

Early 1982 Filings of 1981 Individual Income Tax Returns

By Paul Grayson*

By the end of March 1982, about 44.4 million individual income tax returns--46.1 percent of the year's expected total of 96.4 million--had been processed by Internal Revenue's service centers and National Computer Center (NCC) at Martinsburg, West Virginia. (For the most part, these were returns for Tax Year 1981, although a small proportion of prior year returns was also included.) At NCC the returns were "posted" to the Individual Master File and some of the return entries were tabulated. A selection of data from these tabulations is provided in this report which also presents data on some of the characteristics of returns filed at service centers through April 8, 1982.

RETURNS PROCESSED AT THE NATIONAL COMPUTER CENTER (NCC) IN JANUARY, FEBRUARY, AND MARCH 1982

Any report on returns processed at NCC during the early months of the year will be strongly influenced by the character of the early returns filed. Since the make-up of the returns changes according to certain fairly fixed patterns (to be described below) as the filing season progresses, the early data cannot be considered as representative of all returns to be filed during the year. Further, since processing resources are set to handle only so many returns in a given time period, priority rules favor the processing of some classes of returns before others.

As a combined result of these factors, returns with refunds and lower income returns are more likely to be processed earlier in the year and to be over-represented in the early months. Such tax returns are likely to be less complex and less likely to report net capital gains, dividend income or various credits. The various items in Table 1 illustrate the range in the proportions of all returns reporting an item last year that had been processed by the end of March. At one extreme, 62 percent of last year's refunds had been certified by about the end of March; the corresponding proportion for net capital gains, however, was only about 16 percent. Table 1 also shows how returns processed during January, February, and March tend to show smaller than average item amounts: last year the proportion of returns processed during the first three months always exceeded the proportion of the year's total dollar amount for each of the items shown.

While about 1.5 million fewer returns were processed during January, February, and March of this year than in the same three-month period one year earlier, aggregate and average amounts of the various items were up over 1981. Average amounts per return reporting increased about 10 percent for salaries and wages, refunds, and adjusted gross income. Average tax increased 13 percent. Average interest income increased by 40 percent. The sharp increase in average interest may foreshadow continuation of the recent marked upward movement noted in an earlier issue of this Bulletin [1].

Typically, lower income returns are disproportionately represented among those processed in January through March (Table 2). Thus, last year about 56 percent of the year's total returns with adjusted gross income (AGI) of less than \$15,000 had been processed in this period; the corresponding proportion for returns with AGI of \$50,000 or more was only about 8 percent. The following table shows that in January, February, and March of this year, 39.4 percent of the returns processed had AGI of

Adjusted Gross Income Class	1982		
	1982 Jan/Mar	1981 Jan/Mar	1981 Entire
Total	100.0	100.0	100.0
Under \$10,000.....	43.9	47.8	41.0
\$10,000 under \$15,000..	16.7	16.8	15.3
\$15,000 under \$50,000..	38.4	34.8	40.4
\$50,000 and over.....	1.0	0.3	3.3

\$15,000 or more. This percentage was just over 35 percent for the same period last year--another preliminary indication of the upward trend in incomes already noted. (Although a comparative "handful" of returns with AGI of \$50,000 or more had been processed, their relative importance almost doubled from 0.6 percent last year in January through March to 1.0 percent this year.) Major shrinkage in relative importance was concentrated in the AGI class below \$10,000, which dropped from 48 percent to 44 percent.

RETURNS RECEIVED AT SERVICE CENTERS THROUGH APRIL 8, 1982

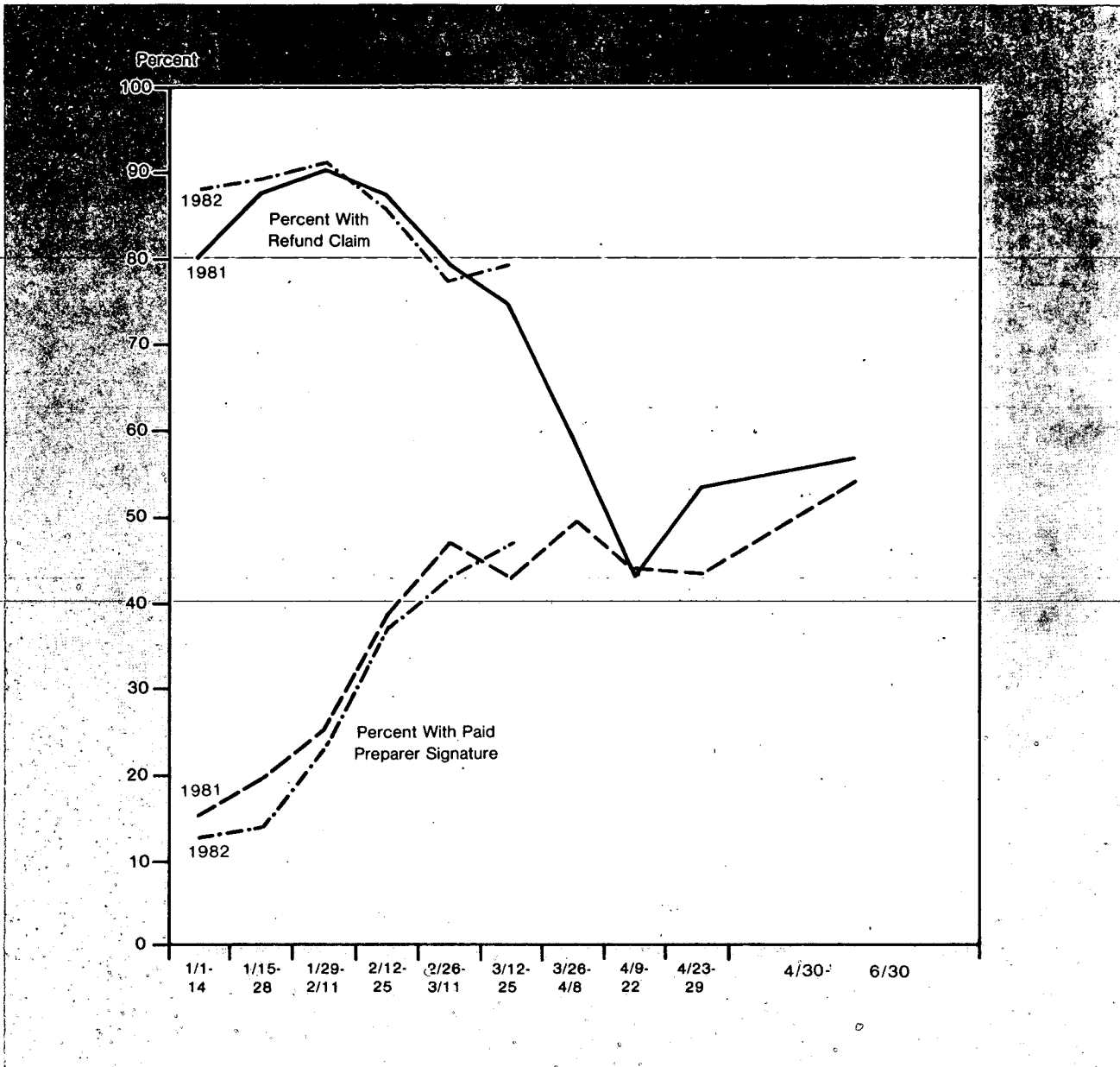
By April 8, 1982, after 14 weeks of filings of returns, about 63 million individual income tax returns had been received at the service centers--about 65 percent of the 96.4 million projected for the year. From a continuous daily sampling of these returns, the Taxpayer Usage Study [2] showed that 52.7 million Form 1040 and 1040A returns for Tax Year 1981 were filed with a claim for refund (see Table 3 and section on Data Sources and Limitations, below). Almost 22 million returns had been prepared and signed by paid preparers. About 38 million--or 61 percent--bore the IRS official mailing label, a subject of great interest from the point of view of staffing and budgeting in the service centers, as well as a matter of potential significance for processing by optical character recognition.

Two items new to the tax return were authorized by recent amendments to the Internal Revenue Code: the combined exclusion of interest and dividends (by the Crude Oil Windfall Profit Tax Act of 1980) and interest received on the All-Savers Certificate--ASC (by the Economic Recovery Tax Act of 1981).

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Figure A.

Percent of Returns With Refund Claim and Paid Preparer Signature, Biweekly Intervals (Jan. 1-April 29) During 1981 and 1982



The exclusion was claimed on almost 26 million of the returns filed through April 8; ASC interest, however, was reported on only about 600,000 returns. This low number may be due, in part, to the announced policy of many financial institutions to inform investors concerning ASC interest only after the certificates mature, rather than for the three months--at best--during which interest could have accrued during 1981 [3].

Seasonal patterns in the reporting of certain items are very pronounced and two such items are shown at biweekly intervals for 1981 and 1982 in Figure A. Whereas the incidence of refund claims declined as the 1981 filing season progressed--although even the period that included April 15, 1981, did not fall below 43 percent--the proportion of returns with a paid preparer's signature rose through most of the period.

Inversely correlated and causally associated with the trend in preparer-signed returns, was the steady drop in the 1981 use of the IRS mailing label through most of March:

IN PERIOD	PERCENT OF RETURNS RECEIVED AT SERVICE CENTERS WITH IRS MAILING LABEL	
	1982	1981
1/01 - 1/14.....	67.9	70.4
1/15 - 1/28.....	67.7	68.0
1/29 - 2/11.....	64.7	62.8
2/12 - 2/25.....	61.5	60.7
2/26 - 3/11.....	56.9	57.4
3/12 - 3/25.....	56.1	57.7

Use of the mailing label continued its decline in the ensuing weeks of 1981, dropping to about 50 percent in the last week of April; usage during May and June averaged 42 percent.

In general, the 1982 data mirrored the 1981 pattern in terms of levels and period-to-period movements (see, for example, the trends in mailing label usage, above). The incidence of preparer signatures, however, ran somewhat lower in 1982 during most of

the periods compared (Figure A). Thus indications after twelve weeks of the filing period were that usage of paid preparers, as reflected by the presence of their signature, was continuing the annual decline occurring in most years since 1976 [4]. The percentage with refund claims started somewhat higher this year than last year, but was running generally lower in 1982 after the initial weeks.

Individual Income Tax Returns, 1982 Filings

Table 1.--Returns Processed at National Computer Center: Number of Returns and Amounts for Selected Items, 1981 and Through March 1981 and March 1982

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

Period processed	Returns with--						
	Adjusted gross income	Salaries and wages	Interest income	Net capital gain	Itemized deductions	Acceptable total tax	Refunds certified
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number processed:							
January-March 1982.....	44,352	42,654	17,207	1,322	11,314	35,793	42,409
January-March 1981.....	45,829	44,285	18,222	1,259	10,476	36,070	44,190
Entire 1981.....	94,152	83,183	49,141	8,042	29,078	77,496	71,612
Percent of 1981 in January-March.....	48.7	53.2	37.1	15.6	36.0	46.5	61.7
Amount:							
January-March 1982.....	646,185	630,255	15,842	1,236	78,913	81,878	29,894
January-March 1981.....	606,892	591,343	11,958	1,150	68,601	72,793	28,140
Entire 1981.....	1,612,749	1,335,909	104,335	29,621	219,884	257,287	48,416
Percent of 1981 in January-March.....	37.6	44.3	11.5	3.9	31.2	28.3	58.1
Average amount:							
January-March 1982.....	14,569	14,776	921	935	6,975	2,288	705
January-March 1981.....	13,243	13,353	656	913	6,548	2,018	637
Entire 1981.....	17,129	16,060	2,123	3,683	7,562	3,320	676
Percent increase, January-March 1982 over January-March 1981.....							
	10.0	10.7	40.4	2.4	6.5	13.4	10.7

Individual Income Tax Returns, 1982 Filings

Table 2.--Returns Processed at National Computer Center: Number of Returns and Amounts for Adjusted Gross Income and Acceptable Total Tax, by Size of Adjusted Gross Income, 1981 and Through March 1981 and March 1982

[Numbers of returns are in thousands and money amounts are in millions of dollars]

Item and period processed	Total reporting	Size of adjusted gross income			
		Under \$10,000	\$10,000 under \$15,000	\$15,000 under \$50,000	\$50,000 or more
	(1)	(2)	(3)	(4)	(5)
Adjusted Gross Income					
Number of returns:					
January-March 1982.....	44,352	19,466	7,404	17,035	448
January-March 1981.....	45,829	21,897	7,716	15,952	264
Entire 1981.....	94,152	38,641	14,359	38,024	3,128
Percent of 1981 in January-March.....	48.7	56.7	53.7	42.0	8.4
Amount:					
January-March 1982.....	646,185	93,290	91,528	433,061	28,306
January-March 1981.....	606,892	105,251	95,200	389,509	16,931
Entire 1981.....	1,612,749	172,831	177,674	992,544	269,701
Percent of 1981 in January-March.....	37.6	60.9	53.6	39.2	6.3
Acceptable Total Tax					
Number of returns:					
January-March 1982.....	35,793	11,067	7,298	16,982	447
January-March 1981.....	36,070	12,276	7,618	15,914	263
Entire 1981.....	77,496	22,372	14,122	37,882	3,120
Percent of 1981 in January-March.....	46.5	54.9	53.9	42.0	8.4
Amount:					
January-March 1982.....	81,878	4,911	9,238	61,612	6,117
January-March 1981.....	72,793	5,482	9,623	53,912	3,776
Entire 1981.....	257,287	9,947	17,807	149,966	79,567
Percent of 1981 in January-March.....	28.3	55.1	54.0	35.9	4.7

Table 3.--Selected Reporting Characteristics of Form 1040 and Form 1040A Returns Filed Through April 9, 1981 and April 8, 1982

Period received	All returns	Returns with--					
		Refund claim	IRS official mail label	Paid preparer signature	Earned income credit	Interest/dividend exclusion	All Savers Certificate interest
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of Returns (In thousands)							
Number received--							
Through April 8, 1982.....	62,863	52,718	38,219	21,895	4,292	25,846	644
Through April 9, 1981.....	63,796	51,824	38,754	22,579	5,202		
Entire 1981.....	94,776	n.a.	55,254	38,868	7,058	n.a.	n.a.
Percentage With Item for Period							
Percentage--							
Through April 8, 1982.....	n.a.	83.9	60.8	34.8	6.8	41.1	1.0
Through April 9, 1981.....			60.7	35.4	8.2		
Entire 1981.....			n.a.	58.3	41.0	7.4	n.a.

n.a. - Not available or not applicable.

DATA SOURCES AND LIMITATIONS

The data on returns processed during January through March of 1981 and 1982 were prepared at the National Computer Center (NCC) as part of a monthly tabulation series. The data are cumulative for returns processed after January 1 of each year and reflect almost exclusively postings of Forms 1040 and 1040A for the tax year ending the previous December 31.

Variations in the counts of returns handled during a given period reflect differences in concepts and processes. An example for 1981 is provided below. In general, the annual total for the service centers exceeds the comparable NCC figure for such reasons as the failure of some returns to "post" to the Master File (due, for example, to erroneous social security numbers). Annual NCC figures closely approximate the Statistics of Income (SOI) population since the latter is sampled from the flow of the NCC posting process.

<u>Tax Year 1980 (1981 filing)</u> <u>Individual Income Tax Returns</u>	
<u>1980 SOI</u>	94,154,944
<u>Service Centers (12/31/81)</u>	
Receipts of 1040 and 1040A.....	94,776,000
Processed 1040 and 1040A.....	94,438,000
<u>National Computer Center</u>	
Posted through 12/31/81.....	94,008,000
Special tabulation (Dec. 1981).....	94,151,000

Data on returns received at service centers by April 8, 1981 and 1982 are derived from continuous sampling of returns immediately after receipt at service centers. Sampling was conducted at a designated 1:13,000 rate in 1981--and 1:15,000 in 1982--for the annual Taxpayer Usage Study. Data from that study used in this report apply exclusively to Form 1040 and 1040A returns filed for Tax Years 1980 and 1981, respectively.

Definitions

The concepts used in this report depart somewhat from those employed in Statistics of Income because the information comes from different sources. The terms for which such differences are important are defined below.

Net Capital Gain.--Consists of net gain or loss from sales of capital assets, including capital gain distributions, reported on Schedule D (Capital Gains and Losses).

Acceptable Total Tax.--Includes income tax after credits, plus tax from recomputing prior-year investment credit, self-employment tax, minimum tax, alternative minimum tax, and other minor taxes. The data for acceptable total tax have not been adjusted for earned income credit and, therefore, overstate actual tax liability by that amount.

Refunds Certified.--Includes the principal amount of refunds from all individual returns, including amended returns (Form 1040X), regardless of tax year, that have been certified by NCC for payment and have been sent to the disbursing office. It also includes refunds calculated for taxpayers requesting IRS to compute their tax and refund.

Refund Claim.--In the Taxpayer Usage Study, includes returns with a taxpayer entry for refund, whether erroneous or not. It does not include returns qualifying for a refund if the taxpayer has requested that IRS compute the tax and refund. Further information on the data sources used in this article will be found in the references shown below.

References

- [1] Hoffmeier, Noreen, "Preliminary Income and Tax Statistics from the 1980 Individual Income Tax Returns," SOI Bulletin, vol. 1, no. 3, Winter 1981-82, p. 5.
- [2] Grayson, Paul, "Individual Income Tax Returns: Selected Characteristics from the 1980 Taxpayer Usage Study," SOI Bulletin, vol. 1, no. 3, Winter 1981-82, pp. 13-21.
- [3] New York Times, February 3, 1982, p. D.13
- [4] Grayson, Paul, op. cit., p. 13.