

High-Income Tax Returns for 1996

by *Therese Cruciano*

The Tax Reform Act of 1976 required annual publication of data on individual income tax returns reporting income of \$200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable [1]. This article presents detailed data for the 1.5 million high-income returns for 1996, as well as summary data for the period 1977 to 1996. Detailed data for the years 1974 through 1995 have been published previously [2].

Two income concepts are used in this article to classify tax returns as high-income: the statutory concept of adjusted gross income (AGI) and the expanded income concept [3]. Expanded income uses items reported on tax returns to obtain a more comprehensive measure of income than AGI. Specifically, expanded income is AGI *plus* tax-exempt interest, nontaxable Social Security benefits, the foreign-earned income exclusion, and items of “tax preference” for “alternative minimum tax” purposes; *less* unreimbursed employee business expenses, moving expenses, investment interest expense to the extent it does not exceed investment income, and miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor [4, 5]. Note that although expanded income is a more comprehensive measure of income than AGI, for some taxpayers, the subtractions from AGI to arrive at expanded income exceed the additions, with the result that expanded income is less than AGI.

Number of High-Income Returns

Table 1 shows that for 1996, there were 1,523,407 individual income tax returns reporting AGI of \$200,000 or more, and 1,572,114 with expanded income of \$200,000 or more. These returns represented, respectively, 1.266 percent and 1.306 percent of all returns for 1996.

Since 1977, the number of returns reporting income of \$200,000 or more has increased at a much more rapid rate than the total number of returns filed. This pattern is true under both income concepts. Between 1995 and 1996, while the total number of tax returns increased 1.8 percent, the number of high

AGI returns increased 19.7 percent, and the number of high expanded-income returns rose 19.2 percent. As a result, for each year, returns with income of \$200,000 or more comprised a larger share of all returns than for the preceding year.

The difference in the number of high-income returns between the two income concepts significantly decreased beginning with 1987, when AGI began to include 100 percent of long-term capital gains. That change in the definition of AGI made the income concepts of AGI and expanded income more comparable. In addition, as a result of the inclusion of tax-exempt interest in expanded income starting with 1987, expanded income for years after 1986 is not strictly comparable to expanded income for years before 1987.

In the top panel of Figure A, the \$200,000 threshold for high-income returns is measured in current-year (nominal) dollars. As a result of inflation, the real (constant) dollar level of the threshold fell over time, and some returns are classified as high-income that would not have been classified as high-income for earlier years. To maintain the comparability of the real threshold over time, the nominal \$200,000 threshold has been adjusted for inflation to 1976 constant dollars for all years, and the number of high-income tax returns has been recomputed in the lower panel of Figure A [6].

When measured in 1976 constant dollars, under the expanded income concept, the total number of high-income returns was only 4.9 times the number for 1977. However, the number of high-income returns for 1996 measured in current-year dollars was 23.3 times as large as for 1977. Since 1977, the percentage of returns with expanded income of \$200,000 or more in current dollars increased every year. The share of high expanded-income returns in 1976 constant dollars increased from 1995 to 1996, as it has for four of the most recent nine years. For 1996, the share of high expanded-income returns reached 0.236 percent, surpassing its previous high of 0.220 percent that it reached in 1988. Figure B shows the difference between the constant and current dollar shares of high-income returns.

Based on AGI, the number of high-income returns for 1996 measured in current-year dollars was 28.5 times as large as for 1977. Measured in 1976 constant dollars, the number of returns for 1996 was only 6.1 times the number for 1977. Between

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Figure A

All Returns and Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Income Concept, Tax Years 1977-1996

Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	88,634,640	53,403	67,580	0.060	0.076
1978.....	89,771,551	68,506	85,137	0.076	0.095
1979.....	92,694,302	93,731	122,231	0.101	0.132
1980.....	93,902,459	117,250	149,826	0.125	0.160
1981.....	96,396,123	138,136	175,092	0.143	0.182
1982.....	95,337,432	169,367	207,291	0.178	0.217
1983.....	96,321,310	198,608	249,319	0.206	0.259
1984.....	99,438,708	243,760	310,042	0.245	0.312
1985.....	101,660,287	296,507	370,340	0.292	0.364
1986.....	103,045,170	374,363	529,460	0.363	0.514
1987.....	106,996,270	539,967	557,848	0.505	0.521
1988.....	109,708,280	725,345	737,659	0.661	0.672
1989.....	112,135,673	786,063	814,152	0.701	0.726
1990.....	113,717,138	834,957	860,940	0.734	0.757
1991.....	114,730,123	846,707	892,178	0.738	0.778
1992.....	113,604,503	954,747	989,522	0.840	0.871
1993.....	114,601,819	993,326	1,043,213	0.867	0.910
1994.....	115,943,131	1,109,498	1,153,829	0.957	0.995
1995.....	118,218,327	1,272,508	1,319,382	1.076	1.116
1996.....	120,351,208	1,523,407	1,572,114	1.266	1.306

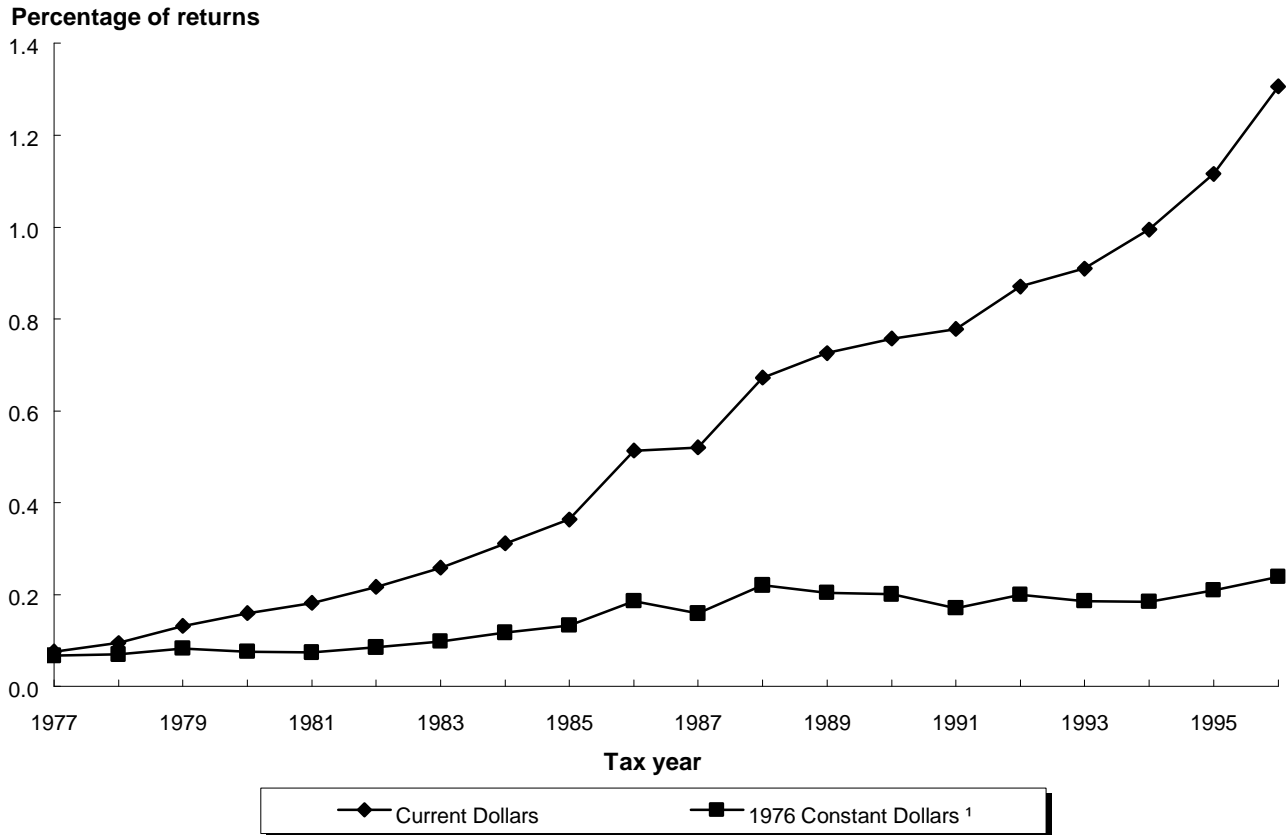
Tax year	Current dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000 income threshold measured in 1976 constant dollars ¹			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.052	0.067
1978.....	229,174	49,388	62,556	0.055	0.070
1979.....	255,184	55,542	76,479	0.060	0.083
1980.....	289,631	52,512	71,704	0.056	0.076
1981.....	319,508	50,880	71,146	0.053	0.074
1982.....	339,192	59,411	81,297	0.062	0.085
1983.....	350,088	67,310	93,977	0.070	0.098
1984.....	365,202	80,800	116,389	0.081	0.117
1985.....	378,207	95,740	134,715	0.094	0.133
1986.....	385,237	119,550	191,596	0.116	0.186
1987.....	399,297	161,408	169,942	0.151	0.159
1988.....	415,817	235,051	241,201	0.214	0.220
1989.....	435,852	217,685	228,530	0.194	0.204
1990.....	459,400	216,716	228,659	0.191	0.201
1991.....	478,735	183,442	195,743	0.160	0.171
1992.....	493,146	213,783	227,354	0.188	0.200
1993.....	507,909	201,236	212,853	0.176	0.186
1994.....	520,914	204,532	214,673	0.176	0.185
1995.....	535,677	237,770	248,077	0.201	0.210
1996.....	551,494	278,342	288,194	0.231	0.239

¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

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Figure B

Returns with Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current and 1976 Constant Dollars, Tax Years 1977-1996



¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

1988 and 1994, the share of such returns fell from 0.214 percent to 0.176 percent of all returns, before increasing for 1995 and 1996 to reach 0.231 percent for 1996. As for high expanded-income returns, the 1996 share was a new high, surpassing the previous high of 0.214 percent reached in 1988.

Nontaxable High-Income Returns

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable. The first concept, "U.S. income tax," is total Federal income tax liability (including the "alternative minimum tax" (AMT)), less all credits against income tax. Since the U.S. income tax applies to worldwide income and since a credit (subject to certain limits)

is allowed against U.S. income tax for income taxes paid to foreign governments, a return could be classified as nontaxable under this first concept even though income taxes had been paid to a foreign government. The second tax concept, "worldwide income tax," addresses this circumstance by adding to U.S. income tax the allowed foreign tax credit and foreign taxes paid on excluded foreign-earned income [7, 8].

For 1996, of the 1,523,407 income tax returns with AGI of \$200,000 or more, 1,044, or 0.069 percent, showed no U.S. income tax liability; and 950, or 0.062 percent, showed no worldwide income tax liability (the top panel of Figure C). For 1995, there were 998 returns (0.078 percent) with AGI of

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Figure C

Nontaxable Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Tax and Income Concept, Tax Years 1977-1996

Tax year	\$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1977.....	60	85	37	64	0.112	0.126	0.069	0.095
1978.....	98	105	60	67	0.143	0.123	0.088	0.079
1979.....	70	114	28	64	0.075	0.093	0.030	0.052
1980.....	143	198	56	114	0.122	0.132	0.048	0.076
1981.....	226	304	79	114	0.164	0.174	0.057	0.065
1982.....	262	299	109	153	0.155	0.144	0.064	0.074
1983.....	447	579	321	437	0.225	0.232	0.162	0.175
1984.....	532	325	471	271	0.218	0.105	0.193	0.087
1985.....	612	613	442	454	0.206	0.166	0.149	0.123
1986.....	659	595	437	379	0.176	0.112	0.117	0.072
1987.....	857	472	740	364	0.159	0.085	0.137	0.065
1988.....	822	397	731	309	0.113	0.054	0.101	0.042
1989.....	1,081	779	987	691	0.138	0.096	0.126	0.085
1990.....	1,219	1,183	1,114	1,087	0.146	0.137	0.133	0.126
1991.....	1,253	1,933	1,131	1,740	0.148	0.217	0.134	0.195
1992.....	909	1,896	823	1,799	0.095	0.192	0.086	0.182
1993.....	1,022	2,392	932	1,950	0.103	0.229	0.094	0.187
1994.....	1,137	2,574	1,061	2,161	0.102	0.223	0.096	0.187
1995.....	998	2,676	896	1,746	0.078	0.203	0.070	0.132
1996.....	1,044	1,820	950	1,660	0.069	0.116	0.062	0.106

Tax year	\$200,000 income threshold measured in 1976 constant dollars ¹							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977.....	54	75	32	56	0.118	0.127	0.070	0.095
1978.....	62	70	31	39	0.126	0.112	0.063	0.062
1979.....	38	71	15	39	0.068	0.093	0.027	0.051
1980.....	56	71	22	39	0.107	0.099	0.042	0.054
1981.....	53	87	21	55	0.104	0.122	0.041	0.077
1982.....	58	68	27	36	0.098	0.084	0.045	0.044
1983.....	138	135	113	108	0.205	0.144	0.168	0.115
1984.....	170	78	160	66	0.210	0.067	0.198	0.057
1985.....	190	155	137	99	0.198	0.115	0.143	0.073
1986.....	201	189	138	120	0.168	0.099	0.115	0.063
1987.....	312	126	271	85	0.193	0.074	0.168	0.050
1988.....	277	141	251	116	0.118	0.058	0.107	0.048
1989.....	293	128	269	106	0.135	0.056	0.124	0.046
1990.....	339	169	307	137	0.156	0.074	0.142	0.060
1991.....	301	305	273	277	0.164	0.156	0.149	0.142
1992.....	171	288	148	264	0.080	0.127	0.069	0.116
1993.....	180	323	160	300	0.089	0.152	0.080	0.141
1994.....	227	345	209	329	0.113	0.161	0.104	0.153
1995.....	202	281	174	252	0.085	0.113	0.073	0.102
1996.....	236	275	213	254	0.085	0.095	0.077	0.088

¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

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\$200,000 or more with no U.S. income tax liability; and 896 returns (0.070 percent) with no worldwide income tax liability.

Of the 1,572,114 tax returns with expanded income of \$200,000 or more, 1,820, or 0.116 percent, had no U.S. income tax liability; and 1,660, or 0.106 percent, had no worldwide income tax liability [9]. Of the 1,319,382 returns with expanded income of \$200,000 or more for 1995, there were 2,676 (0.203 percent) with no U.S. income tax liability and 1,746 (0.132 percent) with no worldwide income tax liability.

Thus, the proportion of nontaxable returns both in terms of expanded income or AGI and whether measured by absence of U.S. income tax or absence of worldwide income tax fell between 1995 and 1996.

Although the number of nontaxable, high expanded-income returns, as measured by absence of U.S. income tax, increased in all but seven years since 1977, that increase was attributable to the growth in the overall number of all returns--taxable and nontaxable--with income of \$200,000 or more. As mentioned previously, because of the inclusion of tax-exempt interest in expanded income starting with 1987, the concept of expanded income is no longer strictly comparable to expanded income calculated for years before 1987 [10].

Regardless of the income measure (AGI or expanded income) or the tax concept (U.S. income tax or worldwide income tax) used, the numbers of 1996 nontaxable, high-income returns in 1976 constant dollars were much lower than the numbers in current dollars. The percentages of nontaxable returns are not substantially different regardless of whether measured in constant or current dollars. Of returns with AGI of \$200,000 or more in current dollars, 0.069 percent reported no U.S. income tax for 1996; and 0.062 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.085; the percentage without worldwide income tax liability was 0.077 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.116 percent reported no U.S. income tax, and 0.106 percent reported no worldwide income tax. When looking at these same returns using 1976 constant dollars, the percentage

without U.S. income tax liability was 0.095; the percentage without worldwide income tax liability was 0.088.

Note that because the number of nontaxable returns with expanded income of \$200,000 or more is based on samples, year-to-year differences in the numbers and percentages of nontaxable returns with expanded income of \$200,000 or more may represent sampling variability, in addition to actual changes in the numbers of such returns. Beginning with Tax Year 1991, nontaxable returns with expanded income of \$200,000 or more were sampled at higher rates for Statistics of Income, which reduced the sampling variability of these returns and therefore provided improved estimates. Thus, the data for returns prior to 1991 are not entirely comparable with data for more recent years.

Figure D shows the number of returns with no worldwide income tax and with expanded income of \$200,000 or more and their proportion of all high-income returns for 1977 through 1996. These data are shown in both current-year and 1976 constant dollars. In this figure, the spread between the two percentage lines was small for the late 1970's, showed an increase for the early 1980's, and then narrowed before widening again after 1988. The spread narrowed again for 1994, 1995, and 1996.

Detailed Data for 1996

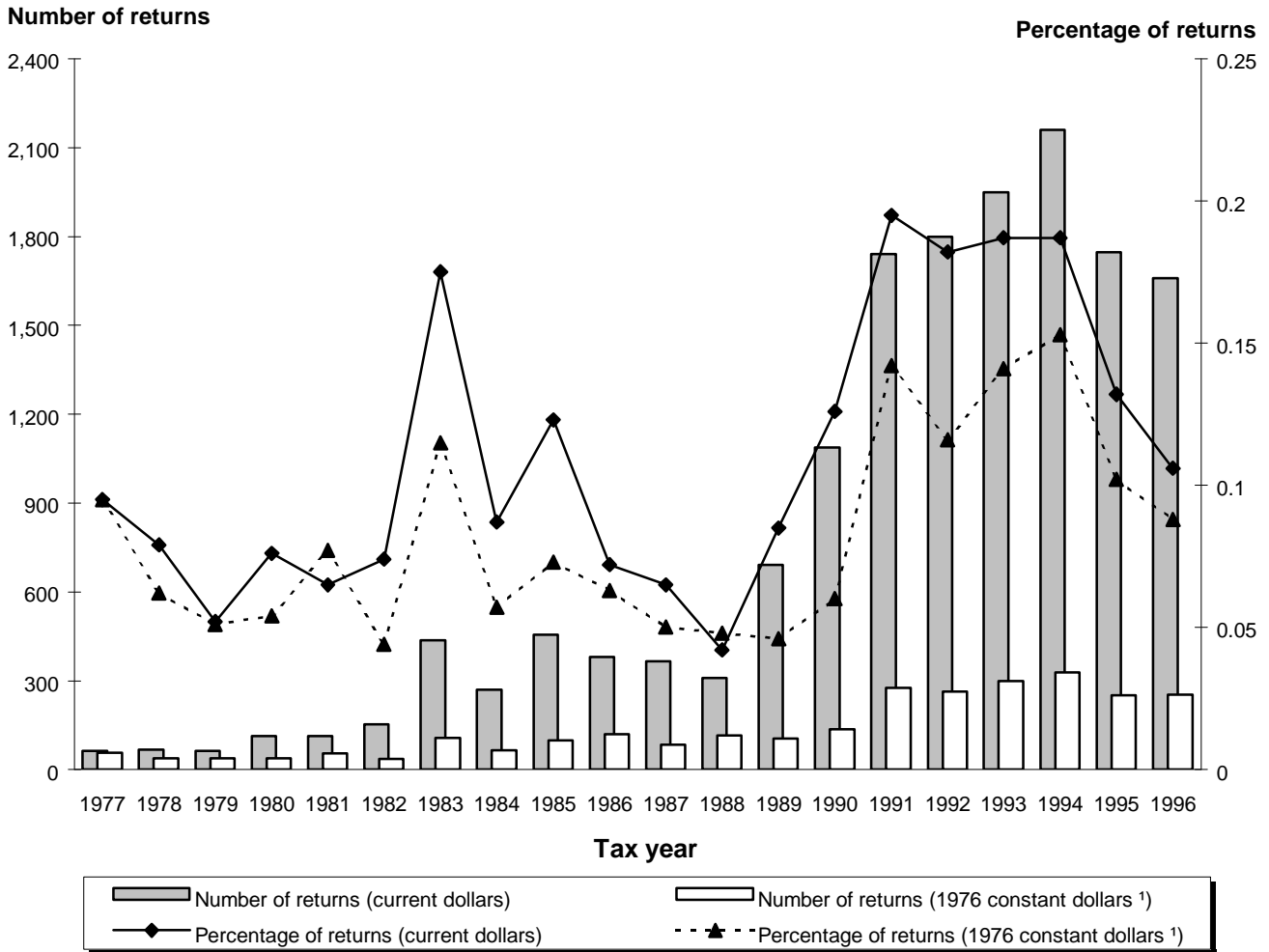
Tables 1 through 12 present data based on income tax returns for 1996, mainly those with income of \$200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income-size classes (Tables 1 and 2);
- The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions,

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Figure D

Number and Percentage of Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More, Tax Years 1977-1996



¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6);

- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income tax (Tables 7 and 8);
- The frequencies with which various itemized

deductions, tax credits, and tax preference items occur as certain percentages of income (Tables 9 and 10); and

- The distributions of effective tax rates, i.e., income tax under each definition as a percentage of income, by broad income-size classes (Tables 11 and 12).

Tables 1,3,5,7,9, and 11 use the U.S. income tax

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concept to classify returns as taxable or nontaxable, whereas Tables 2, 4, 6, 8, 10, and 12 use the worldwide income tax concept.

Size of Income

Tables 1 and 2 show the number of all returns, taxable returns, and nontaxable returns, cross-classified by broad AGI and expanded income-size classes. The tables show that most returns fall in the same broad income-size class under both income concepts, but that expanded income tends to be a broader measure of income and therefore classifies more total and taxable returns in each of the \$50,000-and-over income-size classes. Table 1 shows that 1,044 returns with no U.S. income tax had an AGI of \$200,000 or more; and 1,820 returns with no U.S. income tax had an expanded income of \$200,000 or more.

Distribution of Tax Levels

Tables 3 and 4 show the distributions of high-income returns by the ratios of “adjusted” taxable income to AGI or expanded income. Taxable income has been “adjusted” for these tables by subtracting from taxable income the deduction equivalents of tax credits and other items [11]. Thus, the tables show the extent to which AGI or expanded income, respectively, is reduced before taxes are imposed on the remaining income. The tables also illustrate three important facts about high-income tax returns. (The examples in the paragraphs below are drawn from the “expanded income” columns in Table 4.)

- ❑ As already described, only a small portion of high-income taxpayers were able to escape all income taxes (0.106 percent, which is rounded to 0.1 percent in Table 4).
- ❑ Another group of high-income taxpayers--small, but larger than the nontaxable group--was able to offset a very substantial fraction of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of his or her income. Such taxpayers may be called “nearly nontaxables.” (About 0.7 percent of high expanded-income taxpayers reported some tax liability, but were able to reduce their taxable incomes to less than 25 percent

of their expanded incomes.)

- ❑ Overall, a large portion of high-income taxpayers were subject to tax on a large share of their incomes and, consequently, reported very substantial amounts of tax. (Almost 69 percent had taxable income equal to 80 percent or more of expanded income; and almost 97 percent had taxable income equal to 50 percent or more of expanded income.)

Tables 11 and 12 show the distributions of tax returns in another way: by tax burden. These two tables classify all tax returns by both size of income and effective tax rate, i.e., income tax as a percentage of either AGI or expanded income. These tables show that, on average, high-income taxpayers did have higher effective tax rates. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. For example, Table 12 shows that while 1.8 percent of returns with expanded income of \$200,000 or more had either no worldwide income tax or worldwide income tax of less than 10 percent of expanded income, 56.0 percent had effective tax rates of 25 percent or more. In addition, 84.7 percent of high-income taxpayers had average tax rates ranging from 20 percent to 35 percent, while 37.1 percent had effective tax rates between 25 percent and 30 percent.

Characteristics of Tax Returns

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income, the items of tax preference, and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, nontaxable returns under the expanded-income concept were much more likely to have tax-exempt interest than were taxable returns, and when they did have it, the average amount was much higher. Similarly, nontaxable returns were much less likely to have any income from salaries and wages.

Reasons for Nontaxability

It is possible for certain itemized deductions and certain exclusions from income to cause nontaxability by themselves, but high-income returns

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are more often nontaxable as a result of a combination of reasons, none of which, by itself, would result in nontaxability. Moreover, some items, which singly or in combination may eliminate “regular tax” liability, i.e., income tax excluding the alternative minimum tax (AMT), cannot eliminate an AMT liability, since these items give rise to adjustments or preferences for AMT purposes.

Because they do not generate AMT adjustments or preferences, tax-exempt bond interest, itemized deductions for interest expense, miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor, casualty or theft losses, and medical expenses (exceeding 10 percent of AGI) could, by themselves, produce nontaxability [12].

Due to the AMT exclusion of \$45,000 on joint returns (\$33,750 on single and head-of-household returns and \$22,500 on returns of married taxpayers filing separately), a return could have been nontaxable, even though it included some items that produced AMT adjustments or preferences [13]. Further, since the starting point for “alternative minimum taxable income” was taxable income for regular tax purposes, a taxpayer could have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation could occur if taxable income for regular tax purposes was sufficiently negative, due to itemized deductions and personal exemptions exceeding AGI, so that the taxpayer’s AMT adjustments and preferences are less than the sum of the AMT exclusion and the amount by which regular taxable income is below zero. Note that because of the AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

Tables 7 and 8 classify tax returns by the items that had the largest and second largest effects in reducing or eliminating income tax. For returns on which each of the largest effects was identified, the tables show each of the second largest effects [14]. For example, Table 7 shows that on taxable returns with some U.S. income tax and expanded income of \$200,000 or more, the taxes-paid deduction was the most important item 48.8 percent of the time. Where this was the primary item, the interest-paid deduction was the second most important item 56.7 percent of the time, and the charitable contributions deduction

was the second most important item 26.0 percent of the time.

Table 8 shows that on taxable returns with some worldwide tax and expanded income of \$200,000 or more, the most important item in reducing the tax, reported on 49.4 percent of the returns, was the itemized deduction for taxes paid. For these returns, the itemized deduction for interest paid was the second most important item 56.7 percent of the time, and the deduction for charitable contributions was the second most important reason 26.5 percent of the time.

The four categories with the largest effect in reducing taxes on high adjusted-gross-income returns with no worldwide income tax were the investment interest expense deduction (378 returns, or 39.8 percent of the 950 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); total miscellaneous deductions (159 returns, or 16.7 percent); partnership and S Corporation net losses (134 returns, or 14.1 percent); and medical and dental expense deductions (92 returns, or 9.7 percent). These effects are also shown graphically in Figure E.

The four categories that most frequently had the largest effect in reducing taxes for high expanded-income returns with no worldwide income tax were tax-exempt interest (990 returns, or 62.4 percent of the 1,586 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); medical and dental expense deductions (205 returns, or 12.9 percent); partnership and S Corporation net losses (109 returns, or 6.9 percent); and net casualty or theft loss deduction (77 returns, or 4.9 percent). These effects are also shown graphically in Figure F. Table 8 also shows the two items that most frequently had the second largest effect in reducing regular tax liability for high expanded-income returns with no worldwide tax. These were the deduction for medical and dental expenses and the deduction for taxes paid.

Tables 9 and 10 present another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables cover only nontaxable returns, i.e., returns showing no income tax liability, including AMT. Tables 9 and 10 show the number of times that various items reduced income by different

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Figure E

Returns with No Worldwide Income Tax and with Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1996

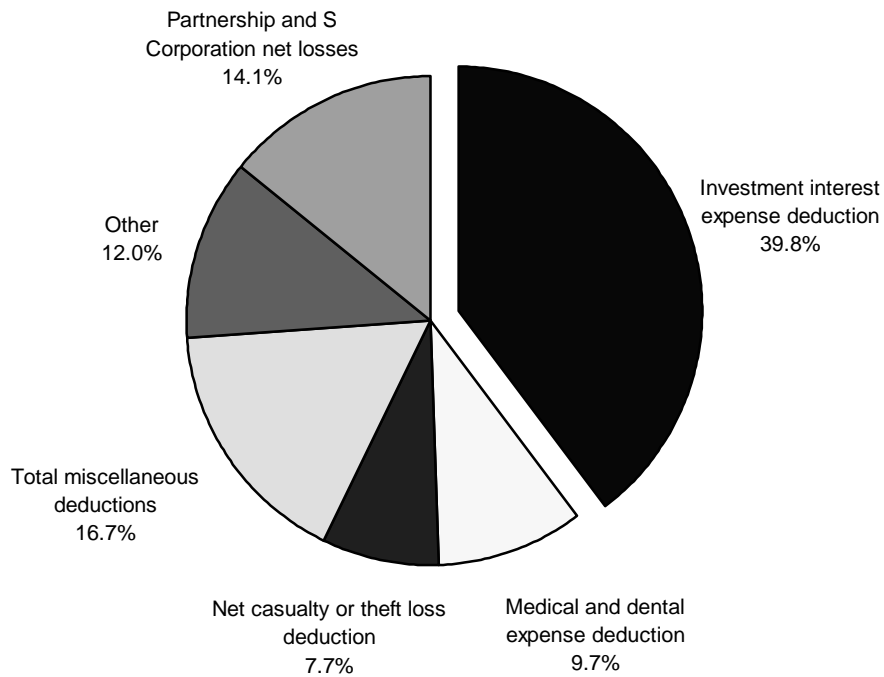
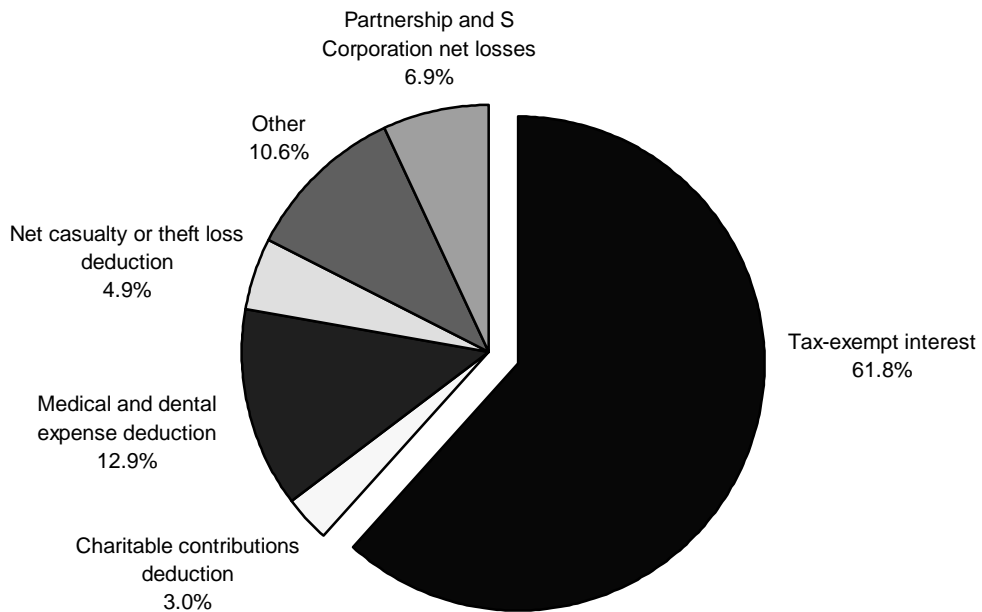


Figure F

Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1996



NOTE: Detail may not add to 100 percent because of rounding.

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fractions of income. The items shown are the various categories of itemized deductions, the deduction equivalents of two different types of tax credits, and total tax preferences excluded from income. For example, for high expanded-income returns with no worldwide income tax (Table 10), the itemized deduction for casualty or theft losses exceeded 100 percent of expanded income on 52 of the 1,660 returns, but there was no casualty or theft loss deduction on 1,573 returns. The medical expense deduction exceeded total expanded income on 38 returns and amounted to between 50 percent and 100 percent of expanded income on an additional 151 returns.

Notes and References

- [1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).
- [2] Lerman, Allen H., "High-Income Tax Returns: 1974 and 1975, A Report on High-Income Taxpayers Emphasizing Tax Returns with Little or No Tax Liability," U.S. Department of Treasury, Office of Tax Analysis, March 1977, and "High-Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns," U.S. Department of Treasury, Office of Tax Analysis, August 1978.
- U.S. Department of Treasury, Internal Revenue Service, *Statistics of Income--Individual Income Tax Returns* for 1977 through 1982 and 1985 through 1988. (For 1977 and 1978, only the number of nontaxable, high-AGI returns was published.)
- Lerman, Allen H., "High-Income Tax Returns, 1983," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 31-61; "High-Income Tax Returns, 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 1-29; "High-Income Tax Returns for 1989," *Statistics of Income Bulletin*, Spring 1993, Volume 12, Number 4, pp. 23-50; "High-Income Tax Returns for 1990," *Statistics of Income Bulletin*, Winter 1993-1994, Volume 13, Number 3, pp. 104-132; "High-Income Tax Returns for 1991," *Statistics of*

Income Bulletin, Winter 1994-1995, Volume 14, Number 3, pp. 96-130; and "High-Income Tax Returns for 1992," *Statistics of Income Bulletin*, Winter 1995-1996, Volume 15, Number 3, pp. 46-82;

Latzy, John, "High-Income Tax Returns for 1993," *Statistics of Income Bulletin*, Winter 1996-1997, Volume 16, Number 3, pp. 64-101; and "High-Income Tax Returns, 1994," *Statistics of Income Bulletin*, Winter 1997-1998, Volume 17, Number 3, pp. 31-69;

Cruciano, Therese, "High-Income Tax Returns for 1995," *Statistics of Income Bulletin*, Summer 1998, Volume 18, Number 1, pp. 69-108.

- [3] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded tax preference items, and AGI less investment interest expense not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (90 Stat. at 815) eliminated the requirement to use the last two income concepts.
- [4] The definition of adjustments to AGI to obtain the expanded income given in the text is for 1996. See Appendix A for a discussion of AGI and expanded income and a list of adjustments covering all years since 1977.
- [5] See Notes to Appendix A, A4.
- [6] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.
- [7] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income--Individual Income Tax Returns* (see footnote 2), the "U.S. income tax" concept was described as "total income tax," and the

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“worldwide income tax” concept was described as “modified total income tax.”

- [8] The inclusion of foreign taxes paid on excluded foreign-earned income, beginning with Tax Year 1990, represents an improvement in the worldwide income tax concept. It does, however, represent a slight break in the year-to-year comparability of data for worldwide income tax. However, the number of returns with foreign taxes paid on excluded foreign-earned income is extremely small compared to the number of returns with the foreign tax credit.
- [9] Includes returns on which income tax was entirely offset by the earned income credit.
- [10] Tax-exempt interest had to be reported on the individual income tax return starting with Tax Year 1987 and is included in expanded income starting with that year. Beginning with Tax Year 1991, tax-exempt interest was incorporated into the criteria used for sampling returns for Statistics of Income, thus increasing the reliability of the estimates of expanded income.
- [11] See Appendix B for a description of how the deduction equivalent of credits was computed.
- [12] The deduction for charitable contributions could also fall into this class if it were not limited to 50 percent of AGI.
- [13] The AMT exclusion phases out above certain levels of “alternative minimum taxable income,” based on filing status, but since taxpayers will have some AMT liability in the phase-out range, the phaseout income is not relevant for nontaxable returns.
- [14] Tax-exempt interest and the foreign-earned income exclusion were not included in Tables 7 and 8 as possible tax effects before Tax Year 1994. Thus, caution should be exercised in making comparisons between data prior to 1994 and after 1993.

Appendix A: Income Concepts

Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI),

but that was based entirely on items already reported on income tax returns. In order to derive such an income concept, it was necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns identified.

This appendix begins by defining “Haig-Simons income,” a very broad concept of income used by economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts are listed. The final section defines “expanded income,” a more comprehensive income measure than AGI, based entirely on tax return data.

Haig-Simons Income

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

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

- ☐ *Labor income.*--This includes all forms of employee compensation (including wages and salaries), employee fringe benefits (such as employer-provided health insurance and accrued pension benefits or contributions), and the employer share of payroll taxes (such as Social Security taxes). Labor income also includes the labor share of self-employment income. Expenses of earning labor income would be deducted in arriving at H-S income. Deferred labor income (such as pension benefits) would be counted in the year it was earned, rather than in the year it was received.

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- ❑ *Capital income.*--This includes all income from assets, including interest, dividends, rents, royalties, accrued capital gains (whether or not realized), the capital income share of self-employment income, and the rental value of consumer durables (most importantly, the rental value of owner-occupied housing). Capital income is measured in real (inflation-adjusted) terms and is net of real, economic depreciation and all other expenses (which could exceed capital income).
- ❑ *Transfer payments.*--These include payments in cash (such as Social Security benefits, workers' compensation, unemployment benefits, Aid to Families with Dependent Children (AFDC), and noncash benefits (such as Medicare, Medicaid, and food stamps).

For purposes of tax analysis, H-S income should be measured on a pretax basis, the amount that would be earned if there were no Federal income tax in place. Most items of income are unaffected, or little affected, by the income tax and so are reported on a pretax basis. However, certain income items from tax-preferred sources may be reduced because of their preferential treatment. An example is interest from tax-exempt State and local Government bonds. The interest rate on tax-exempt bonds is generally lower than the interest rate on taxable bonds of the same maturity and risk, with the difference approximately equal to the tax rate of the typical investor in tax-exempt bonds. Thus, investors in tax-exempt bonds are effectively paying a tax, referred to as an "implicit tax," and tax-exempt interest as reported is measured on an after-tax, rather than a pretax, basis. Income from all tax-preferred sources should be "grossed up" by implicit taxes to properly measure H-S income.

Adjusted Gross Income

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

up" for implicit taxes.

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

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

AGI generally *exceeds* H-S income to the extent that expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible *from* AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions and then, in some cases, only to the extent that the sum of all such items exceeds 2 percent of AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on the job but not reimbursed by the employer; and the employees' travel, meal, and entertainment expenses); Tax Year 1994 job-related moving expenses (for prior-year moves only); and expenses attributable to a taxpayer's (passive) investments (as opposed to active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses. Although some job-related moving expenses have been deducted in calculating AGI, the deductions for some related expenses, such as expenses for temporary quarters and expenses for selling a former residence, are limited.

Although net capital losses reduce economic income, only the first \$3,000 of net realized capital

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losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years. In a somewhat similar manner, “passive” losses (from investments in a trade or business in which the taxpayer does not materially participate) can also reduce economic income, but, in computing AGI, they can only be deducted from “passive” income from other, similar investments (although a larger amount may be deducted when the losses are from rental real estate activities).

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

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

Expanded Income

Expanded income is meant to be a measure of income that is conceptually closer to H-S income than AGI, but which is derived entirely from items already reported on income tax returns. Figure G shows the adjustments made to AGI to arrive at expanded income. Since the definition of AGI was changed by legislation several times since 1977, and certain reporting requirements also changed, the adjustments differ over the years, as indicated for each item [A4]. Most of these adjustments are relatively straightforward, but the adjustment for investment requires some explanation.

Investment Interest

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

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

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-1996

Adjusted gross income (AGI)	
PLUS:	<ul style="list-style-type: none">o Excluded capital gains (tax years prior to 1987)o Tax-exempt interest (1987 and later tax years)o Nontaxable Social Security benefits (1987 and later tax years)o Tax preferences for alternative minimum tax purposes [A5]o Foreign-earned income exclusion (1990 and later tax years)
MINUS:	<ul style="list-style-type: none">o Unreimbursed employee business expenses [A6]o Nondeductible rental losses (Tax Year 1987)o Moving expense deduction (Tax Years 1987 through 1993) [A7]o Investment interest expense deduction to the extent it does not exceed investment incomeo Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)
EQUALS:	<ul style="list-style-type: none">o Expanded income

NOTE: Footnotes to Figure G are included with the footnotes to Appendix A.

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these problems, it has been necessary to set arbitrary limits on the amount of investment expenses that are deductible in calculating expanded income.

Investment expenses that have not been deducted in determining AGI generally can appear on a Federal individual income tax return in two places. Investment interest expense is taken into account in the calculation of the itemized deduction for interest paid. Deductible investment interest expense is a separate part of the total interest deduction. Other investment expenses, such as management fees, are included in the miscellaneous category of itemized deductions [A8]. Beginning with 1987, most types of income-producing expenses included as miscellaneous itemized deductions are only deductible to the extent that their total exceeds 2 percent of AGI. To determine expenses that should be deductible in calculating an approximation of H-S income, investment expenses have been defined as deductible investment interest expense. Other investment expenses could not be separated from the remainder of miscellaneous deductions. Hence, they have not been used in the adjustment for investment expenses.

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

Notes to Appendix A

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

[A2] Borrowers receive income due to inflation because the real value of debt is reduced by inflation. Even though inflation may be anticipated and reflected in interest rates, tax

deductions for nominal interest payments overstate interest costs because part of these payments represent a return of principal to the lender, rather than interest.

[A3] See Notes and References, footnote 4.

[A4] For 1977, 50 percent of net long-term capital gains were included in AGI. During 1978, the inclusion ratio was changed to 40 percent. This inclusion ratio remained unchanged through 1986. Beginning with 1987, there was no exclusion allowed for capital gains in computing AGI, and, thus, this adjustment was not made in computing expanded income for returns for years after 1986.

From this time forward, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest income from State and local Government bonds. Since 1987, tax-exempt interest has been included in expanded income.

Taxpayers are also required to report Social Security benefits. Since 1988, nontaxable Social Security benefits have been included in expanded income. However, if none of a particular taxpayer's Social Security benefits are taxable, then gross Social Security benefits are not required to be shown on the income tax return. In such instances, which generally only affect lower- and middle-income taxpayers, Social Security benefits are not included in expanded income.

The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. All current-year moving expenses beginning with Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment.

Due to subtracting non-limited miscellaneous deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is not strictly comparable to expanded income for 1988. Nor is the expanded income concept for 1990 strictly comparable to expanded income for 1989 because of the addition of the foreign-earned

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income exclusion. Specific details on the definition of expanded income for any given year are available in the reports and publications enumerated in footnote 2, under Notes and References.

- [A5] The “tax preferences” (obtained from Form 6251, *Alternative Minimum Tax Computation*) excluded from adjusted gross income and tabulated in Tables 5 and 6 include the following items: the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease (for property placed in service before 1987); the appreciated portion of the value of certain property contributed to charitable organizations; the excess of percentage depletion over the “adjusted basis” of the property; certain intangible drilling costs to the extent that they exceed otherwise allowable amortization deductions; and related adjustments, refigured for AMT purposes, such as section 179 expense deductions, expenses for business or rental use of the home, taxable IRA distributions, etc.

Preferences obtained through itemized deductions do not represent omitted income. Hence, they have not been counted as preference items in calculating a broader measure of income. The preference from tax-exempt interest on certain private activity bonds was not included, since the interest for *all* tax-exempt State and local Government bonds is considered to be omitted income. Specific details on the tax preference items obtained from Form 6251 for earlier years are available in the reports and publications enumerated in footnote 2, under Notes and References.

- [A6] Includes deductible meal and entertainment expenses. Deductible expenses are limited to 50 percent of total meal and entertainment expenses, beginning with Tax Year 1994.
- [A7] Certain moving expenses, such as expenses for temporary quarters and expenses for selling a former residence, are limited.
- [A8] Some income deferrals and accelerated expense deductions may also be involved in

income or losses from rental property, from royalties, from partnerships, and from S Corporations, only the net amounts of which are included in AGI.

Appendix B: Tax Concepts

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

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

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

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

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

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

Two Tax Concepts

Two tax concepts are used in this article to classify tax returns as taxable (i.e., returns showing an income tax liability) or nontaxable (i.e., returns showing no income tax liability) and to measure the tax burdens on taxable returns: U.S. income tax and worldwide income tax. Worldwide income tax is defined for purposes of this article as U.S. income tax plus the foreign tax credits reported on the U.S. income tax return and foreign taxes paid on excluded foreign-earned income (obtained from Form 1116, *Foreign Tax Credit*). The amount of the foreign tax credits and foreign taxes paid on excluded foreign-earned income is used as a proxy for foreign tax liabilities [B3]. The relationship of U.S. income tax to tax items reported on individual income tax returns, and to worldwide income tax, is shown in Figure H.

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

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

The deduction equivalent of a tax credit or a

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 1996

Tax at regular rates (tax generated)	
PLUS:	Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)
EQUALS:	Income tax before credits
MINUS:	Tax credits
PLUS:	Alternative minimum tax (Form 6251)
EQUALS:	U.S. income tax
PLUS:	Foreign tax credit
PLUS:	Foreign taxes paid on excluded foreign-earned income (Form 1116)
EQUALS:	Worldwide income tax

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

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated may affect the value of their deduction equivalents. Because the tax rate schedules are progressive, with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first, unless all relevant taxable income amounts are within a single tax-rate bracket.

The deduction equivalents of tax credits shown in Tables 9 and 10 were computed by assuming that deductions and exclusions reduce taxes before credits. As a result, the deduction equivalents of tax credits may be overstated.

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Unaudited Data

Tax return data used for *Statistics of Income* have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). Certain obvious arithmetic errors have been corrected, and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not reflect any changes that may have been or could be made as a result of IRS audits. While this is true of data throughout the entire Statistics of Income program, it is particularly relevant 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 are minor, such returns could be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

Notes to Appendix B

- [B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article include such excluded income in expanded income. Foreign taxes paid on such income are reflected in worldwide income tax, as discussed later.
- [B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset precredit U.S. income tax liability with foreign tax credits.
- [B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate *or* understate worldwide taxes on current-year income.

SOURCE: IRS, Statistics of Income Bulletin, Publication 1136, Winter 1998-1999.

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Table 1.--Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	120,351,208	94,090,978	20,124,268	4,612,554	1,523,407
Under \$50,000 ¹	93,629,552	93,187,530	440,888	681	453
\$50,000 under \$100,000.....	20,516,416	883,374	19,483,918	148,522	602
\$100,000 under \$200,000.....	4,633,126	19,305	193,615	4,394,434	25,772
\$200,000 or more.....	1,572,114	769	5,848	68,917	1,496,580
Returns with U.S. income tax					
Total.....	96,073,932	69,847,619	20,094,069	4,609,880	1,522,363
Under \$50,000 ¹	69,443,273	69,008,858	433,829	402	184
\$50,000 under \$100,000.....	20,433,695	822,881	19,461,891	148,399	524
\$100,000 under \$200,000.....	4,626,671	15,764	192,785	4,392,476	25,647
\$200,000 or more.....	1,570,293	116	5,565	68,604	1,496,008
Returns without U.S. income tax					
Total.....	24,277,276	24,243,359	30,199	2,674	1,044
Under \$50,000 ¹	24,186,279	24,178,672	7,059	279	269
\$50,000 under \$100,000.....	82,721	60,493	22,027	123	78
\$100,000 under \$200,000.....	6,455	3,541	830	1,958	125
\$200,000 or more.....	1,820	653	282	313	572

¹ Includes returns with adjusted gross deficit or with negative expanded income.

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

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

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	120,351,208	94,090,978	20,124,268	4,612,554	1,523,407
Under \$50,000 ¹	93,629,552	93,187,530	440,888	681	453
\$50,000 under \$100,000.....	20,516,416	883,374	19,483,918	148,522	602
\$100,000 under \$200,000.....	4,633,126	19,305	193,615	4,394,434	25,772
\$200,000 or more.....	1,572,114	769	5,848	68,917	1,496,580
Returns with worldwide income tax					
Total.....	96,097,459	69,868,732	20,096,329	4,609,941	1,522,457
Under \$50,000 ¹	69,457,279	69,022,859	433,829	402	189
\$50,000 under \$100,000.....	20,440,924	828,466	19,463,533	148,399	526
\$100,000 under \$200,000.....	4,628,802	17,286	193,364	4,392,496	25,656
\$200,000 or more.....	1,570,454	120	5,603	68,644	1,496,086
Returns without worldwide income tax					
Total.....	24,253,748	24,222,246	27,939	2,613	950
Under \$50,000 ¹	24,172,273	24,164,671	7,059	279	264
\$50,000 under \$100,000.....	75,492	54,908	20,384	123	76
\$100,000 under \$200,000.....	4,324	2,019	*251	1,938	116
\$200,000 or more.....	1,660	649	245	273	494

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

¹ Includes returns with adjusted gross deficit or with negative expanded income.

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

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

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	1,523,407	100.0	--	1,572,114	100.0	--
Returns without U.S. income tax	1,044	0.1	--	1,820	0.1	--
Returns with U.S. income tax:						
Total	1,522,363	99.9	100.0	1,570,293	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	514	(¹)	(¹)	1,098	0.1	0.1
5 under 10 percent.....	935	0.1	0.1	3,590	0.2	0.3
10 under 15 percent.....	2,853	0.2	0.3	7,446	0.5	0.8
15 under 20 percent.....	3,096	0.2	0.5	5,078	0.3	1.1
20 under 25 percent.....	1,803	0.1	0.6	5,528	0.4	1.4
25 under 30 percent.....	1,511	0.1	0.7	6,225	0.4	1.8
30 under 35 percent.....	2,106	0.1	0.8	5,924	0.4	2.2
35 under 40 percent.....	4,117	0.3	1.1	9,535	0.6	2.8
40 under 45 percent.....	5,786	0.4	1.5	11,183	0.7	3.5
45 under 50 percent.....	6,678	0.4	1.9	13,924	0.9	4.4
50 under 60 percent.....	23,932	1.6	3.5	39,575	2.5	6.9
60 under 70 percent.....	67,110	4.4	7.9	90,609	5.8	12.7
70 under 80 percent.....	299,496	19.7	27.6	315,501	20.1	32.8
80 percent or more.....	1,102,427	72.4	100.0	1,055,079	67.2	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	1,523,407	100.0	--	1,572,114	100.0	--
Returns without worldwide income tax.....	950	0.1	--	1,660	0.1	--
Returns with worldwide income tax:						
Total.....	1,522,457	99.9	100.0	1,570,454	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	482	(¹)	(¹)	842	0.1	0.1
5 under 10 percent.....	836	0.1	0.1	1,243	0.1	0.1
10 under 15 percent.....	670	(¹)	0.1	2,757	0.2	0.3
15 under 20 percent.....	695	(¹)	0.2	2,622	0.2	0.5
20 under 25 percent.....	508	(¹)	0.2	3,674	0.2	0.7
25 under 30 percent.....	834	0.1	0.3	4,145	0.3	1.0
30 under 35 percent.....	912	0.1	0.3	4,272	0.3	1.2
35 under 40 percent.....	3,258	0.2	0.5	7,658	0.5	1.7
40 under 45 percent.....	4,627	0.3	0.8	9,062	0.6	2.3
45 under 50 percent.....	5,624	0.4	1.2	13,158	0.8	3.1
50 under 60 percent.....	21,353	1.4	2.6	35,681	2.3	5.4
60 under 70 percent.....	62,310	4.1	6.7	86,673	5.5	10.9
70 under 80 percent.....	296,076	19.4	26.2	316,304	20.1	31.1
80 percent or more.....	1,124,273	73.8	100.0	1,082,362	68.9	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages.....	1,300,247	366,941,015	1,299,683	366,846,960	564	94,054
Business or profession:						
Net income.....	333,354	38,164,734	333,178	38,140,134	176	24,600
Net loss.....	91,765	2,115,327	91,618	2,054,752	147	60,575
Farm:						
Net income.....	13,226	758,477	13,212	757,947	14	530
Net loss.....	37,322	1,624,973	37,271	1,608,401	51	16,572
Partnership and S Corporation net income after Section 179 property deduction: ¹						
Net income.....	597,803	133,618,584	597,617	133,588,259	186	30,325
Net loss.....	206,029	13,214,632	205,557	12,877,833	472	336,799
Sales of capital assets:						
Net gain.....	1,006,814	170,904,053	1,006,209	170,519,316	605	384,737
Net loss.....	253,311	595,876	253,060	595,165	251	710
Sales of property other than capital assets:						
Net gain.....	77,994	1,747,455	77,895	1,736,176	99	11,279
Net loss.....	139,261	1,898,703	139,087	1,873,219	174	25,483
Taxable interest received.....	1,492,021	39,763,374	1,491,075	39,384,393	946	378,981
Tax-exempt interest.....	618,979	20,396,925	618,583	20,361,470	396	35,455
Dividends.....	1,286,792	36,858,785	1,285,990	36,671,880	802	186,905
Pensions and annuities in adjusted gross income.....	285,707	8,780,145	285,520	8,773,320	187	6,825
Rent:						
Net income.....	282,600	11,327,751	282,407	11,316,538	193	11,213
Net loss, total (deductible and nondeductible).....	219,871	2,604,877	219,635	2,593,437	236	11,440
Nondeductible rental loss.....	152,104	1,534,893	151,954	1,530,723	150	4,170
Royalty:						
Net income.....	102,386	2,829,710	102,263	2,815,382	123	14,328
Net loss.....	3,962	29,142	3,956	28,639	6	503
Estate or trust:						
Net income.....	55,341	4,739,694	55,286	4,737,541	55	2,153
Net loss.....	8,019	419,740	7,991	417,258	28	2,482
State income tax refunds.....	700,239	3,199,381	699,931	3,190,285	308	9,095
Alimony received.....	2,256	172,575	**	**	**	**
Social Security benefits in adjusted gross income.....	222,018	3,225,245	221,756	3,221,644	262	3,601
Social Security benefits (nontaxable).....	221,976	569,210	221,714	568,575	262	636
Unemployment compensation.....	16,736	63,114	**	**	**	**
Other income.....	251,989	8,199,220	251,768	8,179,255	221	19,965
Other loss.....	23,548	977,513	23,525	976,287	23	1,227
Foreign-earned income exclusion.....	16,483	1,027,932	16,444	1,025,268	39	2,664
Total income.....	1,523,407	814,287,002	1,522,363	813,498,741	1,044	788,261
Statutory adjustments, total.....	724,925	7,673,716	724,531	7,670,380	394	3,336
Payments to Individual Retirement Arrangements.....	116,009	355,701	115,972	355,599	37	102
Payments to self-employed retirement (Keogh) plans....	183,990	3,278,461	183,966	3,277,804	24	657
Moving expenses adjustment.....	19,232	96,290	19,225	96,199	7	90
Adjusted gross income.....	1,523,407	806,613,286	1,522,363	805,828,361	1,044	784,925
Investment interest expense deduction.....	387,750	8,324,710	387,089	7,814,200	661	510,510
Total tax preferences excluded from adjusted gross income.....	628,843	20,758,134	628,425	20,721,347	418	36,787
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	26,385	371,531	26,339	370,058	46	1,473
Passive activity loss (alternative minimum tax adjustment).....	209,944	1,093,403	209,720	1,096,166	224	-2,763
Expanded income.....	1,523,401	818,387,205	1,522,363	818,073,891	1,038	313,314

Footnotes at end of table.

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept--Continued						
Exemption amount.....	725,664	2,712,612	725,243	2,711,272	421	1,339
Itemized deductions:						
Total per adjusted gross income concept.....	1,419,283	96,055,366	1,418,285	95,134,897	998	920,469
Charitable contributions deduction.....	1,371,038	26,135,024	1,370,204	26,042,729	834	92,295
Interest paid deduction:						
Total per adjusted gross income concept.....	1,180,959	29,461,413	1,180,145	28,922,525	814	538,888
Total home mortgage interest.....	1,097,723	20,962,552	1,097,103	20,935,010	620	27,542
Medical and dental expense deduction.....	13,833	506,323	13,697	481,039	136	25,283
Net casualty or theft loss deduction.....	1,722	104,216	1,647	56,805	75	47,412
Taxes paid deduction.....	1,414,403	51,348,374	1,413,477	51,298,071	926	50,303
Net limited miscellaneous deductions per adjusted gross income concept.....	217,514	3,729,727	217,137	3,660,466	377	69,261
Non-limited miscellaneous deductions.....	49,450	1,534,546	49,245	1,419,998	205	114,548
Excess of exemptions and deductions over adjusted gross income.....	1,973	381,996	1,164	182,032	809	199,964
Taxable income.....	1,521,398	707,546,302	1,521,197	707,483,475	201	62,827
Tax at regular rates.....	1,521,405	229,594,762	1,521,200	229,574,344	205	20,418
Income tax before credits.....	1,521,405	229,632,430	1,521,200	229,612,012	205	20,418
Tax credits:						
Total.....	508,983	3,520,472	508,778	3,500,054	205	20,418
Child care credit.....	73,449	38,522	73,446	38,521	3	1
Minimum tax credit.....	45,067	549,916	44,959	540,905	108	9,011
Foreign tax credit.....	381,717	2,532,320	381,624	2,521,418	93	10,902
General business credit.....	49,190	307,473	49,156	307,095	34	378
Alternative minimum tax (Form 6251).....	174,895	2,051,109	174,895	2,051,109	--	--
U.S. total income tax.....	1,522,363	228,172,793	1,522,363	228,172,793	--	--
Taxable income which would yield:						
Income tax before credits.....	1,521,405	668,590,167	1,521,200	668,530,322	205	59,845
Income tax after credits.....	1,520,324	659,315,180	1,520,324	659,315,180	--	--
U.S. total income tax.....	1,522,363	664,786,195	1,522,363	664,786,195	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,523,407	806,613,286	1,522,363	805,828,361	1,044	784,925
plus: Total tax preferences excluded from adjusted gross income ²	628,843	20,758,134	628,425	20,721,347	418	36,787
Social Security benefits (nontaxable).....	221,976	569,210	221,714	568,575	262	636
Foreign-earned income exclusion.....	16,483	1,027,932	16,444	1,025,268	39	2,664
minus: Investment interest expense deduction.....	387,750	8,324,710	387,089	7,814,200	661	510,510
Non-limited miscellaneous deductions.....	49,450	1,534,546	49,245	1,419,998	205	114,548
Unreimbursed employee business expenses..	263,480	2,256,647	263,404	2,255,459	76	1,188
Equals: Expanded income.....	1,523,401	818,387,205	1,522,363	818,073,891	1,038	313,314

Footnotes at end of table.

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept						
Salaries and wages.....	1,312,419	367,097,142	1,311,858	367,013,384	561	83,758
Business or profession:						
Net income.....	338,567	38,343,106	338,409	38,323,281	158	19,825
Net loss.....	95,095	2,132,595	94,919	2,077,582	176	55,014
Farm:						
Net income.....	13,409	759,818	13,398	759,466	11	352
Net loss.....	37,615	1,606,577	37,536	1,593,430	79	13,148
Partnership and S Corporation net income after Section 179 property deduction: ¹						
Net income.....	613,198	133,832,551	612,908	133,806,682	291	25,868
Net loss.....	217,121	13,084,417	216,583	12,887,565	537	196,852
Sales of capital assets:						
Net gain.....	1,045,013	172,186,926	1,044,144	171,961,293	868	225,633
Net loss.....	265,638	624,199	264,945	622,268	692	1,931
Sales of property other than capital assets:						
Net gain.....	80,525	1,745,402	80,408	1,739,818	117	5,584
Net loss.....	142,965	1,846,643	142,749	1,824,225	217	22,418
Taxable interest received.....	1,543,152	40,665,574	1,541,455	40,432,501	1,698	233,073
Tax-exempt interest.....	681,269	25,966,848	679,872	25,520,438	1,397	446,409
Dividends.....	1,338,365	38,469,741	1,336,862	38,337,422	1,503	132,319
Pensions and annuities in adjusted gross income.....	313,198	9,810,785	312,797	9,800,231	401	10,554
Rent:						
Net income.....	291,490	11,450,149	291,251	11,442,487	239	7,661
Net loss, total (deductible and nondeductible).....	225,099	2,658,980	224,828	2,651,471	270	7,510
Nondeductible rental loss.....	153,737	1,571,905	153,620	1,568,495	118	3,410
Royalty:						
Net income.....	110,611	2,897,586	110,379	2,892,080	232	5,506
Net loss.....	3,985	29,438	3,972	28,988	13	450
Estate or trust:						
Net income.....	61,044	4,784,440	60,890	4,781,717	154	2,722
Net loss.....	8,084	415,458	8,058	414,392	26	1,065
State income tax refunds.....	709,744	3,228,322	709,264	3,220,557	480	7,765
Alimony received.....	2,261	171,634	2,258	171,426	3	207
Social Security benefits in adjusted gross income.....	263,939	3,872,318	263,011	3,860,124	928	12,194
Social Security benefits (nontaxable).....	263,900	683,480	262,971	681,281	929	2,199
Unemployment compensation.....	17,448	66,871	17,440	66,832	8	40
Other income.....	263,050	8,250,432	262,782	8,237,403	268	13,029
Other loss.....	30,495	1,280,320	30,465	1,279,173	31	1,148
Foreign-earned income exclusion.....	27,872	1,821,986	27,766	1,812,818	106	9,168
Total income.....	1,572,113	820,245,488	1,570,293	819,683,218	1,819	562,270
Statutory adjustments, total.....	732,764	7,697,022	732,377	7,692,418	387	4,604
Payments to Individual Retirement Arrangements.....	117,485	357,283	117,449	357,190	35	93
Payments to self-employed retirement (Keogh) plans.....	185,410	3,291,824	185,386	3,291,266	24	558
Moving expenses adjustment.....	18,886	98,083	18,879	98,015	7	68
Adjusted gross income.....	1,572,113	812,548,466	1,570,293	811,990,801	1,819	557,665
Investment interest expense deduction.....	389,696	7,453,827	389,275	7,239,667	421	214,160
Total tax preferences excluded from adjusted gross income.....	691,582	26,391,773	690,175	25,943,668	1,407	448,105
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	27,879	436,273	27,831	434,405	48	1,869
Passive activity loss (alternative minimum tax adjustment).....	222,082	1,087,790	221,827	1,092,772	255	-4,983
Expanded income.....	1,572,114	832,083,443	1,570,293	831,280,998	1,820	802,444

Footnotes at end of table.

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept--Continued						
Exemption amount.....	774,664	2,959,354	773,193	2,952,352	1,471	7,002
Itemized deductions:						
Total per adjusted gross income concept.....	1,454,148	95,956,246	1,452,656	95,310,666	1,493	645,581
Total per expanded income concept.....	1,453,714	102,562,608	1,452,259	102,233,562	1,455	329,046
Charitable contributions deduction.....	1,405,913	26,553,391	1,404,664	26,479,044	1,250	74,347
Interest paid deduction:						
Total per adjusted gross income concept.....	1,187,619	28,473,943	1,186,872	28,238,687	747	235,256
Total per expanded income concept.....	1,101,322	21,020,116	1,100,732	20,999,020	591	21,096
Total home mortgage interest.....	1,098,195	20,846,796	1,097,605	20,825,960	591	20,836
Medical and dental expense deduction.....	21,882	635,389	21,077	563,039	805	72,350
Net casualty or theft loss deduction.....	1,734	106,214	1,647	56,805	87	49,409
Taxes paid deduction.....	1,448,478	51,853,419	1,447,082	51,809,814	1,396	43,605
Net limited miscellaneous deductions per adjusted gross income concept.....	216,712	3,563,473	215,839	3,494,763	873	68,710
Non-limited miscellaneous deductions.....	50,987	1,541,759	50,782	1,428,048	205	113,710
Excess of exemptions and deductions over adjusted gross income.....	2,727	297,409	1,200	132,254	1,527	165,155
Taxable income.....	1,569,360	713,153,869	1,569,091	713,085,716	269	68,153
Tax at regular rates.....	1,569,368	230,964,302	1,569,096	230,942,608	272	21,693
Income tax before credits.....	1,569,368	231,002,087	1,569,096	230,980,394	272	21,693
Tax credits:						
Total.....	541,344	3,774,369	541,072	3,752,675	272	21,693
Child care credit.....	73,653	38,584	73,647	38,581	5	3
Minimum tax credit.....	46,813	551,246	46,696	542,375	117	8,871
Foreign tax credit.....	410,925	2,777,789	410,765	2,765,439	160	12,350
General business credit.....	50,920	313,553	50,890	313,218	30	335
Alternative minimum tax (Form 6251).....	181,831	2,078,680	181,831	2,078,680	--	--
U.S. total income tax.....	1,570,293	229,316,156	1,570,293	229,316,156	--	--
Taxable income which would yield:						
Income tax before credits.....	1,569,368	674,084,705	1,569,096	674,019,528	272	65,176
Income tax after credits.....	1,567,544	663,940,222	1,567,544	663,940,222	--	--
U.S. total income tax.....	1,570,293	669,530,054	1,570,293	669,530,054	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,572,113	812,548,466	1,570,293	811,990,801	1,819	557,665
plus: Total tax preferences excluded from adjusted gross income ²	691,582	26,391,773	690,175	25,943,668	1,407	448,105
Social Security benefits (nontaxable).....	263,900	683,480	262,971	681,281	929	2,199
Foreign-earned income exclusion.....	27,872	1,821,986	27,766	1,812,818	106	9,168
minus: Investment interest expense deduction.....	389,696	7,453,827	389,275	7,239,667	421	214,160
Non-limited miscellaneous deductions.....	50,987	1,541,759	50,782	1,428,048	205	113,710
Unreimbursed employee business expenses..	251,992	1,908,435	251,905	1,907,902	87	533
Equals: Expanded income.....	1,572,114	832,083,443	1,570,293	831,280,998	1,820	802,444

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

² Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

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

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages.....	1,300,247	366,941,015	1,299,755	366,866,982	492	74,032
Business or profession:						
Net income.....	333,354	38,164,734	333,196	38,151,250	158	13,483
Net loss.....	91,765	2,115,327	91,624	2,081,840	141	33,487
Farm:						
Net income.....	13,226	758,477	13,213	757,964	13	513
Net loss.....	37,322	1,624,973	37,271	1,608,401	51	16,572
Partnership and S Corporation net income after section 179 property deduction: ¹						
Net income.....	597,803	133,618,584	597,632	133,590,945	171	27,639
Net loss.....	206,029	13,214,632	205,585	12,897,681	444	316,950
Sales of capital assets:						
Net gain.....	1,006,814	170,904,053	1,006,256	170,532,100	558	371,953
Net loss.....	253,311	595,876	253,077	595,216	234	659
Sales of property other than capital assets:						
Net gain.....	77,994	1,747,455	77,900	1,736,523	94	10,932
Net loss.....	139,261	1,898,703	139,094	1,873,497	167	25,205
Taxable interest received.....	1,492,021	39,763,374	1,491,153	39,450,112	868	313,262
Tax-exempt interest.....	618,979	20,396,925	618,606	20,362,719	373	34,207
Dividends.....	1,286,792	36,858,785	1,286,055	36,693,932	737	164,853
Pensions and annuities in adjusted gross income.....	285,707	8,780,145	285,526	8,773,632	181	6,513
Rent:						
Net income.....	282,600	11,327,751	282,424	11,317,484	176	10,267
Net loss, total (deductible and nondeductible).....	219,871	2,604,877	219,649	2,593,783	222	11,094
Nondeductible rental loss.....	152,104	1,534,893	151,961	1,530,882	143	4,012
Royalty:						
Net income.....	102,386	2,829,710	102,271	2,815,976	115	13,734
Net loss.....	3,962	29,142	3,957	29,034	5	109
Estate or trust:						
Net income.....	55,341	4,739,694	55,290	4,737,614	51	2,079
Net loss.....	8,019	419,740	7,992	417,258	27	2,482
State income tax refunds.....	700,239	3,199,381	699,949	3,190,880	290	8,501
Alimony received.....	2,256	172,575	**	**	**	**
Social Security benefits in adjusted gross income.....	222,018	3,225,245	221,765	3,221,751	253	3,494
Social Security benefits (nontaxable).....	221,976	569,210	221,723	568,594	253	617
Unemployment compensation.....	16,736	63,114	**	**	**	**
Other income.....	251,989	8,199,220	251,785	8,182,861	204	16,359
Other loss.....	23,548	977,513	23,534	976,469	14	1,045
Foreign-earned income exclusion.....	16,483	1,027,932	**	**	**	**
Total income.....	1,523,407	814,287,002	1,522,457	813,588,900	950	698,102
Statutory adjustments, total.....	724,925	7,673,716	724,558	7,670,539	367	3,177
Payments to Individual Retirement Arrangements.....	116,009	355,701	115,976	355,609	33	92
Payments to self-employed retirement (Keogh) plans.....	183,990	3,278,461	183,967	3,277,807	23	655
Moving expenses adjustment.....	19,232	96,290	19,225	96,199	7	90
Adjusted gross income.....	1,523,407	806,613,286	1,522,457	805,918,362	950	694,924
Investment interest expense deduction.....	387,750	8,324,710	387,119	7,854,155	631	470,555
Total tax preferences excluded from adjusted gross income.....	628,843	20,758,134	628,448	20,722,967	395	35,167
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	26,385	371,531	26,345	370,447	40	1,084
Passive activity loss (alternative minimum tax adjustment).....	209,944	1,093,403	209,737	1,095,058	207	-1,655
Expanded income.....	1,523,401	818,387,205	1,522,457	818,128,154	944	259,051

Footnotes at end of table.

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept - Continued						
Exemption amount.....	725,664	2,712,612	725,274	2,711,395	390	1,216
Itemized deductions:						
Total per adjusted gross income concept.....	1,419,283	96,055,366	1,418,338	95,188,523	945	866,843
Charitable contributions deduction.....	1,371,038	26,135,024	1,370,247	26,053,015	791	82,009
Interest paid deduction:						
Total per adjusted gross income concept.....	1,180,959	29,461,413	1,180,194	28,963,635	765	497,778
Total home mortgage interest.....	1,097,723	20,962,552	1,097,143	20,936,155	580	26,397
Medical and dental expense deduction.....	13,833	506,323	13,699	481,123	134	25,200
Net casualty or theft loss deduction.....	1,722	104,216	1,647	56,805	75	47,412
Taxes paid deduction.....	1,414,403	51,348,374	1,413,526	51,300,119	877	48,255
Net limited miscellaneous deductions per adjusted gross income concept.....	217,514	3,729,727	217,148	3,660,930	366	68,797
Non-limited miscellaneous deductions.....	49,450	1,534,546	49,248	1,420,996	202	113,550
Excess of exemptions and deductions over adjusted gross income.....	1,973	381,996	1,165	182,722	808	199,274
Taxable income.....	1,521,398	707,546,302	1,521,290	707,520,196	108	26,105
Tax at regular rates.....	1,521,405	229,594,762	1,521,293	229,586,843	112	7,919
Income tax before credits.....	1,521,405	229,632,430	1,521,293	229,624,511	112	7,919
Tax credits:						
Total.....	174,656	988,152	174,544	980,233	112	7,919
Child care credit.....	73,449	38,522	**	**	**	**
Minimum tax credit.....	45,067	549,916	44,981	542,357	86	7,559
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	49,190	307,473	49,164	307,213	26	260
Alternative minimum tax (Form 6251).....	174,895	2,051,109	174,895	2,051,109	--	--
Worldwide total income tax.....	1,522,457	231,105,348	1,522,457	231,105,348	--	--
Foreign taxes paid.....	381,743	2,932,556	381,743	2,932,556	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	13,885	400,236	13,885	400,236	--	--
Taxable income which would yield:						
Income tax before credits.....	1,521,405	668,590,167	1,521,293	668,566,182	112	23,985
Income tax after credits.....	1,521,294	667,054,890	1,521,294	667,054,890	--	--
Worldwide total income tax.....	1,522,457	672,475,626	1,522,457	672,475,626	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,523,407	806,613,286	1,522,457	805,918,362	950	694,924
plus: Total tax preferences excluded from adjusted gross income ²	628,843	20,758,134	628,448	20,722,967	395	35,167
Social Security benefits (nontaxable).....	221,976	569,210	221,723	568,594	253	617
Foreign-earned income exclusion.....	16,483	1,027,932	**	**	**	**
minus: Investment interest expense deduction.....	387,750	8,324,710	387,119	7,854,155	631	470,555
Non-limited miscellaneous deductions.....	49,450	1,534,546	49,248	1,420,996	202	113,550
Unreimbursed employee business expenses..	263,480	2,256,647	263,408	2,255,517	72	1,130
Equals: Expanded income.....	1,523,401	818,387,205	1,522,457	818,128,154	944	259,051

Footnotes at end of table.

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept						
Salaries and wages.....	1,312,419	367,097,142	1,311,983	367,043,563	436	53,580
Business or profession:						
Net income.....	338,567	38,343,106	338,428	38,334,108	139	8,998
Net loss.....	95,095	2,132,595	94,929	2,104,719	166	27,876
Farm:						
Net income.....	13,409	759,818	13,399	759,483	10	335
Net loss.....	37,615	1,606,577	37,541	1,593,705	74	12,873
Partnership and S Corporation net income after section 179 property deduction: ¹						
Net income.....	613,198	133,832,551	612,925	133,809,147	274	23,403
Net loss.....	217,121	13,084,417	216,618	12,907,541	503	176,876
Sales of capital assets:						
Net gain.....	1,045,013	172,186,926	1,044,208	171,970,764	805	216,163
Net loss.....	265,638	624,199	264,980	622,370	658	1,829
Sales of property other than capital assets:						
Net gain.....	80,525	1,745,402	80,415	1,740,176	110	5,226
Net loss.....	142,965	1,846,643	142,757	1,824,402	209	22,241
Taxable interest received.....	1,543,152	40,665,574	1,541,580	40,486,991	1,572	178,583
Tax-exempt interest.....	681,269	25,966,848	679,918	25,527,300	1,351	439,548
Dividends.....	1,338,365	38,469,741	1,336,965	38,359,170	1,400	110,571
Pensions and annuities in adjusted gross income.....	313,198	9,810,785	312,804	9,800,530	394	10,256
Rent:						
Net income.....	291,490	11,450,149	291,280	11,443,638	210	6,510
Net loss, total (deductible and nondeductible).....	225,099	2,658,980	224,867	2,652,118	232	6,862
Nondeductible rental loss.....	153,737	1,571,905	153,637	1,568,761	100	3,144
Royalty:						
Net income.....	110,611	2,897,586	110,390	2,892,694	221	4,892
Net loss.....	3,985	29,438	3,973	29,383	12	55
Estate or trust:						
Net income.....	61,044	4,784,440	60,897	4,781,819	147	2,620
Net loss.....	8,084	415,458	8,058	414,392	26	1,065
State income tax refunds.....	709,744	3,228,322	709,287	3,221,085	457	7,237
Alimony received.....	2,261	171,634	**	**	**	**
Social Security benefits in adjusted gross income.....	263,939	3,872,318	263,033	3,860,440	906	11,877
Social Security benefits (nontaxable).....	263,900	683,480	262,993	681,351	907	2,129
Unemployment compensation.....	17,448	66,871	17,442	66,838	6	33
Other income.....	263,050	8,250,432	262,806	8,240,971	244	9,461
Other loss.....	30,495	1,280,320	30,487	1,279,787	8	533
Foreign-earned income exclusion.....	27,872	1,821,986	27,859	1,820,468	13	1,518
Total income.....	1,572,113	820,245,488	1,570,454	819,762,901	1,659	482,587
Statutory adjustments, total.....	732,764	7,697,022	732,419	7,692,939	346	4,083
Payments to Individual Retirement Arrangements.....	117,485	357,283	117,456	357,205	29	78
Payments to self-employed retirement (Keogh) plans....	185,410	3,291,824	185,389	3,291,344	21	480
Moving expenses adjustment.....	18,886	98,083	18,879	98,015	7	68
Adjusted gross income.....	1,572,113	812,548,466	1,570,454	812,069,962	1,659	478,503
Investment interest expense deduction.....	389,696	7,453,827	389,300	7,261,597	396	192,231
Total tax preferences excluded from adjusted gross income.....	691,582	26,391,773	690,222	25,950,900	1,360	440,873
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	27,879	436,273	27,837	434,793	42	1,480
Passive activity loss (alternative minimum tax adjustment).....	222,082	1,087,790	221,846	1,091,531	236	-3,741
Expanded income.....	1,572,114	832,083,443	1,570,454	831,353,172	1,660	730,271

Footnotes at end of table.

High-Income Tax Returns for 1996

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

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept--Continued						
Exemption amount.....	774,664	2,959,354	773,298	2,952,986	1,366	6,367
Itemized deductions:						
Total per adjusted gross income concept.....	1,454,148	95,956,246	1,452,718	95,346,090	1,431	610,157
Total per expanded income concept.....	1,453,714	102,562,608	1,452,320	102,247,284	1,394	315,323
Charitable contributions deduction.....	1,405,913	26,553,391	1,404,718	26,488,924	1,196	64,467
Interest paid deduction:						
Total per adjusted gross income concept.....	1,187,619	28,473,943	1,186,920	28,261,681	699	212,263
Total per expanded income concept.....	1,101,322	21,020,116	1,100,772	21,000,084	551	20,032
Total home mortgage interest.....	1,098,195	20,846,796	1,097,645	20,827,016	551	19,781
Medical and dental expense deduction.....	21,882	635,389	21,092	563,409	790	71,980
Net casualty or theft loss deduction.....	1,734	106,214	1,647	56,805	87	49,409
Taxes paid deduction.....	1,448,478	51,853,419	1,447,139	51,811,761	1,339	41,658
Net limited miscellaneous deductions per adjusted gross income concept.....	216,712	3,563,473	215,862	3,495,226	850	68,247
Non-limited miscellaneous deductions.....	50,987	1,541,759	50,788	1,429,052	199	112,707
Excess of exemptions and deductions over adjusted gross income.....	2,727	297,409	1,200	132,254	1,527	165,155
Taxable income.....	1,569,360	713,153,869	1,569,251	713,128,215	109	25,654
Tax at regular rates.....	1,569,368	230,964,302	1,569,256	230,956,473	112	7,828
Income tax before credits.....	1,569,368	231,002,087	1,569,256	230,994,259	112	7,828
Tax credits:						
Total.....	179,688	996,580	179,576	988,752	112	7,828
Child care credit.....	73,653	38,584	**	**	**	**
Minimum tax credit.....	46,813	551,246	46,726	543,731	87	7,515
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	50,920	313,553	50,901	313,346	19	207
Alternative minimum tax (Form 6251).....	181,831	2,078,680	181,831	2,078,680	--	--
Worldwide total income tax.....	1,570,454	232,691,843	1,570,454	232,691,843	--	--
Foreign taxes paid.....	410,950	3,375,687	410,950	3,375,687	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	22,484	597,899	22,484	597,899	--	--
Taxable income which would yield:						
Income tax before credits.....	1,569,368	674,084,705	1,569,256	674,061,169	112	23,535
Income tax after credits.....	1,569,256	673,083,220	1,569,256	673,083,220	--	--
Worldwide total income tax.....	1,570,454	678,606,118	1,570,454	678,606,118	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,572,113	812,548,466	1,570,454	812,069,962	1,659	478,503
plus: Total tax preferences excluded from adjusted gross income ²	691,582	26,391,773	690,222	25,950,900	1,360	440,873
Social Security benefits (nontaxable).....	263,900	683,480	262,993	681,351	907	2,129
Foreign-earned income exclusion.....	27,872	1,821,986	27,859	1,820,468	13	1,518
minus: Investment interest expense deduction.....	389,696	7,453,827	389,300	7,261,597	396	192,231
Non-limited miscellaneous deductions.....	50,987	1,541,759	50,788	1,429,052	199	112,707
Unreimbursed employee business expenses..	251,992	1,908,435	251,910	1,907,913	82	521
Equals: Expanded income.....	1,572,114	832,083,443	1,570,454	831,353,172	1,660	730,271

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

² Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

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

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	1,460,895	100.0	333,540	22.8	42,503	2.9	798,423	54.7
Interest paid deduction.....	488,972	33.5	--	--	10,761	25.3	427,589	53.6
Investment interest expense deduction ¹	43,139	3.0	6,700	2.0	--	--	25,012	3.1
Taxes paid deduction.....	457,117	31.3	285,748	85.7	21,183	49.8	--	--
Charitable contributions deduction.....	301,145	20.6	28,865	8.7	5,305	12.5	255,098	32.0
Medical and dental expense deduction.....	2,623	0.2	216	0.1	58	0.1	1,027	0.1
Net casualty or theft loss deduction.....	65	(²)	--	--	3	(²)	8	(²)
Total miscellaneous deductions.....	52,960	3.6	7,815	2.3	1,150	2.7	35,978	4.5
Foreign tax credit.....	15,706	1.1	412	0.1	504	1.2	9,818	1.2
General business credit.....	9,564	0.7	462	0.1	529	1.2	7,348	0.9
All other tax credits.....	10,768	0.7	327	0.1	603	1.4	6,109	0.8
Partnership and S Corporation net losses.....	31,613	2.2	2,995	0.9	2,171	5.1	20,406	2.6
No second largest item.....	47,223	3.2	--	--	237	0.6	10,029	1.3
Returns with expanded income of \$200,000 or more								
Total.....	1,523,340	100.0	331,980	21.8	--	--	743,474	48.8
Interest paid deduction.....	469,440	30.8	--	--	--	--	421,591	56.7
Tax-exempt interest ³	109,081	7.2	3,058	0.9	--	--	76,690	10.3
Taxes paid deduction.....	511,700	33.6	294,495	88.7	--	--	--	--
Charitable contributions deduction.....	256,597	16.8	28,734	8.7	--	--	193,651	26.0
Medical and dental expense deduction.....	3,770	0.2	216	0.1	--	--	669	0.1
Net casualty or theft loss deduction.....	112	(²)	--	--	--	--	49	(²)
Total miscellaneous deductions.....	19,677	1.3	1,272	0.4	--	--	8,864	1.2
Foreign tax credit.....	27,943	1.8	307	0.1	--	--	7,349	1.0
General business credit.....	10,102	0.7	469	0.1	--	--	6,521	0.9
All other tax credits.....	8,490	0.6	282	0.1	--	--	4,350	0.6
Partnership and S Corporation net losses.....	34,242	2.2	3,084	0.9	--	--	14,955	2.0
Foreign-earned income exclusion ³	17,169	1.1	63	(²)	--	--	166	(²)
No second largest item.....	55,018	3.6	--	--	--	--	8,617	1.2

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)
Returns with U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	118,353	8.1	5,453	0.4	237	(?)
Interest paid deduction.....	20,576	17.4	363	6.7	154	65.0
Investment interest expense deduction ¹	4,303	3.6	12	0.2	--	--
Taxes paid deduction.....	82,559	69.8	2,200	40.3	62	26.1
Charitable contributions deduction.....	--	--	1,241	22.8	12	4.9
Medical and dental expense deduction.....	736	0.6	--	--	--	--
Net casualty or theft loss deduction.....	--	--	41	0.7	--	--
Total miscellaneous deductions.....	4,921	4.2	1,387	25.4	--	--
Foreign tax credit.....	**	**	**	**	--	--
General business credit.....	489	0.4	--	--	**	**
All other tax credits.....	857	0.7	--	--	--	--
Partnership and S Corporation net losses.....	2,621	2.2	203	3.7	**	**
No second largest item.....	**	**	**	**	--	--
Returns with expanded income of \$200,000 or more						
Total.....	102,760	6.7	4,430	0.3	187	(?)
Interest paid deduction.....	20,631	20.1	369	8.3	154	82.0
Tax-exempt interest ³	12,687	12.3	1,507	34.0	--	--
Taxes paid deduction.....	63,126	61.4	1,380	31.2	21	11.3
Charitable contributions deduction.....	--	--	569	12.8	**	**
Medical and dental expense deduction.....	360	0.4	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	1,904	1.9	547	12.4	--	--
Foreign tax credit.....	323	0.3	--	--	--	--
General business credit.....	292	0.3	--	--	8	4.5
All other tax credits.....	727	0.7	--	--	--	--
Partnership and S Corporation net losses.....	2,129	2.1	42	0.9	**	**
Foreign-earned income exclusion ³	65	0.1	12	0.3	--	--
No second largest item.....	516	0.5	4	0.1	--	--

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Total miscellaneous deductions		Foreign tax credit		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	38,158	2.6	41,361	2.8	8,255	0.6	14,607	1.0
Interest paid deduction.....	12,219	32.0	4,760	11.5	1,516	18.4	1,799	12.3
Investment interest expense deduction ¹	839	2.2	587	1.4	137	1.7	927	6.3
Taxes paid deduction.....	20,876	54.7	7,260	17.6	3,233	39.2	5,699	39.0
Charitable contributions deduction.....	2,979	7.8	884	2.1	346	4.2	1,265	8.7
Medical and dental expense deduction.....	365	1.0	169	0.4	--	--	--	--
Net casualty or theft loss deduction.....	--	--	13	(²)	--	--	--	--
Total miscellaneous deductions.....	--	--	754	1.8	--	--	80	0.5
Foreign tax credit.....	105	0.3	--	--	821	9.9	544	3.7
General business credit.....	**	**	164	0.4	--	--	112	0.8
All other tax credits.....	381	1.0	1,469	3.6	396	4.8	--	--
Partnership and S Corporation net losses.....	**	**	1,377	3.3	951	11.5	558	3.8
No second largest item.....	10	(²)	23,925	57.8	856	10.4	3,624	24.8
Returns with expanded income of \$200,000 or more								
Total.....	5,150	0.3	36,288	2.4	7,869	0.5	14,493	1.0
Interest paid deduction.....	423	8.2	1,752	4.8	1,731	22.0	1,275	8.8
Tax-exempt interest ³	831	16.1	1,616	4.5	1,723	21.9	1,682	11.6
Taxes paid deduction.....	2,750	53.4	4,469	12.3	2,510	31.9	6,037	41.7
Charitable contributions deduction.....	**	**	219	0.6	388	4.9	1,073	7.4
Medical and dental expense deduction.....	154	3.0	164	0.5	--	--	--	--
Net casualty or theft loss deduction.....	--	--	11	(²)	--	--	--	--
Total miscellaneous deductions.....	--	--	342	0.9	**	**	**	**
Foreign tax credit.....	16	0.3	--	--	**	**	**	**
General business credit.....	--	--	114	0.3	--	--	129	0.9
All other tax credits.....	--	--	470	1.3	302	3.8	--	--
Partnership and S Corporation net losses.....	**	**	568	1.6	505	6.4	285	2.0
Foreign-earned income exclusion ³	11	0.2	16,766	46.2	--	--	4	(²)
No second largest item.....	--	--	9,798	27.0	486	6.2	3,703	25.5

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S Corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(23)	(24)	(25)	(26)	(27)	(28)
Returns with U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	60,006	4.1	--	--	--	--
Interest paid deduction.....	9,236	15.4	--	--	--	--
Investment interest expense deduction ¹	4,620	7.7	--	--	--	--
Taxes paid deduction.....	28,299	47.2	--	--	--	--
Charitable contributions deduction.....	5,152	8.6	--	--	--	--
Medical and dental expense deduction.....	52	0.1	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	875	1.5	--	--	--	--
Foreign tax credit.....	2,657	4.4	--	--	--	--
General business credit.....	399	0.7	--	--	--	--
All other tax credits.....	627	1.0	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	8,088	13.5	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	54,902	3.6	9,299	0.6	212,509	14.0
Interest paid deduction.....	8,982	16.4	836	9.0	11,695	5.5
Tax-exempt interest ³	8,793	16.0	495	5.3	--	--
Taxes paid deduction.....	25,447	46.3	917	9.9	110,546	52.0
Charitable contributions deduction.....	4,280	7.8	145	1.6	26,675	12.6
Medical and dental expense deduction.....	49	0.1	11	0.1	2,147	1.0
Net casualty or theft loss deduction.....	--	--	--	--	52	(²)
Total miscellaneous deductions.....	487	0.9	33	0.4	6,220	2.9
Foreign tax credit.....	1,226	2.2	6,021	64.7	12,182	5.7
General business credit.....	215	0.4	13	0.1	2,340	1.1
All other tax credits.....	456	0.8	31	0.3	1,871	0.9
Partnership and S Corporation net losses.....	--	--	76	0.8	12,493	5.9
Foreign-earned income exclusion ³	33	0.1	--	--	49	(²)
No second largest item.....	4,934	9.0	721	7.8	26,238	12.3

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction ¹		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total	1,044	100.0	22	2.1	393	37.6	**	**
Interest paid deduction.....	172	16.5	--	--	69	17.6	**	**
Investment interest expense deduction ¹	145	13.9	7	31.8	--	--	**	**
Taxes paid deduction.....	163	15.6	5	22.7	43	10.9	--	--
Charitable contributions deduction.....	167	16.0	4	18.2	99	25.2	**	**
Medical and dental expense deduction.....	20	1.9	**	**	6	1.5	--	--
Net casualty or theft loss deduction.....	**	**	**	**	**	**	--	--
Total miscellaneous deductions.....	66	6.3	**	**	26	6.6	**	**
Foreign tax credit.....	**	**	--	--	**	**	--	--
General business credit.....	6	0.6	--	--	**	**	--	--
All other tax credits.....	17	1.6	--	--	5	1.3	--	--
Partnership and S Corporation net losses.....	164	15.7	**	**	132	33.6	--	--
No second largest item.....	117	11.2	--	--	8	2.0	--	--
Returns with expanded income of \$200,000 or more								
Total	1,746	100.0	44	2.5	--	--	42	2.4
Interest paid deduction.....	169	9.7	--	--	--	--	12	28.6
Tax-exempt interest ³	231	13.2	**	**	--	--	**	**
Taxes paid deduction.....	261	14.9	24	54.5	--	--	--	--
Charitable contributions deduction.....	196	11.2	**	**	--	--	6	14.3
Medical and dental expense deduction.....	305	17.5	**	**	--	--	**	**
Net casualty or theft loss deduction.....	7	0.4	**	**	--	--	--	--
Total miscellaneous deductions.....	67	3.8	--	--	--	--	**	**
Foreign tax credit.....	25	1.4	--	--	--	--	--	--
General business credit.....	12	0.7	**	**	--	--	--	--
All other tax credits.....	24	1.4	**	**	--	--	--	--
Partnership and S Corporation net losses.....	216	12.4	**	**	--	--	**	**
Foreign-earned income exclusion ³	70	4.0	--	--	--	--	--	--
No second largest item.....	164	9.4	**	**	--	--	15	35.7

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)
Returns without U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	38	3.6	92	8.8	73	7.0
Interest paid deduction.....	11	28.9	**	**	26	35.6
Investment interest expense deduction ¹	17	44.7	**	**	**	**
Taxes paid deduction.....	**	**	16	17.4	21	28.8
Charitable contributions deduction.....	--	--	26	28.3	6	8.2
Medical and dental expense deduction.....	**	**	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	27	29.3	3	4.1
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	--	--	--	--	--	--
All other tax credits.....	**	**	**	**	**	**
Partnership and S Corporation net losses.....	--	--	**	**	4	5.5
No second largest item.....	--	--	15	16.3	7	9.6
Returns with expanded income of \$200,000 or more						
Total.....	50	2.9	207	11.9	77	4.4
Interest paid deduction.....	14	28.0	**	**	25	32.5
Tax-exempt interest ³	4	8.0	137	66.2	10	13.0
Taxes paid deduction.....	14	28.0	9	4.3	21	27.3
Charitable contributions deduction.....	--	--	**	**	7	9.1
Medical and dental expense deduction.....	8	16.0	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	16	7.7	**	**
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	**	**	--	--	**	**
Partnership and S Corporation net losses.....	**	**	3	1.4	4	5.2
Foreign-earned income exclusion ³	--	--	--	--	--	--
No second largest item.....	**	**	9	4.3	6	7.8

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Total miscellaneous deductions		Foreign tax credit		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	161	15.4	55	5.3	**	**	59	5.7
Interest paid deduction.....	35	21.7	9	16.4	--	--	12	20.3
Investment interest expense deduction ¹	6	3.7	**	**	--	--	5	8.5
Taxes paid deduction.....	**	**	**	**	--	--	23	39.0
Charitable contributions deduction.....	15	9.3	--	--	**	**	**	**
Medical and dental expense deduction.....	5	3.1	--	--	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	**	**	--	--	--	--
Foreign tax credit.....	**	**	--	--	--	--	--	--
General business credit.....	**	**	--	--	--	--	**	**
All other tax credits.....	--	--	**	**	--	--	--	--
Partnership and S Corporation net losses.....	10	6.2	**	**	**	**	10	16.9
No second largest item.....	47	29.2	37	67.3	--	--	3	5.1
Returns with expanded income of \$200,000 or more								
Total.....	**	**	87	5.0	**	**	55	3.1
Interest paid deduction.....	**	**	**	**	--	--	12	21.8
Tax-exempt interest ³	**	**	**	**	--	--	**	**
Taxes paid deduction.....	**	**	**	**	--	--	20	36.4
Charitable contributions deduction.....	**	**	--	--	**	**	**	**
Medical and dental expense deduction.....	--	--	--	--	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	**	**
All other tax credits.....	--	--	**	**	--	--	--	--
Partnership and S Corporation net losses.....	**	**	**	**	**	**	10	18.2
Foreign-earned income exclusion ³	--	--	**	**	--	--	**	**
No second largest item.....	--	--	11	12.7	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 7.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S Corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(23)	(24)	(25)	(26)	(27)	(28)
Returns without U.S. income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	143	13.7	--	--	--	--
Interest paid deduction.....	4	2.8	--	--	--	--
Investment interest expense deduction ¹	102	71.3	--	--	--	--
Taxes paid deduction.....	11	7.7	--	--	--	--
Charitable contributions deduction.....	10	7.0	--	--	--	--
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	5	3.5	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	7	4.9	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	123	7.1	32	1.9	1,013	58.0
Interest paid deduction.....	**	**	**	**	89	8.8
Tax-exempt interest ³	64	51.9	--	--	--	--
Taxes paid deduction.....	10	8.1	--	--	160	15.8
Charitable contributions deduction.....	23	18.6	--	--	111	11.0
Medical and dental expense deduction.....	**	**	--	--	292	28.8
Net casualty or theft loss deduction.....	--	--	--	--	**	**
Total miscellaneous deductions.....	**	**	--	--	41	4.0
Foreign tax credit.....	**	**	**	**	--	--
General business credit.....	4	3.2	--	--	**	**
All other tax credits.....	8	6.5	--	--	10	1.0
Partnership and S Corporation net losses.....	--	--	--	--	188	18.6
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	6	4.9	--	--	110	10.8

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Investment interest expense deduction only has an effect when using the adjusted gross income concept.

² Less than 0.05 percent.

³ Tax-exempt interest and foreign-earned income exclusion only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals because of rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect			
			Interest paid deduction		Investment interest expense deduction ¹	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	1,437,027	100.0	338,308	23.5	43,106	3.0
Interest paid deduction.....	489,107	34.0	--	--	10,892	25.3
Investment interest expense deduction ¹	44,020	3.1	7,094	2.1	--	--
Taxes paid deduction.....	456,798	31.8	289,707	85.6	21,739	50.4
Charitable contributions deduction.....	308,984	21.5	29,285	8.7	5,555	12.9
Medical and dental expense deduction.....	2,479	0.2	239	0.1	58	0.1
Net casualty or theft loss deduction.....	52	(²)	--	--	3	(²)
Total miscellaneous deductions.....	53,992	3.8	7,902	2.3	1,210	2.8
General business credit.....	9,668	0.7	464	0.1	537	1.2
All other tax credits.....	9,566	0.7	449	0.1	614	1.4
Partnership and S Corporation net losses.....	30,683	2.1	3,031	0.9	2,195	5.1
No second largest item.....	31,677	2.2	138	(²)	303	0.7
Returns with expanded income of \$200,000 or more						
Total.....	1,513,691	100.0	333,733	22.0	--	--
Interest paid deduction.....	476,306	31.5	--	--	--	--
Tax-exempt interest ³	112,858	7.5	3,066	0.9	--	--
Taxes paid deduction.....	513,848	33.9	296,323	88.8	--	--
Charitable contributions deduction.....	262,052	17.3	28,837	8.6	--	--
Medical and dental expense deduction.....	3,645	0.2	216	0.1	--	--
Net casualty or theft loss deduction.....	104	(²)	--	--	--	--
Total miscellaneous deductions.....	20,723	1.4	1,289	0.4	--	--
General business credit.....	10,315	0.7	469	0.1	--	--
All other tax credits.....	9,529	0.6	282	0.1	--	--
Partnership and S Corporation net losses.....	34,852	2.3	3,084	0.9	--	--
Foreign-earned income exclusion ³	968	0.1	168	0.1	--	--
No second largest item.....	68,492	4.5	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Taxes paid deduction		Charitable contributions deduction		Medical and dental expense deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(7)	(8)	(9)	(10)	(11)	(12)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	805,685	56.1	119,240	8.3	5,622	0.4
Interest paid deduction.....	431,747	53.6	20,806	17.4	366	6.5
Investment interest expense deduction ¹	25,822	3.2	4,370	3.7	12	0.2
Taxes paid deduction.....	--	--	83,507	70.0	2,200	39.1
Charitable contributions deduction.....	263,024	32.6	--	--	1,246	22.2
Medical and dental expense deduction.....	1,028	0.1	736	0.6	--	--
Net casualty or theft loss deduction.....	8	(?)	--	--	41	0.7
Total miscellaneous deductions.....	37,391	4.6	5,055	4.2	1,387	24.7
General business credit.....	7,566	0.9	494	0.4	--	--
All other tax credits.....	6,191	0.8	859	0.7	**	**
Partnership and S Corporation net losses.....	20,579	2.6	2,639	2.2	**	**
No second largest item.....	12,328	1.5	775	0.7	**	**
Returns with expanded income of \$200,000 or more						
Total.....	747,944	49.4	102,982	6.8	4,596	0.3
Interest paid deduction.....	424,424	56.7	20,668	20.1	369	8.0
Tax-exempt interest ³	78,413	10.5	12,815	12.4	1,669	36.3
Taxes paid deduction.....	--	--	63,286	61.5	1,380	30.0
Charitable contributions deduction.....	198,051	26.5	--	--	570	12.4
Medical and dental expense deduction.....	670	0.1	360	0.3	--	--
Net casualty or theft loss deduction.....	49	(?)	--	--	--	--
Total miscellaneous deductions.....	9,519	1.3	1,913	1.9	547	11.9
General business credit.....	6,744	0.9	297	0.3	--	--
All other tax credits.....	4,398	0.6	729	0.7	--	--
Partnership and S Corporation net losses.....	15,038	2.0	2,135	2.1	42	0.9
Foreign-earned income exclusion ³	400	0.1	94	0.1	15	0.3
No second largest item.....	10,238	1.4	683	0.7	4	0.1

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Net casualty or theft loss deduction		Total miscellaneous deductions		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	250	(?)	38,915	2.7	8,419	0.6	16,087	1.1
Interest paid deduction.....	154	61.6	12,247	31.5	1,516	18.0	1,991	12.4
Investment interest expense deduction ¹	--	--	849	2.2	193	2.3	972	6.0
Taxes paid deduction.....	72	28.9	21,650	55.6	3,280	39.0	5,787	36.0
Charitable contributions deduction.....	12	4.7	3,006	7.7	352	4.2	1,292	8.0
Medical and dental expense deduction.....	--	--	366	0.9	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	120	0.7
General business credit.....	**	**	54	0.1	--	--	126	0.8
All other tax credits.....	--	--	384	1.0	405	4.8	--	--
Partnership and S Corporation net losses.....	**	**	335	0.9	958	11.4	580	3.6
No second largest item.....	--	--	22	0.1	1,716	20.4	5,218	32.4
Returns with expanded income of \$200,000 or more								
Total.....	198	(?)	5,491	0.4	7,984	0.5	14,973	1.0
Interest paid deduction.....	154	77.6	424	7.7	1,740	21.8	1,310	8.7
Tax-exempt interest ³	--	--	836	15.2	1,783	22.3	1,757	11.7
Taxes paid deduction.....	21	10.7	3,088	56.2	2,587	32.4	6,077	40.6
Charitable contributions deduction.....	3	1.6	861	15.7	391	4.9	1,076	7.2
Medical and dental expense deduction.....	--	--	154	2.8	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	**	**	6	(?)
General business credit.....	8	4.3	--	--	--	--	129	0.9
All other tax credits.....	--	--	--	--	**	**	--	--
Partnership and S Corporation net losses.....	**	**	**	**	505	6.3	289	1.9
Foreign-earned income exclusion ³	**	**	**	**	--	--	40	0.3
No second largest item.....	--	--	--	--	665	8.3	4,289	28.6

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S Corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(21)	(22)	(23)	(24)	(25)	(26)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	61,395	4.3	--	--	--	--
Interest paid deduction.....	9,389	15.3	--	--	--	--
Investment interest expense deduction ¹	4,708	7.7	--	--	--	--
Taxes paid deduction.....	28,856	47.0	--	--	--	--
Charitable contributions deduction.....	5,214	8.5	--	--	--	--
Medical and dental expense deduction.....	52	0.1	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	925	1.5	--	--	--	--
General business credit.....	415	0.7	--	--	--	--
All other tax credits.....	661	1.1	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	11,173	18.2	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	55,486	3.7	26,155	1.7	214,149	14.1
Interest paid deduction.....	9,052	16.3	6,299	24.1	11,866	5.5
Tax-exempt interest ³	8,979	16.2	3,541	13.5	--	--
Taxes paid deduction.....	25,829	46.6	3,261	12.5	111,996	52.3
Charitable contributions deduction.....	4,311	7.8	970	3.7	26,981	12.6
Medical and dental expense deduction.....	49	0.1	**	**	2,150	1.0
Net casualty or theft loss deduction.....	--	--	**	**	52	(?)
Total miscellaneous deductions.....	536	1.0	165	0.6	6,745	3.1
General business credit.....	223	0.4	54	0.2	2,389	1.1
All other tax credits.....	464	0.8	1,409	5.4	1,936	0.9
Partnership and S Corporation net losses.....	--	--	657	2.5	12,996	6.1
Foreign-earned income exclusion ³	100	0.2	--	--	116	0.1
No second largest item.....	5,941	10.7	9,750	37.3	36,921	17.2

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect			
			Interest paid deduction		Investment interest expense deduction ¹	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total	950	100.0	22	2.3	378	39.8
Interest paid deduction.....	163	17.2	--	--	69	18.3
Investment interest expense deduction ¹	139	14.6	7	31.8	--	--
Taxes paid deduction.....	154	16.2	**	**	42	11.1
Charitable contributions deduction.....	160	16.8	**	**	95	25.1
Medical and dental expense deduction.....	19	2.0	**	**	**	**
Net casualty or theft loss deduction.....	**	**	**	**	**	**
Total miscellaneous deductions.....	65	6.8	**	**	26	6.9
General business credit.....	**	**	--	--	**	**
All other tax credits.....	9	0.9	--	--	**	**
Partnership and S Corporation net losses.....	154	16.2	3	13.6	128	33.9
No second largest item.....	80	8.4	--	--	8	2.1
Returns with expanded income of \$200,000 or more						
Total	1,586	100.0	44	2.8	--	--
Interest paid deduction.....	166	10.4	--	--	--	--
Tax-exempt interest ³	224	14.1	**	**	--	--
Taxes paid deduction.....	252	15.9	24	54.5	--	--
Charitable contributions deduction.....	182	11.5	**	**	--	--
Medical and dental expense deduction.....	302	19.0	**	**	--	--
Net casualty or theft loss deduction.....	**	**	**	**	--	--
Total miscellaneous deductions.....	66	4.2	--	--	--	--
General business credit.....	7	0.4	**	**	--	--
All other tax credits.....	18	1.1	**	**	--	--
Partnership and S Corporation net losses.....	208	13.1	**	**	--	--
Foreign-earned income exclusion ³	**	**	--	--	--	--
No second largest item	153	9.6	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Taxes paid deduction		Charitable contributions deduction		Medical and dental expense deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(7)	(8)	(9)	(10)	(11)	(12)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	**	**	35	3.7	92	9.7
Interest paid deduction.....	**	**	11	31.4	**	**
Investment interest expense deduction ¹	**	**	15	42.9	**	**
Taxes paid deduction.....	--	--	**	**	16	17.4
Charitable contributions deduction.....	**	**	--	--	26	28.3
Medical and dental expense deduction.....	--	--	**	**	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	**	**	27	29.3
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	**	**	**	**
Partnership and S Corporation net losses.....	--	--	--	--	**	**
No second largest item.....	--	--	--	--	15	16.3
Returns with expanded income of \$200,000 or more						
Total.....	42	2.6	47	3.0	205	12.9
Interest paid deduction.....	12	28.6	14	29.8	**	**
Tax-exempt interest ³	5	11.9	4	8.5	136	66.3
Taxes paid deduction.....	--	--	13	27.7	9	4.4
Charitable contributions deduction.....	**	**	--	--	30	14.6
Medical and dental expense deduction.....	**	**	8	17.0	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	**	**	16	7.8
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	**	**	--	--
Partnership and S Corporation net losses.....	**	**	**	**	**	**
Foreign-earned income exclusion ³	--	--	--	--	--	--
No second largest item.....	15	35.7	**	**	9	4.4

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued							
	Net casualty or theft loss deduction		Total miscellaneous deductions		General business credit		All other tax credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	73	7.7	159	16.7	**	**	50	5.3
Interest paid deduction.....	26	35.6	35	22.0	--	--	12	24.0
Investment interest expense deduction ¹	4	5.5	6	3.8	--	--	5	10.0
Taxes paid deduction.....	21	28.8	41	25.8	--	--	18	36.0
Charitable contributions deduction.....	6	8.2	15	9.4	--	--	3	6.0
Medical and dental expense deduction.....	**	**	**	**	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	--	--	--	--	--	--
General business credit.....	--	--	**	**	--	--	**	**
All other tax credits.....	**	**	--	--	--	--	--	--
Partnership and S Corporation net losses.....	4	5.5	10	6.3	**	**	**	**
No second largest item.....	7	9.6	47	29.6	--	--	3	6.0
Returns with expanded income of \$200,000 or more								
Total.....	77	4.9	**	**	**	**	47	3.0
Interest paid deduction.....	25	32.5	**	**	--	--	12	25.5
Tax-exempt interest ³	10	13.0	**	**	--	--	--	--
Taxes paid deduction.....	21	27.3	**	**	--	--	17	36.2
Charitable contributions deduction.....	7	9.1	**	**	--	--	**	**
Medical and dental expense deduction.....	--	--	--	--	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	**	**
All other tax credits.....	**	**	--	--	--	--	--	--
Partnership and S Corporation net losses.....	4	5.2	**	**	**	**	7	14.9
Foreign-earned income exclusion ³	--	--	--	--	--	--	**	**
No second largest item.....	6	7.8	--	--	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 8.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect--Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect--continued					
	Partnership and S Corporation net losses		Foreign-earned income exclusion ³		Tax-exempt interest ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(21)	(22)	(23)	(24)	(25)	(26)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	134	14.1	--	--	--	--
Interest paid deduction.....	4	3.0	--	--	--	--
Investment interest expense deduction ¹	99	73.9	--	--	--	--
Taxes paid deduction.....	10	7.5	--	--	--	--
Charitable contributions deduction.....	9	6.7	--	--	--	--
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	5	3.7	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	**	**	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	109	6.9	11	0.7	990	62.4
Interest paid deduction.....	**	**	11	100.0	87	8.8
Tax-exempt interest ³	60	55.0	--	--	--	--
Taxes paid deduction.....	**	**	--	--	159	16.1
Charitable contributions deduction.....	21	19.3	--	--	102	10.3
Medical and dental expense deduction.....	**	**	--	--	289	29.2
Net casualty or theft loss deduction.....	--	--	--	--	**	**
Total miscellaneous deductions.....	4	3.7	--	--	40	4.0
General business credit.....	**	**	--	--	**	**
All other tax credits.....	5	4.6	--	--	9	0.9
Partnership and S Corporation net losses.....	--	--	--	--	185	18.7
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	6	5.5	--	--	110	11.1

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Investment interest expense deduction only has an effect when using the adjusted gross income concept.

² Less than 0.05 percent.

³ Tax-exempt interest and foreign-earned income exclusion only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals because of rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	1,044	46	22	28	12	5
Interest paid deduction:						
Total.....	1,044	230	160	39	29	24
Investment interest per income concept.....	1,044	383	87	16	24	26
Taxes paid deduction.....	1,044	118	623	194	49	25
Charitable contributions deduction.....	1,044	210	516	80	45	67
Medical and dental expense deduction.....	1,044	908	20	10	**	**
Net casualty or theft loss deduction.....	1,044	969	--	--	**	**
Net limited miscellaneous deduction per income concept.....	1,044	667	247	60	23	19
Non-limited miscellaneous deduction.....	1,044	839	40	4	--	--
Deduction equivalent of:						
Total credits.....	1,044	839	49	16	8	3
Foreign tax credit.....	1,044	951	33	**	**	**
General business credit.....	1,044	1,010	22	**	**	--
Tax preferences excluded from adjusted gross income.....	1,044	626	250	50	33	11
Expanded income concept						
Total itemized deductions.....	1,820	387	256	250	177	123
Interest paid deduction:						
Total.....	1,820	1,235	353	119	58	28
Investment interest per income concept.....	1,820	1,400	265	33	19	17
Taxes paid deduction.....	1,820	440	1,109	184	41	17
Charitable contributions deduction.....	1,820	580	929	131	57	45
Medical and dental expense deduction.....	1,820	1,015	307	87	82	75
Net casualty or theft loss deduction.....	1,820	1,733	5	**	**	**
Net limited miscellaneous deduction per income concept.....	1,820	964	704	88	23	15
Non-limited miscellaneous deduction.....	1,820	1,674	44	5	**	**
Deduction equivalent of:						
Total credits.....	1,820	1,548	73	13	13	6
Foreign tax credit.....	1,820	1,660	47	--	11	**
General business credit.....	1,820	1,790	**	**	**	--
Tax preferences excluded from adjusted gross income.....	1,820	414	100	51	63	53

Footnotes at end of table.

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	7	10	3	102	809
Interest paid deduction:					
Total.....	26	38	37	223	238
Investment interest per income concept.....	27	36	42	215	188
Taxes paid deduction.....	11	6	5	7	6
Charitable contributions deduction.....	56	70	--	--	--
Medical and dental expense deduction.....	5	14	5	38	37
Net casualty or theft loss deduction.....	**	--	**	17	52
Net limited miscellaneous deduction per income concept.....	8	4	4	5	7
Non-limited miscellaneous deduction.....	4	3	5	67	82
Deduction equivalent of:					
Total credits.....	11	8	10	100	--
Foreign tax credit.....	**	**	--	51	--
General business credit.....	**	**	**	**	--
Tax preferences excluded from adjusted gross income.....	17	15	6	14	22
Expanded income concept					
Total itemized deductions.....	95	81	60	152	240
Interest paid deduction:					
Total.....	12	6	**	**	--
Investment interest per income concept.....	14	8	8	14	42
Taxes paid deduction.....	11	6	--	5	8
Charitable contributions deduction.....	24	17	8	19	11
Medical and dental expense deduction.....	64	33	43	76	38
Net casualty or theft loss deduction.....	**	**	**	20	52
Net limited miscellaneous deduction per income concept.....	5	3	7	3	8
Non-limited miscellaneous deduction.....	--	**	**	61	30
Deduction equivalent of:					
Total credits.....	17	3	49	98	--
Foreign tax credit.....	13	**	40	45	--
General business credit.....	**	**	**	**	--
Tax preferences excluded from adjusted gross income.....	69	78	103	664	226

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

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

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	950	5	14	19	9	**
Interest paid deduction:						
Total.....	950	185	142	32	27	22
Investment interest per income concept.....	950	319	80	14	23	23
Taxes paid deduction.....	950	73	586	185	47	25
Charitable contributions deduction.....	950	159	489	76	41	63
Medical and dental expense deduction.....	950	816	19	10	**	**
Net casualty or theft loss deduction.....	950	875	--	--	**	**
Net limited miscellaneous deduction per income concept.....	950	584	237	59	23	19
Non-limited miscellaneous deduction.....	950	748	39	4	--	--
Deduction equivalent of:						
Total credits.....	950	838	35	13	**	**
Foreign tax credit.....	950	950	--	--	--	--
General business credit.....	950	924	17	**	**	--
Tax preferences excluded from adjusted gross income.....	950	555	232	50	31	10
Expanded income concept						
Total itemized deductions.....	1,660	288	242	234	166	114
Interest paid deduction:						
Total.....	1,660	1,115	320	116	56	26
Investment interest per income concept.....	1,660	1,265	252	31	17	15
Taxes paid deduction.....	1,660	337	1,065	175	39	17
Charitable contributions deduction.....	1,660	474	898	120	51	43
Medical and dental expense deduction.....	1,660	870	295	87	80	75
Net casualty or theft loss deduction.....	1,660	1,573	5	**	**	**
Net limited miscellaneous deduction per income concept.....	1,660	826	682	88	23	15
Non-limited miscellaneous deduction.....	1,660	1,519	40	**	**	**
Deduction equivalent of:						
Total credits.....	1,660	1,548	44	7	**	**
Foreign tax credit.....	1,660	1,660	--	--	--	--
General business credit.....	1,660	1,641	**	**	**	--
Tax preferences excluded from adjusted gross income.....	1,660	301	85	51	59	52

Footnotes at end of table.

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	5	**	**	83	808
Interest paid deduction:					
Total.....	24	35	33	212	238
Investment interest per income concept.....	26	34	37	206	188
Taxes paid deduction.....	10	6	5	7	6
Charitable contributions deduction.....	55	67	--	--	--
Medical and dental expense deduction.....	5	14	5	38	37
Net casualty or theft loss deduction.....	**	--	**	17	52
Net limited miscellaneous deduction per income concept.....	8	4	4	5	7
Non-limited miscellaneous deduction.....	4	3	3	67	82
Deduction equivalent of:					
Total credits.....	6	3	8	40	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	--	**	**	--
Tax preferences excluded from adjusted gross income.....	17	13	6	14	22
Expanded income concept					
Total itemized deductions.....	92	79	58	150	238
Interest paid deduction:					
Total.....	12	**	**	8	--
Investment interest per income concept.....	13	8	6	14	39
Taxes paid deduction.....	9	6	--	5	8
Charitable contributions deduction.....	23	16	8	18	10
Medical and dental expense deduction.....	64	32	43	76	38
Net casualty or theft loss deduction.....	**	**	**	20	52
Net limited miscellaneous deduction per income concept.....	5	3	7	3	8
Non-limited miscellaneous deduction.....	--	**	**	61	30
Deduction equivalent of:					
Total credits.....	4	**	7	43	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	--	**	**	--
Tax preferences excluded from adjusted gross income.....	67	74	97	649	226

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

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

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns (1)	Percentage of total (2)	Number of returns (3)	Percentage of total (4)	Number of returns (5)
All returns.....	120,351,208	100.0	94,090,978	100.0	20,124,268
Returns without U.S. income tax.....	24,277,276	20.2	24,243,359	25.8	30,199
Returns with U.S. income tax.....	96,073,932	79.8	69,847,619	74.2	20,094,069
Effective tax rate:					
Under 5 percent.....	18,255,463	15.2	18,033,617	19.2	189,546
5 under 10 percent.....	37,379,084	31.1	32,858,351	34.9	4,449,372
10 under 15 percent.....	27,657,009	23.0	16,663,088	17.7	10,187,991
15 under 20 percent.....	9,450,688	7.9	2,117,877	2.3	4,732,561
20 under 25 percent.....	2,267,772	1.9	106,611	0.1	527,057
25 under 30 percent.....	730,301	0.6	37,492	(²)	5,103
30 under 35 percent.....	269,281	0.2	19,075	(²)	1,227
35 under 40 percent.....	50,745	(²)	2,620	(²)	11
40 under 45 percent.....	3,939	(²)	1,242	(²)	1,142
45 under 50 percent.....	2,960	(²)	2,487	(²)	12
50 under 60 percent.....	1,017	(²)	89	(²)	3
60 under 70 percent.....	814	(²)	413	(²)	21
70 under 80 percent.....	95	(²)	22	(²)	3
80 percent or more.....	4,764	(²)	4,636	(²)	20
	Size of adjusted gross income--continued				
	\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more
Tax status, effective tax rate	Percentage of total (6)	Number of returns (7)	Percentage of total (8)	Number of returns (9)	Percentage of total (10)
All returns.....	100.0	4,612,554	100.0	1,523,407	100.0
Returns without U.S. income tax.....	0.2	2,674	0.1	1,044	0.1
Returns with U.S. income tax.....	99.8	4,609,880	99.9	1,522,363	99.9
Effective tax rate:					
Under 5 percent.....	0.9	24,121	0.5	8,179	0.5
5 under 10 percent.....	22.1	63,366	1.4	7,995	0.5
10 under 15 percent.....	50.6	785,346	17.0	20,585	1.4
15 under 20 percent.....	23.5	2,491,508	54.0	108,741	7.1
20 under 25 percent.....	2.6	1,159,719	25.1	474,385	31.1
25 under 30 percent.....	(²)	82,441	1.8	605,265	39.7
30 under 35 percent.....	(²)	2,107	(²)	246,873	16.2
35 under 40 percent.....	(²)	95	(²)	48,018	3.2
40 under 45 percent.....	(²)	422	(²)	1,133	0.1
45 under 50 percent.....	(²)	169	(²)	292	(²)
50 under 60 percent.....	(²)	431	(²)	494	(²)
60 under 70 percent.....	(²)	93	(²)	288	(²)
70 under 80 percent.....	(²)	50	(²)	20	(²)
80 percent or more.....	(²)	12	(²)	95	(²)

Footnotes at end of table.

High-Income Tax Returns for 1996

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

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns (11)	Percentage of total (12)	Number of returns (13)	Percentage of total (14)	Number of returns (15)
All returns.....	120,351,208	100.0	93,629,552	100.0	20,516,416
Returns without U.S. income tax.....	24,277,276	20.2	24,186,279	25.8	82,721
Returns with U.S. income tax.....	96,073,932	79.8	69,443,273	74.2	20,433,695
Effective tax rate:					
Under 5 percent.....	19,249,201	16.0	18,962,712	20.3	213,509
5 under 10 percent.....	36,999,015	30.7	32,143,955	34.3	4,737,136
10 under 15 percent.....	27,108,672	22.5	16,046,706	17.1	10,280,848
15 under 20 percent.....	9,497,816	7.9	2,131,323	2.3	4,698,585
20 under 25 percent.....	2,200,227	1.8	94,417	0.1	495,645
25 under 30 percent.....	699,757	0.6	35,389	(²)	4,650
30 under 35 percent.....	262,503	0.2	20,298	(²)	2,141
35 under 40 percent.....	44,897	(²)	1,243	(²)	6
40 under 45 percent.....	3,990	(²)	1,254	(²)	1,132
45 under 50 percent.....	1,650	(²)	1,260	(²)	15
50 under 60 percent.....	1,036	(²)	**	**	**
60 under 70 percent.....	392	(²)	71	(²)	10
70 under 80 percent.....	125	(²)	**	**	**
80 percent or more.....	4,651	(²)	4,525	(²)	13

Tax status, effective tax rate	Size of expanded gross income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)
All returns.....	100.0	4,633,126	100.0	1,572,114	100.0
Returns without U.S. income tax.....	0.4	6,455	0.1	1,820	0.1
Returns with U.S. income tax.....	99.6	4,626,671	99.9	1,570,293	99.9
Effective tax rate:					
Under 5 percent.....	1.0	52,727	1.1	20,252	1.3
5 under 10 percent.....	23.1	95,204	2.1	22,721	1.4
10 under 15 percent.....	50.1	740,706	16.0	40,412	2.6
15 under 20 percent.....	22.9	2,539,960	54.8	127,948	8.1
20 under 25 percent.....	2.4	1,108,371	23.9	501,795	31.9
25 under 30 percent.....	(²)	85,530	1.8	574,189	36.5
30 under 35 percent.....	(²)	2,847	0.1	237,216	15.1
35 under 40 percent.....	(²)	147	(²)	43,501	2.8
40 under 45 percent.....	(²)	423	(²)	1,181	0.1
45 under 50 percent.....	(²)	164	(²)	211	(²)
50 under 60 percent.....	**	437	(²)	504	(²)
60 under 70 percent.....	(²)	82	(²)	229	(²)
70 under 80 percent.....	**	61	(²)	35	(²)
80 percent or more.....	(²)	13	(²)	100	(²)

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Includes returns with adjusted gross deficit or with negative expanded income.

² Less than 0.05 percent.

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

High-Income Tax Returns for 1996

Table 12.--Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
			Under \$50,000 ¹		\$50,000 under \$100,000
	Number or returns (1)	Percentage of total (2)	Number of returns (3)	Percentage of total (4)	Number of returns (5)
All returns.....	120,351,208	100.0	94,090,978	100.0	20,124,268
Returns without worldwide income tax.....	24,253,748	20.2	24,222,246	25.7	27,939
Returns with worldwide income tax.....	96,097,459	79.8	69,868,732	74.3	20,096,329
Effective tax rate:					
Under 5 percent.....	18,201,923	15.1	18,010,697	19.1	174,087
5 under 10 percent.....	37,361,685	31.0	32,866,278	34.9	4,431,682
10 under 15 percent.....	27,662,243	23.0	16,675,886	17.7	10,189,755
15 under 20 percent.....	9,457,236	7.9	2,126,132	2.3	4,747,620
20 under 25 percent.....	2,287,151	1.9	107,552	0.1	534,096
25 under 30 percent.....	741,368	0.6	38,168	(²)	7,012
30 under 35 percent.....	281,718	0.2	19,731	(²)	2,935
35 under 40 percent.....	61,642	0.1	3,212	(²)	1,643
40 under 45 percent.....	11,632	(²)	2,123	(²)	2,417
45 under 50 percent.....	7,776	(²)	3,108	(²)	1,536
50 under 60 percent.....	5,788	(²)	1,730	(²)	1,470
60 under 70 percent.....	3,684	(²)	1,673	(²)	1,218
70 under 80 percent.....	1,806	(²)	1,228	(²)	395
80 percent or more.....	11,808	(²)	11,214	(²)	463
	Size of adjusted gross income--continued				
	\$50,000 under \$100,000		\$100,000 under \$200,000		\$200,000 or more
Tax status, effective tax rate	Percentage of total (6)	Number of returns (7)	Percentage of total (8)	Number of returns (9)	Percentage of total (10)
All returns.....	100.0	4,612,554	100.0	1,523,407	100.0
Returns without worldwide income tax.....	0.1	2,613	0.1	950	0.1
Returns with worldwide income tax.....	99.9	4,609,941	99.9	1,522,457	99.9
Effective tax rate:					
Under 5 percent.....	0.9	14,337	0.3	2,802	0.2
5 under 10 percent.....	22.0	59,146	1.3	4,580	0.3
10 under 15 percent.....	50.6	778,653	16.9	17,949	1.2
15 under 20 percent.....	23.6	2,479,380	53.8	104,105	6.8
20 under 25 percent.....	2.7	1,174,589	25.5	470,913	30.9
25 under 30 percent.....	(²)	89,310	1.9	606,878	39.8
30 under 35 percent.....	(²)	5,166	0.1	253,886	16.7
35 under 40 percent.....	(²)	2,922	0.1	53,866	3.5
40 under 45 percent.....	(²)	2,787	0.1	4,305	0.3
45 under 50 percent.....	(²)	1,545	(²)	1,587	0.1
50 under 60 percent.....	(²)	1,523	(²)	1,064	0.1
60 under 70 percent.....	(²)	401	(²)	391	(²)
70 under 80 percent.....	(²)	159	(²)	25	(²)
80 percent or more.....	(²)	23	(²)	108	(²)

Footnotes at end of table.

High-Income Tax Returns for 1996

Table 12.--Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts--Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
	Number or returns (11)	Percentage of total (12)	Under \$50,000 ¹		\$50,000 under \$100,000
			Number of returns (13)	Percentage of total (14)	Number of returns (15)
All returns.....	120,351,208	100.0	93,629,552	100.0	20,516,416
Returns without worldwide income tax.....	24,253,748	20.2	24,172,273	25.8	75,492
Returns with worldwide income tax.....	96,097,459	79.8	69,457,279	74.2	20,440,924
Effective tax rate:					
Under 5 percent.....	19,187,158	15.9	18,944,073	20.2	202,093
5 under 10 percent.....	36,994,028	30.7	32,159,511	34.3	4,725,410
10 under 15 percent.....	27,119,713	22.5	16,057,214	17.1	10,287,419
15 under 20 percent.....	9,512,462	7.9	2,137,164	2.3	4,712,082
20 under 25 percent.....	2,227,395	1.9	93,466	0.1	503,269
25 under 30 percent.....	716,101	0.6	36,790	(²)	5,597
30 under 35 percent.....	275,485	0.2	20,415	(²)	3,040
35 under 40 percent.....	50,957	(²)	1,243	(²)	416
40 under 45 percent.....	5,302	(²)	1,254	(²)	1,329
45 under 50 percent.....	2,102	(²)	1,260	(²)	183
50 under 60 percent.....	1,292	(²)	**	**	**
60 under 70 percent.....	492	(²)	71	(²)	60
70 under 80 percent.....	242	(²)	**	**	**
80 percent or more.....	4,730	(²)	4,579	(²)	23
	Size of expanded gross income--continued				
Tax status, effective tax rate	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)
All returns.....	100.0	4,633,126	100.0	1,572,114	100.0
Returns without worldwide income tax.....	0.4	4,324	0.1	1,660	0.1
Returns with worldwide income tax.....	99.6	4,628,802	99.9	1,570,454	99.9
Effective tax rate:					
Under 5 percent.....	1.0	31,675	0.7	9,317	0.6
5 under 10 percent.....	23.0	92,486	2.0	16,621	1.1
10 under 15 percent.....	50.1	739,459	16.0	35,621	2.3
15 under 20 percent.....	23.0	2,537,782	54.8	125,434	8.0
20 under 25 percent.....	2.5	1,128,318	24.4	502,341	32.0
25 under 30 percent.....	(²)	91,051	2.0	582,663	37.1
30 under 35 percent.....	(²)	5,256	0.1	246,775	15.7
35 under 40 percent.....	(²)	1,004	(²)	48,295	3.1
40 under 45 percent.....	(²)	687	(²)	2,031	0.1
45 under 50 percent.....	(²)	283	(²)	377	(²)
50 under 60 percent.....	**	596	(²)	591	(²)
60 under 70 percent.....	(²)	111	(²)	250	(²)
70 under 80 percent.....	**	70	(²)	33	(²)
80 percent or more.....	(²)	23	(²)	104	(²)

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Includes returns with adjusted gross deficit or with negative expanded income.

² Less than 0.05 percent.

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