

# Sales of Capital Assets, 1973 — 1980

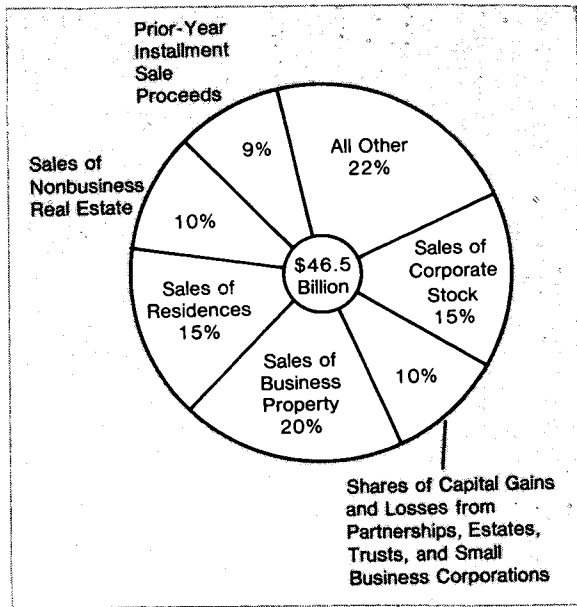
By Bertie Brame and Keith Gilmour\*

Gains and losses from sales and exchanges of capital assets on individual income tax returns have been accorded some type of preferential tax treatment almost since the inception of the Federal income tax. Although some summary data are collected annually, detailed information on sales of capital assets is only collected periodically for use in tax policy analysis. The focus here is on the details of those capital asset transactions for two years, 1973 and 1977, with some summary information for 1973-80.

Over 10 percent of the 86.6 million individual income tax returns filed for 1977 had transactions considered to be sales of capital assets. These transactions, numbering 23.0 million, resulted in gross gains less losses of \$46.5 billion, an \$11.3 billion increase over 1973. The distribution of the number of transactions and amount of gain less loss by broad asset category remained about the same for 1977 as for 1973.

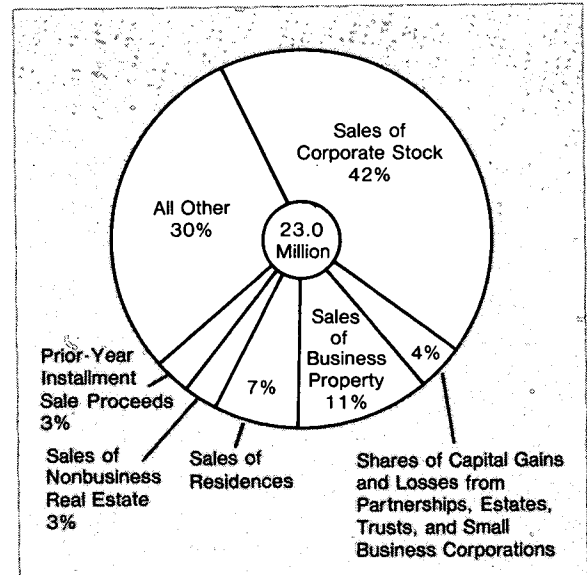
As would be expected, corporate stock was the asset type most frequently reported, with 31 percent of the returns with sales of capital assets reporting sales of this asset. However, for 1977 (compared to 1973) there appeared to be a movement away from stock transactions. While returns with corporate stock transactions for 1977 increased about 8 percent over 1973, returns with sales of other securities (bonds, notes, etc.) increased 64 percent, and sales of commodities, including "futures" contracts, increased 39 percent. Asset types accounting for the largest proportion of gross gains less losses for 1977 were business property with \$9.3 billion, personal residences with \$6.9 billion, and corporate stock with \$6.8 billion.

**Percentage Distribution of Gains Less Losses from Sales of Capital Assets, by Type of Asset, 1977**



Sales of business property, taken as a single asset type, accounted for the largest percentage of net gains. The total of \$9.3 billion resulted from 2.6 million transactions.

**Percentage Distribution of Capital Asset Transactions, by Type of Asset, 1977**



Gains and losses from sales or exchanges of capital assets held for a short period were taxed as ordinary income, while gains and losses from sales or exchanges held for a longer term were eligible for special tax treatment. If capital assets received "long-term" treatment, only one-half of the gain (in excess of short-term loss) was taxable. If the sale or exchange resulted in a loss, regardless of how long the property was held, the loss could be completely offset against capital gains and, to a limited extent, against ordinary income.

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## HOLDING PERIOD

The Tax Reform Act of 1976 changed a provision in the law that had been in effect for over thirty years. This provision dealt with the holding period of a capital asset. It changed the required holding period for long-term treatment from "more than six months" to "more than nine months." Therefore, for 1977, the gain or loss from the sale or exchange of property held for nine months or less was considered short-term and taxed as ordinary income. If a taxpayer held property more than nine months, the gain or loss from the sale of the property was eligible for long-term treatment. This increase in holding period did not apply to commodity transactions, including futures contracts, which continued to be regulated under the prior holding period rule of more than six months for application of long-term treatment.

The available statistics show that the lengthening of the required holding period apparently had a small overall effect on the distribution (short-term vs. long-term) of capital asset transactions for 1977 in comparison to 1973. In proportion to total transactions, short-term transactions increased from 20 percent for 1973 to 25 percent for 1977, with an absolute increase in short-term transactions of 47 percent between 1973 and 1977. In proportion to total transactions, long-term transactions decreased from 80 percent to 75 percent with an absolute decrease in long-term transactions of 2 percent between 1973 and 1977.

Though total long-term transactions decreased, some of the individual asset types had large increases. Those asset types with the largest increase in long-term transactions were securities other than corporate stock, commodity futures, and qualified gains on livestock (except poultry) used in trade or business. Securities other than corporate stock had a 58 percent increase over 1973; gain transactions increased over 100 percent, while loss transactions decreased 26 percent. There was an overall increase in commodity futures transactions of 32 percent and in qualified gains on livestock approximately 200 percent.

The extent to which individuals held certain types of assets in order to qualify for short-term or long-term treatment is shown for 1973 and 1977 in Figure A. Data are shown for three categories of asset types: corporate stock, securities other than corporate stock (which included U.S. Government

obligations, State and local Government obligations, and other bonds, notes, and debentures), and all other types of assets for which the return form required a holding period.

## LAW CHANGES

Major changes in the law affecting sales of capital assets were introduced by provisions of the Tax Reform Act of 1976. Some of the more significant provisions are explained below. This Act changed the required holding period for long-term capital gain or loss treatment from "more than six months" to "more than nine months" beginning with 1977, and to "more than twelve months" for taxable years beginning after 1977. The exception to this change was for commodities, including futures contracts. Gains and losses from such sales were still considered long-term if the contract was held for "more than six months." For 1977, the maximum amount of net capital loss that could be used to reduce ordinary income increased from \$1,000 to \$2,000. This was further increased to \$3,000 in 1978. Other capital gain benefits were extended to taxpayers age 65 and older who sold their personal residences: the base amount of the gain from sales of residences that could be excluded from taxable income increased from \$20,000 to \$35,000, effective for 1977.

The Revenue Act of 1978 also introduced significant changes, especially in regard to the tax treatment of capital gain income. Prior to November 1978 (and going back to 1942), 50 percent of net long-term capital gains (in excess of any short-term capital losses) could be excluded from adjusted gross income. For transactions after October 1978, 60 percent of the "excess net long-term gains" could be excluded. The alternative tax computation for taxpayers with long-term capital gains and marginal tax rates above 50 percent was abolished, and the computation of the additional tax for tax preferences was divided into two parts: itemized deductions and capital gains tax preferences were subjected to a new graduated "alternative minimum tax" and all remaining tax preferences were subject to the regular 15 percent "minimum tax." In addition, a provision of the Act stated that the capital gains tax preference would no longer be used to offset personal service taxable income in computing

Figure A.--Percent Distribution of Capital Asset Transactions by Period Held, 1973 and 1977

Period held	Percent distribution					
	Corporate stock		Securities other than corporate stock		All other assets	
	1973	1977	1973	1977	1973	1977
	(1)	(2)	(3)	(4)	(5)	(6)
Under 4 months.....	17.6	17.0	22.6	9.5	5.0	9.8
4 through 6 months.....	8.2	7.9	4.7	4.2	1.8	3.2
7 through 9 months.....	7.6	4.9	3.2	3.6	1.9	3.1
10 through 12 months.....	5.7	7.2	3.5	4.4	2.3	3.3
13 through 15 months.....	4.2	4.2	3.8	3.4	1.5	1.5
16 months or more.....	47.0	51.9	51.2	68.6	45.4	42.9
Period held not determinable <sup>1</sup> .....	9.7	7.0	10.9	6.3	42.3	36.2

<sup>1</sup>Includes transactions for which a period held could not be calculated because of missing dates, or for which the calculated period held did not agree with the definition of "short-term" or "long-term" for the year noted.

the "maximum tax." Finally, the Act provided for a once-in-a-lifetime exclusion to taxpayers who attained age 55 prior to the date of sale of their residence. The taxpayer could elect to exclude up to \$100,000 of the gain realized on the sale.

#### HISTORICAL PERSPECTIVE

During the period 1973-1980, net gains from sales of capital assets shown on individual income tax returns increased by a substantial 80 percent, even though the number of individual returns reporting such gains was less than 10 percent higher for 1980 than for 1973. Over this same period 15 percent fewer taxpayers reported a net loss, but the amount of net loss more than doubled (basically due to changes in the law previously mentioned). As shown in Figure B, the total number of returns on which sales of capital assets were reported increased only slightly, from 8.7 million to 8.9 million over the eight-year period.

The data in Figure B were taken from the annual Statistics of Income reports relating to individual income tax returns [1]. However, the transaction data for 1973 and 1977, shown in the other tables in this article, were obtained from subsamples of the returns used to produce the estimates in the annual reports. The difference in sample sizes, by itself, accounts for some of the differences in estimates for a specific item generated from the two studies for the same year.

In addition, "total returns" in Figure B is an estimate of returns with a net capital gain or loss in adjusted gross income whether or not the individual had any current year transactions (e.g., only a loss carried over from a previous year). The scope of return coverage in the special transaction studies for 1973 and 1977 is elaborated upon below under "Data Sources and Limitations."

#### BACKGROUND AND DESCRIPTION OF ASSETS

The Revenue Act of 1921 defined capital assets as property held for profit or investment for more than two years (whether or not connected with trade or business) but excluded property held for personal use or consumption by the taxpayer and family, stock in trade, or property which could be included in inventory. This definition was refined, with the addition of exceptions, to its present description: any property held by the taxpayer (whether or not connected with a trade or business), except (1) stock in trade or other property includable in inventory; (2) personal property held primarily for sale to customers in the course of the taxpayer's trade or business; (3) notes or accounts receivable acquired in the ordinary course of trade or business for services rendered or from sale of stock in trade; (4) depreciable property used in the taxpayer's trade or business (even though the property may have been fully depreciated); (5) real property used in the taxpayer's trade or business; (6) a copyright, a literary, musical or artistic composition or similar property (but not a patent or invention) held by the taxpayer responsible for it; and (7) certain Government obligations issued at a discount on or after March 1, 1974, payable without interest, and maturing at a fixed date not exceeding one year from issue date.

The Internal Revenue Code also included a benefit provision which provided "preferential" treatment to other types of properties excluded from the definition of capital assets. Code section 1231 allowed for the grouping of gains and losses from certain business property and certain other property types (such as most breeding livestock, unharvested crops sold with the land, and certain mineral rights) held for more than six months (or nine months beginning in 1977). All gains were grouped together and all losses were similarly grouped. If the gains exceeded the losses, long-term capital gain or loss treatment was extended to each gain and loss. If the gains did not exceed the losses, ordinary income tax treatment was extended to all transactions.

Figure B.--Gains and Losses From Sales of Capital Assets

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

Income year	Total number of returns	Net gain less loss	Net gain		Net loss	
			Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
1973.....	8,742	16,671	6,438	18,201	2,304	1,529
1974.....	7,983	13,470	5,310	15,378	2,673	1,908
1975.....	7,575	14,072	5,061	15,799	2,513	1,727
1976.....	8,519	18,562	6,081	20,207	2,437	1,645
1977.....	8,736	20,777	6,346	23,363	2,390	2,587
1978.....	8,711	23,231	6,605	26,232	2,107	3,001
1979.....	8,642	28,448	6,616	31,331	2,026	2,883
1980.....	8,929	29,660	6,974	32,723	1,956	3,064

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

## Sales of Capital Assets, 1973 — 1980

Description of Assets/Transactions  
(Arranged in the Order of Table 2)

Type of Asset/Transaction	Brief Description	Internal Revenue Code Section
Corporate Stock	Stock in any corporation, and warrants. Excluded from this classification for the purpose of this article, but included in "Other Types of Assets," were stock options or privileges, calls, puts, spreads, straddles, stock retired on liquidation of a corporation.	1236
Securities Other Than Corporate Stock:		
U.S. Government Obligations	Bonds, notes, and other evidences of indebtedness issued by the U.S. Government or its possessions.	1232
State and Local Government Obligations	Investments in obligations of State or U.S. possession, including obligations of political subdivisions and the District of Columbia.	1232
Other Bonds, Notes, and Debentures	Securities issued by corporations, banks, insurance companies, as distinguished from U.S. Government, State, and local bonds.	1232(a)(2)
Commodities, Including Futures Contracts	Most sales or exchanges of crops or staples resulting from an obligation to buy or sell a fixed quantity of a commodity on a specific date at a fixed price. Except for a hedging transaction, a capital gain or loss resulted if the commodity future was a capital asset.	1233
Capital Gain Distributions	Long-term capital gains distributed or credited to stockholders in the form of cash or other property by regulated investment companies.	852(b)(3)(A),(D) 857(b)(3)(A),(B)
Share of Capital Gain or Loss From Partnerships and Fiduciaries	Capital gains and losses realized by partnerships and from fiduciaries and imputed to the partners and to beneficiaries, respectively, who, in turn, reported their distributive shares on their individual income tax returns.	702, 665(d)
Capital Gain Distributions From Small Business Corporations	Distributions from earnings and profits, reduced by the special tax imposed at the corporate level, taxed directly through each stockholder during any taxable year of an electing Small Business Corporation.	1375(a)
Liquidation Distributions	Cash or other property received by a stockholder when a corporation was liquidated.	301(c)(3)(A)
Lump-Sum and Other Retirement Plan Distributions	Lump-sum payments to employees from a qualified annuity plan or from an exempt trust which formed part of a pension, profit sharing or stock bonus plan due to various reasons for separation from service.	402(a)(2)
Sale or Involuntary Conversion of Certain Depreciable Property:		
Involuntary Casualty Conversions	Depreciable business or nonbusiness property that was compulsorily converted into money or dissimilar property that resulted in a gain or loss.	1231
Involuntary Theft Conversions	Depreciable business or nonbusiness property that was converted by theft, including larceny and embezzlement.	1231
Involuntary Conversions by Other Than Casualty or Theft	Trade or business property (other than that converted due to casualty or theft) held for less than nine months. This asset, which provided supplemental gain or loss from sales or exchanges, was included because it was an integral part of the gains and losses reported on the supplemental schedule of gains and losses.	1231

Description of Assets/Transactions--Continued  
(Arranged in the Order of Table 2)

Type of Asset/Transaction	Brief Description	Internal Revenue Code Section
<b>Sale or Involuntary Conversion of Certain Depreciable Property--Continued</b>		
All Other Livestock, Except Poultry, Including Certain Livestock Used in Trade or Business	Cattle, hogs, horses, mules, donkeys, sheep, goats, fur-bearing animals (such as mink), and other mammals.	1231
Cut Timber	Timber that was cut or contracted to be cut for sale or for use in taxpayer's trade or business.	1231 (631)
Other Farm Land With Unharvested Crop	Farm land with unharvested crops that was sold (with no retention rights or options) or exchanged at the same time and to the same person. Crops included fruit and nut trees.	1231(b)(4)
Qualified Trade or Business Assets and Transactions Not Elsewhere Classified	Business Assets (either real property or depreciable property) subject to capital gain or loss treatment that could not be classified as a specific section 1231 asset type.	1231
Qualified Gains on Nonfarm Depreciable Business and Personal Property, Except Certain Buildings	Depreciable personal property such as tangible machinery and equipment and intangible patents and copyrights.	1245
Qualified Gains on Other Depreciable Real Property, Including Certain Buildings	Depreciable real property (such as buildings and their structural components) and intangible real property (such as leases of land).	1250
Qualified Gains on Farm Land With Unharvested Crop	"Farm recapture" property, other than livestock. This property, which included business property and unharvested crops, necessitated the maintenance of an excess deductions account.	1251
Qualified Gains on Livestock, Except Poultry Used in Trade or Business	Depreciable livestock used in farming, including race horses. Any gain from the sale of such livestock was reported as ordinary income to the extent it was attributable to depreciation after 1969. Any excess over the depreciation amount was treated as capital gain.	1251
Standing Timber	Investment property held by the taxpayer that was sold and treated the same as the sale or exchange of any other capital asset.	-
All Other Farm Land	Farm land with expenditures for soil and water conservation (under section 175) and land clearing expenditures (under section 182).	1252
Oil and Gas Property	Operating mineral interests in oil and gas wells or geothermal deposits. Any excess gain over certain intangible drilling and development costs was treated as capital gain.	1254
Personal Residence	Principal residence or the home in which the taxpayer lived.	1034
Nonbusiness Real Estate	Unimproved real estate; rights-of-way on property; rental property, and all other real estate other than reported as: farm land with unharvested crop, other farm land, real estate subdivided, residences, and business assets.	1221(2)
Prior-Year Installment Sales Proceeds	The classification used to capture deferred payments received from sales or exchanges of capital assets.	-
Other Types of Assets or Transactions	Other assets (such as mortgages, nonbusiness bad debts, life interest in estates, termination payments to employees, patents, and foreign currency conversions). Also includes property which the taxpayer did not specifically identify.	-

SOURCE: Internal Revenue Code of 1954 - Supplemental Report, *Statistics of Income--1973*, Sales of Capital Assets Reported on Individual Income Tax Returns, Publication 458.

## Sales of Capital Assets, 1973—1980

Table 1.—Number of Returns, Gross Gain and Gross Loss for Selected Asset Types, 1973 and 1977

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

Asset type	1973			1977		
	Number of returns	Gross gain	Gross loss	Number of returns	Gross gain	Gross loss
	(1)	(2)	(3)	(4)	(5)	(6)
All returns, total.....	7,373,211	50,552,376	15,405,350	8,845,115	60,021,334	13,534,115
Corporate stock.....	2,561,659	13,190,508	7,988,456	2,760,804	13,684,818	6,861,349
Securities other than corporate stock.....	1,226,404	182,973	450,189	1,371,140	560,076	356,168
Commodities, including futures contracts.....	73,052	1,261,514	1,261,559	101,414	1,688,881	1,665,428
Capital gain distributions.....	21,307,105	21,199,632	117,228	1,540,638	1,098,216	40,803
Share of capital gain or loss from partnerships and fiduciaries.....	735,105	3,875,272	1,101,621	717,185	4,844,618	562,317
Sale or involuntary conversion of certain depreciable property.....	1975,464	3,361,760	457,528	1,858,114	3,008,545	444,134
Personal residence.....	795,237	5,454,478	-	1,460,678	6,955,407	24,731
Nonbusiness real estate.....	579,536	4,085,245	200,883	637,472	4,595,919	176,720
Prior-year installment sales proceeds.....	860,694	4,920,209	4,551	572,433	3,972,739	7,708

<sup>1</sup>Data are overstated to the extent a taxpayer reported more than one type of property included in this combined category.

<sup>2</sup>Returns having only capital gain distributions (reported on line 34, page 2, Form 1040) were excluded from this study of detailed transactions by asset type. These returns were estimated to number over 1.6 million with distributions grossing over \$6.6 million.

Table 2.—Number of Returns, Transactions, Sales Price, and Gross Gain or Loss, By Asset Type, 1977

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

Asset type	Number of returns	Number of transactions <sup>1</sup>	Sales price	Gross gain	Gross loss
	(1)	(2)	(3)	(4)	(5)
All returns, total.....	8,845,115	22,989,445	235,337,415	60,021,334	13,534,115
Corporate stock.....	2,760,804	9,684,635	58,338,779	13,684,818	6,861,349
Securities other than corporate stock.....	2,371,140	665,080	11,783,798	560,076	356,168
Commodities, including futures contracts.....	101,414	307,165	17,876,635	1,688,881	1,665,428
Capital gain distributions.....	1,540,638	1,540,756	-	1,098,216	40,803
Share of capital gain or loss from partnerships and fiduciaries.....	717,185	835,635	-	4,844,618	562,317
Capital gain distributions from Small Business Corporations.....	49,494	49,494	-	267,257	1,665
Liquidation distributions.....	41,067	57,068	-	931,551	14,015
Lump-sum and other retirement plan distributions.....	69,067	87,922	-	335,081	-
Sale or involuntary conversion of certain depreciable property.....	2,858,114	1,388,725	6,288,879	3,008,545	444,134
Qualified gains on nonfarm depreciable business and personal property, except certain buildings.....	425,722	644,390	4,808,748	2,255,518	-
Qualified gains on other depreciable real property, including certain buildings.....	235,000	298,342	9,870,569	3,410,294	-
Qualified gains on farm land with unharvested crop and livestock, except poultry, used in trade or business.....	2,139,412	197,998	606,221	392,384	-
Standing timber.....	92,600	100,951	695,399	602,549	335
All other farm land.....	1,350	1,362	43,718	29,673	-
Oil and gas property.....	1,395	1,837	88,195	74,537	-
Personal residence <sup>3</sup> .....	1,460,678	1,492,843	24,581,400	6,955,407	24,731
Nonbusiness real estate.....	637,472	738,616	15,462,834	4,595,919	176,720
Prior-year installment sales proceeds.....	572,433	769,722	54,019,024	3,972,739	7,708
Other types of assets <sup>4</sup> .....	2,075,276	4,126,904	30,873,217	11,313,268	3,378,741

<sup>1</sup>Connotes sales, exchanges, involuntary conversions, and distributions of gain or loss from partnerships, fiduciaries, Small Business Corporations, retirement plans, and enterprise liquidations.

<sup>2</sup>Data are overstated to the extent a taxpayer reported more than one type of property included in this combined category.

<sup>3</sup>The gain shown for sales of residences is the gross amount realized. Only a small part is taxable gain because of the deferral and exclusion provisions of the tax law relating to sales of residences.

<sup>4</sup>Other types of assets not elsewhere classified or transactions which were unidentified.

NOTE: Due to reporting of more than one asset type on most returns, the number of returns for "All returns, total" will be less than the sum of return totals for the specific asset type.

Table 3.--Short-Term and Long-Term Transactions for Selected Asset Types, 1977

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

Asset type	Number of returns	Number of transactions <sup>1</sup>	Gross gain	Gross loss
Short-term transactions				
All returns, total.....	1,577,763	<sup>2</sup> 5,644,770	4,617,046	5,226,641
Corporate stock.....	825,795	3,021,280	1,336,387	1,505,517
Securities other than corporate stock.....	<sup>3</sup> 57,209	130,327	79,631	112,208
Commodities, including futures contracts.....	87,590	279,600	956,982	1,296,792
Capital gain distributions.....	-	-	-	-
Share of gain or loss from partnerships and fiduciaries.....	154,445	154,445	284,128	184,033
Sale or involuntary conversion of certain depreciable property..	<sup>3</sup> 43,936	<sup>2</sup> 56,670	29,476	53,426
Personal residence <sup>4</sup> .....	25,231	25,391	420,233	4,024
Nonbusiness real estate.....	44,849	49,474	183,817	22,054
Prior-year installment sales proceeds.....	13,018	20,367	24,881	( <sup>5</sup> )
Long-term transactions				
All returns, total.....	7,685,139	<sup>2</sup> 16,426,254	55,404,287	8,307,474
Corporate stock.....	2,494,285	6,663,355	12,348,430	5,355,832
Securities other than corporate stock.....	<sup>3</sup> 333,808	534,753	480,445	243,961
Commodities, including futures contracts.....	18,926	27,565	731,900	368,636
Capital gain distributions.....	1,540,638	1,540,756	1,098,216	40,803
Share of gain or loss from partnerships and fiduciaries.....	681,190	681,190	4,560,489	378,285
Sale or involuntary conversion of certain depreciable property..	<sup>3</sup> 834,092	1,332,055	2,979,068	390,707
Personal residence <sup>4</sup> .....	547,975	<sup>2</sup> 549,031	6,535,174	20,708
Nonbusiness real estate.....	604,896	689,142	4,412,103	154,666
Prior-year installment sales proceeds.....	567,982	749,355	3,947,859	7,708

<sup>1</sup>Connotes sales, exchanges, involuntary conversions, and distributions of gain or loss from partnerships, fiduciaries, Small Business Corporations, retirement plans, and enterprise liquidations.

<sup>2</sup>Excludes residence transactions where all gross gain was deferred or excluded. Therefore, the sum of short-term and long-term transactions in this table is less than the total transactions shown in table 2.

<sup>3</sup>Data are overstated to the extent a taxpayer reported more than one type of property included in this combined category.

<sup>4</sup>The gain shown for sales of residences is the gross amount realized. Only a small part is taxable gain because of the deferral and exclusion provisions of the tax law relating to sales of residences. See also footnote 2.

<sup>5</sup>Less than \$500.

## Sales of Capital Assets, 1973 — 1980

Table 4.--Number of Returns, Adjusted Gross Income, Income Tax, Transactions, and Gross Gain Less Loss, by Size of Adjusted Gross Income for Returns With Selected Asset Types, 1977

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

Asset type and size of adjusted gross income	Number of returns	Adjusted gross income less deficit	Total income tax	Number of transactions <sup>1</sup>	Gross gain less loss
	(1)	(2)	(3)	(4)	(5)
<b>Total Assets</b>					
All returns, total.....	8,845,115	226,937,185	46,484,762	22,989,445	46,487,219
No adjusted gross income.....	184,945	-4,371,304	47,705	563,440	1,566,337
Under \$10,000.....	1,974,532	11,490,693	375,191	3,992,260	5,062,006
\$10,000 under \$20,000.....	2,390,176	35,745,856	3,460,932	4,681,856	6,167,548
\$20,000 under \$50,000.....	3,462,877	103,954,650	16,716,778	9,361,304	14,395,442
\$50,000 under \$100,000.....	630,684	42,283,845	11,045,894	2,962,088	7,113,060
\$100,000 under \$500,000.....	195,620	31,406,075	11,671,417	1,338,759	8,107,371
\$500,000 or more.....	6,281	6,427,370	3,166,843	89,738	4,075,453
<b>Corporate Stock</b>					
All returns, total.....	2,760,804	94,455,666	22,408,815	9,684,635	6,823,469
No adjusted gross income.....	20,282	-1,216,572	23,343	95,826	-31,705
Under \$10,000.....	458,890	2,647,958	92,124	1,456,131	944
\$10,000 under \$20,000.....	560,153	8,538,539	935,160	1,560,790	-111,006
\$20,000 under \$50,000.....	1,287,901	40,185,265	6,736,916	4,220,109	1,119,768
\$50,000 under \$100,000.....	318,438	21,634,665	5,684,688	1,580,682	1,175,559
\$100,000 under \$500,000.....	110,825	18,163,630	6,727,562	720,271	2,485,543
\$500,000 or more.....	4,315	4,502,183	2,209,021	50,826	2,184,367
<b>Securities Other Than Corporate Stock</b>					
All returns, total.....	2,371,140	219,625,291	25,874,082	665,080	203,908
No adjusted gross income.....	1,560	-325,278	8,192	5,902	-89
Under \$10,000.....	47,590	279,016	10,116	52,563	1,034
\$10,000 under \$20,000.....	46,215	668,907	73,638	70,209	600
\$20,000 under \$50,000.....	169,828	5,247,103	939,696	296,392	71,501
\$50,000 under \$100,000.....	69,178	4,811,849	1,274,468	142,164	68,295
\$100,000 under \$500,000.....	34,346	6,001,038	2,192,509	86,717	44,934
\$500,000 or more.....	2,423	2,942,657	1,375,465	11,133	17,636
<b>Commodities, Including Futures Contracts</b>					
All returns, total.....	101,414	4,184,702	1,119,023	307,165	23,453
No adjusted gross income.....	1,439	-214,809	3,427	6,244	49,399
Under \$10,000.....	14,910	73,272	4,232	16,858	-81,596
\$10,000 under \$20,000.....	19,557	300,069	19,804	40,267	-49,551
\$20,000 under \$50,000.....	42,154	1,299,606	185,614	128,803	-50,958
\$50,000 under \$100,000.....	15,536	1,065,303	263,378	66,119	-10,965
\$100,000 under \$500,000.....	7,459	1,265,694	457,021	44,762	81,353
\$500,000 or more.....	359	395,567	185,546	4,112	85,772
<b>Capital Gain Distributions</b>					
All returns, total.....	1,540,638	42,470,398	9,269,838	1,540,756	1,057,413
No adjusted gross income.....	11,747	-355,636	3,199	11,747	16,480
Under \$10,000.....	325,036	1,911,105	67,521	325,036	146,466
\$10,000 under \$20,000.....	426,602	6,415,706	707,181	426,602	227,821
\$20,000 under \$50,000.....	609,006	18,600,623	3,258,232	609,006	323,934
\$50,000 under \$100,000.....	128,771	8,592,581	2,341,075	128,889	131,399
\$100,000 under \$500,000.....	38,339	6,143,394	2,322,523	38,339	109,167
\$500,000 or more.....	1,137	1,162,625	570,108	1,137	102,145

Footnotes at end of table.



Table 4.--Number of Returns, Adjusted Gross Income, Income Tax, Transactions, and Gross Gain Less Loss, by Size of Adjusted Gross Income for Returns With Selected Asset Types, 1977--Continued

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

Asset type and size of adjusted gross income	Number of returns	Adjusted gross income less deficit	Total income tax	Number of transactions <sup>1</sup>	Gross gain less loss
	(1)	(2)	(3)	(4)	(5)
<b>Share of Gain or Loss From Partnerships and Fiduciaries</b>					
All returns, total.....	717,185	31,112,894	8,606,434	835,635	4,282,301
No adjusted gross income.....	11,909	-1,208,376	22,548	14,591	222,014
Under \$10,000.....	82,198	505,471	26,552	94,971	176,212
\$10,000 under \$20,000.....	152,208	2,225,496	221,256	170,099	273,080
\$20,000 under \$50,000.....	293,587	9,527,856	1,615,425	341,681	1,201,823
\$50,000 under \$100,000.....	119,991	8,268,909	2,148,866	142,976	958,948
\$100,000 under \$500,000.....	54,866	9,268,624	3,390,284	68,032	1,075,674
\$500,000 or more.....	2,426	2,524,915	1,181,503	3,285	374,549
<b>Sale or Involuntary Conversion of Certain Depreciable Property</b>					
All returns, total.....	<sup>2</sup> 858,114	<sup>2</sup> 14,874,849	<sup>2</sup> 3,080,217	1,388,725	2,564,411
No adjusted gross income.....	104,219	-1,432,516	13,178	209,063	237,748
Under \$10,000.....	259,815	1,443,677	29,730	408,254	387,475
\$10,000 under \$20,000.....	272,571	3,992,866	292,362	462,979	557,501
\$20,000 under \$50,000.....	170,820	5,113,951	753,500	235,107	702,110
\$50,000 under \$100,000.....	35,331	2,383,521	630,829	49,528	334,929
\$100,000 under \$500,000.....	14,595	2,497,102	943,051	22,405	296,691
\$500,000 or more.....	763	876,246	417,565	1,388	47,951
<b>Personal Residence<sup>3</sup></b>					
All returns, total.....	1,460,678	31,851,438	4,860,258	1,492,843	6,930,676
No adjusted gross income.....	9,938	-191,133	2,369	9,997	59,329
Under \$10,000.....	334,168	1,949,595	54,240	340,037	1,520,042
\$10,000 under \$20,000.....	416,948	6,414,940	576,993	429,945	1,983,833
\$20,000 under \$50,000.....	634,527	18,209,019	2,618,280	646,789	2,626,319
\$50,000 under \$100,000.....	53,970	3,541,445	877,700	54,728	516,874
\$100,000 under \$500,000.....	10,902	1,704,925	619,473	11,116	212,083
\$500,000 or more.....	225	222,647	111,202	231	12,194
<b>Nonbusiness Real Estate</b>					
All returns, total.....	637,472	15,941,404	3,278,896	738,616	4,419,199
No adjusted gross income.....	8,564	-386,026	7,121	11,286	92,861
Under \$10,000.....	175,677	1,087,577	32,388	212,018	872,187
\$10,000 under \$20,000.....	164,447	2,518,203	240,321	172,079	620,292
\$20,000 under \$50,000.....	231,425	6,846,699	1,074,923	265,647	1,646,482
\$50,000 under \$100,000.....	42,084	2,812,956	715,936	55,655	650,154
\$100,000 under \$500,000.....	14,675	2,395,540	883,129	20,975	440,388
\$500,000 or more.....	600	666,456	325,077	956	96,834
<b>Prior-Year Installment Sales Proceeds</b>					
All returns, total.....	572,433	16,131,058	3,755,251	769,722	3,965,031
No adjusted gross income.....	6,336	-274,704	5,570	8,834	79,498
Under \$10,000.....	146,054	997,734	45,220	177,231	369,113
\$10,000 under \$20,000.....	148,974	2,242,930	239,967	179,683	615,296
\$20,000 under \$50,000.....	205,226	6,105,883	983,483	288,884	1,150,367
\$50,000 under \$100,000.....	46,330	3,116,990	862,756	80,115	673,124
\$100,000 under \$500,000.....	18,783	3,172,021	1,224,290	33,725	749,813
\$500,000 or more.....	730	770,204	393,966	1,250	327,820

<sup>1</sup>Connotes sales, exchanges, involuntary conversions, and distributions of gain or loss from partnerships, fiduciaries, Small Business Corporations, retirement plans, and enterprise liquidations.

<sup>2</sup>Data are overstated to the extent a taxpayer reported more than one type of property included in this combined category.

<sup>3</sup>The gain shown for sales of residences is the gross amount realized. Only a small part is taxable gain because of the deferral and exclusion provisions of the tax law relating to sales of residences.

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

## DATA SOURCES AND LIMITATIONS

Detailed data on capital asset transactions were obtained from subsamples of the basic Statistics of Income samples of individual income tax returns for 1973 and 1977 [3]. For 1973, approximately 112,000 returns were examined to select those which had one or more capital asset transactions reported on Schedule D, Capital Gains and Losses (Form 1040); Form 4797, Supplemental Schedule of Gains and Losses; or Form 2119, Sale or Exchange of Personal Residence [4]. For 1977, a total of 117,000 returns were examined to select those with capital asset transactions from the same tax forms. There was one significant difference in the return coverage for the two studies. For both years, if a taxpayer did not have any transactions other than capital gain distributions, that individual could report such gain on Form 1040 and did not need to file a separate Schedule D. Such returns were excluded from the study for 1973, but were included for 1977.

The estimates in this article are intended to represent individual income tax returns, Forms 1040, that had sales of capital assets whether in fact these transactions resulted in a net gain or loss in adjusted gross income. The detailed data on capital asset transactions were combined with other basic tax return information (such as adjusted gross income, taxable income, income tax before credits, total income tax, and net capital gain or loss) for use in the tabulations included in this article.

For both Tax Years 1973 and 1977, a capital loss carryover by itself was not considered transaction information; therefore, returns that only reported a loss from a previous year on the Schedule D were omitted from the study. A return was counted as having a transaction if there was at least one amount reported for any of the following: gross sales price, cost or expense of sale, or gain (loss). Basically, this was true whether or not all of these elements were required to be reported for a particular asset type. Certain asset types (capital gain and other distributions) generally had no gross sales price or cost reported. Certain types of transactions (deferred gain and breakeven) had details on gross sales price and cost, but no gain or loss. For other transactions, the taxpayer may have reported any combination of elements in constructing a transaction. However, since only one element needed to be present for determining that a return had a sale or exchange, the estimates are presumed to provide complete coverage of all types of transactions.

Because the estimates are based on samples, they are subject to sampling error. The return data were also subject to nonsampling error due to reporting idiosyncrasies as well as differences between form instructions and their interpretation by filers.

A general description of Statistics of Income sample procedures and limitations of the data are shown in Appendix II at the end of this Bulletin. Sampling variability relating to the sales of capital asset estimates for 1973 and 1977 are shown in the coefficient of variation table below.

Coefficient of Variation	Estimated Number of Returns	
	1973	1977
2.6%	9,144,000	8,523,700
2.9	7,350,000	6,851,400
3.0	6,868,200	6,402,200
4.0	3,863,300	3,601,300
5.0	2,472,500	2,304,800
10.0	618,100	576,200
20.0	154,500	144,100
30.0	68,700	64,000
40.0	38,600	36,000
50.0	24,700	23,000

## REFERENCES

- [1] Additional information on returns with sales of capital assets reported on Schedule D and the components of net capital gain or net capital loss included in adjusted gross income can be found in the annual publications of Statistics of Income--Individual Income Tax Returns.
- [2] A synopsis of the law pertaining to sales of capital assets, 1913-1962, can be found in the Supplemental Report, Statistics of Income--1962, Sales of Capital Assets Reported on Individual Income Tax Returns. Major changes in the law between 1963-1973 are explained in the Supplemental Report, Statistics of Income--1973, Sales of Capital Assets Reported on Individual Income Tax Returns.
- [3] Information on the full SOI samples from which the subsamples were drawn is published in Statistics of Income--Individual Income Tax Returns for Tax Years 1973 and 1977.
- [4] For a complete description of the subsample, see Supplemental Report, Statistics of Income--1973, Sales of Capital Assets Reported on Individual Income Tax Returns.