*3,683	*31,322	217,430	986,104	308,753	2,627,003	77,319	-106,537
\$20,000 under \$25,000.....	1,881,821	546,481	56,348	286,807	1,124,279	5,963,275	1,162,675	8,679,891	267,140	-553,564
\$25,000 under \$30,000.....	2,344,866	659,537	38,039	441,316	1,012,714	6,032,130	813,465	6,753,684	218,286	62,329
\$30,000 under \$40,000.....	4,572,997	1,419,984	42,617	513,934	1,542,148	8,706,910	1,307,093	11,023,461	232,443	-626,491
\$40,000 under \$50,000.....	2,792,619	1,071,427	*8,907	*57,230	918,692	7,612,681	842,577	8,547,370	172,545	-31,048
\$50,000 under \$75,000.....	2,153,311	1,124,364	7,943	185,674	851,618	12,898,085	753,168	8,096,153	179,304	-249,024
\$75,000 under \$100,000.....	411,556	363,892	4,887	136,639	238,476	6,338,657	177,988	2,152,146	39,204	-307,199
\$100,000 under \$200,000.....	312,779	486,633	2,543	105,428	199,443	7,411,205	110,194	1,766,485	45,756	-461,440
\$200,000 under \$500,000.....	83,146	239,471	405	4,635	58,994	2,828,546	33,771	550,500	15,416	-299,215
\$500,000 under \$1,000,000.....	12,606	78,262	46	732	10,319	799,522	4,580	150,198	3,442	-178,749
\$1,000,000 or more.....	6,943	179,687	52	5,727	5,620	1,082,672	2,422	118,799	1,927	-160,686
Taxable returns, total.....	17,070,293	6,895,808	322,510	2,460,121	8,880,835	69,486,767	10,380,790	75,783,533	1,770,001	-3,806,488
Nontaxable returns, total.....	698,541	319,850	24,729	105,836	2,348,454	428,785	1,192,133	4,219,488	921,665	-8,654,468

Footnotes at end of table.

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

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

Table with columns for Size of adjusted gross income, Unemployment compensation (Total, In adjusted gross income), Social Security income in AGI (Number of returns, Amount), and Statutory adjustments (Total, Employee business expense). Rows include All returns, total, and various income brackets from No adjusted gross income to \$1,000,000 or more.

Statutory adjustments — Continued

Table with columns for Size of adjusted gross income, Payments to an individual retirement arrangement, Payments to a Keogh, Alimony paid, Deduction for working married couple, and Exemptions (Number of exemptions, Exemptions other than age or blindness). Rows include All returns, total, and various income brackets from No adjusted gross income to \$1,000,000 or more.

Footnotes at end of table.

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

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

Size of adjusted gross income	Contributions deduction for nonitemizers		Returns with itemized deductions							
	Number of returns	Amount	Number of returns	Total itemized deductions	Medical and dental expense deduction		Taxes paid deduction		Interest paid deduction	
					Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)
All returns, total.....	23,073,489	1,174,145	38,223,010	358,427,100	10,628,206	21,349,054	37,938,974	115,917,237	34,572,310	155,203,539
No adjusted gross income.....	—	—	—	—	—	—	—	—	—	—
\$1 under \$1,000.....	155,846	4,509	42,552	367,967	30,007	72,606	40,722	27,402	32,154	219,976
\$1,000 under \$2,000.....	301,395	12,311	146,167	235,405	23,775	33,720	113,806	43,032	27,038	139,469
\$2,000 under \$3,000.....	383,735	14,499	149,086	344,445	42,040	81,918	132,906	51,215	39,065	131,264
\$3,000 under \$4,000.....	714,534	27,917	99,622	280,814	27,622	66,927	71,337	40,772	35,312	115,578
\$4,000 under \$5,000.....	849,619	35,885	231,382	1,143,418	115,730	362,955	172,904	159,515	111,829	424,876
\$5,000 under \$6,000.....	893,615	38,140	271,456	1,388,644	208,617	630,434	253,445	225,434	169,903	346,290
\$6,000 under \$7,000.....	1,046,683	50,164	310,137	1,620,814	216,459	476,339	308,303	303,748	224,409	518,502
\$7,000 under \$8,000.....	1,152,538	56,670	281,002	1,482,300	210,204	587,897	263,646	228,315	186,099	435,705
\$8,000 under \$9,000.....	1,215,519	61,191	409,042	2,269,311	297,318	845,527	388,818	362,693	301,468	785,045
\$9,000 under \$10,000.....	1,108,559	54,585	344,687	1,944,219	242,683	629,239	328,508	360,800	265,361	698,478
\$10,000 under \$11,000.....	1,181,028	60,138	459,377	2,480,765	309,620	783,435	457,547	533,851	349,605	800,393
\$11,000 under \$12,000.....	1,056,572	43,589	547,686	2,912,823	338,887	636,008	545,856	652,703	453,592	1,151,071
\$12,000 under \$13,000.....	1,041,948	54,924	526,216	2,628,146	310,061	480,123	514,076	633,904	420,051	1,000,821
\$13,000 under \$14,000.....	957,532	49,760	582,118	3,609,087	328,020	1,044,255	575,191	707,672	503,737	1,325,064
\$14,000 under \$15,000.....	917,538	48,013	510,536	2,686,383	258,293	444,268	510,536	671,187	425,417	1,118,251
\$15,000 under \$16,000.....	905,012	44,943	684,526	3,811,169	372,464	612,437	684,526	901,667	599,249	1,624,658
\$16,000 under \$17,000.....	847,037	43,962	711,540	3,983,171	314,273	672,135	707,495	1,063,355	633,766	1,574,015
\$17,000 under \$18,000.....	876,963	46,417	688,928	3,913,004	315,102	603,529	686,928	1,053,921	595,721	1,822,708
\$18,000 under \$19,000.....	712,477	37,720	783,529	4,539,791	372,958	665,372	783,529	1,228,584	709,089	1,868,730
\$19,000 under \$20,000.....	613,628	33,347	776,799	4,293,407	305,599	429,492	765,827	1,189,324	704,385	1,871,733
\$20,000 under \$25,000.....	2,568,316	139,559	4,219,906	26,374,988	1,540,229	2,261,872	4,213,515	7,668,907	3,872,379	11,910,873
\$25,000 under \$30,000.....	1,597,036	91,518	4,770,842	33,530,975	1,301,902	1,850,568	4,762,142	10,401,845	4,483,727	15,587,874
\$30,000 under \$40,000.....	1,384,158	78,216	8,859,794	72,612,788	1,786,631	3,125,366	8,851,092	23,882,308	8,400,649	33,870,774
\$40,000 under \$50,000.....	401,941	23,614	5,359,898	52,994,103	747,117	1,401,436	5,351,196	18,667,038	5,075,031	24,341,798
\$50,000 under \$75,000.....	162,335	10,843	4,443,529	59,685,442	498,218	1,558,134	4,440,761	21,171,507	4,142,196	26,891,667
\$75,000 under \$100,000.....	18,634	1,194	1,009,107	19,839,487	77,715	490,836	1,008,912	7,064,850	912,718	8,752,162
\$100,000 under \$200,000.....	7,567	500	756,311	22,348,602	33,926	322,102	756,311	8,047,869	677,621	9,285,840
\$200,000 under \$500,000.....	1,545	105	201,064	12,347,873	6,059	174,335	200,989	4,599,448	178,451	4,018,084
\$500,000 under \$1,000,000.....	120	8	31,612	4,045,638	550	19,124	31,806	1,581,310	27,758	1,238,300
\$1,000,000 or more.....	59	4	16,549	6,711,118	127	6,566	16,534	2,493,060	14,530	1,532,537
Taxable returns, total.....	20,701,598	1,069,832	36,398,673	337,234,933	8,350,036	16,239,866	36,202,417	113,081,378	33,110,239	146,292,260
Nontaxable returns, total.....	2,371,891	104,313	1,824,337	19,192,167	1,278,170	5,109,189	1,736,557	2,835,859	1,462,071	8,911,279

Size of adjusted gross income	Returns with itemized deductions—Continued						Taxable income		Income tax before credits	
	Contributions deduction		Miscellaneous deductions		Net casualty or theft loss		Number of returns	Amount	Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount				
(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	
All returns, total.....	34,880,082	42,419,604	31,550,214	20,739,666	244,751	798,000	94,444,394	1,714,704,713	84,661,717	310,963,054
No adjusted gross income.....	—	—	—	—	—	—	—	—	10,887	50,115
\$1 under \$1,000.....	34,647	8,999	25,448	38,933	*1,830	*51	**32,359	**64,884	**256,655	**12,726
\$1,000 under \$2,000.....	25,196	6,011	62,510	13,174	—	—	2,880,571	2,016,727	—	—
\$2,000 under \$3,000.....	74,448	37,617	**124,121	**85,982	**1,832	**97	3,028,078	4,490,909	169,884	27,630
\$3,000 under \$4,000.....	35,690	13,889	—	—	—	—	3,165,842	7,149,126	1,738,829	88,681
\$4,000 under \$5,000.....	116,640	47,050	137,680	147,892	*1,830	*1,128	3,484,109	10,122,843	2,634,051	322,512
\$5,000 under \$6,000.....	197,196	144,054	148,197	37,019	*4,045	*5,412	3,101,643	11,632,478	2,526,650	539,180
\$6,000 under \$7,000.....	259,335	162,301	191,458	122,970	*11,750	*36,953	3,259,796	14,382,240	2,656,704	814,591
\$7,000 under \$8,000.....	219,337	167,328	183,406	62,955	—	—	3,307,284	17,787,665	3,009,387	1,201,618
\$8,000 under \$9,000.....	294,557	193,559	263,207	77,528	*8,089	*4,959	3,397,058	21,280,000	3,200,639	1,607,288
\$9,000 under \$10,000.....	291,686	181,177	258,091	68,252	*5,874	*6,275	3,042,631	21,857,607	2,948,231	1,797,620
\$10,000 under \$11,000.....	398,792	265,268	310,923	94,883	*8,089	*22,936	2,951,237	23,560,161	2,888,571	2,059,885
\$11,000 under \$12,000.....	499,911	375,152	391,569	97,889	—	—	2,963,185	26,546,913	2,921,881	2,485,403
\$12,000 under \$13,000.....	447,907	370,791	400,504	137,942	*3,006	*5,565	2,901,031	28,346,730	2,872,729	2,798,126
\$13,000 under \$14,000.....	485,865	331,512	450,367	168,790	*14,773	*31,794	2,722,506	29,145,745	2,696,858	3,065,516
\$14,000 under \$15,000.....	439,305	350,270	385,000	102,407	—	—	2,442,821	28,349,474	2,429,641	3,068,260
\$15,000 under \$16,000.....	614,036	452,117	534,444	213,368	*9,919	*6,922	2,462,412	30,586,401	2,439,028	3,425,203
\$16,000 under \$17,000.....	624,070	453,278	550,522	220,368	—	—	2,428,976	32,080,722	2,414,499	3,679,276
\$17,000 under \$18,000.....	598,184	421,275	545,824	193,780	*10,598	*17,792	2,394,200	33,862,337	2,384,689	4,057,682
\$18,000 under \$19,000.....	672,747	488,973	623,787	293,469	*3,684	*665	2,180,303	32,722,264	2,177,243	4,010,788
\$19,000 under \$20,000.....	685,615	574,479	600,307	217,934	*3,205	*10,445	2,036,905	32,499,802	2,032,073	4,079,160
\$20,000 under \$25,000.....	3,734,972	2,864,874	3,536,209	1,573,139	36,362	95,322	8,834,535	181,636,911	8,819,782	21,650,377
\$25,000 under \$30,000.....	4,331,526	3,476,725	3,987,447	2,013,085	33,660	200,878	7,622,240	168,164,357	7,611,147	24,484,301
\$30,000 under \$40,000.....	8,200,105	7,164,240	7,607,220	4,408,300	49,695	181,800	11,092,718	306,331,279	11,089,033	49,820,410
\$40,000 under \$50,000.....	5,116,561	5,653,613	4,608,872	2,890,660	9,113	39,557	5,992,541	211,664,655	5,992,920	39,622,006
\$50,000 under \$75,000.....	4,315,198	6,669,561	3,874,376	3,370,425	19,712	78,148	4,685,618	216,599,559	4,684,689	48,309,480
\$75,000 under \$100,000.....	992,960	2,379,299	883,333	1,136,382	5,382	15,958	1,038,878	68,589,236	1,038,629	18,826,960
\$100,000 under \$200,000.....	740,180	3,134,164	653,969	1,536,524	1,776	20,102	787,838	78,868,952	767,568	26,417,970
\$200,000 under \$500,000.....	196,130	2,807,057	170,318	770,101	483	17,947	202,654	45,308,582	202,538	19,002,030
\$500,000 under \$1,000,000.....	30,991	955,229	26,786	242,265	42	9,409	31,700	17,516,463	31,689	8,190,988
\$1,000,000 or more.....	16,295	2,269,742	14,319	401,231	*22	*7,983	16,593	31,436,700	16,593	15,447,271
Taxable returns, total.....	33,218,336	40,983,837	30,402,320	20,027,069	215,174	610,524	81,813,883	1,884,888,234	81,828,115	309,916,418
Nontaxable returns, total.....	1,461,746	1,435,768	1,147,894	712,598	29,577	187,476	12,630,531	29,716,479	2,832,602	1,148,636

Footnotes at end of table.

Individual Returns/1984

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

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

Size of adjusted gross income	Total tax credits		Income tax after credits		Alternative minimum tax		Total income tax				Total tax liability	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Percent of all returns	Amount	Average (dollars)	Number of returns	Amount
	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)
All returns, total	20,530,609	8,901,812	81,789,254	302,061,242	237,305	1,899,861	81,850,383	82.2	303,969,892	3,714	83,738,512	315,023,856
No adjusted gross income	4,915	2,151	10,237	47,963	7,722	219,261	17,966	1.9	267,493	14,889	219,896	398,739
\$1 under \$1,000	**	**	*4,045	*121	**	**	*4,046	0.2	*144	36	50,657	16,935
\$1,000 under \$2,000	**12,136	**688	240,474	11,918	**12	**173	240,485	6.9	12,068	50	412,660	36,894
\$2,000 under \$3,000	—	—	169,884	27,630	*244	*4,602	170,128	5.0	32,232	189	344,914	78,085
\$3,000 under \$4,000	43,346	1,270	1,719,370	87,411	*50	*502	1,719,420	50.3	87,913	51	1,891,150	167,554
\$4,000 under \$5,000	234,952	12,138	2,436,928	310,374	*49	*2,071	2,436,977	67.4	312,445	128	2,573,290	387,512
\$5,000 under \$6,000	389,819	42,738	2,202,339	498,442	*19	*338	2,202,358	68.1	496,780	226	2,336,992	580,028
\$6,000 under \$7,000	601,869	90,688	2,144,881	723,903	**201	**1,164	2,145,081	64.4	725,053	338	2,291,464	825,853
\$7,000 under \$8,000	790,816	156,148	2,467,560	1,045,470	**	**	2,467,561	73.4	1,045,484	424	2,585,556	1,166,025
\$8,000 under \$9,000	846,286	166,123	2,887,538	1,441,166	**1,719	**12,015	2,889,256	83.7	1,453,150	503	2,989,985	1,612,432
\$9,000 under \$10,000	850,438	128,172	2,774,213	1,669,448	**	**	2,774,214	90.1	1,669,479	602	2,833,061	1,823,088
\$10,000 under \$11,000	451,261	125,253	2,793,537	1,934,632	*635	*2,926	2,794,172	93.7	1,937,558	693	2,831,691	2,141,956
\$11,000 under \$12,000	363,279	121,577	2,815,785	2,363,825	*197	*2,382	2,815,982	94.1	2,366,188	840	2,886,631	2,581,928
\$12,000 under \$13,000	453,644	150,786	2,779,865	2,647,340	*59	*1,993	2,779,824	95.6	2,649,333	953	2,817,698	2,820,316
\$13,000 under \$14,000	443,338	147,833	2,620,472	2,917,683	*74	*2,552	2,620,540	95.3	2,920,235	1,114	2,656,383	3,077,835
\$14,000 under \$15,000	421,213	148,106	2,400,148	2,920,153	*9	*202	2,400,157	98.1	2,920,356	1,217	2,424,589	3,139,755
\$15,000 under \$16,000	495,858	154,619	2,418,987	3,270,585	*198	*2,163	2,419,185	98.1	3,272,748	1,353	2,438,751	3,507,930
\$16,000 under \$17,000	477,469	157,370	2,382,728	3,521,905	*190	*1,289	2,382,871	97.8	3,523,194	1,479	2,403,001	3,727,981
\$17,000 under \$18,000	379,100	125,989	2,363,439	3,931,693	*548	*5,092	2,363,986	98.6	3,936,786	1,665	2,382,550	4,123,411
\$18,000 under \$19,000	402,146	132,208	2,143,029	3,678,581	*1,176	*777	2,143,029	98.1	3,679,358	1,810	2,161,589	4,033,903
\$19,000 under \$20,000	401,929	139,234	2,015,536	3,939,926	*599	*12,469	2,016,135	98.9	3,952,395	1,960	2,031,316	4,166,436
\$20,000 under \$25,000	2,035,803	665,172	8,735,369	20,985,205	7,552	17,628	8,739,127	98.7	21,002,833	2,403	8,792,492	22,000,245
\$25,000 under \$30,000	2,050,003	716,883	7,549,858	23,767,418	6,539	8,473	7,550,769	98.9	23,775,891	3,149	7,587,487	24,781,965
\$30,000 under \$40,000	3,302,513	1,128,167	11,029,869	48,692,243	27,961	74,953	11,035,091	99.4	48,767,196	4,419	11,063,857	50,219,912
\$40,000 under \$50,000	1,992,139	836,251	5,870,404	38,785,754	49,939	67,360	5,981,231	99.8	38,853,114	6,496	5,986,180	39,933,245
\$50,000 under \$75,000	1,899,156	971,284	4,668,545	47,338,197	49,462	240,884	4,683,316	99.8	47,579,080	10,159	4,687,095	49,055,571
\$75,000 under \$100,000	522,094	434,737	1,030,333	18,392,222	27,078	149,876	1,036,650	99.7	18,542,734	17,887	1,038,217	19,172,749
\$100,000 under \$200,000	472,508	948,605	763,637	25,469,365	34,956	408,421	769,136	99.8	25,879,298	33,647	769,488	26,592,853
\$200,000 under \$500,000	152,226	556,281	202,025	18,445,749	16,624	414,547	203,123	99.7	18,662,592	92,863	203,368	19,247,764
\$500,000 under \$1,000,000	25,743	223,871	31,639	7,967,117	2,268	111,029	31,834	99.8	8,079,442	253,799	31,870	8,221,961
\$1,000,000 or more	14,690	417,471	16,581	15,029,800	1,224	134,736	16,631	99.8	15,167,318	911,991	16,636	15,382,994
Taxable returns, total	17,698,007	7,755,176	81,789,254	302,061,242	237,305	1,899,861	81,850,383	100.0	303,969,892	3,714	81,850,383	313,850,638
Nontaxable returns, total	2,832,602	1,146,636	—	—	—	—	—	—	—	—	1,888,129	1,173,218

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 ** Data combined to avoid disclosure of information for specific taxpayers.
 n.a. — Not available.
 NOTE: Detail may not add to total because of rounding.

Crude Oil Windfall Profit Tax, Second Quarter 1985

By Edward Chung*

The Crude Oil Windfall Profit Tax Act of 1980 imposed a Federal excise tax on domestic crude oil extracted on or after March 1, 1980.

Tables 1 through 3 provide summary data for the second quarter of 1985 while Tables 4 through 6 give the cumulative results for the first half of 1985. Figures A and B, as well as Table 7, provide a historical perspective.

Please note that tier one (70 percent) Sadlerochit oil dropped from 88.5 million barrels in the first quarter of 1985 to 2.7 million barrels in the second quarter. This decline was primarily due to several oil companies, with significant amounts of production, reporting zero tax liability for this tier of oil.

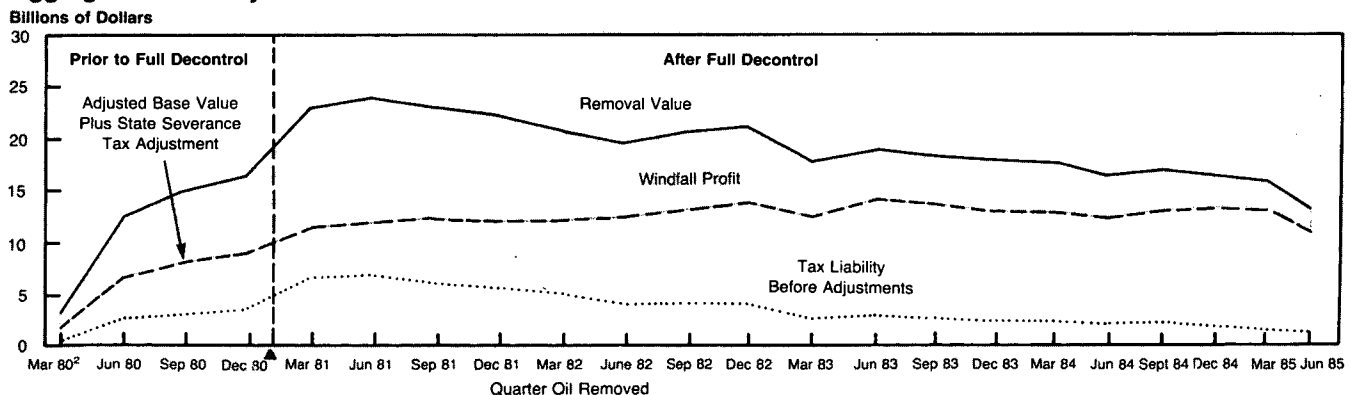
DATA SOURCES AND LIMITATIONS

The windfall profit tax is reported on the Quarterly Federal Excise Tax Return, Form 720. Form 6047, Windfall Profit Tax, shows how the

tax is computed and is filed as an attachment to Form 720. Tabulations in this article are based on the Form 6047. Returns are due 2 months after the end of the quarter in which the oil is removed. Data are based on all returns with a tax liability of \$1 million or more before adjustments and a 10-percent sample of all other returns.

Sampling and nonsampling errors were controlled by a variety of methods. Although efforts were made to secure missing returns, some returns may have been omitted because of time and resource constraints. Attempts were made to correct imbalances in taxpayer entries for the components of windfall profit; if this proved impossible, an out-of-balance return was treated as a return on which the components were not reported, and therefore only the tax liability for each tier was tabulated. However, for returns not reporting the tax computation detail (for Figures A and D only), the components were estimated using a factor derived from the relationship of the tax

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

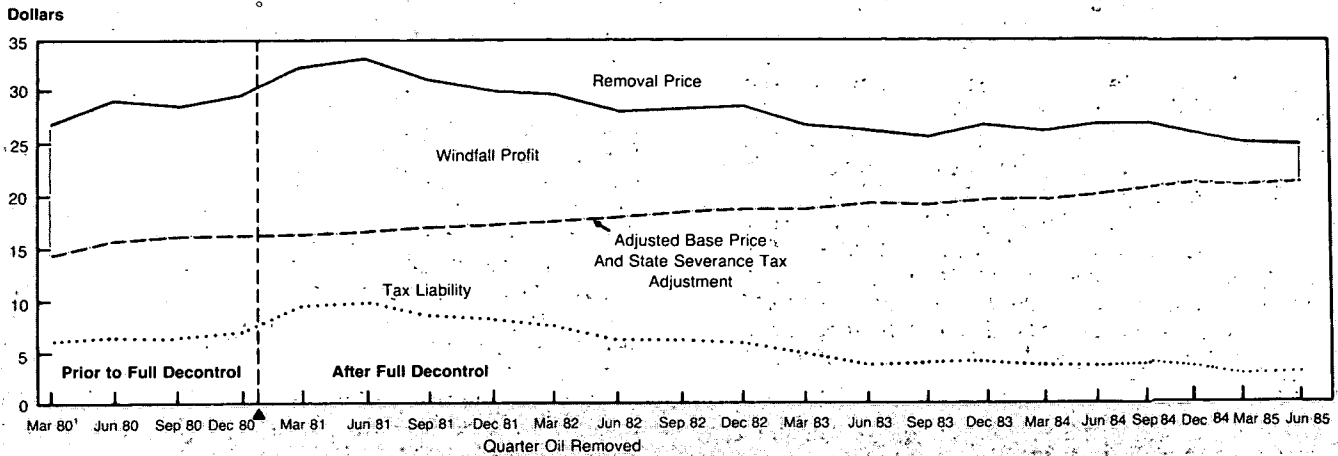


¹Some returns report windfall profit tax liability only; therefore, data for removal value, adjusted base value and state severance tax adjustment have been adjusted to reflect totals as if all returns reported this detail.

²One month only.

*Foreign Special Projects Section. Prepared with the assistance of Patricia Slaughter under the direction of Michael Alexander, Chief.

Figure B
Components of Windfall Profit Tax Liability:
Averages per Barrel by Quarter Oil Removed



NOTE: Because of price controls during 1980, there were cases where the removal price was less than the adjusted base price and no Form 6047 was filed. The data in the figure are based on information reported.

¹One month only.

liability for those reporting all of the tax computation detail. A number of verification checks were performed at all stages of manual data abstraction and computer tabulation.

The Statistics of Income Bulletin also includes data on excise tax collections. The excise tax collection figures show the liability after adjustments, as reported on Form 720, from returns entered into the Internal Revenue Service (IRS) computerized Business Master File (BMF) each quarter. A number of considerations affect comparisons of data from these two sources. Returns are not due until 2 months after the close of the taxable quarter; however, the interval between the close of the taxable period and the final recording of the return often varies, so that the quarterly BMF totals may represent more than one taxable period. On the other hand, the data presented here have been tabulated for specific taxable periods. As a result, the two sets of statistics are not directly comparable.

DEFINITIONS

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

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

Adjustments to Liability.--Corrections applied to the current quarter's liability to

correct for the net income limitation and over- and under-withholding in previous quarters.

Base Price.--For tier one oil, the upper tier ceiling price, as defined by Department of Energy price control regulations, which would have applied to the oil had it been produced and sold in May 1979, reduced by \$0.21. For tiers two and three oil, the base prices were \$15.20 and \$16.55, respectively, adjusted for grade and quality.

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

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

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

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

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

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

Exempt Royalty Oil.--Qualified royalty owners are exempt from the windfall profit tax on two barrels of oil per day for each day of the calendar quarter for oil removed after December 31, 1981. For 1985 and thereafter, three barrels per day will be exempt.

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

- (1) the oil must be removed from a stripper well property after 1982,
- (2) the oil must be extracted by an independent producer,
- (3) the oil must be attributable to the independent producer's working interest in the property, and

(4) the stripper well property must not be a property transferred by a nonindependent producer on or after July 23, 1981.

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

Net Revenue.--This equals the gross revenue from the windfall profit tax, or excise tax (excluding that amount attributable to U.S. government interests), less the reduction of income tax resulting from taxpayers claiming deductions for windfall profit tax paid. Figures presented in this report are the gross liabilities reported by the withholding agents on Form 6047 and are before the reductions mentioned above.

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

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

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

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

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

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

Tier Three Oil, Heavy Oil.--All crude oil (1) produced that had a weighted average gravity of 16.0 degrees or less on the American Petroleum Institute (API) scale, corrected to 60 degrees Fahrenheit, for the last month of production

before July 1979, or (2) oil from a property with a weighted average gravity of 16.0 degrees API or less, corrected to 60 degrees Fahrenheit, for the taxable period.

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

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

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

Table 1.--Windfall Profit Tax Liability by Oil Tier, Tax Rate and Aggregate Components of Windfall Profit for Quarter Ending June 1985

[Money amounts are in millions of dollars]

Oil tier and tax rate	Number of barrels of oil (000's)	Removal value	Adjusted base value	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with tax liability shown by oil tier and tax rate, total	473,539	11,953	9,753	92	2,108	1,470
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent	222,823	5,826	3,961	69	1,796	1,247
Taxed at 50 percent	20,230	529	362	10	157	80
Tier one, Sadlerochit oil:						
Taxed at 70 percent	2,703	49	48	0	1	1
Taxed at 50 percent	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent	46,100	1,195	973	8	214	121
Taxed at 30 percent	2,693	40	34	-	6	6
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	102,942	2,508	2,592	3	-86	5
Incremental tertiary oil	44,582	1,131	1,105	1	25	9
Heavy oil	31,465	675	680	-	-5	2
Returns with total tax liability only	-	-	-	-	-	183

¹Newly discovered oil is taxed at 22.5 percent from 1984 to 1987.

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

Table 2.--Windfall Profit Tax Liability for Returns Reporting Components of Windfall Profit by Oil Tier and Tax Rate for the Quarter Ending June 1985¹

Oil tier and tax rate	Average daily production (000's) (barrels)	Removal price	Adjusted base price	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with tax liability shown by oil tier and tax rate, total	5,204	25.24	20.59	.19	4.46	3.10
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent	2,449	26.14	17.77	.30	8.07	5.59
Taxed at 50 percent	222	26.13	17.88	.49	7.76	3.95
Tier one, Sadlerochit oil:						
Taxed at 70 percent	30	18.10	17.73	.04	.33	.23
Taxed at 50 percent	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent	507	25.91	21.09	.17	4.65	2.63
Taxed at 30 percent	30	14.84	12.50	.12	2.22	2.17
Tier three oil (taxed at 30 percent):						
Newly discovered oil ²	1,131	24.36	25.17	.02	-.83	.04
Incremental tertiary oil	490	25.37	24.77	.03	.57	.19
Heavy oil	346	21.44	21.59	.00	-.15	.05

¹All amounts are average dollars per barrel.²Newly discovered oil is taxed at 22.5 percent from 1984 to 1987.

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

Table 3.--Exempt Oil Volume by Tier and Category, Quarter Ending June 1985

[Thousands of barrels]

Exempt Oil	Total	Tier one	Tier two	Tier three		
				Newly discovered oil	Incremental tertiary oil	Heavy oil
	(1)	(2)	(3)	(4)	(5)	(6)
Total	76,293	16,798	40,244	17,480	1,210	562
Exempt governmental interest	16,713	12,904	747	1,963	671	428
Exempt charitable interest	827	406	249	71	94	7
Exempt Indian oil	1,157	443	166	469	75	5
Exempt Alaskan oil	10,985	97	-	10,888	-	-
Exempt royalty oil	10,912	2,947	3,384	4,089	370	122
Exempt stripper oil	35,699	-	35,699	-	-	-

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

Table 4.--Windfall Profit Tax Liability by Oil Tier, Tax Rate and Aggregate Components of Windfall Profit for January to June 1985

[Money amounts are in millions of dollars]

Oil tier and tax rate	Number of barrels of oil (000's)	Removal value	Adjusted base value	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with tax liability shown by oil tier and tax rate, total	1,087,384	27,112	22,251	213	4,648	3,214
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent	475,337	12,564	8,465	152	3,946	2,700
Taxed at 50 percent	43,141	1,121	773	22	326	166
Tier one, Sadlerochit oil:						
Taxed at 70 percent	91,181	1,595	1,595	5	-5	18
Taxed at 50 percent	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent	97,350	2,550	2,055	20	476	272
Taxed at 30 percent	5,377	80	68	1	11	12
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	225,462	5,642	5,803	9	-169	20
Incremental tertiary oil	87,013	2,223	2,151	4	68	22
Heavy oil	62,524	1,336	1,341	0	-6	5
Returns with total tax liability only	-	-	-	-	-	289

¹ Newly discovered oil is taxed at 22.5 percent from 1984 to 1987.

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

Table 5.--Windfall Profit Tax Liability for Returns Reporting Components of Windfall Profit by Oil Tier and Tax Rate for January to June 1985 ¹

Oil tier and tax rate	Average daily production (000's) (barrels)	Removal price	Adjusted base price	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with tax liability shown by oil tier and tax rate, total	6,008	24.93	20.46	.20	4.27	2.96
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent	2,626	26.43	17.81	.32	8.30	5.68
Taxed at 50 percent	238	26.00	17.92	.51	7.57	3.85
Tier one, Sadlerochit oil:						
Taxed at 70 percent	504	17.50	17.49	.06	-.05	.19
Taxed at 50 percent	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent	538	26.19	21.11	.20	4.89	2.79
Taxed at 30 percent	30	14.88	12.62	.14	2.12	2.16
Tier three oil (taxed at 30 percent):						
Newly discovered oil ²	1,246	25.03	25.74	.04	-.75	.09
Incremental tertiary oil	481	25.55	24.72	.04	.79	.25
Heavy oil	345	21.36	21.45	.00	-.09	.08

¹All amounts are average dollars per barrel.²Newly discovered oil is taxed at 22.5 percent from 1984 to 1987.

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

Table 6.--Exempt Oil Volume by Tier and Category, for January to June 1985

[Thousands of barrels]

Exempt Oil	Total	Tier one	Tier two	Tier three		
				Newly discovered oil	Incremental tertiary oil	Heavy oil
	(1)	(2)	(3)	(4)	(5)	(6)
Total	157,697	34,191	84,006	35,938	2,405	1,158
Exempt governmental interest	33,709	26,156	1,463	3,873	1,336	882
Exempt charitable interest	1,796	852	543	201	180	19
Exempt Indian oil	1,991	828	346	682	129	6
Exempt Alaskan oil	23,197	228	-	22,969	-	-
Exempt royalty oil	22,139	6,128	6,787	8,212	760	252
Exempt stripper oil	74,865	-	74,865	-	-	-

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

Table 7.--Windfall Profit Tax Before and After Adjustments
[Millions of dollars]

Quarter ending	Tax before adjustments	Total adjustments	Tax after adjustments
	(1)	(2)	(3)
Total	\$79,299	-\$5,424	\$73,875
March 1980 ¹	788	-	788
June 1980	2,842	-21	2,821
September 1980	3,413	-88	3,325
December 1980	3,918	-927	2,991
March 1981	6,953	+242	7,195
June 1981	7,253	-107	7,146
September 1981	6,344	-251	6,093
December 1981	6,007	-497	5,510
March 1982	5,222	-221	5,001
June 1982	4,283	-295	3,988
September 1982	4,404	-445	3,959
December 1982	4,440	-634	3,806
March 1983	3,320	-193	3,127
June 1983	2,951	-203	2,748
September 1983	2,822	-300	2,522
December 1983	2,736	-465	2,271
March 1984	2,622	-228	2,394
June 1984	2,468	-218	2,250
September 1984	2,447	-200	2,247
December 1984	2,236	-256	1,980
March 1985	1,830	-117	1,713
June 1985	1,653	-132	1,521

¹One-month-only.

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NOTICE

The data on the following pages are the latest and most accurate available at time of publication. However, they are subject to continuous revision as more information becomes available. Data labeled as preliminary should be used with caution.

Selected Statistical Series, 1970-86

Table 1. — Individual Income Tax Returns: Selected Income and Tax Items for Selected Years, 1970-1984
 [All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	1970	1975	1980	1982	1983	1984 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns:						
All returns	74,279,831	82,229,332	93,902,469	95,337,432	96,321,310	99,604,775
Joint returns	42,376,365	44,140,085	45,243,211	46,697,648	46,363,787	47,731,750
Total gross income, amount	639,357,791	962,886,872	1,642,345,558	1,917,022,530	2,023,982,876	2,247,440,765
Salaries and wages:						
Number of returns	66,965,659	73,520,046	83,802,109	83,106,842	83,120,588	86,346,235
Amount	531,883,892	795,399,462	1,349,842,802	1,564,995,190	1,644,572,655	1,818,588,323
Interest received:						
Number of returns	32,630,355	40,378,240	49,019,575	52,841,721	57,076,334	62,199,616
Amount	22,021,267	43,433,554	102,009,444	157,021,475	153,805,163	173,855,732
Taxable pensions and annuities:						
Number of returns	3,249,558	5,088,937	7,373,704	8,824,885	10,120,721	11,572,923
Amount	7,878,808	20,886,871	43,339,736	60,123,166	69,813,961	80,003,021
Dividends:						
No. of returns before exclusion ..	12,452,227	13,370,427	14,640,139	17,186,673	17,620,109	18,564,113
Amount	17,018,148	23,270,182	43,567,241	54,044,825	50,411,519	51,309,681
No. of returns after exclusion ...	7,729,939	8,853,491	10,738,982	13,172,360	13,326,556	14,154,993
Amount	15,806,924	21,892,126	38,761,253	52,142,410	48,556,703	49,396,478
Net capital gain less loss:						
Number of returns	7,962,663	7,574,823	8,929,474	9,636,414	10,917,709	12,374,534
Amount	9,006,683	14,071,893	29,659,600	34,403,728	49,407,678	52,805,522
Business net income (less loss):						
Number of returns	6,159,985	7,242,542	8,881,119	10,092,322	10,682,124	11,229,289
Amount	30,554,201	39,421,478	55,129,154	50,573,164	60,359,154	69,915,552
Total adjustments:						
Number of returns	6,370,552	9,024,255	13,148,919	33,421,412	34,837,711	37,191,980
Amount	7,665,251	15,101,999	28,614,061	64,887,065	81,393,011	89,702,665
Married couple who both work:						
Number of returns	N/A	N/A	N/A	21,690,558	22,557,433	24,320,469
Amount	N/A	N/A	N/A	9,048,263	19,762,365	22,602,083
Individual Retirement Arrangement:						
Number of returns	N/A	1,211,794	2,564,421	12,010,038	13,613,167	15,358,972
Amount	N/A	1,436,443	3,430,894	28,273,852	32,060,627	35,773,272
Self-Employed Retirement (Keogh):						
Number of returns	591,655	595,892	568,936	559,011	656,038	659,238
Amount	847,692	1,603,788	2,007,666	2,482,594	2,937,980	4,108,267
Adjusted gross income	631,692,540	947,784,873	1,613,731,497	1,852,135,465	1,942,589,865	2,157,738,100
Exemptions:						
Total number	204,126,402	212,202,596	227,925,098	232,191,565	234,390,944	241,493,051
Number, age 65 or over	8,904,331	9,937,208	11,847,168	13,955,570	14,819,860	15,824,479
Total amount	127,531,204	159,140,845	227,569,280	232,142,140	234,390,944	241,493,051
Total deductions:						
Number of returns	73,862,448	81,585,541	88,491,251	90,283,236	90,816,724	95,071,466
Amount	120,549,755	233,181,778	346,000,155	425,157,106	448,667,194	497,701,988
Total itemized deductions:						
Number of returns	35,430,047	26,074,061	28,950,282	33,432,809	35,230,292	38,223,010
Amount	88,178,487	122,260,601	218,028,139	284,506,318	309,633,773	356,427,100
Medical and dental expense	10,585,749	11,422,312	14,972,082	21,705,262	18,074,335	21,349,054
Taxes paid	32,014,673	44,141,289	69,404,275	88,037,196	99,750,645	115,917,237
Interest paid	23,929,477	38,885,282	91,187,006	121,852,419	134,691,655	155,203,539
Contributions	12,892,732	15,393,331	25,809,608	33,471,694	37,677,955	42,419,604
Taxable income:						
Number of returns	59,593,598	65,852,602	88,104,696	89,717,836	90,816,724	94,444,394
Amount	401,154,285	595,492,866	1,279,985,360	1,473,348,899	1,544,872,497	1,714,704,713
Income tax before credits:						
Number of returns	59,596,755	65,854,734	76,135,819	78,349,842	80,610,882	84,661,717
Amount	84,156,695 ²	132,452,044	256,294,315	283,931,862	279,841,890	310,963,054
Total tax credits	369,610	8,069,846	7,215,839	7,854,493	8,190,737	8,901,812 ²
General tax credit	N/A	5,020,477	N/A	N/A	N/A	N/A
Investment credit	30,554	1,593,150	3,288,415	4,139,897	4,161,453	5,948,020
Foreign tax credit	169,623	381,985	1,341,645	757,326	617,749	579,321
Child care credit	N/A	N/A	956,439	1,501,453	2,051,462	2,665,426
Credit for the elderly	167,656	128,968	134,993	131,074	116,324	108,736
Residential energy credit	N/A	N/A	562,141	582,857	549,024	634,584
Earned income credit used to offset income tax before credits ..	N/A	252,141	451,366	359,717	314,499	286,691
Income tax after credits	83,787,323	124,382,197	249,078,475	276,077,369	271,651,153	302,061,242
Additional tax for tax preferences ...	121,988	144,100	1,262,964	1,519,921	2,530,170	1,908,651
Total income tax:						
Number of returns	59,317,371	61,490,737	73,906,244	77,035,300	78,016,323	81,850,383
Amount	83,909,311	124,526,297	250,341,440	277,597,290	274,181,323	303,969,892
Payment status:						
Returns with payment due	16,478,813	15,842,400	21,755,516	20,326,807	18,467,829	20,660,163
Returns with refund or credit due ..	55,273,385	63,825,188	69,868,451	72,425,701	74,993,969	76,275,924

See notes following Table 13.

Table 2. — Individual Income and Tax by State, 1984
[Money amounts are in thousands of dollars]

State	Number of returns	Number of exemptions ¹	Adjusted gross income (AGI)	Salaries and wages		Dividends after exclusion	
				Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total ²	99,752,249	239,616,963	2,134,035,012	85,071,114	1,781,778,658	14,128,770	51,039,143
Alabama.....	1,466,037	3,729,138	27,510,149	1,289,812	23,629,019	127,636	403,651
Alaska.....	235,342	541,176	6,521,339	209,237	5,935,380	55,035	61,434
Arizona.....	1,276,456	3,148,503	26,266,331	1,065,927	21,281,793	184,515	737,987
Arkansas.....	844,657	2,183,289	14,591,720	709,625	12,027,646	67,634	210,964
California.....	11,360,495	27,319,945	261,437,661	9,659,268	218,707,697	1,602,037	6,106,276
Colorado.....	1,410,396	3,252,922	31,260,319	1,216,918	26,693,694	208,977	635,461
Connecticut.....	1,539,588	3,408,010	39,026,841	1,324,526	32,524,805	311,475	1,335,259
Delaware.....	273,752	639,345	6,148,020	237,402	5,097,036	48,361	230,035
District of Columbia	316,428	648,554	7,142,767	273,781	5,550,460	44,738	268,233
Florida.....	4,905,553	11,594,614	101,264,658	3,914,520	72,842,092	857,128	4,558,531
Georgia.....	2,375,875	5,719,184	48,000,006	2,133,144	42,177,150	226,153	794,469
Hawaii.....	461,424	1,055,297	9,322,406	400,452	7,765,670	68,520	193,874
Idaho.....	368,546	990,884	6,577,681	304,436	5,480,486	44,599	123,598
Illinois.....	4,833,380	11,681,835	108,791,989	4,102,975	91,106,811	787,363	2,738,103
Indiana.....	2,237,755	5,525,994	45,223,206	1,906,784	38,501,781	255,626	723,368
Iowa.....	1,165,334	2,922,123	21,295,026	915,219	17,030,232	171,997	420,979
Kansas.....	1,010,998	2,496,801	21,020,130	834,098	17,088,564	140,992	415,424
Kentucky.....	1,342,328	3,354,595	24,936,186	1,136,154	20,881,422	126,511	453,931
Louisiana.....	1,644,979	4,229,245	33,071,191	1,449,850	28,111,751	151,982	529,954
Maine.....	488,025	1,155,368	8,698,656	418,654	7,084,108	65,093	249,268
Maryland.....	1,995,849	4,555,799	47,558,988	1,750,954	40,335,140	305,238	1,009,167
Massachusetts.....	2,722,247	5,953,060	61,671,995	2,356,725	51,139,848	464,420	1,702,087
Michigan.....	3,687,450	8,846,027	82,622,589	3,150,910	71,118,527	563,470	1,652,243
Minnesota.....	1,779,381	4,262,333	37,501,184	1,494,178	31,956,812	277,593	741,500
Mississippi.....	892,402	2,381,390	14,851,519	788,880	12,809,719	65,951	185,326
Missouri.....	2,053,771	4,983,834	41,834,149	1,718,416	34,660,520	267,990	1,003,425
Montana.....	339,743	842,948	5,758,469	270,198	4,626,452	51,468	133,706
Nebraska.....	674,745	1,671,184	12,147,832	543,807	10,069,618	93,451	241,259
Nevada.....	430,802	971,274	9,085,434	376,407	7,584,574	45,460	195,355
New Hampshire.....	462,335	1,052,678	9,988,865	405,530	8,344,754	70,454	265,783
New Jersey.....	3,675,451	8,555,020	89,340,546	3,201,037	75,690,379	689,227	2,269,956
New Mexico.....	571,773	1,455,538	10,432,983	493,780	8,834,702	64,001	203,293
New York.....	7,464,439	17,538,439	177,651,309	6,383,915	143,111,112	1,329,571	5,772,435
North Carolina.....	2,565,678	6,080,635	48,412,116	2,291,376	41,196,139	267,179	956,310
North Dakota.....	279,934	704,591	4,947,038	217,194	3,791,683	30,489	56,096
Ohio.....	4,446,458	10,681,804	93,270,160	3,794,796	79,290,060	631,406	2,035,990
Oklahoma.....	1,263,553	3,174,432	26,210,357	1,057,336	21,351,082	116,711	419,362
Oregon.....	1,109,872	2,687,189	21,581,695	908,679	17,488,438	160,883	487,132
Pennsylvania.....	4,982,979	11,698,481	101,855,139	4,171,500	83,578,761	803,045	2,690,682
Rhode Island.....	429,433	960,463	8,568,791	372,257	7,041,410	61,557	216,796
South Carolina.....	1,277,317	3,134,519	23,656,350	1,146,993	20,302,958	114,771	399,709
South Dakota.....	283,972	718,880	4,257,329	220,589	3,443,240	34,962	74,311
Tennessee.....	1,872,850	4,560,547	35,085,784	1,644,485	30,296,908	161,731	511,817
Texas.....	6,496,390	16,312,584	145,168,114	5,697,488	122,350,345	690,999	2,783,739
Utah.....	581,082	1,643,780	11,789,485	506,856	10,264,958	66,679	196,383
Vermont.....	225,343	523,894	4,126,972	192,524	3,353,959	39,506	150,819
Virginia.....	2,424,622	5,616,057	54,403,915	2,137,841	46,163,560	352,374	1,117,665
Washington.....	1,864,365	4,418,897	40,225,585	1,567,647	33,236,211	281,359	825,597
West Virginia.....	664,129	1,694,690	12,681,869	561,978	10,552,624	70,470	228,527
Wisconsin.....	1,999,972	4,789,147	39,810,558	1,693,936	33,752,634	298,598	861,136
Wyoming.....	207,546	521,993	4,372,968	178,774	3,777,118	26,153	92,381
Other areas ³	469,018	1,028,034	5,058,643	271,346	10,746,816	85,232	368,357

Table 2. (Continued) — Individual Income and Tax by State, 1984
 [Money amounts are in thousands of dollars]

State	Interest		Unemployment compensation in AGI		Itemized Deductions		
	Number of returns	Amount	Number of returns	Amount	Number of returns	Total Deductions	Average amount
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States, total ²	61,764,997	176,077,712	4,433,578	5,941,097	38,803,369	357,953,970	9,225
Alabama.....	734,673	1,690,765	74,868	67,077	554,890	4,225,055	7,614
Alaska.....	149,113	283,085	25,136	46,049	93,000	1,051,437	11,306
Arizona.....	764,274	2,535,925	31,619	33,965	575,399	5,334,988	9,272
Arkansas.....	439,409	1,346,519	35,122	33,854	263,815	2,046,016	7,755
California.....	6,932,440	22,990,669	498,303	696,556	4,900,602	57,669,065	11,768
Colorado.....	917,793	2,415,561	49,442	67,974	660,809	6,583,216	9,962
Connecticut.....	1,122,224	2,974,001	70,970	78,958	590,781	5,864,975	9,927
Delaware.....	166,224	388,021	13,203	16,701	112,369	992,000	8,828
District of Columbia	152,386	429,500	6,159	10,147	125,205	1,337,924	10,686
Florida.....	2,877,667	12,514,788	86,162	107,238	1,645,345	15,198,557	9,237
Georgia.....	1,154,971	2,835,725	90,495	68,200	847,039	7,810,394	9,221
Hawaii.....	336,810	722,525	19,483	30,925	189,399	1,852,314	9,780
Idaho.....	232,642	653,898	22,346	28,600	148,914	1,228,345	8,249
Illinois.....	3,238,496	9,664,419	239,861	397,697	1,880,875	16,186,085	8,606
Indiana.....	1,396,756	3,519,319	104,306	102,314	754,052	5,731,069	7,600
Iowa.....	858,859	2,755,526	56,801	67,475	481,774	3,537,273	7,342
Kansas.....	666,179	2,090,323	39,208	45,791	405,123	3,379,652	8,342
Kentucky.....	729,630	1,950,357	73,897	76,275	490,420	3,624,231	7,390
Louisiana.....	833,107	2,369,123	85,416	145,280	535,576	4,615,720	8,618
Maine.....	306,169	623,087	20,541	20,920	144,804	1,098,377	7,585
Maryland.....	1,272,504	2,951,296	69,046	92,992	938,285	9,261,934	9,871
Massachusetts.....	1,952,674	4,489,950	114,388	164,808	1,071,732	9,386,369	8,758
Michigan.....	2,475,017	5,619,090	270,855	375,626	1,737,787	14,488,031	8,337
Minnesota.....	1,292,880	3,214,151	84,973	134,641	889,916	8,111,663	9,115
Mississippi.....	379,014	1,041,341	33,800	31,986	259,001	2,065,620	7,975
Missouri.....	1,294,489	3,866,987	85,183	71,027	730,339	5,754,817	7,880
Montana.....	227,268	705,501	18,718	25,003	128,060	957,008	7,473
Nebraska.....	464,074	1,463,991	19,892	20,622	232,763	1,913,057	8,219
Nevada.....	231,857	780,392	21,331	27,165	152,867	1,494,879	9,779
New Hampshire.....	315,819	684,510	17,650	17,141	148,399	1,243,640	8,380
New Jersey.....	2,450,145	6,573,756	166,338	260,509	1,434,792	13,713,251	9,558
New Mexico.....	302,271	821,022	15,463	18,815	186,565	1,538,830	8,248
New York.....	5,076,747	15,594,028	303,523	458,622	3,471,167	34,788,324	10,022
North Carolina.....	1,342,650	2,969,664	116,104	86,124	949,983	7,581,697	7,981
North Dakota.....	197,554	623,657	12,352	18,578	85,253	650,117	7,626
Ohio.....	2,860,906	7,082,159	230,337	349,611	1,611,069	13,455,573	8,352
Oklahoma.....	702,219	2,309,429	40,926	51,672	509,140	4,658,308	9,149
Oregon.....	731,949	2,142,371	67,234	92,619	497,492	4,335,801	8,715
Pennsylvania.....	3,375,360	8,256,718	337,134	523,718	1,748,152	13,671,387	7,820
Rhode Island.....	279,628	708,202	26,733	30,528	152,433	1,263,209	8,287
South Carolina.....	625,438	1,357,682	53,834	41,724	502,822	3,928,001	7,812
South Dakota.....	187,514	601,007	5,015	5,118	72,621	526,176	7,246
Tennessee.....	943,603	2,443,557	71,379	62,090	524,811	4,215,953	8,033
Texas.....	3,376,772	11,412,430	158,929	231,376	2,086,406	20,564,440	9,856
Utah.....	371,722	742,977	23,695	30,949	292,239	2,678,298	9,165
Vermont.....	150,513	329,092	9,237	10,038	73,808	572,055	7,751
Virginia.....	1,423,743	3,372,886	71,358	64,675	973,200	9,355,648	9,613
Washington.....	1,228,399	3,542,553	126,536	197,926	715,742	6,344,082	8,864
West Virginia.....	394,420	902,224	51,829	80,102	173,160	1,317,079	7,606
Wisconsin.....	1,468,345	3,441,301	152,285	203,424	869,584	7,248,391	8,335
Wyoming.....	133,674	379,770	10,070	12,603	75,523	630,797	8,352
Other areas ³	226,007	900,882	4,093	7,269	108,067	872,842	8,077

Table 2. (Continued) — Individual Income and Tax by State, 1984
 [Money amounts are in thousands of dollars]

State	Tax liability			Earned income credit			
	Total tax		Average tax	Number of returns	Amount	Excess of tax liability	
	Number of Returns	Amount				Number of returns	Amount
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
United States, total ²	84,792,349	314,228,708	3,706	5,817,056	-1,653,907	4,244,270	-1,184,854
Alabama.....	1,213,417	3,624,991	2,987	152,493	-44,295	114,110	-32,434
Alaska.....	206,301	1,119,117	5,425	7,633	-2,012	5,069	-1,293
Arizona.....	1,077,849	3,546,875	3,291	76,747	-22,025	58,035	-16,521
Arkansas.....	694,900	1,890,354	2,720	86,961	-25,200	62,782	-17,717
California.....	9,641,659	37,923,424	3,933	680,605	-197,631	536,874	-154,380
Colorado.....	1,217,322	4,530,134	3,721	59,483	-16,839	42,167	-11,611
Connecticut.....	1,359,611	6,571,126	4,833	36,832	-10,041	25,545	-6,899
Delaware.....	236,306	893,486	3,781	14,158	-3,944	10,230	-2,838
District of Columbia	269,308	1,211,412	4,498	23,345	-6,734	18,250	-5,178
Florida.....	4,164,592	15,842,190	3,804	317,994	-91,648	228,383	-64,440
Georgia.....	2,009,150	6,637,944	3,304	200,529	-57,686	147,214	-41,547
Hawaii.....	392,619	1,224,322	3,118	17,085	-4,464	11,188	-2,940
Idaho.....	306,508	831,955	2,714	25,969	-7,431	17,847	-4,922
Illinois.....	4,115,059	16,921,715	4,112	236,719	-66,282	177,863	-49,119
Indiana.....	1,879,545	6,451,411	3,432	119,455	-33,527	85,495	-23,562
Iowa.....	975,559	2,955,652	3,030	59,511	-16,080	37,324	-9,528
Kansas.....	866,725	3,101,764	3,579	45,466	-12,557	30,491	-8,202
Kentucky.....	1,115,961	3,401,332	3,048	112,879	-32,372	78,702	-21,871
Louisiana.....	1,349,395	4,940,774	3,661	171,674	-49,246	131,653	-36,976
Maine.....	411,639	1,115,650	2,710	28,404	-7,968	19,011	-5,137
Maryland.....	1,742,179	7,498,313	4,304	84,822	-23,692	60,739	-16,749
Massachusetts.....	2,392,328	9,493,934	3,968	81,529	-22,853	57,245	-15,809
Michigan.....	3,131,703	11,765,561	3,757	151,138	-42,106	109,607	-29,869
Minnesota.....	1,528,293	4,948,611	3,238	70,342	-19,413	45,475	-11,637
Mississippi.....	709,395	1,908,928	2,691	137,867	-40,195	107,879	-30,617
Missouri.....	1,740,013	6,143,123	3,531	121,944	-34,177	84,917	-23,098
Montana.....	275,224	792,900	2,881	22,803	-6,335	15,490	-4,122
Nebraska.....	566,719	1,726,049	3,046	34,957	-9,572	22,117	-5,706
Nevada.....	368,593	1,417,961	3,847	20,928	-5,894	15,187	4,226
New Hampshire.....	403,276	1,496,998	3,712	14,929	-4,092	9,710	-2,612
New Jersey.....	3,254,296	14,139,138	4,345	148,258	-41,352	106,635	-29,837
New Mexico.....	460,255	1,401,155	3,044	53,458	-14,952	41,170	-11,337
New York.....	6,518,246	26,999,427	4,142	419,762	-120,170	308,521	-86,704
North Carolina.....	2,172,911	6,331,115	2,914	196,299	-55,328	134,970	37,634
North Dakota.....	236,393	702,361	2,971	15,592	-4,213	9,270	-2,330
Ohio.....	3,791,923	13,066,043	3,446	208,330	-57,937	149,950	-40,874
Oklahoma.....	1,061,346	3,912,753	3,687	88,340	-25,668	62,964	-17,702
Oregon.....	930,945	2,792,315	2,999	60,188	-17,227	43,272	-12,019
Pennsylvania.....	4,246,134	15,100,412	3,556	227,307	-63,280	160,290	-43,912
Rhode Island.....	370,423	1,176,704	3,177	18,284	-5,106	13,131	-3,643
South Carolina.....	1,066,420	2,973,792	2,789	112,554	-32,293	82,146	-23,302
South Dakota.....	229,962	593,135	2,579	21,378	-5,824	13,203	-3,312
Tennessee.....	1,563,224	4,925,824	3,151	164,358	-47,062	118,213	-33,105
Texas.....	5,462,932	24,076,502	4,407	486,404	-141,089	367,373	-104,976
Utah.....	487,233	1,400,287	2,874	28,291	-8,011	20,193	-5,561
Vermont.....	192,569	542,700	2,818	11,977	-3,275	7,780	-2,034
Virginia.....	2,103,563	7,763,991	3,691	116,596	-32,684	80,215	-22,352
Washington.....	1,594,103	5,887,949	3,694	80,909	-22,576	58,232	-15,896
West Virginia.....	556,564	1,697,656	3,050	52,349	-14,485	38,177	-10,522
Wisconsin.....	1,690,730	5,193,758	3,072	79,776	-21,825	53,823	-14,014
Wyoming.....	175,503	671,805	3,828	10,011	-2,838	6,973	-1,889
Other areas ³	265,526	951,880	3,585	1,434	-401	1,170	-340

See notes following Table 13.

Table 3. — Number of Individual Returns, Income, Tax and Average Tax by Size of Adjusted Gross Income, Tax Years 1980-1984
 [All figures are estimates based on samples — money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns for -		Total adjusted gross income		Taxable income	
	1981	1982	1981	1982	1981	1982
	(1)	(2)	(3)	(4)	(5)	(6)
Total	95,396,123	95,337,432	1,772,604,303	1,852,135,465	1,410,880,665	1,473,348,899
Less than \$1000	3,484,734	3,412,105	-16,952,842	-22,324,833	7,084	29,646
\$1,000 under \$3,000	7,855,771	7,573,825	15,691,845	15,122,101	7,064,102	6,717,217
\$3,000 under \$5,000	7,405,871	6,966,104	29,580,649	27,925,256	17,994,684	17,168,389
\$5,000 under \$7,000	7,251,941	6,682,490	43,446,800	39,885,078	29,153,117	26,709,472
\$7,000 under \$9,000	7,066,520	7,176,962	56,341,030	57,512,193	40,597,471	40,904,714
\$9,000 under \$11,000	6,514,144	6,421,665	65,051,373	64,229,520	49,147,621	47,995,843
\$11,000 under \$13,000	5,821,233	5,651,414	69,702,815	67,793,416	54,207,411	52,526,932
\$13,000 under \$15,000	5,190,200	5,414,103	72,548,282	75,702,223	57,705,230	59,652,891
\$15,000 under \$17,000	4,648,986	4,734,479	74,256,678	75,594,637	59,486,499	60,951,455
\$17,000 under \$19,000	4,291,557	3,964,008	77,161,287	71,295,728	62,056,343	57,689,594
\$19,000 under \$22,000	5,967,094	5,365,925	122,157,450	109,806,080	98,703,455	88,855,846
\$22,000 under \$25,000	5,207,693	5,273,703	122,181,884	123,853,268	98,956,187	100,054,304
\$25,000 under \$30,000	7,205,282	7,621,965	197,424,953	209,572,367	159,682,521	169,726,189
\$30,000 under \$35,000	5,294,687	5,646,966	171,601,299	182,644,120	138,893,019	146,947,632
\$35,000 under \$40,000	3,910,649	4,215,650	145,814,841	157,391,914	118,288,891	126,471,828
\$40,000 under \$50,000	4,182,389	4,176,532	185,322,655	208,952,374	149,273,745	166,018,176
\$50,000 under \$75,000	2,796,836	3,057,266	164,256,670	179,566,469	131,174,316	141,376,967
\$75,000 under \$100,000	645,884	702,064	55,099,048	59,748,095	43,524,621	46,720,423
\$100,000 under \$150,000	398,479	432,757	47,552,689	51,674,638	37,518,693	40,228,978
\$150,000 under \$200,000	118,037	138,082	20,164,437	23,616,649	15,842,213	18,710,797
\$200,000 under \$300,000	80,945	93,033	19,350,168	22,323,087	15,230,276	17,807,227
\$300,000 under \$500,000	37,147	47,245	13,906,555	17,650,665	10,788,043	14,153,358
\$500,000 under \$1,000,000	14,758	20,681	9,815,188	13,830,843	7,416,993	11,042,159
\$1,000,000 or more	5,286	8,408	11,128,551	18,769,578	8,168,130	14,888,860

Size of adjusted gross income	Total income tax ¹		Percent of filers with no income tax liability		Filers with income tax liability			
	1981	1982	1981	1982	Average tax (whole dollars)		Tax as percent of adj. gross inc.	
					1981	1982	1981	1982
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Total	284,128,989	277,597,301	19.6	19.2	3,703	3,604	16.5	15.4
Less than \$1,000	137,840	130,288	99.5	99.6	8,626 ²	9,298 ²	-	-
\$1,000 under \$3,000	43,465	35,182	95.5	95.0	123	92	6.0	5.0
\$3,000 under \$5,000	516,050	475,448	41.7	41.9	120	117	2.9	2.8
\$5,000 under \$7,000	1,761,464	1,473,139	32.0	31.4	357	321	5.9	5.4
\$7,000 under \$9,000	3,306,387	2,967,854	18.1	20.7	571	521	7.1	6.5
\$9,000 under \$11,000	5,150,823	4,462,848	5.2	6.8	834	746	8.3	7.4
\$11,000 under \$13,000	6,531,708	5,566,452	3.2	4.0	1,160	1,026	9.7	8.6
\$13,000 under \$15,000	7,601,053	7,002,695	2.2	2.3	1,498	1,324	10.7	9.5
\$15,000 under \$17,000	8,355,068	7,766,398	1.8	1.5	1,830	1,665	11.5	10.4
\$17,000 under \$19,000 M	9,226,778	7,786,372	1.3	1.8	2,179	2,001	12.1	11.1
\$19,000 under \$22,000	15,609,261	12,725,118	1.1	1.2	2,645	2,399	12.9	11.7
\$22,000 under \$25,000	16,563,264	15,378,094	.9	1.3	3,209	2,956	13.7	12.6
\$25,000 under \$30,000	28,474,945	27,852,640	.6	.6	3,976	3,676	4.5	13.4
\$30,000 under \$35,000	26,910,961	25,867,035	.4	.5	5,103	4,605	15.7	14.2
\$35,000 under \$40,000	24,834,220	24,098,091	.3	.5	6,370	5,743	17.1	15.4
\$40,000 under \$50,000	34,847,163	35,029,801	.6	.5	8,379	7,468	18.9	16.9
\$50,000 under \$75,000	36,299,454	35,892,383	.5	.5	13,050	11,803	22.2	20.1
\$75,000 under \$100,000	14,715,265	14,594,818	.4	.4	22,867	20,865	26.8	24.5
\$100,000 under \$150,000	14,619,378	14,385,740	.4	.2	36,828	33,321	30.9	27.9
\$150,000 under \$200,000	6,886,418	7,483,155	.2	.5	58,439	54,447	34.2	31.8
\$200,000 under \$300,000	7,183,611	7,651,434	.2	.2	88,930	82,400	37.2	34.3
\$300,000 under \$500,000	5,566,282	6,380,687	.1	.1	149,990	135,233	40.1	36.2
\$500,000 under \$1,000,000	4,100,676	5,222,845	.1	.1	278,182	252,751	41.8	37.7
\$1,000,000 or more	4,887,456	7,368,787	.1	.1	925,655	877,132	44.0	39.8

M - The median taxpayer was at this income level for both 1981 and 1982.
 See notes following Table 13.

Table 3. (Continued) — Number of Individual Returns, Income, Tax and Average Tax by Size of Adjusted Gross Income, Tax Years 1980-1984
 [All figures are estimates based on samples — money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns for -		Total adjusted gross income		Taxable income	
	1983	1984	1983	1984	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
Total	96,321,310	99,604,775	1,942,589,865	2,157,738,100	1,544,872,497	1,714,704,713
Less than \$1000	3,415,113	3,278,975	-25,592,802	-26,109,811	75,549	64,884
\$1,000 under \$3,000	7,253,408	6,890,411	14,482,816	13,751,393	6,757,833	6,507,635
\$3,000 under \$5,000	7,167,924	7,032,446	28,679,137	28,152,974	17,374,119	17,271,968
\$5,000 under \$7,000	6,734,360	6,565,774	40,321,353	39,523,643	26,472,290	26,014,718
\$7,000 under \$9,000	6,879,931	6,812,151	55,039,361	54,559,537	39,153,168	39,067,666
\$9,000 under \$11,000	6,205,165	6,061,321	61,927,394	60,493,249	46,314,016	45,417,768
\$11,000 under \$13,000	5,724,798	5,901,813	68,522,507	70,736,780	52,529,347	54,893,643
\$13,000 under \$15,000	5,161,674	5,197,424	72,217,107	72,584,936	57,062,111	57,495,219
\$15,000 under \$17,000	4,593,795	4,900,929	73,350,227	78,332,833	58,956,588	62,677,123
\$17,000 under \$19,000	4,291,218	4,582,056	77,093,374	82,376,790	62,209,794	66,684,601
\$19,000 under \$22,000	5,617,176	5,658,572	115,071,603	115,720,698	93,320,322	94,147,757
\$22,000 under \$25,000	5,115,957	5,231,897	120,238,524	122,896,184	97,650,110	99,988,956
\$25,000 under \$30,000	7,357,487	7,634,031	201,763,983	209,242,505	163,111,031	168,164,357
\$30,000 under \$35,000	6,011,290	6,036,828	194,666,035	195,775,367	156,601,086	156,344,474
\$35,000 under \$40,000	4,409,645	5,068,249	164,664,066	189,459,156	131,804,272	149,986,805
\$40,000 under \$50,000	5,147,782	5,995,701	228,225,122	266,380,033	181,289,066	211,664,655
\$50,000 under \$75,000	3,591,188	4,693,361	211,838,450	276,860,739	166,095,719	216,599,559
\$75,000 under \$100,000	822,840	1,040,069	70,011,841	88,468,300	54,345,021	68,583,236
\$100,000 under \$150,000	469,391	587,089	56,206,333	69,896,419	43,403,109	54,429,697
\$150,000 under \$200,000	152,560	183,413	26,170,484	31,391,169	20,312,767	24,437,255
\$200,000 under \$300,000	108,379	139,230	26,016,239	33,382,892	20,642,936	25,844,731
\$300,000 under \$500,000	53,960	64,467	20,144,746	24,231,723	15,959,347	19,464,852
\$500,000 under \$1,000,000	25,469	31,906	17,173,250	21,516,047	13,706,293	17,516,453
\$1,000,000 or more	10,800	16,662	24,358,715	38,114,546	19,726,601	31,436,700

Size of adjusted gross income	Total income tax ¹		Percent of filers with no income tax liability		Filers with income tax liability			
	1983	1984	1983	1984	Average tax (whole dollars)		Tax as percent of adj. gross inc.	
					1983	1984	1983	1984
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Total	274,181,323	303,969,892	19.0	17.8	3,514	3,714	14.5	14.4
Less than \$1,000	127,789	267,637	99.7	99.3	13,249	12,159	-	-
\$1,000 under \$3,000	51,414	44,300	93.4	94.0	108	108	5.7	5.6
\$3,000 under \$5,000	409,533	400,358	42.0	40.9	99	96	2.4	2.3
\$5,000 under \$7,000	1,310,055	1,221,833	33.7	33.8	293	281	4.9	4.7
\$7,000 under \$9,000	2,603,057	2,498,634	21.2	21.4	480	466	6.0	5.8
\$9,000 under \$11,000	3,888,167	3,607,037	8.3	8.1	684	648	6.8	6.5
\$11,000 under \$13,000	5,012,113	5,015,521	4.2	5.2	914	896	7.6	7.5
\$13,000 under \$15,000	6,066,527	5,840,591	2.7	3.4	1,208	1,163	8.6	8.3
\$15,000 under \$17,000	6,809,411	6,795,942	2.4	2.0	1,518	1,415	9.5	8.9
\$17,000 under \$19,000	7,664,811	7,816,144	1.6	1.6	1,816	1,734	10.1	9.6
\$19,000 under \$22,000 M.....	12,163,958	11,691,443	1.2	1.4	2,192	2,096	10.7	10.3
\$22,000 under \$25,000	13,595,791	13,263,786	1.3	1.0	2,692	2,561	11.5	10.9
\$25,000 under \$30,000	24,354,551	23,775,891	.8	1.1	3,338	3,149	12.2	11.5
\$30,000 under \$35,000	25,156,554	23,997,538	.6	.7	4,208	4,004	13.0	12.3
\$35,000 under \$40,000	22,673,889	24,769,659	.8	.5	5,182	4,913	13.9	13.1
\$40,000 under \$50,000	34,798,186	38,853,114	.4	.2	6,787	6,496	15.3	14.6
\$50,000 under \$75,000	38,352,897	47,579,080	.4	.2	10,725	10,159	18.2	17.2
\$75,000 under \$100,000	15,392,973	18,542,734	.3	.3	18,770	17,887	22.1	21.0
\$100,000 under \$150,000	14,351,743	17,193,671	.4	.2	30,690	29,341	25.6	24.6
\$150,000 under \$200,000	7,662,455	8,685,627	.3	.2	50,365	47,427	29.4	27.7
\$200,000 under \$300,000	8,488,945	10,436,640	.2	.3	78,513	75,183	32.7	31.4
\$300,000 under \$500,000	7,124,258	8,425,952	.2	.2	132,313	131,029	35.4	34.9
\$500,000 under \$1,000,000	6,463,482	8,079,442	.2	.2	254,228	253,799	37.7	37.6
\$1,000,000 or more	9,658,764	15,167,318	.3	.2	896,655	911,991	39.8	39.9

M - The median taxpayer was at this income level.
 See notes following Table 13.

Table 4.—Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items for Selected Years, 1970-1984
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1980	1982	1983	1984 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	5,769,741	7,221,346	8,931,712 ¹	10,105,515 ¹	10,703,921 ¹	11,262,390 ¹
Number with net income	n.a.	n.a.	n.a.	6,761,405	7,390,395	8,002,865
Inventory, end of year	11,060,775	15,578,040	21,996,236	21,804,915	n.a.	23,232,929
Business receipts, total	198,582,172	273,954,741	411,205,713	433,664,897	465,168,637	516,036,944
Income from sales and operations ...	n.a.	272,342,560	407,169,299	428,311,840	455,382,492	507,234,292
Total deductions	168,044,746	234,318,288	356,258,495	383,091,734	404,808,647	445,270,334
Cost of goods sold/operations	109,148,811	146,261,435	209,889,809	205,471,499	212,631,063	229,905,960
Purchases	88,585,913	117,722,352	168,301,517	161,295,256	n.a.	n.a.
Cost of labor	7,704,285	8,791,083	10,922,221	11,424,639	9,870,673	13,008,803
Materials and supplies	6,216,057	9,090,638	12,909,222	12,735,789	n.a.	n.a.
Commissions	1,274,016	2,225,830	3,333,345	4,464,026	n.a.	n.a.
Net salaries and wages	15,107,047	20,227,859	26,560,821	30,403,121	31,665,698	34,686,204
Car and truck expenses	n.a.	n.a.	13,378,289	n.a.	14,758,472	17,523,807
Rent paid	4,636,528	6,676,314	9,636,290	11,797,053	11,830,835	14,278,260
Repairs	2,444,607	3,044,175	5,031,573	6,006,403	n.a.	n.a.
Taxes paid	3,775,502	5,423,961	7,672,459	7,747,540	n.a.	n.a.
Utilities	n.a.	n.a.	4,790,337	n.a.	n.a.	n.a.
Insurance	2,309,608	3,503,812	6,003,126	6,448,494	n.a.	n.a.
Interest paid	1,784,276	3,390,845	7,190,257	10,143,489	9,925,746	11,025,276
Depreciation	5,451,525	7,958,143	13,952,703	19,121,559	22,069,530	23,900,034
Pension and profit sharing plans ...	72,741	125,296	141,463	136,359	122,915	258,070
Net income (less loss)	30,537,426	36,636,453	54,947,219	50,573,164	60,359,153	70,766,610
Net income, businesses w/profit	33,735,732	45,624,890	68,010,051	68,647,384	78,618,410	89,849,570
Net loss, businesses w/o profit	3,198,306	5,988,437	13,062,832	18,094,220	18,259,256	19,082,960

See notes following Table 13.

Table 5.—Partnership Returns: Selected Income Statement and Balance Sheet Items for Selected Years, 1970-1983
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
Total number of active partnerships ..	936,133	1,073,094	1,379,654	1,460,502	1,514,212	1,541,539
Number with net income	639,795	661,134	774,173	749,222	791,117	783,968
Number with balance sheets	555,741	783,271	1,194,236	1,193,792	1,217,386	1,190,696
Number of partners	3,697,818	4,950,634	8,419,899	9,448,361	9,764,667	10,589,338
Total assets ¹	116,752,751	235,468,301	597,503,923	715,232,726	845,281,449	886,992,767
Buildings/depreciable assets (net) ..	n.a.	113,124,969	239,139,823	367,270,152	310,846,376	485,402,717
Inventories, end of year	n.a.	11,985,431	33,218,272	59,649,950	100,728,688	n.a.
Land	n.a.	36,731,958	70,241,248	76,336,446	84,820,308	98,427,459
Total liabilities	n.a.	193,875,629	488,734,023	580,033,757	701,630,766	886,992,774
Accounts payable	n.a.	12,302,055	33,899,048	29,092,451	37,254,748	34,724,772
Short-term debt	n.a.	22,709,476	48,001,839	55,691,914	73,277,805	67,294,519
Long-term debt	n.a.	136,296,764	178,044,406	196,508,937	236,218,378	268,268,458
Nonrecourse loans	n.a.	n.a.	118,910,380	138,134,304	154,508,961	194,828,542
Partners' capital accounts	n.a.	41,592,672	108,769,900	135,198,969	143,650,646	141,839,683
Total receipts	93,348,080	148,417,529	291,998,115	272,129,807	296,690,303	291,318,703
Business receipts	90,208,834	142,505,781	271,108,832	230,027,336	251,608,987	243,248,370
Interest received	942,304	2,477,173	10,869,323	13,772,559	15,259,801	15,006,055
Total deductions ²	83,557,684	140,679,959	283,749,460	274,864,704	304,004,833	298,928,744
Cost of goods sold/operations	46,040,874	64,672,843	113,885,668	130,043,609	144,595,111	125,330,745
Purchases	31,820,581	42,608,734	70,439,607	92,136,914	96,111,197	n.a.
Cost of labor	4,146,927	4,585,836	7,015,547	5,835,683	7,183,865	n.a.
Salaries and wages ³	8,129,233	12,489,039	22,336,337	21,136,914	23,204,883	24,733,780
Taxes paid	3,159,258	5,770,918	9,553,145	5,040,336	5,288,971	5,909,545
Interest paid ⁴	4,470,206	12,097,100	28,362,385	19,586,018	21,517,044	22,364,264
Depreciation ⁵	4,578,820	10,108,834	21,576,189	27,263,184	32,361,640	37,340,062
Net income (less loss)	9,790,396	7,737,570	8,248,655	-2,734,897	-7,314,587	-2,610,041
Net income, businesses w/profit	14,419,124	22,431,931	45,061,756	50,567,190	53,556,856	60,308,114
Net loss, businesses w/o profit	4,628,728	14,694,361	36,813,100	53,302,086	60,871,442	62,918,155

See notes following Table 13.

Table 6.—Number of Business Income Tax Returns, by Size of Receipts and Assets, for Selected Years, 1970-1983
 [All figures are estimates based on samples — number of businesses are in thousands]

Size of business	Number of businesses reporting					
	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
CORPORATIONS						
Receipt size ¹						
Under \$25,000 ²	451.9	468.9	557.0	585.3	620.0	629.2
\$25,000 - \$49,999	170.7	186.4	207.7	210.2	217.5	212.9
\$50,000 - \$99,999	219.8	260.7	322.7	311.5	324.7	330.0
\$100,000 - \$249,999	516.9	673.9	558.4	569.1	593.4	597.8
\$250,000 - \$499,999			367.3	404.4	427.9	444.9
\$500,000 - \$999,999			279.8	291.6	296.0	315.9
\$1,000,000 or more	165.0	249.5	417.7	440.3	446.4	468.3
Asset size						
Under \$100,000 ³	961.0	1,177.7	1,514.6	1,569.5	1,646.6	1,665.5
\$100,000 - \$1 million	599.1	704.6	968.9	1,004.1	1,033.5	1,074.7
\$1 million - \$10 million	87.0	116.4	191.8	201.2	206.5	218.3
\$10 million - \$25 million	9.8	12.2	16.6	17.5	18.3	18.8
\$25 million - \$50 million	3.9	5.6	7.8	8.4	8.9	8.9
\$50 million - \$100 million	2.1	3.1	4.8	5.2	5.5	5.7
\$100 million - \$250 million	1.4	2.1	3.2	3.4	3.5	3.6
\$250 million and over	1.2	1.9	2.9	3.1	3.2	3.4
PARTNERSHIPS						
Receipt size ¹						
Under \$25,000	501.7	549.7	638.0	748.2	758.8 ⁴	763.4 ⁴
\$25,000 - \$49,999	125.2	141.0	181.8	163.6	178.1	173.4
\$50,000 - \$99,999	119.6	133.7	183.6	180.2	190.6	203.7
\$100,000 - \$199,999	97.2	114.0	155.2	147.1	155.0	154.2
\$200,000 - \$499,999	65.2	90.6	135.6	131.3	137.8	143.7
\$500,000 - \$999,999	17.0	25.5	48.1	50.8	52.1	56.0
\$1,000,000 or more	10.3	18.6	37.4	39.2	41.9	46.4
Asset size ⁵						
Under \$25,000	635.7	611.0	541.9	612.5	350.6	360.1
\$25,000 - \$49,999	80.8	105.9	156.3	154.6	143.8	115.5
\$50,000 - \$99,999	73.5	106.8	180.2	173.6	186.9	164.6
\$100,000 - \$249,999	74.7	116.0	219.1	211.5	209.6	207.0
\$250,000 - \$499,999	33.8	56.9	117.9	122.0	132.2	131.2
\$500,000 - \$999,999	19.3	35.3	72.1	83.4	83.7	86.3
\$1,000,000 or more	18.3	41.2	92.2	103.0	115.9	125.8
NONFARM SOLE PROPRIETORSHIPS						
Receipt size						
Under \$2,500	1,894.3	2,299.9	2,783.1	n.a.	2,882.0	2,908.5
\$2,500 under \$5,000	815.1	959.4	1,158.6	n.a.	1,220.9	1,313.9
\$5,000 under \$10,000	891.5	1,041.7	1,262.9	n.a.	1,361.4	1,452.3
\$10,000 under \$25,000	1,137.4	1,325.7	1,711.8	n.a.	1,738.5	1,916.6
\$25,000 under \$50,000	746.4	849.5	1,079.1	n.a.	1,117.1	1,187.0
\$50,000 under \$100,000	562.0	644.5	835.6	n.a.	843.6	919.3
\$100,000 under 200,000	297.4	380.9	795.8	n.a.	838.3	888.7
\$200,000 under \$500,000	122.3	209.2		n.a.		
\$500,000 under \$1,000,000	20.8	35.3	73.9	n.a.	68.1	82.9
\$1,000,000 or more	6.6	13.5	29.2	n.a.	35.6	34.9

See notes following Table 13.

Table 7. — Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1983

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

Industrial division and items	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
AGRICULTURE, FORESTRY AND FISHING						
Number of returns, total	37,283	56,280	80,883	85,370	91,320	92,125
Number with net income	19,843	33,328	43,827	44,948	47,858	47,636
Total assets	11,909,403	21,177,941	40,738,977	46,081,067	50,409,537	50,292,891
Total liabilities	7,897,335	14,332,992	29,278,042	32,492,648	36,289,615	36,733,559
Total receipts	14,277,707	28,118,514	52,089,915	65,061,959	65,356,911	59,208,642
Business receipts	13,591,763	26,624,149	48,850,056	60,907,045	60,643,550	55,114,507
Interest received	69,742	171,732	476,654	751,553	758,699	580,504
Total deductions	14,209,713	27,369,286	51,418,280	64,735,599	65,442,003	59,386,796
Cost of sales and operations	10,555,539	19,738,447	35,798,332	45,552,234	43,222,379	38,308,491
Interest paid	356,225	797,420	2,184,441	2,738,463	3,048,844	2,866,689
Net income (less loss)	65,295	746,908	673,158	328,308	-86,418	-196,528
Net income, businesses w/profit ..	493,400	1,493,168	2,464,381	2,551,988	2,528,479	2,499,829
Deficit, businesses w/o profit ...	428,105	746,260	1,791,222	2,223,679	2,614,897	2,696,357
Income tax before credits	113,115	351,059	533,768	543,280	490,228	430,119
Total income tax after credits ¹	107,023	294,584	422,282	414,448	375,422	313,537
Distributions to stockholders except in own stock	65,824	244,524	304,733	512,027	409,070	172,301
MINING						
Number of returns, total	14,465	14,242	25,576	33,363	36,676	37,066
Number with net income	7,303	8,297	12,698	17,634	15,950	15,526
Total assets	23,972,812	64,505,341	126,947,880	168,908,241	192,380,473	194,417,434
Total liabilities	10,590,991	31,739,651	72,879,732	98,442,207	112,503,993	108,814,978
Total receipts	17,747,750	65,909,994	176,672,390	200,194,751	203,098,557	132,419,750
Business receipts	16,699,586	63,670,496	167,397,918	189,552,446	191,152,749	122,510,903
Interest received	176,728	522,757	1,301,266	2,432,908	2,695,216	2,474,270
Total deductions	15,927,348	42,348,765	169,051,624	195,021,576	203,045,736	134,305,739
Cost of sales and operations	9,955,600	30,171,612	116,989,880	150,193,394	151,521,066	85,540,564
Interest paid	388,032	1,166,182	3,440,080	6,051,461	7,623,777	6,763,864
Net income (less loss)	1,834,315	23,574,833	7,750,561	5,620,746	543,578	-1,586,098
Net income, businesses w/profit ..	2,399,507	24,347,893	10,133,685	10,611,609	8,429,100	5,929,343
Deficit, businesses w/o profit ...	565,192	773,060	2,383,124	4,990,863	7,885,522	7,515,441
Income tax before credits	1,031,550	11,361,037	3,947,569	4,119,612	3,203,406	2,100,692
Total income tax after credits ¹	342,928	1,051,138	1,672,492	1,685,491	1,044,556	722,353
Distributions to stockholders except in own stock	1,177,550	1,015,895	4,757,780	3,278,771	3,926,230	2,710,318
CONSTRUCTION						
Number of returns, total	138,905	191,219	272,432	276,395	282,345	283,519
Number with net income	82,078	108,852	150,368	145,206	138,783	150,138
Total assets	42,719,792	76,691,947	132,939,026	150,764,144	153,085,046	161,365,795
Total liabilities	30,900,188	57,662,870	100,112,852	113,695,252	114,150,550	119,825,113
Total receipts	90,610,644	146,955,117	267,205,356	280,172,375	281,747,868	290,798,843
Business receipts	88,945,385	143,412,715	260,387,692	270,543,236	271,633,721	280,896,210
Interest received	219,698	614,583	2,073,650	3,122,737	3,137,599	2,579,301
Total deductions	89,070,022	144,717,309	262,116,275	276,744,601	279,555,128	288,574,577
Cost of sales and operations	73,434,969	116,845,554	208,064,925	214,612,975	212,698,363	221,189,268
Interest paid	711,496	1,973,244	4,278,502	5,318,285	5,455,056	4,861,075
Net income (less loss)	1,538,418	2,236,262	5,271,209	3,455,058	2,323,952	2,265,564
Net income, businesses w/profit ..	2,548,013	4,514,864	8,911,143	8,295,947	8,106,061	7,990,419
Deficit, businesses w/o profit ...	1,009,595	2,278,602	3,639,934	4,840,889	5,782,109	5,724,855
Income tax before credits	776,979	1,320,196	2,521,507	2,316,708	2,069,718	1,859,927
Total income tax after credits ¹	756,637	1,131,960	1,973,614	1,868,113	1,578,992	1,393,042
Distributions to stockholders except in own stock	299,204	464,553	793,764	889,557	916,690	846,579
MANUFACTURING						
Number of returns, total	197,807	217,354	242,550	251,294	259,106	261,927
Number with net income	120,814	136,839	153,640	149,964	146,415	152,304
Total assets	612,912,516	944,581,970	1,709,471,700	1,933,710,383	2,060,710,683	2,232,987,922
Total liabilities	303,989,223	501,994,296	960,284,926	1,085,493,079	1,163,839,539	1,279,879,180
Total receipts	722,952,890	1,296,359,650	2,404,323,844	2,613,512,581	2,488,331,915	2,552,830,718
Business receipts	700,090,661	1,258,338,650	2,301,056,550	2,487,695,859	2,357,973,059	2,418,344,305
Interest received	4,748,499	8,691,092	28,315,784	38,848,407	38,134,480	37,677,719
Total deductions	692,455,462	1,230,689,496	2,290,593,808	2,509,134,569	2,423,254,936	2,469,257,725
Cost of sales and operations	495,879,549	925,111,030	1,707,143,900	1,822,985,043	1,660,537,002	1,678,378,729
Interest paid	12,570,242	22,055,903	54,177,356	73,084,336	79,322,435	73,973,082
Net income (less loss)	31,846,078	68,406,627	125,667,815	116,775,393	75,791,264	95,330,965
Net income, businesses w/profit ..	37,925,489	74,466,554	141,547,510	138,215,539	108,170,744	124,417,490
Deficit, businesses w/o profit ...	6,079,411	6,059,927	15,879,695	21,440,146	32,379,481	29,086,525
Income tax before credits	16,744,905	32,306,739	59,577,413	58,820,480	45,015,096	50,950,876
Total income tax after credits ¹	13,242,226	21,024,964	32,701,861	30,115,496	26,616,529	24,960,640
Distributions to stockholders except in own stock	14,616,282	19,973,061	37,306,509	41,434,134	43,912,134	43,295,901

Table 7. (Continued) — Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1983

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

Industrial division and items	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
TRANSPORTATION AND PUBLIC UTILITIES						
Number of returns, total	67,398	80,701	111,324	109,127	115,470	122,567
Number with net income	38,204	45,360	62,232	56,480	59,793	61,588
Total assets	287,740,207	443,236,797	758,364,400	837,300,816	919,861,069	998,870,785
Total liabilities	166,535,185	266,792,390	467,708,707	516,438,230	566,980,444	604,586,653
Total receipts	135,495,271	243,480,637	523,807,396	598,507,994	632,294,442	657,421,487
Business receipts	131,463,171	234,689,427	507,372,820	575,602,089	606,039,657	627,836,585
Interest received	930,266	1,520,913	5,760,072	8,048,746	9,138,892	9,425,382
Total deductions	127,931,131	233,409,166	503,954,285	579,172,068	614,397,320	638,194,372
Cost of sales and operations ...	77,743,359	143,932,463	336,868,172	358,354,512	338,796,961	339,191,696
Interest paid	7,364,200	13,761,062	27,638,591	34,085,384	36,839,460	36,787,550
Net income (less loss)	7,543,718	10,099,571	20,046,155	19,573,717	18,335,959	19,492,314
Net income, businesses w/profit..	9,471,595	12,088,189	24,917,293	25,739,287	27,378,633	28,040,349
Deficit, businesses w/o profit..	1,927,877	1,988,618	4,871,138	6,165,570	9,042,673	8,548,036
Income tax before credits	4,342,334	5,107,158	10,532,722	10,481,203	11,356,073	11,621,625
Total income tax after credits ¹ ...	4,036,650	2,836,470	5,322,990	5,065,529	4,925,936	5,429,973
Distributions to stockholders except in own stock	5,837,565	8,900,353	17,329,807	19,622,705	21,438,500	24,540,824
WHOLESALE AND RETAIL TRADE						
Number of returns, total	518,062	614,632	799,628	816,836	839,547	851,785
Number with net income	339,987	399,668	487,300	476,877	468,108	492,057
Total assets	192,181,800	323,496,726	646,901,005	708,060,408	753,351,132	804,242,963
Total liabilities	115,179,668	200,846,992	424,611,318	472,256,895	501,934,034	539,020,572
Total receipts	522,547,923	969,938,872	1,955,523,778	2,039,628,384	2,017,701,364	2,119,444,862
Business receipts	511,316,883	951,463,550	1,919,347,689	1,997,262,710	1,972,305,356	2,071,264,407
Interest received	1,291,906	3,857,318	10,503,989	14,319,277	14,373,589	14,522,800
Total deductions	512,910,193	947,511,780	1,919,454,218	2,006,891,471	1,989,739,286	2,084,482,953
Cost of sales and operations ...	392,391,856	745,299,204	1,538,128,634	1,594,256,679	1,556,263,179	1,626,952,423
Interest paid	4,309,663	8,587,173	25,645,855	30,997,865	30,429,310	27,598,584
Net income (less loss)	9,671,044	22,489,430	38,309,671	33,320,403	28,442,678	35,292,870
Net income, businesses w/profit..	12,395,411	27,681,721	49,426,500	47,657,374	45,747,936	50,844,081
Deficit, businesses w/o profit..	2,724,367	5,192,291	11,116,829	14,336,971	17,305,258	15,551,210
Income tax before credits	4,476,047	8,103,316	13,515,653	12,329,212	11,372,087	12,910,870
Total income tax after credits ¹ ...	4,237,181	7,348,619	10,550,255	10,282,598	9,379,328	10,653,391
Distributions to stockholders except in own stock	2,068,501	5,029,897	10,343,087	10,034,841	12,069,015	12,722,120
FINANCE, INSURANCE AND REAL ESTATE						
Number of returns, total	406,235	411,846	493,426	469,795	461,630	479,656
Number with net income	248,586	243,409	273,853	258,622	252,689	269,267
Total assets	1,401,153,520	2,321,965,956	4,022,206,073	4,486,191,441	4,987,466,401	5,487,225,439
Total liabilities	1,204,673,072	2,052,195,429	3,491,664,756	3,830,001,863	4,220,527,191	4,670,418,974
Total receipts	177,321,173	315,795,981	697,460,846	877,808,946	949,867,877	902,822,472
Business receipts	92,091,887	157,126,715	256,892,475	330,631,846	337,493,098	362,627,365
Interest received	63,694,046	127,040,303	315,146,115	421,159,015	456,333,537	439,387,426
Total deductions	161,630,060	297,963,817	652,637,787	838,764,803	915,164,762	856,678,689
Cost of sales and operations ...	48,434,362	84,614,209	129,644,330	162,447,596	169,435,694	172,818,057
Interest paid	34,548,509	77,677,659	219,167,684	314,128,780	340,960,344	310,356,963
Net income (less loss)	12,214,079	11,663,330	33,122,792	26,346,494	21,804,088	31,714,771
Net income, businesses w/profit..	15,081,939	18,825,003	46,040,390	53,018,005	57,745,075	601,135,503
Deficit, businesses w/o profit..	2,867,860	7,161,673	12,917,599	26,671,510	35,940,986	28,398,732
Income tax before credits	4,404,449	5,558,647	9,680,755	7,968,422	7,643,631	8,540,701
Total income tax after credits ¹ ...	4,150,009	4,673,705	7,698,134	6,037,489	5,497,997	5,696,723
Distributions to stockholders except in own stock	7,387,211	8,729,977	24,692,146	41,998,295	46,504,963	41,592,101
SERVICES						
Number of returns, total	281,218	435,672	671,338	752,813	819,706	848,394
Number with net income	150,525	249,641	408,716	441,100	472,799	481,888
Total assets	61,875,140	90,534,067	178,163,737	213,724,531	237,876,895	269,797,251
Total liabilities	42,346,078	63,678,693	125,298,224	152,673,683	170,091,510	195,086,592
Total receipts	69,572,626	131,377,364	279,883,187	346,846,723	380,767,394	416,462,427
Business receipts	66,459,515	125,747,462	266,088,619	328,053,889	355,090,610	392,064,594
Interest received	435,070	875,506	3,269,412	4,696,008	5,120,807	4,596,725
Total deductions	68,384,452	127,996,443	271,792,974	338,790,049	373,717,841	410,486,562
Cost of sales and operations ...	37,733,747	63,724,869	129,352,692	157,886,393	135,273,962	143,277,759
Interest paid	1,802,802	3,279,438	8,033,612	10,472,892	11,265,412	11,798,141
Net income (less loss)	1,198,703	3,396,744	8,193,903	8,197,916	7,199,258	6,002,928
Net income, businesses w/profit..	3,384,869	6,025,592	13,246,601	15,182,552	16,061,222	16,959,225
Deficit, businesses w/o profit..	2,186,166	2,628,848	5,052,698	6,984,635	8,861,964	10,956,298
Income tax before credits	1,058,264	1,625,093	3,497,265	4,029,725	3,885,618	3,779,735
Total income tax after credits ¹ ...	1,003,130	1,323,637	2,613,888	2,943,149	2,617,390	2,673,706
Distributions to stockholders except in own stock	558,452	855,402	1,841,945	2,491,324	3,269,285	2,407,362

See notes following Table 13.

Table 8. — Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items for Selected Years, 1970-1983
 [All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	1,665,477	2,023,647	2,710,538	2,812,420	2,925,933	2,999,071
Number with net income	1,008,337	1,226,208	1,596,632	1,597,298	1,608,363	1,676,288
Small Business Corp. returns	257,475	358,413	545,389	541,489	564,219	648,267
DISC returns	N/A	6,431	8,665	9,408	9,663	9,898
Total assets	2,634,706,564	4,286,556,273	7,617,238,403	8,547,161,872	9,357,784,804	10,201,084,144
Notes and acct's receivable	614,667,376	1,051,542,806	1,984,601,790	2,239,832,960	2,420,475,398	2,677,367,962
Inventories	190,401,642	317,718,545	534,806,547	588,219,956	581,241,455	599,445,162
Investments in Gov't obligations ...	196,625,390	316,131,699	472,059,737	514,837,697	605,513,662	685,146,228
Net capital assets, except land ¹ ...	552,838,384	825,107,002	1,418,605,742	1,591,843,868	1,761,860,557	1,843,681,474
Total liabilities	1,882,295,401	3,189,491,468	5,672,850,147	6,303,221,090	6,888,211,820	7,555,652,594
Accounts payable	148,812,597	263,417,584	542,172,368	619,969,292	678,630,282	671,495,438
Short-term debt ²	170,884,261	272,123,551	504,802,288	585,947,678	667,060,956	759,536,076
Long-term debt ²	362,700,303	586,703,526	986,663,932	1,058,070,877	1,224,277,725	1,323,209,421
Net worth	752,411,163	1,097,064,806	1,944,388,256	2,243,940,782	2,469,572,984	2,645,431,550
Total receipts	1,750,776,503	3,198,627,860	6,361,284,012	7,026,351,839	7,024,097,766	7,135,494,059
Business receipts	1,620,885,576	2,961,729,640	5,731,616,337	6,244,678,064	6,156,994,009	6,334,602,711
Interest on Gov't obligations	9,687,116	17,264,405	38,061,592	50,519,552	n.a.	n.a.
State and Local	3,775,917	6,711,606	12,620,876	13,881,460	14,124,877	16,667,263
United States	5,911,199	10,552,799	25,440,716	36,638,092	515,628,874	
Other interest	61,883,309	126,034,505	328,802,958	442,918,194		494,603,803
Rents and royalties	16,524,889	26,932,271	53,821,391	67,522,636	83,051,513	83,456,506
Net short-term capital gain less net long-term capital loss	190,439	301,601	2,013,510	2,178,572	2,882,207	5,048,854
Net long-term capital gain less net short-term capital loss	5,481,580	8,364,523	24,910,957	29,064,630	26,318,184	33,924,549
Net gain, sales of noncap. assets ..	5,315,562	7,757,287	20,117,615	16,639,271	20,992,023	26,134,711
Dividends received from domestic corporations	5,238,421	8,818,282	18,654,800	17,442,112	18,155,559	19,696,776
Dividends received from foreign corporations	3,466,515	5,467,726	14,563,353	13,790,320	13,950,906	13,892,070
Total deductions	1,682,778,847	3,052,674,597	6,125,365,155	6,813,841,356	6,869,267,462	6,945,457,358
Cost of sales and operations	1,146,263,273	2,129,928,467	4,204,905,905	4,509,198,199	4,270,850,310	4,308,238,989
Bad debts	6,479,814	13,781,147	18,769,771	22,286,815	26,690,963	30,543,184
Taxes paid	49,523,243	81,530,302	163,003,622	170,470,926	165,888,353	173,420,116
Interest paid	62,055,010	129,307,921	344,612,542	476,964,684	515,032,667	475,060,444
Contributions or gifts	797,029	1,202,130	2,358,554	2,514,425	2,906,476	3,626,605
Depreciation	52,941,266	86,295,664	157,345,828	186,195,048	213,179,160	241,491,819
Depletion	5,623,339	5,341,489	8,871,993	7,929,396	7,021,176	7,574,216
Pension, profit-sharing, stock bonus, and annuity plans	12,225,912	26,526,129	51,529,310	52,952,583	54,232,011	54,355,062
Net loss, sales of noncap. assets ..	1,289,305	1,804,079	5,903,104	7,943,607	10,367,020	7,615,697
Net income (less loss)	65,901,614	142,636,826	239,006,542	213,648,962	154,334,143	188,313,928
Net income, businesses w/profit ...	83,710,924	169,483,336	296,787,201	301,440,778	274,352,942	296,932,146
Net loss, businesses w/o profit	17,809,310	26,846,510	57,780,659	87,791,816	120,018,799	108,618,218
Income subject to tax	72,374,437	146,589,287	246,598,486	240,422,626	205,175,407	218,686,396
Income tax before credits ³	32,949,937	65,769,822	103,831,172	100,644,417	85,077,493	90,461,858
Tax credits, total	5,414,940	26,452,791	42,167,741	43,813,131	39,694,245	40,356,349
Foreign tax credit	4,548,986	19,987,724	24,861,315	21,828,686	19,137,201	19,951,165
Possessions tax credit	N/A	N/A	1,565,681	1,945,637	2,026,980	1,583,007
Investment credit	865,954	6,459,746	15,102,812	18,887,286	17,312,702	16,145,173
Jobs credit	N/A	N/A	601,444	472,895	327,285	449,224
Research credit	N/A	N/A	N/A	639,302	839,220	1,277,474
Income tax after credits	27,534,997	39,317,031	61,663,431	56,831,286	45,383,248	50,105,509
Additional tax for tax preferences ...	265,249	156,740	438,820	524,851	478,457	561,505
Total income tax	27,878,078	39,691,517	62,974,695	58,444,720	47,071,909	51,862,218
Distributions to stockholders, except in own stock	32,012,677	45,224,392	97,378,617	120,295,338	132,478,411	128,298,454

See notes following Table 13.

Table 9.—Gross Internal Revenue Collections: Amount Collected by Quarter and Fiscal Year, 1982-1986
 [Money amounts are in millions of dollars]

Quarter and fiscal year	Amount collected by type of return					
	Total	Individual income taxes	Corporation income taxes	Excise taxes	Employment taxes	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1982 TOTAL	632,241	352,609	65,991	36,779	168,718	8,143
October 1981 - December 1981	137,570	71,526	15,898	10,577	37,654	1,915
January 1982 - March 1982	154,128	85,930	14,722	9,426	41,751	2,299
April 1982 - June 1982	196,506	113,852	23,115	8,389	49,165	1,986
July 1982 - September 1982	144,036	81,301	12,256	8,387	40,148	1,943
FISCAL YEAR 1983 TOTAL	627,247	349,628	61,780	35,766	173,848	6,226
October 1982 - December 1982	132,205	70,312	13,404	8,498	38,404	1,588
January 1983 - March 1983	150,019	86,853	11,494	8,222	41,930	1,519
April 1983 - June 1983	194,431	111,721	22,027	8,947	50,219	1,516
July 1983 - September 1983	150,591	80,742	14,855	10,097	43,294	1,602
FISCAL YEAR 1984 TOTAL	680,475	362,892	74,179	38,017	199,210	6,177
October 1983 - December 1983	141,849	73,379	16,208	9,654	41,132	1,476
January 1984 - March 1984	164,681	89,316	14,337	8,862	50,545	1,622
April 1984 - June 1984	208,814	114,525	25,990	9,680	57,061	1,558
July 1984 - September 1984	165,131	85,672	17,644	9,822	50,472	1,521
FISCAL YEAR 1985 TOTAL	742,871	396,659	77,413	37,005	225,214	6,580
October 1984 - December 1984	155,919	79,775	17,546	9,732	47,286	1,580
January 1985 - March 1985	176,324	89,325	17,350	8,650	59,352	1,647
April 1985 - June 1985	233,946	136,141	24,843	9,013	62,313	1,636
July 1985 - September 1985	176,682	91,418	17,674	9,610	56,263	1,717
FISCAL YEAR 1986 October 1985 - December 1985	167,836	86,608	18,854	9,321	51,354	1,699

See notes following Table 13.

Table 10.—Internal Revenue Refunds: Amounts Refunded by Quarter and Fiscal Year, 1982-1986
 [Money amounts are in millions of dollars]

Quarter and fiscal year	Amount refunded by type of return					
	Total	Individual income taxes	Corporation income taxes	Excise taxes	Employment taxes	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1982 TOTAL	75,202	55,102	17,974	367	1,578	181
October 1981 - December 1981	5,530	1,347	3,920	42	185	37
January 1982 - March 1982	24,024	19,338	4,197	76	377	36
April 1982 - June 1982	35,793	30,481	4,298	163	796	54
July 1982 - September 1982	9,855	3,936	5,559	86	220	53
FISCAL YEAR 1983 TOTAL	89,761	61,198	26,012	493	1,849	208
October 1982 - December 1982	9,411	1,875	7,030	58	397	52
January 1983 - March 1983	23,928	16,548	6,838	108	372	62
April 1983 - June 1983	46,715	38,341	7,421	194	721	38
July 1983 - September 1983	9,705	4,434	4,723	133	359	56
FISCAL YEAR 1984 TOTAL	85,872	64,629	17,889	657	2,486	211
October 1983 - December 1983	7,201	2,064	4,548	195	325	69
January 1984 - March 1984	25,285	19,613	4,850	129	646	47
April 1984 - June 1984	44,859	38,161	5,452	230	968	47
July 1984 - September 1984	8,527	4,790	3,039	103	547	48
FISCAL YEAR 1985 TOTAL	86,320	66,908	16,725	892	1,605	190
October 1984 - December 1984	6,729	2,246	4,177	122	138	46
January 1985 - March 1985	17,664	12,808	4,286	91	439	40
April 1985 - June 1985	52,376	46,370	4,701	556	702	47
July 1985 - September 1985	9,551	5,484	3,561	123	326	57
FISCAL YEAR 1986 October 1985 - December 1985	7,948	3,003	4,268	128	488	61

See notes following Table 13.

Table 11.—Classes of Excise Taxes by Selected Fiscal Year, 1970-1985
 [Money amounts are in thousands of dollars]

Selected class of tax	Taxes collected by fiscal year					
	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
ALCOHOL TAXES, TOTAL	4,746,382	5,350,858	5,704,768	5,634,853	5,402,467	5,398,100
Distilled spirits	3,501,538	3,865,162	3,945,377	3,798,148	3,566,482	3,520,697
Wine	163,337	177,113	211,538	239,329	319,920	305,966
Beer	1,081,507	1,308,583	1,547,853	1,597,375	1,516,064	1,571,436
TOBACCO TAXES, TOTAL	2,094,212	2,315,090	2,446,416	4,139,810	4,663,610	4,483,193
Cigarettes	2,036,101	2,261,116	2,402,857	4,099,226	4,623,288	4,448,916
Cigars	56,834	51,226	39,500	33,716	30,372	24,294
MANUFACTURERS' EXCISE TAXES, TOTAL ..	6,683,061	5,516,611	6,487,421	6,776,023	r10,107,930	10,020,574
Gasoline and lubricating oil ¹	3,517,586	4,071,465	4,326,549	4,953,267	9,020,413	9,062,630
Tires, tubes and tread rubber ² ...	614,795	697,660	682,624	677,966	423,315	242,923
Motor vehicles, bodies, parts ³ ...	1,753,327	662,556	1,088,696	516,872	-14,777	N/A
Recreational products	53,427	84,946	136,521	132,672	132,448	166,666
Black Lung taxes	N/A	N/A	251,288	490,731	525,422	548,356
SPECIAL FUELS, AND RETAILERS TAXES, TOTAL ⁴	257,820	404,187	560,144	831,196	r2,579,747	3,802,608
Diesel and special motor fuels ...	257,712	370,489	512,718	742,380	1,571,437	2,430,165
Trucks and buses	N/A	N/A	N/A	N/A	932,645	1,289,750
MISCELLANEOUS EXCISE TAXES, TOTAL ..	2,084,730	3,306,077	6,359,198	19,228,685	r13,319,322	11,044,833
Telephone and teletype ⁵	1,469,562	2,023,744	1,117,834	1,048,317	2,034,965	2,307,607
Air transportation	250,802	850,567	1,748,837	1,898,786	2,456,712	2,589,818
Highway use tax	135,086	207,663	263,272	287,457	175,054	456,143
Foreign insurance ⁶	8,614	19,458	74,630	-44,440	56,037	73,494
Exempt organization net investment income	N/A	63,828	65,280	112,380	146,806	136,153
Crude oil windfall profit	N/A	N/A	3,051,719	15,660,081	8,120,274	5,073,159
Environmental taxes (Superfund) ..	N/A	N/A	N/A	235,954	275,389	272,957
Selected class of tax	Fiscal year quarter ending					
	Sept. 1984	Dec. 1984	Mar. 1985	June 1985	Sept. 1985	Dec. 1985
	(7)	(8)	(9)	(10)	(11)	(12)
ALCOHOL TAXES, TOTAL	1,441,480	1,298,724	1,239,795	1,238,983	1,620,598	1,115,975
Distilled spirits	867,837	888,691	859,709	752,229	1,020,068	776,644
Wine	107,108	r105,370	60,328	58,927	81,341	77,478
Beer	466,535	r304,663	319,758	427,826	519,189	261,853
TOBACCO TAXES, TOTAL	1,233,254	727,357	1,601,544	914,703	1,239,589	816,606
Cigarettes	1,222,152	719,345	1,593,363	907,627	1,228,581	810,418
Cigars	8,069	5,384	5,683	4,261	8,966	3,651
MANUFACTURERS' EXCISE TAXES, TOTAL ..	r2,247,879	r2,549,116	2,547,693	2,651,955	2,299,302	2,148,292
Gasoline and lubricating oil ¹	2,242,842	2,300,865	2,321,565	2,389,356	2,050,740	1,890,306
Tires, tubes and tread rubber ² ...	51,343	51,738	51,885	64,634	74,666	76,050
Motor vehicles, bodies, parts ³ ...	-218	-2,325	-236	3,744	N/A	N/A
Recreational products	38,007	44,031	23,944	56,960	41,750	46,855
Black Lung taxes	139,651	152,577	138,546	125,087	132,146	135,080
SPECIAL FUELS AND RETAILERS TAXES, TOTAL ⁴	749,072	r886,347	925,877	1,001,597	1,007,787	931,944
Diesel and special motor fuels ...	404,819	548,487	583,945	631,603	666,130	642,800
Trucks and buses, chassis, bodies, etc.	325,269	318,282	312,982	340,502	317,985	268,615
MISCELLANEOUS EXCISE TAXES, TOTAL ..	r2,781,807	r2,682,278	1,816,894	2,751,198	3,747,992	4,557,274
Telephone and teletype ⁵	625,417	521,220	530,468	649,170	606,749	556,278
Air transportation	677,897	647,672	640,055	683,413	618,678	717,665
Highway use tax	60,048	103,260	49,293	78,167	225,423	53,447
Foreign insurance ⁶	16,964	18,876	14,958	20,462	19,197	21,075
Exempt organization net investment income	54,794	14,655	11,537	58,396	51,566	26,073
Crude oil windfall profit	1,245,871	1,289,421	498,450	1,189,069	2,096,218	3,079,427
Environmental taxes (Superfund) ..	76,658	70,415	65,902	65,458	71,182	68,538

See notes following Table 13.

Table 12.—Selected Returns and Forms Filed During Selected Calendar Years, 1970-1986

Type of return or form	Calendar Year						1986 Projected r(Prelim- inary)
	Number Filed						
	1970	1975	1980	1983	1984	1985	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Individual income ¹	77,281,384	84,026,785	93,194,916	95,701,801	96,651,754	99,704,246	102,959,400
Form 1040.....	77,143,251	61,450,279	55,360,030	59,580,123	61,185,893	64,010,068	66,871,500
Nonbusiness.....	68,129,351	51,377,153	43,957,141	46,631,876	47,411,432	49,873,300	52,128,500
Business.....	9,013,900	10,073,126	11,402,889	12,948,247	13,774,461	14,136,768	14,743,000
Schedule C.....	6,351,304	7,438,968	8,944,298	10,507,205	11,326,739	11,767,348	12,272,100
Schedule F.....	2,662,596	2,634,158	2,458,591	2,441,042	2,447,722	2,369,420	2,470,900
Form 1040A.....	N/A	22,462,776	37,692,282	21,045,266	19,590,110	18,779,084	18,372,800
Form 1040EZ.....	N/A	N/A	N/A	14,915,949	15,720,860	16,739,767	17,555,700
Corporation income:							
Form 1120.....	1,487,244	1,705,789	2,030,092	2,461,461	2,453,162	2,432,265	2,544,800
Form 1120A.....	N/A	N/A	N/A	N/A	N/A	199,665	208,900
Form 1120S.....	248,936	367,219	528,070	616,719	653,640	736,945	769,100
Partnership, Form 1065.....	991,904	1,132,839	1,401,567	1,613,493	1,675,605	1,755,339	1,803,000
Fiduciary, Form 1041 ²	1,149,445	1,558,570	1,876,392	2,019,483	2,021,954	2,124,969	2,153,700
Estate Tax, Forms 706 and 706NA ...	141,156	225,827	147,303	106,409	81,334	80,768	61,800
Gift Tax, Form 709.....	146,338	273,184	214,389	93,260	88,991	97,720	122,200
Exempt Organization ³	387,469	433,446	438,153	429,115	399,987	454,097	474,100
Form 990 ⁴	377,030	346,627	362,632	344,216	319,859	365,506	381,200
Form 990-PF.....	N/A	29,637	33,137	33,232	29,107	32,005	33,500
Form 990-T.....	5,041	19,683	23,455	25,598	25,115	26,181	27,700

See notes on following Table 13.

Table 13.—Taxpayers Receiving Assistance, Paid and Unpaid, by Tax Year of Return, 1982-1984
[Some estimates are based on samples—all data are in thousands]

Type of assistance	Tax Year		
	1982	1983	1984
	(1)	(2)	(3)
Returns with paid preparer signature ¹ :			
All returns.....	42,116	43,258	48,343
1040EZ.....	428	694	886
1040A.....	5,701	5,144	4,773
1040, total.....	35,987	37,421	42,684
1040 Business, total.....	9,191	9,563	12,203
Nonfarm.....	7,363	7,764	9,640
Farm.....	1,828	1,800	2,563
1040 Nonbusiness, total.....	26,796	27,858	30,481
With itemized deductions.....	15,334	16,475	20,197
Without itemized deductions.....	11,462	11,383	10,284
Assistance provided by IRS ² :			
Telephone inquiries.....	39,863	42,212	41,904
Recorded telephone information.....	1,855	3,406	8,307
Office walk-ins, information.....	8,586	8,963	8,144
Written inquiries.....	148	163	160
Special programs:			
Community classes and seminars (taxpayers assisted).....	40	313	400
Volunteer Income Tax Assistance (VITA) (returns prepared).....	266	285	295
Tax Counseling for the Elderly (returns prepared).....	145	185	199

See notes on following page.

General notations

N/A - Not applicable

n.a. - Not available

p - Preliminary

r - Revised

Table 1

- [1] Includes total itemized deductions, charitable contributions for nonitemizers, and zero bracket amounts on nonitemized returns.
- [2] Includes surcharge of \$2,018,078,000.
- [3] Includes credits not shown separately below.
- [4] For Tax Year 1983, the alternative minimum tax was revised and the minimum tax was abolished. The revised alternative minimum tax starting with 1983 covered many of the tax preference items that had previously been subject to the minimum tax. Also, the alternative minimum tax rate was increased. (For 1983 and 1984, data on the former minimum tax could be reported on prior-year returns processed during the current-year filing period).

SOURCE: Statistics of Income--Individual Income Tax Returns, appropriate years. Data are subject to sampling error. Tax law changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of law changes.

Table 2

- [1] Includes exemptions for age and blindness.
- [2] Totals in Table 2 do not agree with Tables 1 and 3 because they were obtained from a different source. For purposes of Table 2:
- Number of returns by state include, in addition to Forms 1040, 1040A and 1040EZ filed by U.S. citizens and residents, Forms 1040NR filed by nonresident aliens, as well as self-employment tax returns used in Puerto Rico and certain U.S. territories and possessions.
 - "Total tax" liability includes total income tax plus tax from recomputing prior-year investment credit, tax applicable to Individual Retirement Arrangements (IRA's), self-employment

tax, social security tax on tip income, and certain other income-related taxes. Total tax is before reduction by earned income credit (see also footnote (c), below).

- c. Earned income credit, available to certain low-income workers, could result in a refund (1) if there was no "total tax" (as defined in footnote (b), above), in which case the full amount was refundable, or (2) if the credit exceeded "total tax," in which case the excess was refundable. The difference between columns 19 and 21 is the refundable portion.

Total tax (column 16) minus earned income credit (column 21) is the amount most comparable to total tax in Tables 1 and 3. The total tax which results from this subtraction differs from Tables 1 and 3 because it includes additional taxes (see footnote (b), above) and because earned income credit used to offset tax (column 21) also includes amounts offset against these additional taxes.

- [3] Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by servicemen and women stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. Government employees.

NOTE: This table presents aggregates of all returns filed and processed through the Individual Master File (IMF) system during Calendar Year 1985. Data have not been edited for Statistics of Income purposes.

SOURCE: Internal Revenue Service, Software Division, IMF Returns Systems Branch.

Table 3

- [1] Includes income tax after credits and the additional tax for tax preferences, i.e., minimum tax and alternative minimum tax.
- [2] For many taxpayers in this size class includes additional tax for tax preferences not included in "taxable income."

SOURCE: Statistics of Income--Individual Income Tax Returns, appropriate years. Data are subject to sampling error. Tax law changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of law changes.

Table 4

- [1] Includes breakeven businesses.

SOURCE: Statistics of Income--Sole Proprietorship Returns, appropriate years, and SOI Bulletin, Summer issues. Data are subject to sampling error. Tax law changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of law changes.

Table 5

- [1] Total assets, total liabilities and partners' capital account are somewhat understated because not all partnership returns included a complete balance sheet.
- [2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year.
- [3] Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more. In addition, for Tax Year 1975, long-term debt included nonrecourse loans.
- [4] See footnote 4 Table 6, for changes in the comparability of the statistics for receipts and deductions starting with 1981. Also, statistics for interest received are combined with dividends beginning with 1982.
- [5] Beginning with 1981, represents the more all-inclusive amounts reported in depreciation computation schedules rather than the amounts reported as the depreciation deduction (plus depreciation identified in cost of sales and operations schedules).

SOURCE: Statistics of Income--Partnership Returns, appropriate years, and SOI Bulletin, Summer issues. Data are subject to sampling error. Tax law changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of law changes.

Table 6

- [1] Size classes are based on business receipts, i.e., gross amounts from sales and operations, for industries except finance, insurance and real estate. For the latter industries, total receipts, which is the sum of business receipts and investment income, was used. For partnerships, see also footnote 3, below.
- [2] Includes returns with no receipts as defined in footnote 1.

- [3] Includes corporations with zero assets and liabilities.

- [4] Beginning with 1981, "total receipts" in Table 5 includes, in part, only the net income or loss from farming and rentals. Previously, "total receipts" included the gross receipts from farming and rentals and, if rental receipts were the principal source of total receipts, they were treated as "business receipts" for the statistics. To help minimize the break in comparability caused by this change in statistical treatment of farm and rental income, an effort was made for 1981-82 to include rental (though not farm) gross receipts in the receipts used for the size distribution in Table 6.

In Table 5, since only the net income or loss from farming and rentals was included starting with 1981, the deductions reported in computing these net incomes are excluded from the deduction statistics. For previous years, these deductions are reflected in the deduction statistics.

- [5] Prior to 1979, partnerships that had liquidated were assumed to have zero assets and liabilities, even if their balance sheets showed otherwise, and were included in the "under \$25,000" asset size class. Beginning with 1980, balance sheet data reported for liquidated partnerships were tabulated as reported and were included in the appropriate asset size classes.

SOURCE: Statistics of Income--Corporation Income Tax Returns, appropriate years, Statistics of Income--Partnership Returns, appropriate years, Statistics of Income--Sole Proprietorship Returns, appropriate years, and SOI Bulletin, Summer issues. Tax law changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of law changes.

Table 7

- [1] Includes additional tax for tax preferences (minimum tax), tax from recomputing prior year investment credit and Personal Holding Company tax.

SOURCE: Statistics of Income--Corporation Income Tax Returns, appropriate years. Data are subject to sampling error. Tax law changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of law changes.

Table 8

- [1] Net capital assets, except land, consists of depreciable, depletable, and intangible assets less accumulated depreciation, depletion and amortization.
- [2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year. Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more.
- [3] Consists of regular and alternative tax. Tax Year 1970 includes surcharge of \$784,437,000.

SOURCE: Statistics of Income--Corporation Income Tax Returns, appropriate years. Data are subject to sampling error. Tax law changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of law changes.

Tables 9 and 10

- [1] Individual income tax collected includes that portion which was designated for the presidential election campaign fund by taxpayers on their returns. Also included is the fiduciary income tax collected (from estates and trusts). Fiduciary income tax collected was \$4.1 billion in 1985, \$2.9 billion in 1984, \$2.7 billion in 1983, and \$2.6 billion in 1982. Presidential election campaign designations amounted to \$34.8 million in 1985 and 1984, \$35.5 million in 1983, and \$39.0 million in 1982.
- [2] Corporation income tax collected includes the tax on "unrelated business income" of tax-exempt organizations. Unrelated business income tax collected was \$69.8 million (1985), \$50.0 million (1984), \$45.1 million (1983), and \$64.7 million (1982).
- [3] Excise taxes are imposed on selected products, services and activities, such as those on alcohol and tobacco products and the windfall profit tax on domestically-produced crude oil.
- [4] Employment taxes include payroll taxes levied on salaries and wages, such as social security, railroad retirement and unemployment taxes; plus the self-employment tax imposed on "self-employment income".

NOTES: Collections (or refunds) are those made during the time periods indicated, regardless

of the year or other period during which the tax liability was incurred (or to which the refund applied).

Collections represent the gross amounts before refunds and include amounts paid with the return; prior to filing the return (as applicable, income tax withheld by employers and estimated tax payments); and subsequent to filing the return (chiefly the result of initial return processing or of examination and enforcement activities). Collections also include interest and penalties.

Refunds result chiefly from tax overpayments determined at time of filing a return. Included are amounts subsequently determined as due the taxpayer as a result of an amended return or a claim for refund (including those produced by "net operating loss" and other carryback adjustments from future taxable years); or as a result of initial return processing or of examination and other activities. Individual income tax refunds are net of offsets under a law which requires IRS to act as collection agent for state welfare agencies so that these agencies can be reimbursed for the support they furnished through Aid to Families with Dependent Children (AFDC) programs. All refund data include interest paid by IRS.

Detail may not add to totals because of rounding.

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

Table 11

- [1] Includes a one-time tax of 5 cents per gallon on gasoline and 4 cents per gallon on gasoline imposed on inventories of dealers as of April 1, 1983. Taxes on lubricating oil were repealed effective January 5, 1983.
- [2] Effective January 1, 1984, taxes on tubes and tread rubber were repealed, and dealers holding taxable tires were assessed a one-time floor stock tax.
- [3] Effective January 7, 1983, the excise taxes on parts and accessories for trucks and buses, which are included in this classification, were repealed. Beginning with the quarter ending December 1983, motor vehicles are excluded.
- [4] Special fuels, total includes diesel and special motor fuels which were classified as miscellaneous excise taxes in 1970. Beginning with the quarter ending December 1983, motor vehicles are included.

- [5] Effective January 1, 1983, the excise tax increased from 1 percent to 3 percent.
- [6] The negative amounts are due to refunds of this tax under the United States - United Kingdom Income Tax Treaty, which provides for an exemption from the tax retroactive to January 1, 1975. Also, a similar United States - France treaty provides for an exemption retroactive to January 1, 1979.
- [7] This amount reflects adjustments made for prior quarters.

NOTES: For 1970 and 1975, the fiscal year was defined as July of the previous calendar year through June of the year noted. For 1980-84, the fiscal year was defined as October of the previous calendar year through September of the year noted.

Additional detail is published in the Annual Report of the Commissioner and Chief Counsel, Internal Revenue Service.

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

Table 12

- [1] Includes Forms 1040C, PR and SS.
- [2] Includes Form 1041A in 1970 and 1975.
- [3] Included in totals, but not in the detail are Forms 990C, 4720, and 5227.
- [4] Includes Form 990A in 1970.

SOURCE: Internal Revenue Service, Research Division, Projections and Forecasting Group.

Table 13

[1] 1984 projections are based on converting 1984 Taxpayer Usage Study sample (TPUS) to the equivalent of the Statistics of Income (SOI) sample. This was done because the TPUS sample represents returns filed through April, while the SOI sample represents all individual income tax returns filed for a calendar year. For additional information about the TPUS sample, see the Summer 1985 issue of the SOI Bulletin.

[2] Data on IRS Taxpayer Service Programs are collected on a fiscal-year basis. In general, assistance rendered in a given fiscal year may be related to returns due on April 15th during the fiscal year and are for the tax year ending with the previous December. Therefore, data in Table 13, which are presented on a tax year basis are actually for a fiscal year, e.g., data shown as for Tax Year 1982 are actually for Fiscal Year 1983.

NOTE: Data on IRS assistance represent taxpayer contacts. Some taxpayers make more than one contact. The number of taxpayers assisted (in contrast to the number of contacts made) is not known.

SOURCE: Data on paid preparers obtained from Statistics of Income and Taxpayer Usage Study samples. Data on IRS assistance were compiled by the Taxpayer Service Division.

Appendix*

General Description of Statistics of Income Sample Procedures and Data Limitations

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

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see References). More technical information is available, upon request, by writing to the Director, Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. The samples are based on such criteria as: industry, presence or absence of a return form schedule, accounting period, state from which filed and various income factors or other measures of economic size (such as total assets in the case of corporations).

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the allowable total cost or predetermined size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master File based on the taxpayer identification number (TIN) which

is either the social security number (SSN) or the employer identification number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise it is counted (for estimation purposes) but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TIN's designed from one year's sample are for the most part selected for the next year's, so that a very high proportion of the returns selected in the current sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from one year to the next.

METHOD OF ESTIMATION

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. Weights are, in general, computed by dividing the count of returns filed for a given stratum by the count of sample returns for that same stratum. "Weights" are used to adjust for the various sampling rates used--the lower the rate, the larger the weight.

The data on each return in a stratum are then multiplied by that weight. To produce the tabulated estimates, these weighted data are summed to produce the published statistical totals.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the

*Compiled by Bettye Jamerson, Coordination and Publications Staff, under the direction of Robert Wilson, Team Leader. Major contributions were made by Paul McMahon, Corporation Statistics Branch, Operations Section.

same sample design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

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

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

$$\begin{array}{r}
 15,000 \quad (\text{sample estimate}) \\
 \times 0.02 \quad (\text{coefficient of variation}) \\
 = 3,000 \quad (\text{standard error of estimate}) \\
 \\
 150,000 \quad (\text{sample estimate}) \\
 + \text{ or } - 3,000 \quad (\text{standard error}) \\
 = 147,000-153,000 \quad (68\% \text{ confidence interval})
 \end{array}$$

Based on these data, the interval estimate is from 147 to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95 percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning confidence intervals, including the approximation of CV's for combined sample estimates, may be obtained on request by writing the Director, Statistics of Income Division.

Generally in the SOI Bulletin only conservative upper limit CV's are provided for frequency estimates. These do, however, provide a rough guide to the order of magnitude of the sampling error.

NONSAMPLING ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the

data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors, and effects of an early cut-off of sampling. More extensive information on nonsampling error is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during statistical "editing" in order both to improve data consistency from return to return and to achieve definitions of the data items that are more in keeping with the needs of major users. In some cases not all of the data are available from the tax return as originally filed. Sometimes the missing data can be obtained through field followup. More often though, they are obtained through imputation methods. As examples, other information in the return or in accompanying schedules may be sufficient to enable an estimate to be made; prior-year data for the same taxpayer may be used for the same purpose; or data from another return for the same year that has similar characteristics may be substituted. Research to improve methods of imputing data that are missing from returns continues to be an ongoing process [1].

Quality of the basic data abstracted from the returns is subjected to a number of quality control steps including 100-percent key verification. The data are then subjected to many tests based on the structure of the tax law and the improbability of various data combinations. Records failing these tests are then subjected to further review and any necessary corrections are made. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically-processed returns as a further check.

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

TABULAR CONVENTIONS

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

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

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

NOTES

- [1] For an example of the recent SOI Division research, see Hinkins, S., "Matrix Sampling and the Effects of Using Hot Deck Imputation," in 1984 Proceedings: American Statistical Association, Section on Survey Research Methods p. 245. Other research efforts are included in Statistical Uses of Administrative Records: Recent Research and Present Prospects, Volume 1, pages 179-184, Internal Revenue Service, March 1984.
- [2] Quality control activities for all SOI studies will be published in a series of

forthcoming reports. These reports will provide detailed information relating to quality in all phases of SOI processing.

- [3] In the case of geographic statistics, steps to avoid disclosure are taken when a weighted frequency is less than 10.

REFERENCES

For information about the samples used for specific SOI programs see:

Individual Income Tax Returns, 1983, Tables emphasizing returns filed, sources of income, exemptions, itemized deductions and tax computations (see especially page 3).

Statistics of Income--1982, Corporation Income Tax Returns (see especially pages 9-15).

Statistics of Income--1978-82, Partnership Returns (see especially pages 237-244).

Statistics of Income--1979-83, Compendium of Studies of International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see information about the samples used at the end of each chapter)

Statistics of Income Bulletin (see each issue).

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