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Personal Dividend Income,
Personal Interest Income,
and
Rental Income of Persons

Personal dividend income, personal interest income, and rental income of persons with capital consumption adjustment are sometimes referred to as "investment income" or "property income." These three components of personal income are presented together in the state and county estimates. These components accounted for over 17 percent of personal income at the national level in 2002 (table E).

Personal dividend income

Personal dividend income includes the dividends received by individuals, by private and government employee retirement plans, and by quasi-individuals--nonprofit institutions and estates and trusts. This income consists of payments in cash and in other assets, excluding the corporation's own stock, made by corporations located in the United States or abroad to stockholders who are U.S. residents.

Personal dividend income accounted for about 4.5 percent of personal income at the national level in 2002 (table E).

Dividends received by individuals and quasi-individuals.--The state and county estimates of the personal dividend income received by individuals and by quasi-individuals are based on the tabulations of dividends reported on individual income tax returns from the Individual Master File (IMF) of the Internal Revenue Service (IRS).

The state estimates of the dividends received by individuals are combined with the estimates of the dividends received by quasi-individuals, and the combined estimates are used as the control totals for the county estimates.[1]

Dividend income received by private and government employee retirement plans.--This income comprises the dividends received by private pension plans, by the Federal civilian employees' Thrift Savings Plan (TSP), and by state and local government employee retirement plans. For each of these categories, 60 percent of the dividends--the "currently employed" portion--is assumed to be received on behalf of current employees, and 40 percent--the "retired" portion--on behalf of retired persons and their survivors.[2]

For the dividends received by the private pension plans, the state and county estimates of the "currently employed" portion are based on place-of-residence estimates of employer contributions to these plans.[3] The state and county estimates of the "retired" portion reflect the geographic distribution of the estimates of social security retirement benefits.

1. The state and county estimates for 1992-2001 were derived from the IMF data for these years. The estimates for 2002 were derived from the 2001 IMF data because 2002 data were not yet available.

2. For the private pension plans, the division of the dividends into the "currently-employed" and the "retired" portions is based largely on participation rates in the social security retirement system. The division corresponds roughly to the relative numbers of the participants--those making the contributions and those receiving the benefits.

3. The place-of-residence estimates of employer contributions to private pension plans are based on 1990 and 2000 benchmark estimates: The 1990 and 2000 national estimates of the contributions for each Standard Industrial Classification two-digit industry is allocated to states and then to counties in proportion to the earnings of wage and salary workers employed in that industry as reported in the 1990 and 2000 Census of Population. The 1991-1999 estimates are straight-line interpolations between the benchmark years. The 2000 state estimate for each industry is then extrapolated to subsequent years by the relative change in the BEA estimates of wages and salaries for the industry. The estimates by industry are then summed to the all-industry level. The 2000 county estimates are summed to the all-industry level and then extrapolated to subsequent years by the relative change in all-industry, place-of-residence wages and salaries, which is approximated as the sum of place-of-work wages and salaries and the adjustment for residence.

For the dividends received by the TSP, the state and county estimates of the "currently employed" portion are based on residence-adjusted state estimates of Federal civilian wages and salaries, and the state and county estimates of the "retired" portion, on estimates of Federal civilian retirement benefits by state and county.[4]

For the dividends received by the state and local government employee retirement plans, the state estimates of both the "currently employed" and the "retired" portions are based on state-level data for the dividends received by the plans from the Census Bureau's annual Finances of Employee-retirement Systems of State and Local Governments. This series is adjusted to a place-of-residence basis to yield the state-level allocating series for the dividends received by the plans. The state estimates are allocated to counties in proportion to place of residence wages and salaries (current and retired).

Personal interest income

Personal interest income is the interest income (monetary and imputed) from all sources that is received by individuals, by private and government employee retirement plans, and by quasi-individuals.

Personal interest income accounted for just over 11 percent of total personal income at the national level in 2002 (table E). Monetary interest accounted for over 6.7 percent of total personal income, and imputed interest accounted for more than 4.3 percent.

4. The state estimates of the Federal civilian retirement benefits are those estimated as part of transfer payments in the previous definition of personal income; the methodology is described in the "Transfer Payments" methodology section documentation in U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income, 1969-92 (Washington DC: U.S. Government Printing Office, 1994): M-22. Beginning with the 1969-98 benchmark estimates, BEA estimates of federal and military retirement transfer payments were discontinued. The elements of property income which were based on those estimates are now based on source data previously used to estimate the transfer payments.

<u>Monetary interest received by individuals and quasi-individuals</u>.--This interest consists largely of interest that is reportable for Federal individual income tax--including the nontaxable interest from municipal bonds--but it also includes the interest received by nonprofit institutions, the interest retained by estates and trusts, and the interest accrued on individual retirement accounts and other tax-deferred savings accounts in the year in which the interest is earned. (The IMF interest data do not include this interest, because it is reported on the tax returns as part of taxable withdrawals, not as interest, in the year in which the funds are withdrawn.)

The state estimates of the monetary interest received by individuals and by quasi-individuals are combined, and the combined estimates are used as the control totals for the county estimates. The county estimates are based on the IMF data for interest that are supplemented by a series prepared from the IMF data for dividends; the state estimates of the interest received by individuals are also based on these data.[5] The supplementation is necessary because the reportable interest that is received by individuals from regulated investment companies, such as money market mutual funds, is reported as dividend income on IRS form 1040.

The county estimates are prepared in four steps. First, the national ratio of the estimate of the reportable interest received by individuals from regulated investment companies to the sum of this interest and the estimate of the dividends received by individuals is calculated.[6]

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5. See footnote 1.

6. The national estimate of the reportable interest that is received by individuals from these companies is prepared as part of the reconciliation of personal income and adjusted gross income. See Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income," <u>Survey</u> 84 (April 2004): 8-22.

Second, this ratio is multiplied by the IMF dividends for each state and county to yield a first approximation of the interest received from regulated investment companies that is reported as dividends. Third, the first approximations are added to the IMF county tabulations of interest to yield preliminary county estimates of interest. Fourth, the state control totals of the interest received by individuals and by quasi-individuals are allocated to counties in proportion to the preliminary estimates.

Monetary interest received by private and government employee retirement plans.--This income comprises the interest received by private pension plans, by the Federal civilian employee retirement plans (including the TSP), by the military retirement plan, and by state and local government employee retirement plans. For each of the civilian categories, a portion of the interest is assumed to be received on behalf of current employees, and a portion on behalf of retired persons and their survivors.[7] For the military plan, a portion of the interest is assumed to be received on behalf of those currently serving, and a portion on behalf of retired persons and their survivors.[8]

For the interest received by the private pension plans, the state and county estimates of the "currently employed" portion are based on place-of-residence estimates of employer contributions to these plans.[9] The state and county estimates of the "retired" portion reflect the geographic distribution of the state and county estimates of social security retirement benefits.

For the interest received by the Federal civilian plans, the state and county estimates of

7. See footnote 2.

8. The division of the interest to the military retirement plan into the current and retired portions is based on information obtained from the Department of Defense.

9. See footnote 3.

the "currently employed" portion are based on residence-adjusted state and county estimates of Federal civilian wages and salaries, and state and county estimates of the "retired" portion, on state and county estimates of Federal civilian retirement benefits.[10]

For the interest received by the Federal military retirement plan, the state and county estimates of the "currently employed" portion are based on residence-adjusted state and county estimates of the pay of active-duty military personnel, and the "retired" portion on state and county estimates of Federal military retirement benefits.[11]

For the interest received by the state and local government employee retirement plans, the state estimates of both the "currently employed" and the "retired" portions are based on state-level data for the interest received by the plans from the Census Bureau's annual Finances of Employee-retirement Systems of State and Local Governments. This series is adjusted to a place-of-residence basis to yield the state-level allocating series for the dividends received by the plans. The state estimates are allocated to counties in proportion to place of residence wages and salaries (current and retired).

Imputed interest income

Imputed interest received by persons consists of the investment income that is received on behalf of individuals by life insurance carriers and the imputed interest that is received by persons from banks, credit agencies, and regulated investment companies, which represents the value of financial services for which persons are not explicitly charged.[12] The national

10. See footnote 4.

11. The county estimates of the military retirement benefits are those estimated as part of transfer payments in the previous definition of personal income; see footnote 4.

12. For additional information, see "Imputation" in the "Technical Notes."

estimate of each type of imputed interest is allocated to states and counties in proportion to interest reported by individuals to the IRS, as tabulated from the IMF.

Rental Income of Persons

The rental income of persons with capital consumption adjustment is the net current-production income of persons from the rental of real property except for the income of persons primarily engaged in the real estate business; the imputed net rental income received by owner-occupants of nonfarm dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources.[13] The estimates include BEA adjustments for uninsured losses to real estate caused by disasters, such as hurricanes and floods.

The national estimate of the rental income of persons accounted for almost 2 percent of total personal income in 2002 (table E). Monetary rental income accounted for about .8 percent of total personal income, and imputed rental income accounted for about 1.2 percent.

Monetary rental income

The county estimates of monetary rental income are prepared in two parts: The net rents and royalties that are received by individuals and quasi-individuals and the net rents and royalties that are received by private pension plans.

Net rents and royalties received by individuals and quasi-individuals.--Because the available state and county data are unreliable, the national estimate of the rents received by

13. The net rental income received by persons who are primarily engaged in the real estate business is included in nonfarm proprietors' income.

individuals excluding the disaster adjustments is allocated to states--and the state estimates, to counties--in proportion to the tabulations of data for gross rents and royalties from the IMF.[14] The national disaster adjustments are assigned to states and counties on the basis of data from the Federal Emergency Management Agency.

The state estimates of the rents and royalties received by nonprofit organizations reflect the distribution of the civilian population, and the estimates of the rents and royalties retained by fiduciaries reflects the rents and royalties disbursed by the fiduciaries, as reported on Schedule E of IRS form 1040. The county estimates of the rents and royalties reflect the estimates of the rents and royalties received by individuals excluding the disaster adjustments.

The state estimates of the royalties received by individuals, which are prepared along with the estimates of rents, are allocated to counties in proportion to the IMF data for interest.

Net rents and royalties received by private pension plans.—A portion of these rents and royalties is assumed to be received on behalf of current employees, and a portion on behalf of retired persons and their survivors.[15] The state and county estimates of the "currently employed" portion are based on state-of-residence estimates of employer contributions to these plans.[16] The state and county estimates of the "retired" portion reflect the geographic distribution of the state and county estimates of social security retirement benefits.

14. The available estimates from the Internal Revenue service for net rents are unreliable as a basis for the estimation of monetary rent because of large sampling errors in the estimates for the less populous states.

15. See footnote 2.

16. See footnote 3.

Imputed rental income

The state and county estimates of imputed net rental income are prepared in two parts: Imputed net rent received by the owner-occupants of mobile homes and imputed net rent received by the owner-occupants of all other nonfarm dwellings.[17]

Imputed net rent from mobile homes.--The national estimates of imputed net rent from mobile homes for 2000 and later years were allocated to states and counties in proportion to the number of mobile homes from the 2000 Census of Housing.

Imputed net rent from all other nonfarm dwellings.--The state and county estimates for the years after 2000 are based on estimates for 2000. The 2000 state and county estimates were derived from the allocation of the national estimates using state and county estimates of the gross rental value of owner-occupied, single-family nonfarm dwellings, which were derived from data from the 2000 Census of Housing.[18]

The state estimates for the years after 2000 were prepared in two steps. First,

17. For additional information, see "Imputation" in the "Technical Notes."

18. The 1990 state and county estimates of the gross rental value were calculated in three steps. First, the estimate of the market value of the dwellings in each value-size range for an area was calculated as the product of the number of dwellings and the median value of the dwellings in the area. Second, the state or county estimate of the market value for each range was multiplied by the national mean contract rent for the rented dwellings in that range to yield the estimate of the gross rental value for the range in the area. Third, the estimates for the ranges for the state or county were summed to yield the estimate of the gross rental value. For 2000, the Census Bureau published “median value-owner occupied.” This value was multiplied by the number of dwellings to approximate the gross rental value. The 1991-1999 estimates were the national totals distributed by straight-line interpolation between the 1990 and 2000 census benchmarks.

provisional state estimates were extrapolated from the 2000 estimates by the relative change in the estimates of nonfarm personal income.[19] Second, the national estimates were allocated to states in proportion to the provisional estimates.

The state estimates for years after 2000 are allocated to counties in proportion to the 2000 county estimates.

19. The extrapolation also used data for the four census regions from the Census Bureau's biennial American Housing Survey, which is available most recently for 2001.