

Relationship Between Personal Income and Adjusted Gross Income

- New Estimates for 1993–94
- Revisions for 1959–92

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THIS ARTICLE presents revised (1959–92) and new (1993–94) estimates of the relationship between the Bureau of Economic Analysis (BEA) measure of personal income and the Internal Revenue Service (IRS) measure of adjusted gross income (AGI) of individuals by type of income. The relationship is presented by a reconciliation of “BEA-derived AGI,” which BEA estimates for comparison purposes by converting personal income by type of income to the definition underlying AGI as reported on individual income tax returns.¹

The relationship presented in this article provides an explanation of most of the definitional and statistical differences between personal income and the IRS measure of AGI, which are two widely used measures of household income. Personal income, in general, is a more comprehensive measure. It covers all major types of taxable and nontaxable incomes except for gains or losses on the sale of assets, and it covers all recipients of these incomes, including those persons who, legally or illegally, did not file an individual tax return. In order to provide a more inclusive measure of saving, personal income also includes incomes such as employer contributions to pension plans, the investment income of these plans, and imputed incomes related to home-ownership and imputed financial service charges. AGI, on the other hand, provides a direct link to actual income tax receipts. Information on the relationship between the two measures is used as an indicator for IRS AGI be-

cause personal income is available much earlier. In addition, the “AGI gap,” which is the unexplained difference between the BEA-derived and the IRS measures of AGI, is used as a rough indicator of noncompliance with the Federal tax code.

The revised and new estimates of the relationship primarily reflect the incorporation of the results of the comprehensive revision of the national income and product accounts (NIPA's) that was released in January 1996 and of improved estimates of the special items used to prepare BEA-derived AGI. The most important changes that affected BEA-derived AGI were the introduction of adjustments for nontaxable employee contributions to thrift savings plans, an improved estimate of investment income received by nonprofit institutions serving individuals, and an improved method for converting depreciation from a NIPA basis to a tax return-accounting basis.² The total effect on the relationship was to revise up the AGI gap for total income for all years before 1987 and to revise it down for 1987–92. These revisions did not significantly alter the trend in the relative AGI gap (the AGI gap as a percentage of AGI); the new estimates for 1993 and 1994 showed the largest gaps since 1987. In 1959–77, the relative AGI gap remained fairly stable at 10 to 11 percent, increased to about 14 percent in 1986, declined to about 11 percent in 1991, and increased to about 13 percent in 1993 and 1994.

This article is organized into four sections. The first section discusses the estimation of the BEA-derived AGI. The second section discusses the significance and limitation of the AGI gap. The third section discusses some specific trends in the AGI gap by type of income for 1959–94. The fourth section discusses the sources of revision to the reconciliation estimates for 1959–92.

1. Estimates of BEA personal income appear monthly in the SURVEY OF CURRENT BUSINESS in table 2.1 of the national income and product accounts; estimates of IRS AGI appear annually in *Statistics of Income—Individual Income Tax Returns*. The estimates of the relationship between total personal income and total AGI appear annually in NIPA table 8.26. Table 11 of this article presents estimates of the relationship for 1959–94; estimates for 1947–58 will be published in early 1997 in *National Income and Product Accounts of the United States: Volume 1*.

The previously published estimates of the relationship for total income beginning with 1947 appeared in NIPA table 8.24 in *National Income and Product Accounts of the United States: Volumes 1 and 2* and in the July 1992, August 1993, and July 1994 issues of the SURVEY. Corresponding estimates of the relationship by type of income for 1991–92 appeared in the August 1994 SURVEY; for 1990, in the November 1993 SURVEY; and for 1989, in the May 1992 SURVEY.

2. The previously published estimates for 1990–92 had incorporated the improved method for converting depreciation; in this revision, the improved method was carried back to 1959.

The BEA-Derived AGI

carriers and private noninsured pension plans are not counted as persons, but their income (and saving) is credited to persons.

The IRS measure of AGI is computed by adding together all items of "gross income" and subtracting the specific adjustments to gross income that are allowed as deductions. Gross income includes all income received in the form of money, property, and services that is not expressly exempt from tax; major exemptions include interest on tax-exempt State or local government bonds, voluntary contributions to thrift savings plans, and nontaxable social security benefits.

Tables 1-3 show the reconciliation between personal income and AGI, by type of income, for 1992-94. Personal income and the IRS measure

Table 1.—Comparison of Personal Income with AGI, by Type of Income, 1992

(Billions of dollars)

Line		Per-sonal income	Wage and salary disbursements	Proprietors' income with IVA and CCAAdj		Rental income of persons with CCAAdj	Per-sonal dividend income	Per-sonal interest income	Taxable pensions and annuities ¹	Taxable unemployment compensation	Taxable social security benefits ²	Other personal income ³	Income not included in personal income
				Farm	Nonfarm								
1	Personal income	5,264.2	2,986.4	38.0	371.5	80.6	159.4	667.2	98.2	39.7	27.6	795.7	0
2	Less: Portion of personal income not included in adjusted gross income	1,714.6	62.1	3.4	14.7	46.6	66.7	446.0	0	0	0	1,039.6	35.5
3	Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits	692.8	0	0	0	0	0	0	0	0	0	692.8	0
4	Other labor income except fees	346.5	0	0	0	0	0	0	0	0	0	346.5	0
5	Imputed income in personal income ⁴	182.2	8.1	.5	4.8	25.9	0	142.9	0	0	0	0	0
6	Investment income of life insurance carriers and private noninsured pension plans ⁵	200.2	0	0	0	0	0	200.2	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries	50.7	0	0	.3	6.0	14.5	29.6	0	0	0	.3	0
8	Differences in accounting treatment between NIPA's and tax regulations, net	66.0	0	2.9	9.6	14.7	10.6	28.2	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income	176.2	54.0	0	0	0	41.5	45.1	0	0	0	0	35.5
10	Plus: Portion of adjusted gross income not included in personal income	571.9	6.2	0	1.3	2.4	0	0	147.4	0	0	248.4	166.2
11	Personal contributions for social insurance	248.4	0	0	0	0	0	0	0	0	0	248.4	0
12	Net gain from sale of assets	109.1	0	0	0	0	0	0	0	0	0	0	109.1
13	Taxable private pensions ⁷	147.4	0	0	0	0	0	147.4	0	0	0	0	0
14	Small business corporation income	47.9	0	0	0	0	0	0	0	0	0	0	47.9
15	Other types of income	19.2	6.2	0	1.3	2.4	0	0	0	0	0	0	9.3
16	Plus: Intercomponent reallocation	0	9.6	0	-3	0	45.9	-52.5	-4.9	0	0	-4.5	6.5
17	Fees in other labor income	0	4.8	0	0	0	0	0	0	0	0	-4.8	0
18	Fiduciaries' share of partnership income ⁸	0	0	0	-3	0	0	0	0	0	0	.3	0
19	Interest received by nonfarm proprietors	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies	0	0	0	0	0	52.5	-52.5	0	0	0	0	0
21	Taxable disability income payments	0	4.9	0	0	0	0	0	-4.9	0	0	0	0
22	Capital gains dividends	0	0	0	0	0	-6.5	0	0	0	0	0	6.5
23	Equals: BEA-derived adjusted gross income	4,121.5	2,940.1	34.6	357.8	36.5	138.7	168.7	240.7	39.7	27.6	0	137.3
24	Adjusted gross income of IRS (as reported)	3,629.1	2,805.7	-2.5	154.0	9.7	77.9	162.3	186.5	31.4	23.1	43.7	137.3
25	Plus: Intercomponent reallocation	0	0	1.4	39.1	3.2	0	0	0	0	0	-43.7	0
26	Estate or trust income	0	0	0	.7	3.2	0	0	0	0	0	-4.0	0
27	Partnership income	0	0	1.4	38.4	0	0	0	0	0	0	-39.8	0
28	Other reallocations	0	0	0	0	0	0	0	0	0	0	0	0
29	Adjusted gross income of IRS (reallocated)	3,629.1	2,805.7	-1.1	193.1	12.9	77.9	162.3	186.5	31.4	23.1	0	137.3
30	Adjusted gross income gap	492.4	134.4	35.7	164.6	23.6	60.8	6.3	54.2	8.3	4.5	0	0
31	Percent distribution of AGI gap	100.0	27.3	7.3	33.4	4.8	12.3	1.3	11.0	1.7	.9		
32	AGI gap as a percentage of BEA-derived AGI	11.9	4.6	103.3	46.0	64.7	43.8	3.8	22.5	20.9	16.2		
33	Addendum: Misreporting adjustments included in personal income	232.6	67.7		171.9	.9		-7.9					

See the footnotes at the end of table 3.

of AGI each include items that the other omits by definition. The reconciliation items that convert total personal income to the IRS definition of AGI are shown in two groups: First, those items that are included in the BEA estimate of personal income but not in the IRS AGI estimate; and second, items included in IRS AGI but not in personal income. A third group of reconciliation items, "intercomponent reallocations," reallocates certain income components to make the BEA and the IRS estimates of AGI comparable by type of income.

Personal income items not included in AGI

The first group of reconciliation items (lines 3–9) consists of the portion of personal income that is

not taxable and therefore is not included in the IRS measure of AGI.

Most transfer payments to persons from governments and all transfer payments to persons from business (line 3) are nontaxable. (Transfer payments to persons from business primarily include donations to tax-exempt organizations.) The taxable portion of transfer payments to persons consists of the portion of government pensions in excess of employees' contributions, unemployment compensation benefits, and a portion of social security and railroad retirement benefits.

Most of the NIPA category of "other labor income" (line 4) is nontaxable. The nontaxable components of other labor income

Table 2.—Comparison of Personal Income with AGI, by Type of Income, 1993

[Billions of dollars]

Line		Per-sonal income	Wage and salary disburse-ments	Proprietors' income with IVA and CCAAdj		Rental income of persons with CCAAdj	Per-sonal dividend income	Per-sonal interest income	Taxable pensions and annu-ities ¹	Taxable unemploy-ment compensa-tion	Taxable social security benefits ²	Other personal income ³	Income not included in per-sonal income
				Farm	Nonfarm								
1	Personal income	5,479.2	3,090.6	32.0	388.1	102.5	186.8	647.3	107.1	34.8	30.8	859.3	0
2	Less: Portion of personal income not included in adjusted gross income	1,791.0	64.2	-4.1	-7.0	67.0	77.4	442.5	0	0	0	1,114.4	36.6
3	Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits	738.0	0	0	0	0	0	0	0	0	0	738.0	0
4	Other labor income except fees	376.0	0	0	0	0	0	0	0	0	0	376.0	0
5	Imputed income in personal income ⁴	203.6	7.9	.6	5.2	46.1	0	143.9	0	0	0	0	0
6	Investment income of life insurance carriers and private noninsured pension plans ⁵	205.5	0	0	0	0	0	205.5	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries	48.5	0	0	.3	6.8	14.5	26.5	0	0	0	.3	0
8	Differences in accounting treatment between NIPA's and tax regulations, net	31.5	0	-4.7	-12.5	14.1	12.9	21.7	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income	187.8	56.3	0	0	0	50.0	44.9	0	0	0	0	36.6
10	Plus: Portion of adjusted gross income not included in personal income	607.7	7.2	0	1.5	2.8	0	0	153.6	0	0	259.6	183.0
11	Personal contributions for social insurance	259.6	0	0	0	0	0	0	0	0	0	259.6	0
12	Net gain from sale of assets	124.8	0	0	0	0	0	0	0	0	0	0	124.8
13	Taxable private pensions ⁷	153.6	0	0	0	0	0	0	153.6	0	0	0	0
14	Small business corporation income	50.7	0	0	0	0	0	0	0	0	0	0	50.7
15	Other types of income	18.9	7.2	0	1.5	2.8	0	0	0	0	0	0	7.5
16	Plus: Intercomponent reallocation	0	9.1	0	-3	0	40.1	-55.6	-4.2	0	0	-4.6	15.6
17	Fees in other labor income	0	4.9	0	0	0	0	0	0	0	0	-4.9	0
18	Fiduciaries' share of partnership income ⁸	0	0	0	-3	0	0	0	0	0	0	.3	0
19	Interest received by nonfarm proprietors	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies	0	0	0	0	0	55.6	-55.6	0	0	0	0	0
21	Taxable disability income payments	0	4.2	0	0	0	0	0	-4.2	0	0	0	0
22	Capital gains dividends	0	0	0	0	0	-15.6	0	0	0	0	0	15.6
23	Equals: BEA-derived adjusted gross income	4,295.9	3,042.7	36.1	396.2	38.2	149.5	149.2	256.5	34.8	30.8	0	161.9
24	Adjusted gross income of IRS (as reported)	3,723.3	2,892.1	-3.7	155.7	13.4	79.7	131.1	194.0	27.6	24.6	46.7	161.9
25	Plus: Intercomponent reallocation	0	0	.9	42.2	3.7	0	0	0	0	0	-46.7	0
26	Estate or trust income	0	0	0	.9	3.7	0	0	0	0	0	-4.6	0
27	Partnership income	0	0	.9	41.3	0	0	0	0	0	0	-42.2	0
28	Other reallocations	0	0	0	0	0	0	0	0	0	0	0	0
29	Adjusted gross income of IRS (reallocated)	3,723.3	2,892.1	-2.8	197.9	17.1	79.7	131.1	194.0	27.6	24.6	0	161.9
30	Adjusted gross income gap	572.5	150.6	38.9	198.4	21.1	69.8	18.0	62.5	7.2	6.1	0	0
31	Percent distribution of AGI gap	100.0	26.3	6.8	34.6	3.7	12.2	3.1	10.9	1.3	1.1		
32	AGI gap as a percentage of BEA-derived AGI	13.3	4.9	107.8	50.1	55.3	46.7	12.1	24.4	20.8	19.9		
33	Addendum: Misreporting adjustments included in personal income	248.5	70.5		185.0	.9		-7.9					

are employer contributions to private pension and profits sharing plans, private group health and life insurance plans, privately administered workers' compensation plans, and supplemental unemployment benefit plans. Employer contributions are nontaxable, but some benefit payments—such as pensions and supplemental unemployment benefits—are taxable; they are in lines 13 and 15, respectively. The taxable components of other labor income consist of corporate directors' fees and other mi-

nor compensation, such as judicial fees to jurors and witnesses, compensation of prison inmates, and marriage fees to justices of the peace.

Imputed income in personal income (line 5) is certain incomes imputed to persons by NIPA definition.³ These incomes are assumed to be nontaxable, but an unknown amount, believed to

3. Line 5 excludes employer-paid health and life insurance premiums, which are treated as an imputation in the NIPA's; these premiums are included in line 4.

Table 3.—Comparison of Personal Income with AGI, by Type of Income, 1994

[Billions of dollars]

Line	Personal income	Wage and salary disbursements	Proprietors' income with IVA and CCAj		Rental income of persons with CCAj	Personal dividend income	Personal interest income	Taxable pensions and annuities ¹	Taxable unemployment compensation	Taxable social security benefits ²	Other personal income ³	Income not included in personal income	
			Farm	Nonfarm									
1	Personal income	5,750.2	3,241.1	35.0	415.9	116.6	199.6	661.6	112.5	24.2	47.0	896.7	0
2	Less: Portion of personal income not included in adjusted gross income	1,909.4	68.1	11.0	-9.6	76.3	89.6	465.9	0	0	0	1,170.1	38.0
3	Transfer payments except taxable military retirement, taxable government pensions, taxable social security benefits, and unemployment compensation benefits	772.6	0	0	0	0	0	0	0	0	0	772.6	0
4	Other labor income except fees	397.2	0	0	0	0	0	0	0	0	0	397.2	0
5	Imputed income in personal income ⁴	214.9	8.1	.4	5.4	55.1	0	146.0	0	0	0	0	0
6	Investment income of life insurance carriers and private noninsured pension plans ⁵	211.5	0	0	0	0	0	211.5	0	0	0	0	0
7	Investment income received by nonprofit institutions or retained by fiduciaries	50.0	0	0	.3	7.2	14.7	27.4	0	0	0	.4	0
8	Differences in accounting treatment between NIPA's and tax regulations, net	56.6	0	10.5	-15.4	14.0	14.9	32.6	0	0	0	0	0
9	Other personal income exempt or excluded from adjusted gross income	206.5	60.0	0	0	0	60.0	48.5	0	0	0	0	638.0
10	Plus: Portion of adjusted gross income not included in personal income	657.8	8.5	0	1.8	3.1	0	0	163.3	0	0	278.1	203.0
11	Personal contributions for social insurance	278.1	0	0	0	0	0	0	0	0	0	278.1	0
12	Net gain from sale of assets	115.2	0	0	0	0	0	0	0	0	0	0	115.2
13	Taxable private pensions ⁷	163.3	0	0	0	0	0	0	163.3	0	0	0	0
14	Small business corporation income	62.8	0	0	0	0	0	0	0	0	0	0	62.8
15	Other types of income	38.4	8.5	0	1.8	3.1	0	0	0	0	0	0	24.9
16	Plus: Intercomponent reallocation	0	9.0	0	-4	0	29.8	-44.8	-4.0	0	0	-4.7	15.0
17	Fees in other labor income	0	5.0	0	0	0	0	0	0	0	0	-5.0	0
18	Fiduciaries' share of partnership income ⁸	0	0	0	-4	0	0	0	0	0	0	.4	0
19	Interest received by nonfarm proprietors	0	0	0	0	0	0	0	0	0	0	0	0
20	Interest distributed by regulated investment companies	0	0	0	0	0	44.8	-44.8	0	0	0	0	0
21	Taxable disability income payments	0	4.0	0	0	0	0	0	-4.0	0	0	0	0
22	Capital gains dividends	0	0	0	0	0	-15.0	0	0	0	0	0	15.0
23	Equals: BEA-derived adjusted gross income	4,498.7	3,190.6	24.0	427.0	43.4	139.8	150.8	271.8	24.2	47.0	0	180.0
24	Adjusted gross income of IRS (as reported)	3,909.3	3,033.8	-6.7	161.8	16.2	81.3	120.6	208.2	20.2	39.4	54.6	180.0
25	Plus: Intercomponent reallocation	0	0	1.0	49.7	3.9	0	0	0	0	0	-54.6	0
26	Estate or trust income	0	0	0	1.0	3.9	0	0	0	0	0	-4.9	0
27	Partnership income	0	0	1.0	48.7	0	0	0	0	0	0	-49.7	0
28	Other reallocations	0	0	0	0	0	0	0	0	0	0	0	0
29	Adjusted gross income of IRS (reallocated)	3,909.3	3,033.8	-5.7	211.5	20.1	81.3	120.6	208.2	20.2	39.4	0	180.0
30	Adjusted gross income gap	589.4	156.7	29.7	215.5	23.3	58.6	30.3	63.6	4.1	7.7	0	0
31	Percent distribution of AGI gap	100.0	26.6	5.0	36.6	4.0	9.9	5.1	10.8	.7	1.3	.....	.....
32	AGI gap as a percentage of BEA-derived AGI	13.1	4.9	123.5	50.5	53.7	41.9	20.1	23.4	16.8	16.3	.....	.....
33	Addendum: Misreporting adjustments included in personal income	n.a.	74.0	.....	n.a.	n.a.	.....	-8.0	.....	.....	.....	.....	.....

1. Consists of the taxable portion of government employee pension payments included in personal income—non-disability military retirement pay and the taxable portion of Federal Government and of State and local government employee pension payments.

2. Taxable social security benefits also include a small amount of taxable railroad retirement benefits.

3. Consists primarily of other labor income, the nontaxable portion of government transfer payments to persons, business transfer payments, less personal contributions for social insurance.

4. Consists of the imputations included in personal income shown in NIPA table 8.19 (line 58), except for employer-paid health and life insurance premiums (line 115). In this table, these premiums are included in line 4.

5. Equals imputed interest received by persons from life insurance carriers and private noninsured pension plans as shown in NIPA table 8.18 (line 51).

6. Statutory adjustments.

7. Consists of the taxable portion of private pension payments received by individuals.

8. Consists of partnership income retained by fiduciaries.

AGI Adjusted gross income
 BEA Bureau of Economic Analysis
 CCAj Capital consumption adjustment
 IVA Inventory valuation adjustment
 IRS Internal Revenue Service
 NIPA's National income and product accounts
 n.a. Not available.

be small, may be in the IRS measure of AGI. Personal income wages and salaries includes three categories of wages and salaries in kind, the largest of which is the value of food furnished to military personnel and to other employees. Farm proprietors' income includes the imputed net rental income of owner-occupants of farm dwellings; nonfarm proprietors' income includes the imputed income of persons who participate in the construction of their own housing (the margins on owner-built housing). Rental income includes the imputed net rental income of owner-occupants of nonfarm dwellings. Net interest includes imputed income for services furnished to persons without payment by financial intermediaries except life insurance carriers and private noninsured pension plans.

Although life insurance carriers and private noninsured pension plans are not defined as persons in the NIPA's, their investment income—rent, interest, and dividends—is attributed to persons in the year it is accrued (line 6) and is included in personal interest income. As mentioned before, benefit payments from these pension plans and some annuity payments are taxable and are included in line 13.

Both nonprofit institutions (primarily serving individuals) and fiduciaries are defined as persons in the NIPA's, and their incomes are included, but not separately identified, in nonfarm proprietors' income, rental income of persons, personal interest income, and personal dividend income. Investment income of nonprofit institutions is nontaxable and is included in line 7. Only the portion of the income of fiduciaries that is distributed to beneficiaries is taxable to individuals; the portion retained by fiduciaries is taxable to the fiduciaries and is not reported on individual income tax returns. Thus, investment income of fiduciaries included in line 7 represents the portion of fiduciaries' investment income that is retained by the fiduciaries.

The differences between NIPA accounting and income tax accounting for incomes included in both measures (line 8) consist mostly of differences in the valuation of inventories and depreciation and in the method of accounting for interest on bonds and for the earnings of individual retirement accounts and Keogh plans.

The inventory valuation adjustment for nonfarm proprietors' income is the difference between the cost of inventory withdrawals valued at their acquisition (historical) cost and the cost of inventory withdrawals valued at their replacement cost (the concept underlying the NIPA's).

This difference is an estimate of inventory profits, but with the sign reversed. Personal income excludes these profits, whereas the IRS measure of AGI includes them.

The NIPA measure of depreciation (consumption of fixed capital) is based on consistent accounting and is valued at current replacement cost, whereas the IRS measure of depreciation is based on varying service lives and depreciation formulas and is valued at historical cost. The adjustment in line 8 consists of the differences for proprietors' income and rental income of persons except for depreciation on owner-occupied dwellings. (The entire amount of the rental income on owner-occupied dwellings, which is a NIPA imputation, is included in line 5.)

Interest on U.S. savings bonds, State and local governments bonds, and corporate bonds is included in personal income on an accrual basis but is mostly reported on a cash basis in the IRS measure of AGI. Similarly, earnings of IRA's and Keogh plans, excluding capital gains, are included in personal income on an accrual basis but are reported on a cash basis in the IRS measure of AGI.

Other personal income exempt or excluded from AGI (line 9) consists mostly of voluntary contributions by employees to thrift savings plans, tax-exempt interest received by individuals, tax-exempt military pay and allowances, the small business corporation dividend adjustment, and statutory adjustments to AGI.

Employee contributions to thrift savings plans are included in personal income as wage and salary disbursements but are excluded from the IRS measure of AGI. The adjustment for voluntary contributions by private employees to thrift savings plans, primarily 401(k) plans, is introduced into the reconciliation for the first time.

Tax-exempt interest received by individuals, primarily on State and local government bonds, is included in personal income but is excluded from the IRS measure of AGI.

Certain types of pay and cash allowances to members of the armed forces, such as allowances to defray a portion of the cost of subsistence or to assist in obtaining civilian housing as a substitute for government quarters, are included in personal income but are excluded from the IRS measure of AGI.

The small business corporation (S corporation) dividend adjustment is the difference between S corporation distributions that are included in personal income as personal dividend income and S corporation distributions that are consid-

ered as dividends in the IRS measure of AGI. In the NIPA's, these distributions to shareholders are, in their entirety, treated as personal dividend income for all time periods. In the IRS measure of AGI, they have been treated at different times as dividends, partnership income, or small business corporation income.⁴

Statutory adjustments are adjustments to gross income that are allowed as deductions in the calculation of adjusted gross income. For 1994, statutory adjustments include contributions to self-employed retirement plans (Keogh or simplified employee pension) and certain contributions to IRA's, one-half of self-employment tax, a portion of self-employed health insurance premiums, forfeited interest and penalties incurred by persons who made premature withdrawal of funds from time savings accounts, alimony payments, foreign housing exclusion, repayments of supplemental unemployment compensation, certain expenses of qualified performing artists, and amount of jury duty pay reported on Form 1040 that was repaid to employers.

AGI items not included in personal income

The second group of reconciliation items (lines 11–15) consists of the portion of AGI that is excluded from personal income.

Personal contributions for social insurance (line 11), which is subtracted in the calculation of personal income, is the largest item in this group.

Net gain from sale of assets (line 12) includes net gain from sales of property held for personal use or investment (capital assets) and of property of a business nature (business assets).

Taxable private pension payments (line 13) are excluded from personal income because of the NIPA treatment of private pension plans. In the NIPA's, personal income includes payments to these plans on a when-earned basis. Employer contributions to the plans are included in other labor income (line 4), and the investment income of private pension plans—life insurance carriers and private noninsured pension plans—is included in personal interest income (line 6). Personal contributions to the plans are part of wage and salary disbursements. Consequently, it is necessary to exclude private pension benefit payments from personal income at the time

they are received by the beneficiary to avoid double-counting.⁵

Small business corporation income (line 14) in the IRS measure of AGI is the amount taxable to stockholders as ordinary income. As mentioned before, the amount taxable to stockholders as dividends is in the IRS measure of dividends. In the NIPA's, small business corporation income is part of corporate profits.

Intercomponent reallocation

The third group of reconciliation items consists of "intercomponent reallocations." The types of income used for reconciliation purposes in tables 1–3 represent the types of income that are common for both personal income and AGI. However, certain components of personal income and of AGI do not fit into this income classification, and certain components of personal income and of AGI are classified differently. These income components are reallocated, when possible, to make the BEA and IRS estimates of AGI comparable by type of income. The reallocations affecting personal income are shown in lines 17–22, and those affecting the AGI of IRS are shown in lines 26–28. The reallocated personal income and AGI by type of income are shown in lines 23 and 29, respectively.

The fees components of other labor income (line 17) are reallocated from other labor income to wage and salary disbursements. Although IRS instructs taxpayers to report the fees either as miscellaneous taxable income on Form 1040 or as business income on Schedule C, the fees are tabulated as wages in the IRS measure of AGI.

Partnership income retained by fiduciaries (line 18) is reallocated to farm and nonfarm proprietors' incomes. Partnership income retained by fiduciaries is part of income retained by fiduciaries, which is prepared specially for this reconciliation (line 7). Partnership income requires a reallocation because this type of income is not a type of income used for reconciliation purposes.

Interest received by, but not related to business operations of, nonfinancial proprietors and partnerships (line 19) is reallocated from personal interest income to nonfarm proprietors' income for years prior to 1987. Such interest is tabulated in AGI as part of the income of proprietors and partnerships prior to 1987. This interest is treated in the NIPA's as personal interest income.

5. Government pension benefits in the NIPA's are included in personal income as government transfer payments. Employer and personal contributions to these pension plans are excluded from personal income.

4. For many years prior to 1983, IRS instructed taxpayers to report actual distributions to shareholders as dividends on Schedule B of Form 1040 and to report the retained earnings as part of supplemental income on Schedule E, which was tabulated as "small business corporation income" in the IRS measure of AGI. Beginning in 1983, shareholders were instructed to report only the distributions from pre-1983 accumulated earnings and profits as dividends on Schedule B and to report other distributions as supplemental income on Schedule E.

The interest distributions excluding tax-exempt distributions by regulated investment companies (line 20), such as mutual funds, are reallocated from personal interest income to personal dividend income because IRS requires that they be reported as dividends, whereas they are classified as personal interest income in the NIPA's.

Taxable disability income payments (line 21) are reallocated from taxable pensions to wages and salaries because some of these payments are reported as wages on tax returns but are treated as pensions in personal income.

Capital gains dividends (line 22) are reallocated from personal dividend income to capital gains. Capital gains realized by regulated investment companies and passed through to individuals in the form of dividends are treated as personal dividend income in the NIPA's. Capital gains dividends are tabulated as part of capital gains in AGI.

The AGI components that require a reallocation are estate or trust income (line 26), partnership income (line 27), and other reallocations (line 28). Estate or trust income is not a type of income used for reconciliation purposes; this income is reallocated to farm proprietors' income, nonfarm proprietors' income, and rental income of persons. Partnership income is reallocated to farm and nonfarm proprietors' incomes because this income is not a type of income used for reconciliation purposes.

Other reallocations (line 28) includes several reallocations not shown separately and not applicable in recent years. For certain AGI components, the AGI classification has changed over years, and the earlier classification must be adjusted to conform with the present AGI classification and with types of income used for reconciliation purposes. IRS business or profession net profit prior to 1963 is reallocated between farm and nonfarm proprietors' income because IRS did not tabulate farm proprietors' income separately. For 1958-65, the dividends distributed by small business corporations are reallocated from partnership income to personal dividend income, because small business corporations' dividends were tabulated by IRS as partnership income on the ground that the two types of business organizations were treated alike under tax laws. For 1957-65, Form 1040A wages that were not subject to withholding were tabulated by IRS as other income; this amount is reallocated to wages. For 1964-65, estate or trust income was tabulated as part of other income in AGI; this amount is reallocated to farm propri-

etors' income, nonfarm proprietors' income, and rental income of persons. For 1961, wage earners who had \$200 or less of dividends and interest could report the combined amount as a single figure; this amount is reallocated to personal interest income and personal dividend income.

The AGI Gap

The estimates of BEA-derived AGI that result from the reconciliation described in the previous section are significantly different from the AGI of IRS. The AGI gap for total income is the difference between the BEA-derived AGI (line 23) and IRS AGI (line 24). The AGI gap for each type of income (line 30) is the difference between the BEA-derived AGI for that type of income (line 23) and the reallocated IRS AGI for that type of income (line 29). The percent distribution of the AGI gap by type of income is shown in line 31, and the "relative AGI gap" for a type of income, which is the AGI gap for that type of income (line 30) as a percentage of the BEA-derived AGI for that income type (line 23), is shown in line 32.

The AGI gap results from several sources. First, errors arise in the reconciliation items because there are no reliable data available to estimate a known item, because there are errors in the source data used to estimate a known item, and because there are unknown differences between the definition of personal income and AGI.⁶ Second, errors arise in the source data used for personal income for those components that are not estimated using AGI of IRS data, because of sampling or other statistical errors or for definitional reasons. (IRS data are used only for nonfarm proprietors' income and royalty payments.) Third, errors arise in the IRS measure of AGI because the estimates are based on a probability sample. Fourth, the IRS estimates of AGI are based on unaudited tax returns that are not adjusted for misreporting (noncompliance).

BEA-derived AGI includes both explicit BEA adjustments for the effects of tax return misreporting on the source data used to prepare the estimates of personal income and implicit adjustments that are embedded in the source data. Explicit adjustments, which are shown in the addendum (line 33) to tables 1-3, are made for the following items: Nonfarm proprietors' income and royalty income, whose source data are primarily components of AGI of IRS; wage and salary

6. Errors in components of personal income that are not included in AGI do not contribute to the AGI gap, because these components are excluded from BEA-derived AGI.

disbursements, whose source data are primarily tabulations of wages and salaries for Federal Government employees from Federal budget data and for other employees from State unemployment insurance data from the Bureau of Labor Statistics; and personal interest income and rental income of persons, whose source data are primarily business income tax returns.⁷ Implicit adjustments are embedded in the source data used for some components of personal income because the source data are from the payers of the incomes. For example, the estimates of transfer payments in personal income are based on Federal and State and local budget data.

Information from IRS audit studies shows misreporting of these payments on individual income tax returns.⁸

The largest known missing reconciliation item is income earned by low-income individuals who are not required to file income tax returns. (Some individuals who are not required to file tax returns do so mostly to secure refunds.) The filing requirements are generally based on gross income, filing status, marital status, age, and, to a lesser extent, on dependency and blindness.

Errors in the estimates of personal income and in the IRS measure of AGI are believed to be small. The sampling variation for the IRS measure of AGI as measured by its standard error is small, and the reliability and accuracy of the NIPA estimates as measured by the record of revisions are believed to be high.⁹

8. For information on IRS studies of noncompliance, see IRS publications 7285 and 1415.

9. The IRS measure of AGI is based on a stratified probability sample of individual income tax returns, selected before audit, as described in *Statistics of Income—Individual Income Tax Returns*. For information about the reliability of BEA estimates, see "Reliability and Accuracy of the Quarterly Estimates of GDP," SURVEY 73 (October 1993): 29-43.

7. For additional information about the calculation of these adjustments, see "Improved Adjustments for Misreporting of Tax Return Information Used To Estimate the National Income and Product Accounts, 1977," SURVEY 64 (June 1984): 17-25; "The Comprehensive Revision of the U.S. National Income and Product Accounts: A Review of Revisions and Major Statistical Changes," SURVEY 71 (December 1991): 39-40; and "Improved Estimates of the National Income and Product Accounts for 1959-95: Results of the Comprehensive Revision," SURVEY 76 (January/February 1996): 24-25.

For detailed information about the principal source data and estimating methods used to prepare personal income and its components, see "Annual Revision of the U.S. National Income and Product Accounts," SURVEY 74 (July 1994): 7-48, and "Improved Estimates of the National Income and Product Accounts for 1959-95."

Table 4.—The BEA and IRS Measures of AGI and the AGI Gap by Type of Income, 1959-94

(Billions of dollars)

Year	BEA-derived AGI	AGI of IRS	AGI gap	Wage and salary disbursements	Proprietors' income		Rental income of persons	Personal dividend and personal interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits
					Farm	Nonfarm		Total	Personal dividend income	Personal interest income			
1959	342.4	305.1	37.3	7.8	7.2	9.7	2.9	8.1	.9	7.2	1.7	0	0
1960	354.7	315.5	39.2	8.9	6.4	10.1	2.9	9.0	1.3	7.6	1.9	0	0
1961	369.1	329.9	39.2	7.6	5.7	11.4	3.2	9.1	1.4	7.7	2.1	0	0
1962	391.0	348.7	42.3	9.3	6.3	11.8	3.0	9.7	1.5	8.2	2.2	0	0
1963	412.4	368.8	43.6	8.4	6.9	12.6	3.4	9.8	1.6	8.2	2.4	0	0
1964	445.7	396.7	49.1	10.3	6.3	14.0	3.8	11.9	2.4	9.5	2.8	0	0
1965	483.6	429.2	54.4	11.8	7.0	14.1	4.3	14.0	2.9	11.1	3.2	0	0
1966	525.4	468.5	56.9	13.6	7.2	15.9	4.1	12.6	1.0	11.6	3.5	0	0
1967	559.8	504.8	55.0	11.2	5.6	16.5	4.7	13.0	1.0	12.0	4.0	0	0
1968	613.2	554.4	58.8	13.7	5.3	16.9	4.2	14.4	1.4	13.0	4.3	0	0
1969	668.5	603.5	64.9	12.6	8.1	18.7	4.7	15.9	1.3	14.6	5.0	0	0
1970	704.9	631.7	73.2	13.3	9.8	20.4	5.2	18.4	1.7	16.7	6.1	0	0
1971	751.0	673.6	77.4	13.5	8.8	23.6	5.4	18.9	2.1	16.9	7.1	0	0
1972	831.3	746.0	85.3	11.1	11.8	28.7	5.6	19.9	2.7	17.2	8.2	0	0
1973	933.4	827.1	106.3	16.8	18.8	32.2	5.8	24.1	4.1	20.1	8.6	0	0
1974	1,011.3	905.5	105.7	9.1	18.7	38.1	5.0	25.4	2.9	22.4	9.5	0	0
1975	1,054.0	947.8	106.3	13.9	13.5	42.1	4.9	21.1	1.3	19.8	10.7	0	0
1976	1,174.8	1,053.9	120.9	13.6	11.9	53.5	4.7	25.3	4.0	21.3	11.9	0	0
1977	1,303.4	1,158.5	144.9	19.7	10.6	61.2	6.7	34.4	6.4	28.0	12.2	0	0
1978	1,476.2	1,302.4	173.7	25.0	14.9	73.4	6.8	38.8	7.6	31.2	14.9	0	0
1979	1,665.5	1,465.4	200.1	20.0	18.6	84.5	8.6	49.5	9.8	39.7	18.5	.4	0
1980	1,836.0	1,613.7	222.3	20.8	20.8	89.1	11.9	55.5	14.2	41.3	23.4	.8	0
1981	2,026.0	1,772.6	253.4	21.4	25.3	90.5	19.3	67.1	25.5	41.7	28.8	.9	0
1982	2,103.7	1,852.1	251.5	16.4	20.3	95.2	24.2	60.0	23.0	37.1	33.5	2.0	0
1983	2,238.9	1,942.6	296.3	24.6	29.6	109.7	26.4	64.1	26.3	37.8	39.2	2.6	0
1984	2,492.3	2,139.9	352.4	29.5	33.3	141.7	30.8	66.1	32.8	33.3	45.0	1.3	4.6
1985	2,655.2	2,306.0	349.2	44.5	29.8	147.5	31.5	45.5	26.6	18.9	46.0	1.4	3.2
1986	2,882.1	2,481.7	400.4	59.3	32.9	147.3	28.9	64.2	24.5	39.7	63.4	1.2	3.1
1987	3,159.5	2,773.8	385.7	80.6	36.9	121.5	24.7	64.0	34.8	29.1	52.6	2.6	2.8
1988	3,433.7	3,083.0	350.7	84.1	39.2	122.8	19.5	40.4	32.3	8.2	40.0	2.0	2.8
1989	3,669.4	3,256.4	413.0	112.6	35.7	127.2	16.8	63.0	55.0	7.9	52.2	2.5	3.0
1990	3,824.9	3,405.4	419.4	119.0	32.6	134.2	18.3	57.8	56.1	1.7	51.6	2.9	3.0
1991	3,878.4	3,464.5	413.9	107.1	33.3	138.9	21.6	58.6	65.4	-6.7	47.2	3.9	3.2
1992	4,121.5	3,629.1	492.4	134.4	35.7	164.6	23.6	67.1	60.8	6.3	54.2	8.3	4.5
1993	4,295.9	3,723.3	572.5	150.6	38.9	198.4	21.1	87.8	69.8	18.0	62.5	7.2	6.1
1994	4,498.7	3,909.3	589.4	156.7	29.7	215.5	23.3	88.8	58.6	30.3	63.6	4.1	7.7

Errors in the reconciliation items that affect the AGI gap are harder to determine because many of them are special items used to prepare BEA-derived AGI. Because of a lack of comprehensive source data, the estimates for nonprofit institutions serving individuals and taxable pensions are among the most difficult to prepare.

Estimates for investment income received by nonprofit institutions are based on IRS data from Form 990 for private foundations and other charitable organizations. The IRS data do not cover the entire universe of nonprofit institutions serving individuals, because not all of these institutions are required to file a Form 990. The most important types of institutions excluded from filing are most religious organizations and nonprofit organizations whose gross receipts are less than \$25,000.¹⁰

10. For more detail, see "Private Foundations and Charitable Trusts, 1992," *SOI Bulletin* (Winter 1995-96) and "Charities and Other Tax-Exempt Organizations, 1991," *SOI Bulletin* (Summer 1995).

Estimates for the taxable private pensions are based on Pension and Welfare Benefits Administration tabulations of Form 5500 series (Annual Return/Report of Employee Benefit Plan). These data overstate the amount of payments because they include an unknown amount of lump-sum distributions that are "rolled over" from one qualified plan to another. Published Form 5500 tabulations are available through 1991. Estimates for years after 1991 are extrapolated using the IRS estimates of pensions and annuities in AGI.

Overall, BEA considers the explicit and implicit adjustments for misreporting to account for a major part of the AGI gap.¹¹ Thus, the AGI gap can be considered a rough indicator of noncompliance with the Federal tax code, and the relative AGI gap—the AGI gap as a percentage of the BEA-derived AGI—can be considered a rough indicator

11. The AGI gap does not include adjustments for misreporting of net gains from the sale of assets or misreporting of small business corporation income.

Table 5.—Percent Distribution of AGI Gap by Type of Income, 1959-94

[Percent]

Year	Total	Wage and salary disbursements	Proprietors' income		Rental income of persons	Personal dividend and personal interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits	Addenda	
			Farm	Nonfarm		Total	Personal dividend income	Personal interest income				Income, except wages and salaries, subject to filing requirements ¹	Incomes not subject to filing requirements ²
1959	100.0	20.9	19.3	26.0	7.7	21.6	2.5	19.2	4.5	0	0	26.1	53.0
1960	100.0	22.8	16.4	25.7	7.4	22.8	3.4	19.4	4.9	0	0	27.7	49.5
1961	100.0	19.4	14.5	29.2	8.1	23.3	3.6	19.7	5.5	0	0	28.8	51.8
1962	100.0	22.0	14.8	27.9	7.2	23.0	3.6	19.4	5.2	0	0	28.2	49.9
1963	100.0	19.3	15.9	28.9	7.9	22.4	3.7	18.7	5.6	0	0	28.0	52.7
1964	100.0	20.9	12.8	28.6	7.7	24.3	4.9	19.4	5.7	0	0	30.0	49.1
1965	100.0	21.7	12.8	26.0	7.9	25.7	5.3	20.4	5.8	0	0	31.5	46.8
1966	100.0	23.9	12.6	27.9	7.3	22.2	1.7	20.4	6.1	0	0	28.3	47.8
1967	100.0	20.3	10.1	30.1	8.6	23.6	1.7	21.9	7.3	0	0	30.9	48.8
1968	100.0	23.3	9.1	28.8	7.1	24.4	2.4	22.0	7.3	0	0	31.7	45.0
1969	100.0	19.4	12.4	28.7	7.3	24.4	2.0	22.4	7.7	0	0	32.1	48.5
1970	100.0	18.2	13.3	27.9	7.1	25.1	2.3	22.8	8.3	0	0	33.4	48.4
1971	100.0	17.5	11.4	30.5	6.9	24.5	2.7	21.8	9.1	0	0	33.6	48.9
1972	100.0	13.0	13.8	33.7	6.6	23.3	3.1	20.2	9.6	0	0	32.9	54.1
1973	100.0	15.8	17.7	30.3	5.4	22.7	3.8	18.9	8.1	0	0	30.8	53.4
1974	100.0	8.6	17.7	36.0	4.8	24.0	2.8	21.2	8.9	0	0	32.9	58.4
1975	100.0	13.1	12.7	39.6	4.6	19.9	1.2	18.7	10.1	0	0	30.0	56.9
1976	100.0	11.2	9.9	44.3	3.9	20.9	3.3	17.6	9.8	0	0	30.7	58.0
1977	100.0	13.6	7.3	42.3	4.6	23.8	4.4	19.3	8.4	0	0	32.2	54.2
1978	100.0	14.4	8.6	42.2	3.9	22.3	4.4	17.9	8.6	0	0	30.9	54.7
1979	100.0	10.0	9.3	42.2	4.3	24.7	4.9	19.8	9.2	.2	0	34.2	55.8
1980	100.0	9.4	9.4	40.1	5.4	25.0	6.4	18.6	10.5	.3	0	35.8	54.8
1981	100.0	8.5	10.0	35.7	7.6	26.5	10.0	16.4	11.4	.3	0	38.2	53.3
1982	100.0	6.5	8.1	37.9	9.6	23.9	9.1	14.7	13.3	.8	0	38.0	55.5
1983	100.0	8.3	10.0	37.0	8.9	21.6	8.9	12.8	13.2	.9	0	35.8	55.9
1984	100.0	8.4	9.5	40.2	8.7	18.8	9.3	9.5	12.8	.4	1.3	33.2	58.4
1985	100.0	12.7	8.5	42.2	9.0	13.0	7.6	5.4	13.2	.4	.9	27.5	59.8
1986	100.0	14.8	8.2	36.8	7.2	16.0	6.1	9.9	15.8	.3	.8	32.9	52.2
1987	100.0	20.9	9.6	31.5	6.4	16.6	9.0	7.6	13.6	.7	.7	31.6	47.5
1988	100.0	24.0	11.2	35.0	5.6	11.5	9.2	2.3	11.4	.6	.8	24.3	51.7
1989	100.0	27.3	8.6	30.8	4.1	15.3	13.3	1.9	12.6	.6	.7	29.2	43.5
1990	100.0	28.4	7.8	32.0	4.4	13.8	13.4	.4	12.3	.7	.7	27.5	44.1
1991	100.0	25.9	8.0	33.6	5.2	14.2	15.8	-1.6	11.4	.9	.8	27.3	46.8
1992	100.0	27.3	7.3	33.4	4.8	13.6	12.3	-1.3	11.0	1.7	.9	27.2	45.5
1993	100.0	26.3	6.8	34.6	3.7	15.3	12.2	3.1	10.9	1.3	1.1	28.6	45.1
1994	100.0	26.6	5.0	36.6	4.0	15.1	9.9	5.1	10.8	.7	1.3	27.9	45.6

1. Consists of personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits. These types of income have been subject to varying degrees of withholding since 1984.

2. Consists of farm proprietors' income, nonfarm proprietors' income, and rental income of persons. AGI Adjusted gross income

of the noncompliance rate in the reporting of income included in the IRS measure of AGI.

The AGI Gap by Type of Income for 1959-94

Trends by type of income for 1959-94

Table 4 shows the estimates of the AGI gap by type of income for 1959-94; table 5 shows the percent distribution of the AGI gap; and table 6 shows the relative AGI gap. The relative AGI gap for total income was fairly stable at 10-11 percent of the BEA-derived AGI in 1959-77, rose to about 14 percent in 1986, declined to about 11 percent in 1991, and rose again to about 13 percent in 1994.

The relative AGI gaps by type of income show significantly different levels and trends. The relative AGI gap for wage and salary disbursements is the lowest among the types of incomes shown

in table 6, primarily because income tax withholding at the source is required for wage and salary disbursements. The relative gap for wage and salary disbursements shows a declining trend to about 1 percent in 1982 and then an increasing trend to about 5 percent in 1994.

Personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits have been subject to various degrees of requirements for filing information returns beginning in 1984. The combined relative AGI gap for these incomes (the first addenda item) shows a declining trend to about 18 percent in 1991 and then increases sharply to about 26 percent in 1994.¹²

12. Beginning in 1984, withholding has been automatic for taxable pensions unless the recipient elects not to have tax withheld and for interest and dividends if the recipient fails to furnish a correct taxpayer identification number or has interest or dividends that were underreported on past returns.

An AGI gap for "personal dividend and personal interest income" is also shown because of the difficulty in recent years of accurately deriving sepa-

Table 6.—The Relative AGI Gap by Type of Income, 1959-94

[Percent]

Year	Total	Wage and salary disbursements	Proprietors' income		Rental income of persons	Personal dividend and personal interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits	Addenda	
			Farm	Nonfarm		Total	Personal dividend income	Personal interest income				Income, except wages and salaries, subject to filing requirements ¹	Incomes not subject to filing requirements ²
1959	10.9	3.1	69.2	25.7	45.0	37.0	9.0	62.0	53.3	0	0	39.1	36.2
1960	11.1	3.4	66.4	27.1	44.6	38.0	12.3	60.1	54.1	0	0	40.1	36.4
1961	10.6	2.8	59.2	29.0	47.2	37.0	12.4	57.6	53.5	0	0	39.3	36.4
1962	10.8	3.2	61.6	28.4	45.0	35.3	12.4	53.4	48.5	0	0	37.2	36.1
1963	10.6	2.7	67.9	29.4	48.5	32.1	12.4	47.0	47.4	0	0	34.3	38.2
1964	11.0	3.1	66.4	30.1	51.7	35.1	16.8	48.5	47.2	0	0	36.9	38.0
1965	11.2	3.3	63.4	28.7	56.0	36.5	18.1	49.6	46.9	0	0	38.1	37.4
1966	10.8	3.5	60.1	30.1	53.0	31.7	6.6	46.8	44.0	0	0	33.7	37.5
1967	9.8	2.6	58.6	29.8	56.8	30.9	6.3	44.7	44.2	0	0	33.2	36.6
1968	9.6	2.9	58.4	28.5	51.8	31.0	8.5	43.6	41.8	0	0	32.9	34.5
1969	9.7	2.5	65.7	30.5	55.2	30.9	7.5	42.6	42.1	0	0	33.1	38.3
1970	10.4	2.4	73.9	32.9	58.1	32.7	9.7	43.2	43.5	0	0	34.9	42.0
1971	10.3	2.3	76.7	35.3	57.1	31.9	11.7	40.6	43.2	0	0	34.4	43.0
1972	10.3	1.8	70.8	38.5	54.9	31.0	13.7	38.6	42.7	0	0	33.7	45.5
1973	11.4	2.4	68.4	39.7	49.7	32.2	17.9	38.4	39.5	0	0	33.8	47.2
1974	10.5	1.2	74.7	43.2	43.8	29.6	12.3	36.2	36.1	0	0	31.1	49.6
1975	10.1	1.7	74.0	45.5	44.0	24.4	5.6	31.4	33.9	0	0	27.0	49.6
1976	10.3	1.5	72.5	48.5	40.1	25.7	14.0	30.5	32.6	0	0	27.6	50.6
1977	11.1	2.0	90.3	49.1	50.3	29.7	19.2	33.9	29.5	0	0	29.6	52.4
1978	11.8	2.2	75.8	51.6	48.5	29.8	20.1	33.7	31.3	0	0	30.2	54.0
1979	12.0	1.6	86.3	54.7	56.0	31.5	22.6	34.9	33.1	30.7	0	31.9	58.3
1980	12.1	1.5	106.4	57.4	64.5	28.3	26.8	28.8	35.0	26.9	0	30.0	63.0
1981	12.5	1.4	143.2	62.6	77.3	27.4	35.5	24.0	35.7	27.3	0	29.4	72.2
1982	12.0	1.0	193.8	64.7	87.3	22.3	30.6	19.1	35.8	21.8	0	25.7	75.4
1983	13.2	1.5	146.2	64.5	97.9	24.1	35.1	19.7	36.0	27.1	0	27.5	76.2
1984	14.1	1.6	175.1	68.2	112.1	22.7	40.3	15.9	35.9	17.8	36.7	26.8	81.0
1985	13.2	2.3	174.0	66.4	119.7	16.1	32.6	9.4	32.6	17.6	25.0	21.6	78.6
1986	13.9	2.8	130.7	64.8	144.1	21.9	28.4	19.1	37.0	15.0	22.6	27.1	76.8
1987	12.2	3.6	101.8	51.9	119.9	21.3	34.3	14.7	29.7	17.2	18.1	24.0	63.0
1988	10.2	3.5	100.9	45.2	91.4	13.3	29.4	4.2	22.4	14.4	16.4	16.6	54.6
1989	11.3	4.4	96.7	44.3	80.9	17.3	40.4	3.5	26.2	17.2	14.5	20.2	52.2
1990	11.0	4.4	96.7	43.9	72.5	15.8	41.2	.7	24.5	16.0	13.2	18.7	50.8
1991	10.7	3.9	104.7	44.6	72.6	17.0	45.8	-3.3	21.1	14.3	13.1	18.2	51.9
1992	11.9	4.6	103.3	46.0	64.7	21.8	43.8	3.8	22.5	20.9	16.2	21.8	52.2
1993	13.3	4.9	107.8	50.1	55.3	29.4	46.7	12.1	24.4	20.8	19.9	26.4	54.9
1994	13.1	4.9	123.5	50.5	53.7	30.6	41.9	20.1	23.4	16.8	16.3	25.9	54.3

1. Consists of personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits. These types of income have been subject to varying degrees of withholding since 1984.

2. Consists of farm proprietors' income, nonfarm proprietors' income, and rental income of persons.

NOTE.—The relative AGI gap is the AGI gap as a percentage of BEA-derived AGI as shown in line 32 of tables 1-3.

AGI Adjusted gross income
BEA Bureau of Economic Analysis

The relative AGI gaps for incomes for which information returns are often not required—proprietors' income and rental income of persons—are the highest among the types of income shown in table 6.¹³ The combined relative AGI gap for this group of incomes trends upward until the mid-1980's, trends downward until 1990, and changes little thereafter. The generally lower level of the relative AGI gap for these types of income since the mid-1980's may be attributable to

rate gaps for these incomes. The difficulty relates to the reconciliation item for distributions from regulated investment companies (line 20, tables 1-3), which are classified as interest in personal income. Although IRS instructs taxpayers to report these distributions as dividends rather than as interest, there is considerable evidence that some taxpayers have inadvertently reported them as interest. Because the amount of this misreporting is not known and because the entire amount of the distributions in personal income is reallocated to personal dividend income in reconciliation, the AGI gap for personal dividend income is overstated, and the AGI gap for personal interest income is understated.

13. A small portion of nonfarm proprietors' income in this group is subject to the information return requirements. For example, a Form 1099-MISC is required to report for royalties or broker payments in lieu of dividends of at least \$10, for payments of \$600 or more made in the course of business, and for sales of \$5,000 or more of consumer goods to buyers who sell such products in homes or in some places other than retail establishments.

a provision of the Tax Reform Act of 1986 that limits the deductibility of passive activity losses against nonpassive income.

Sources of Revision to Reconciliation Estimates and to the AGI Gap

Table 7 shows the revisions to the AGI gap for total income and by type of income for 1959-92. Table 8 shows the sources of the revision to the total AGI gap (column 3); the revisions stem from the revisions to personal income (column 6), the revisions to reconciliation items (column 9), and the revision to the IRS measure of AGI (column 10). Table 9 shows the revisions to personal income. Table 10 shows the revisions to the reconciliation items.

The AGI gaps are revised up for 1959-86 and revised down for 1987-92. Except for 1992, the revisions to the AGI gap resulted entirely from revisions to the BEA-derived AGI—that is, from

Table 7.—Revisions to the AGI Gap by Type of Income, 1959-92

[Billions of dollars]

Year	Total	Wage and salary disbursements	Proprietors' income		Rental income of persons	Personal dividend and personal interest income			Taxable pensions and annuities	Taxable unemployment compensation	Taxable social security benefits	Addenda	
			Farm	Nonfarm		Total	Personal dividend income	Personal interest income				Incomes, except wages and salaries, subject to filing requirements ¹	Incomes not subject to filing requirements ²
1959	4.2	1.0	-1.1	3.3	-0.4	1.4	1.0	0.4	0	0	0	1.4	1.8
1960	3.8	.2	1.9	.3	-2	1.6	1.1	.4	0	0	0	1.5	2.0
1961	4.2	.3	1.9	.2	.4	1.3	1.0	.4	0	0	0	1.4	2.5
1962	4.3	.3	1.7	.3	.3	1.7	1.3	.4	0	0	0	1.7	2.3
1963	4.2	.3	1.6	.2	.4	1.7	1.2	.5	0	0	0	1.7	2.2
1964	4.3	.3	1.7	0	.4	1.8	1.4	.4	0	0	0	1.8	2.1
1965	4.7	.3	2.0	-.3	.5	2.1	1.6	.5	0	0	0	2.1	2.2
1966	5.0	.4	1.8	.6	.7	1.5	.8	.6	0	0	0	1.4	3.1
1967	5.3	.5	2.0	.7	.9	1.2	.6	.7	0	0	0	1.3	3.6
1968	5.3	.5	2.1	.6	1.0	1.2	.4	.8	0	0	0	1.2	3.7
1969	5.9	.5	2.4	.6	1.0	1.6	.5	1.0	0	0	0	1.5	4.0
1970	6.5	.5	2.8	.5	1.1	1.5	.4	1.1	0	0	0	1.5	4.4
1971	7.0	.6	3.1	.3	1.3	1.6	.5	1.2	0	0	0	1.7	4.7
1972	7.0	.7	3.1	0	1.3	1.9	.5	1.4	0	0	0	1.9	4.4
1973	7.5	.8	3.5	-.1	1.1	2.2	.7	1.5	0	0	0	2.2	4.5
1974	7.1	.8	3.6	.1	.5	2.2	.3	1.8	0	0	0	2.1	4.2
1975	6.9	.9	4.2	-.1	.6	2.2	-.1	2.3	-.9	0	0	1.3	4.7
1976	8.0	.9	3.7	-.2	.9	3.6	.3	3.3	-.9	0	0	2.7	4.4
1977	10.1	1.0	5.4	-.2	1.2	3.5	1.0	2.5	-.9	0	0	2.6	6.4
1978	10.6	1.3	5.8	.3	1.0	3.2	.2	3.0	-.9	0	0	2.3	7.1
1979	13.8	1.3	7.4	1.0	1.1	3.9	-.4	4.3	-.9	0	0	3.0	9.5
1980	17.3	1.9	7.8	1.6	1.9	5.0	-.6	5.6	-.9	0	0	4.1	11.3
1981	24.2	1.6	12.5	2.9	2.6	5.6	.2	5.4	-.1	0	0	4.5	18.0
1982	26.1	-.5	12.5	2.8	2.7	9.8	.5	9.4	-.1	0	0	8.9	18.0
1983	11.8	-.9	11.7	-.7	.1	5.5	-.5	7.1	-.1	0	0	4.6	10.1
1984	37.6	-.2	14.5	6.8	-.8	11.7	.8	10.9	6.7	0	2.0	20.4	19.5
1985	11.7	-.7	13.7	1.2	-.9	6.7	-.5	8.2	-.3	.1	0	3.6	11.0
1986	1.5	-.3	11.9	-.1	-.5	6.5	-.2	9.3	2.0	0	.3	8.8	-.4
1987	-.6	-.3	7.2	-.9	-.7	3.3	4.4	-.2	1.5	0	-.4	4.3	-.6
1988	-.7	-.7	5.9	11.6	-.7	-.2	-.4	2.1	-.6	-.1	-.1	-.9	9.7
1989	-.2	-.9	1.8	8.0	-.5	-.7	-.5	-.3	1.9	0	-.1	-.5	-.5
1990	-.7	-.7	5.5	2.0	-.6	-.7	-.1	1.1	-.9	-.9	-.1	-.2	-.2
1991	-.2	-.9	6.7	2.0	-.7	13.6	20.8	-.7	-.1	0	0	-.7	-.7
1992	-.6	-.8	-.7	6.3	-.7	5.0	14.3	-.9	-.1	.1	.2	-.6	-.7

1. Consists of personal dividend income, personal interest income, taxable pensions, taxable unemployment compensation, and taxable social security benefits. These types of income have been subject to varying degrees of withholding since 1984.

2. Consists of farm proprietors' income, nonfarm proprietors' income, and rental income of persons. AGI Adjusted gross income

the revisions to personal income and to the reconciliation items.

Revisions to personal income

Personal income was revised up for all years. However, not all the revisions to personal income carried through to the BEA-derived AGI and to the AGI gap, because many of them resulted in offsetting revisions to reconciliation items.

The upward revisions to personal income were largely traceable to revisions to wage and salary disbursements, other labor income, and rental income of persons. Upward revisions to wage and salary disbursements for 1984–92 primarily reflected a new adjustment to account for voluntary contributions by employees to thrift savings plans, primarily 401(k) plans. The upward revisions to other labor income for 1983 forward reflected both newly developed estimates of private employer contributions to pension plans and

revised estimates of employer contributions to private health insurance. The upward revisions to rental income of persons reflected both the improved methodology for estimating depreciation and the incorporation of newly available data on rental receipts and on the value of tenant- and owner-occupied units.¹⁴

Revisions to reconciliation items

Table 10 shows the revisions to the items that reconcile personal income with the IRS definition of AGI for 1959–92. The revisions to transfer payments (line 3), other labor income (line 4), imputed income in personal income (line 5), investment income retained by life insurance carriers and private noninsured pension plans

14. For a detailed discussion of the revisions to personal income, see "Improved Estimates of the National Income and Product Accounts for 1959–95: Results of the Comprehensive Revision" in the January/February 1996 SURVEY.

Table 8.—Revisions to the AGI Gap and the Relative AGI Gap, 1959–92

Year	The AGI gap (billions of dollars)										The relative AGI gap (percent)			
	Previously published	Revised	Revision ¹	Sources of revision							IRS measure of AGI	Previously published	Revised	Revision
				Personal income			Reconciliation items							
				Total revision	Revision not affecting the AGI gap	Revision affecting the AGI gap	Total revision	Revision not affecting the AGI gap	Revision affecting the AGI gap ²					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)		
1959	33.1	37.3	4.2	2.3	-0.1	2.4	1.9	0.1	1.8	0	9.8	10.9	1.1	
1960	35.4	39.2	3.8	2.5	.7	1.8	1.3	-7	2.1	0	10.1	11.1	1.0	
1961	35.0	39.2	4.2	2.6	.9	1.7	1.6	-9	2.5	0	9.6	10.6	1.0	
1962	38.0	42.3	4.3	2.7	1.0	1.7	1.6	-1.0	2.6	0	9.8	10.8	1.0	
1963	39.4	43.6	4.2	2.7	1.1	1.8	1.5	-1.1	2.6	0	9.6	10.6	1.0	
1964	44.8	49.1	4.3	2.8	1.0	1.8	1.5	-1.0	2.5	0	10.2	11.0	.8	
1965	49.7	54.4	4.7	2.9	1.0	1.9	1.8	-1.0	2.7	0	10.4	11.2	.8	
1966	51.9	56.9	5.0	3.0	1.1	1.9	2.0	-1.1	3.1	0	10.0	10.8	.8	
1967	49.7	55.0	5.3	3.2	1.0	2.2	2.1	-1.0	3.1	0	9.0	9.8	.8	
1968	53.5	58.8	5.3	3.6	1.4	2.2	1.7	-1.4	3.1	0	8.8	9.6	.8	
1969	59.0	64.9	5.9	4.5	2.1	2.4	1.4	-2.1	3.5	0	8.9	9.7	.8	
1970	66.7	73.2	6.5	5.1	2.4	2.7	1.4	-2.4	3.8	0	9.6	10.4	.8	
1971	70.4	77.4	7.0	5.4	2.5	2.9	1.6	-2.5	4.1	0	9.5	10.3	.8	
1972	78.3	85.3	7.0	6.8	3.7	3.1	.2	-3.7	3.9	0	9.5	10.3	.8	
1973	98.8	106.3	7.5	6.9	4.0	2.9	.6	-4.0	4.6	0	10.7	11.4	.7	
1974	98.6	105.7	7.1	7.6	4.4	3.2	-5	-4.4	3.9	0	9.8	10.5	.7	
1975	99.4	106.3	6.9	8.3	5.0	3.3	-1.4	-5.0	3.6	0	9.5	10.1	.6	
1976	112.9	120.9	8.0	9.1	5.2	3.9	-1.1	-5.2	4.1	0	9.7	10.3	.6	
1977	134.8	144.9	10.1	10.1	6.2	3.9	0	-6.2	6.2	0	10.4	11.1	.7	
1978	163.1	173.7	10.6	12.3	7.1	5.2	-1.7	-7.1	5.4	0	11.1	11.8	.7	
1979	186.3	200.1	13.8	16.6	9.5	7.1	-2.8	-9.5	6.7	0	11.3	12.0	.7	
1980	205.0	222.3	17.3	20.3	10.9	9.4	-3.0	-10.9	7.9	0	11.3	12.1	.8	
1981	229.2	253.4	24.2	25.7	14.4	11.3	-1.5	-14.4	12.9	0	11.4	12.5	1.1	
1982	225.4	251.5	26.1	27.8	16.6	11.2	-1.7	-16.6	14.9	0	10.8	12.0	1.2	
1983	284.5	296.3	11.8	29.2	22.7	6.5	-17.4	-22.7	5.3	0	12.8	13.2	.4	
1984	314.8	352.4	37.6	50.9	28.4	22.5	-13.3	-28.4	15.1	0	12.8	14.1	1.3	
1985	337.5	349.2	11.7	59.9	48.8	11.1	-48.1	-48.8	.7	0	12.8	13.2	.4	
1986	398.9	400.4	1.5	57.1	60.4	-3.3	-55.6	-60.4	4.8	0	13.8	13.9	.1	
1987	391.7	385.7	-6.0	75.3	83.0	-7.7	-81.3	-83.0	1.7	0	12.4	12.2	-.2	
1988	358.1	350.7	-7.4	96.9	96.9	0	-104.3	-96.9	-7.4	0	10.4	10.2	-.2	
1989	434.3	413.0	-21.3	109.0	123.4	-14.4	-130.3	-123.4	-6.9	0	11.8	11.3	-.5	
1990	447.1	419.4	-27.7	117.8	144.8	-27.0	-145.5	-144.8	-.7	0	11.6	11.0	-.6	
1991	435.8	413.9	-21.9	108.2	120.0	-11.8	-130.1	-120.0	-10.1	0	11.2	10.7	-.5	
1992	509.0	492.4	-16.6	109.9	118.6	-8.7	-136.9	-118.6	-18.3	10.4	12.3	11.9	-.4	

1. The revision is the sum of the revisions to personal income that are carried through to the AGI gap (column 6), the revisions to reconciliation items unrelated to personal income revisions (column 9), and the revisions to the IRS measure of AGI (column 10).

2. Revisions to reconciliation items that are unrelated to the revisions to personal income, such as revisions arising from the change in estimating methods and from new source data for rec-

conciliation items specially prepared for the reconciliation.

NOTE.—The relative AGI gap is the AGI gap as a percentage of the BEA-derived AGI. AGI Adjusted gross income. IRS Internal Revenue Service

(line 6), and personal contributions for social insurance (line 11) offset personal income revisions and have no effect on the AGI gap. In addition, the revisions to other personal income exempt or excluded from AGI (line 9) that are related to small business corporation dividend adjustment and to the nontaxable contributions by employees to thrift savings plans offset personal income revisions and have no effect on the AGI gap.

In contrast, the following revisions affect the AGI gap because they result either from the incorporation of improved methodology or from the incorporation of newly available source data unrelated to the comprehensive revision. The revisions to investment income received by non-profit institutions (line 7) resulted from the incorporation of newly available IRS data on rental income received by nonprofit institutions. The revisions to taxable private pensions (line 13) resulted from the incorporation of Pension and Welfare Benefits Administration tabulations of Form 5500 series reports. The revisions to

the accounting differences between the NIPA's and tax regulations (line 8) that are related to (1) the excess of the IRS depreciation over the NIPA measure of historical-cost depreciation for farm proprietors' income and for rental income of persons except owner-occupied dwellings, (2) the excess of interest accrued over interest paid, and (3) investment income of individual retirement accounts and Keogh funds resulted either from improved estimating procedures or from the incorporation of revised source data unrelated to the comprehensive revision. The revisions to other personal income exempt or excluded from AGI (line 9) that are related to tax-exempt interest received by individuals resulted from the incorporation of new source data unrelated to the comprehensive revision. The revisions to other items of AGI not included in personal income (lines 12, 14, and 15) resulted from revised source data unrelated to the comprehensive revision.

Tables 10 and 11 follow. 

Table 9.—Revisions to Personal Income, 1959–92

[Billions of dollars]

Year	Total	Wage and salary disbursements	Other labor income	Proprietors' income with IVA and CCAj		Rental income of persons with CCAj	Personal dividend income	Personal interest income	Transfer payments	Less: Personal contributions for social insurance
				Farm	Nonfarm					
1959	2.3	0	0	0.2	-1.5	3.5	0	0	0	0
1960	2.5	0	0	.3	-1.5	3.8	0	0	0	0
1961	2.6	0	0	.2	-1.5	4.0	0	0	0	0
1962	2.7	0	0	.2	-1.6	4.1	0	0	0	0
1963	2.7	0	0	.2	-1.6	4.2	0	0	0	0
1964	2.8	0	0	.2	-1.5	4.4	0	0	0	0
1965	2.9	0	0	.1	-1.7	4.5	0	0	0	0
1966	3.0	0	0	.1	-1.8	4.7	0	0	0	0
1967	3.2	0	0	0	-1.8	5.0	0	0	0	0
1968	3.6	0	0	.1	-1.9	5.5	0	0	0	0
1969	4.5	0	0	.2	-2.0	6.4	0	0	0	0
1970	5.1	0	0	.2	-2.1	6.9	0	0	0	0
1971	5.4	0	0	.3	-2.6	7.6	0	0	0	0
1972	6.8	0	0	.4	-2.5	8.9	0	0	0	0
1973	6.9	0	0	.4	-3.6	10.1	0	0	0	0
1974	7.6	0	0	.4	-4.4	11.7	0	0	0	0
1975	8.3	0	0	.5	-5.2	13.1	0	0	0	0
1976	9.1	0	0	.4	-5.8	14.2	.3	0	0	0
1977	10.1	0	0	.8	-6.5	15.7	.1	0	0	0
1978	12.3	.1	0	1.4	-7.0	17.6	.1	0	0	0
1979	16.6	.5	0	1.9	-6.2	20.0	.1	.4	0	0
1980	20.3	1.1	0	2.3	-6.2	22.1	.4	.7	0	0
1981	25.7	2.0	0	2.5	-5.0	24.9	.3	1.1	0	0
1982	27.8	.6	0	2.9	-3.8	25.7	-2	2.4	0	0
1983	29.2	.6	2.6	3.6	-8.5	25.1	-4	5.7	.5	0
1984	50.9	5.3	4.2	3.5	-1.6	27.7	.6	10.4	.7	-1
1985	59.8	9.4	11.3	3.4	-5.9	30.4	.4	10.3	.6	-1
1986	57.1	11.1	15.3	2.9	-18.9	33.6	.4	11.6	.8	0
1987	75.3	11.5	25.0	1.0	-18.4	42.3	.7	11.9	1.1	.1
1988	96.9	10.6	21.2	-2.7	1.3	51.4	1.5	12.3	.9	-3
1989	109.0	11.7	21.2	-3.4	1.2	65.9	4.4	6.3	1.0	-6
1990	117.8	12.5	26.3	-5.6	3.2	75.6	-1.5	6.2	.2	-1.0
1991	108.2	11.5	23.7	-6.5	-6.8	78.9	3.1	4.1	-2	-4
1992	109.9	11.6	22.6	-6.4	-2.9	86.1	-1.6	2.0	-2.0	-3

IVA Inventory valuation adjustment

CCAj Capital consumption adjustment

Table 10.—Revisions to Reconciliation Items, 1959–92

[Billions of dollars]

Year	Total	Personal income items not in AGI							AGI items not in personal income		
		Transfer payments (Line 3)	Other labor income except fees (Line 4)	Imputed income in personal income (Line 5)	Investment income retained by life insurance carriers and private noninsured pension funds (Line 6)	Investment income received by nonprofit institutions or retained by fiduciaries (Line 7)	Differences in accounting treatment (Line 8)	Other personal income exempt or excluded from AGI (Line 9)	Personal contributions for social insurance (Line 11)	Taxable private pensions (Line 13)	Other items of AGI not included in personal income (Lines 12, 14, and 15)
1959	-1.9	0	0	1.8	0	-0.6	-2.3	-0.7	0	0	0.2
1960	-1.3	0	0	2.1	0	-7	-2.8	0	0	0	0
1961	-1.6	0	0	2.2	0	-4	-3.4	0	0	0	0
1962	-1.6	0	0	2.4	0	-7	-3.3	0	0	0	0
1963	-1.5	0	0	2.6	0	-6	-3.4	0	0	0	0
1964	-1.5	0	0	2.7	0	-5	-3.5	0	0	0	0
1965	-1.8	0	0	2.7	0	-5	-3.9	0	0	0	0
1966	-2.0	0	0	3.0	0	-7	-4.3	0	0	0	.1
1967	-2.1	0	0	3.0	0	-4	-4.8	0	0	0	.1
1968	-1.7	0	0	3.3	0	-2	-4.8	0	0	0	-1
1969	-1.4	0	0	4.0	0	-4	-5.1	0	0	0	.1
1970	-1.4	0	0	4.3	0	-2	-5.5	0	0	0	0
1971	-1.6	0	0	4.8	0	-2	-6.1	0	0	0	0
1972	-2	0	0	5.8	0	-3	-5.8	0	0	0	0
1973	-6	0	0	6.6	0	-5	-6.6	0	0	0	0
1974	.5	0	0	7.7	0	-2	-7.1	0	0	0	0
1975	1.4	0	0	8.8	0	.4	-8.2	-.5	0	-.9	0
1976	1.1	0	0	9.6	0	-.4	-8.7	-.5	0	-.9	-2
1977	0	0	0	10.8	0	-.3	-10.8	-.6	0	-.8	-2
1978	1.7	0	0	12.4	0	-.1	-11.6	-.1	0	-.9	-2
1979	2.8	0	0	14.3	0	0	-13.2	.7	0	-.9	-1
1980	3.0	0	0	15.5	0	.1	-14.9	1.5	0	-.9	.2
1981	1.5	0	0	17.1	0	-1.1	-18.9	3.2	0	-1.1	-1
1982	1.7	0	0	17.2	0	-3.0	-18.4	5.2	0	-1.1	.3
1983	17.4	.5	2.6	18.1	0	3.7	-16.4	7.8	0	-.9	-1
1984	13.3	-1.3	4.2	20.7	0	3.6	-20.4	12.9	-.1	6.7	-2
1985	48.1	.7	11.3	23.0	.8	5.3	-18.1	21.8	-.1	-3.1	-2
1986	55.6	.6	15.3	26.5	-.8	6.6	-16.3	25.4	0	2.0	0
1987	81.3	1.6	25.0	34.9	1.4	8.0	-15.0	27.1	.1	1.6	.1
1988	104.3	2.0	21.2	45.0	-2.2	10.2	-17.4	38.3	-.3	-6.5	-3
1989	130.3	2.6	21.2	60.7	-2.3	6.0	-7.8	47.9	-.6	1.3	-2.6
1990	145.5	2.9	26.3	68.3	-3.0	1.8	-17.2	56.8	-1.0	-9.1	.5
1991	130.1	-.2	23.7	69.8	0	-.1	-15.6	34.9	-.4	-15.2	-2.1
1992	136.9	-.9	22.6	72.4	-2.3	2.1	-13.5	39.2	-.3	-13.4	-3.6

NOTE.—Line numbers in parentheses refer to lines in tables 1–3.

AGI Adjusted gross income

Table 11.—Comparison of Personal Income in the National Income and Product Accounts (NIPA's) with Adjusted Gross Income as Published by the Internal Revenue Service (IRS)

[Billions of dollars]

	Line	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Personal income, NIPA's	1	393.5	411.7	429.1	456.1	479.1	513.5	555.8	604.7	649.7	713.5	778.2	836.1	898.9	987.3	1,105.6	1,213.3	1,315.6	1,455.4	1,611.4
Less: Portion of personal income not included in adjusted gross income	2	69.3	75.1	81.4	85.3	89.7	94.8	103.1	114.3	130.5	146.4	157.7	178.3	204.5	221.7	248.2	282.9	346.5	376.0	415.3
Transfer payments except taxable military retirement and taxable government pensions	3	25.1	26.7	30.5	31.5	33.2	34.5	37.3	41.4	49.6	57.6	63.9	77.0	91.1	101.2	115.7	136.5	171.6	186.4	198.9
Other labor income except fees	4	10.3	11.0	11.6	12.8	13.7	15.4	17.5	19.5	21.2	24.8	27.9	31.9	36.0	42.3	48.4	55.7	65.0	78.7	93.5
Imputed income in personal income ¹	5	17.5	18.7	19.7	20.4	21.2	21.8	22.9	24.8	26.8	27.5	27.8	29.5	31.8	32.2	34.2	37.3	40.8	42.4	42.4
Investment income of life insurance carriers and private noninsured pension plans ²	6	4.5	5.1	5.7	6.2	6.8	7.5	8.2	8.9	9.6	10.4	11.6	12.5	13.5	14.3	16.5	20.0	23.5	26.3	31.1
Investment income received by nonprofit institutions or retained by fiduciaries	7	3.9	4.0	4.0	4.0	4.2	4.5	4.9	5.4	5.7	6.2	6.5	7.2	7.5	7.8	8.4	10.0	11.5	11.7	12.7
Differences in accounting treatment between NIPA's and tax regulations, net	8	3.0	4.3	4.7	4.2	4.0	3.9	4.2	4.0	5.4	6.0	5.0	4.5	7.7	6.3	6.9	1.2	9.6	4.4	8.1
Other personal income exempt or excluded from adjusted gross income	9	4.8	5.2	5.3	6.2	6.5	7.2	8.0	10.3	12.0	13.8	14.9	15.8	16.9	17.6	18.0	22.2	24.4	26.1	28.6
Plus: Portion of adjusted gross income not included in personal income	10	18.2	18.2	21.4	20.2	22.9	27.0	30.9	34.9	40.6	46.1	48.0	47.1	56.6	65.8	76.0	80.9	84.9	95.4	107.3
Personal contributions for social insurance	11	7.9	9.9	9.7	10.3	11.8	12.6	13.3	17.8	20.6	22.9	26.2	27.9	30.7	34.5	42.6	47.9	50.4	55.5	61.2
Net gain from sale of assets	12	5.7	4.8	7.0	5.0	5.7	7.2	8.9	8.3	11.6	15.1	11.7	7.5	12.5	16.1	16.3	13.7	13.9	18.2	20.7
Taxable private pensions	13	1.3	1.4	1.7	2.0	2.2	2.6	3.0	3.6	4.1	4.7	5.5	6.3	7.4	8.6	9.7	11.3	13.1	15.5	18.6
Small business corporation income	14								1.2	1.5		1.8	1.7	2.0	2.1	2.1	2.6	2.1	1.9	2.0
Other types of income	15	3.3	2.7	3.1	2.9	3.2	4.7	5.6	4.1	2.9	3.4	2.7	3.7	3.9	4.4	5.2	5.4	5.4	4.3	4.8
Equals: BEA-derived adjusted gross income	16	342.4	354.7	369.1	391.0	412.4	445.7	483.6	525.4	559.8	613.2	668.5	704.9	751.0	831.3	933.4	1,011.3	1,054.0	1,174.8	1,303.4
Adjusted gross income, IRS	17	305.1	315.5	329.9	348.7	368.8	396.7	429.2	468.5	504.8	554.4	603.5	631.7	673.6	746.0	827.1	905.5	947.8	1,053.9	1,158.5
Adjusted gross income (AGI) gap³	18	37.3	39.2	39.2	42.3	43.6	49.1	54.4	56.9	55.0	58.8	64.9	73.2	77.4	85.3	106.3	105.7	106.3	120.9	144.9
AGI gap (line 18) as a percentage of BEA-derived AGI (line 16)	19	10.9	11.1	10.6	10.8	10.6	11.0	11.2	10.8	9.8	9.6	9.7	10.4	10.3	10.3	11.4	10.5	10.1	10.3	11.1
AGI of IRS (line 17) as a percentage of BEA-derived AGI (line 16)	20	89.1	88.9	89.4	89.2	89.4	89.0	88.8	89.2	90.2	90.4	90.3	89.6	89.7	89.7	88.6	89.5	89.9	89.7	88.9

	Line	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Personal income, NIPA's	1	1,820.2	2,049.7	2,285.7	2,560.4	2,718.7	2,891.7	3,205.5	3,439.6	3,647.5	3,877.3	4,172.8	4,489.3	4,791.6	4,968.5	5,264.2	5,479.2	5,750.2	6,101.7
Less: Portion of personal income not included in adjusted gross income	2	466.2	528.0	605.9	712.7	806.6	878.2	977.2	1,084.1	1,158.9	1,147.4	1,235.9	1,345.4	1,478.7	1,602.7	1,714.6	1,791.0	1,909.4	
Transfer payments except taxable military retirement and taxable government pensions	3	214.1	238.1	282.1	320.9	352.5	379.3	381.2	408.1	434.9	445.6	472.7	511.7	561.2	625.6	692.8	738.0	772.6	
Other labor income except fees	4	108.7	122.6	138.0	151.0	163.2	174.6	186.0	199.8	212.4	231.4	247.5	268.8	296.1	318.1	346.5	376.0	397.2	
Imputed income in personal income ¹	5	51.4	57.0	63.1	64.8	66.0	78.9	81.8	89.2	105.6	117.7	132.3	134.9	152.0	167.1	182.2	203.6	214.9	
Investment income of life insurance carriers and private noninsured pension plans ²	6	40.0	48.1	58.7	62.6	65.4	79.1	102.2	122.9	130.3	147.7	158.2	178.8	189.7	199.8	200.2	205.5	211.5	
Investment income received by nonprofit institutions or retained by fiduciaries	7	13.5	16.2	20.0	23.3	29.3	30.8	35.0	37.9	37.6	39.7	45.0	50.1	52.3	52.3	50.7	48.5	50.0	
Differences in accounting treatment between NIPA's and tax regulations, net	8	5.1	7.1	.4	29.9	34.6	19.2	55.6	71.8	69.8	62.0	62.9	74.6	77.1	73.3	66.0	31.5	56.6	
Other personal income exempt or excluded from adjusted gross income	9	33.2	38.9	43.6	60.3	95.7	116.3	135.4	154.4	168.3	103.4	117.2	126.5	150.3	166.6	176.2	187.8	206.5	
Plus: Portion of adjusted gross income not included in personal income	10	122.1	143.8	156.2	178.2	191.6	225.4	264.0	299.7	393.5	429.7	496.8	525.5	512.0	512.6	571.9	607.7	657.8	
Personal contributions for social insurance	11	69.8	81.0	88.6	104.5	112.3	119.7	132.7	149.0	162.1	173.7	194.2	210.8	223.9	235.8	248.4	259.6	278.1	294.5
Net gain from sale of assets	12	23.6	28.1	27.1	27.5	31.9	44.2	52.3	60.9	114.8	127.1	149.9	141.9	107.6	94.3	109.1	124.8	115.2	
Taxable private pensions	13	21.6	26.0	31.8	40.3	48.4	60.1	76.6	87.1	113.4	113.9	108.9	124.5	130.1	136.5	147.4	153.6	163.3	
Small business corporation income	14	2.3	2.2	.7	-8	-9	2.0	6.2	6.3	7.6	17.7	34.5	35.6	36.4	31.7	47.9	50.7	62.8	
Other types of income	15	4.8	6.5	8.1	6.8	-2	-6	-3.8	-3.6	-4.4	-2.7	9.4	12.6	14.1	14.4	19.2	18.9	38.4	
Equals: BEA-derived adjusted gross income	16	1,476.2	1,665.5	1,836.0	2,026.0	2,103.7	2,238.9	2,492.3	2,655.2	2,882.1	3,159.5	3,433.7	3,669.4	3,824.9	3,878.4	4,121.5	4,295.9	4,498.7	
Adjusted gross income, IRS	17	1,302.4	1,465.4	1,613.7	1,772.6	1,852.1	1,942.6	2,139.9	2,306.0	2,481.7	2,773.8	3,083.0	3,256.4	3,405.4	3,464.5	3,629.1	3,723.3	3,909.3	
Adjusted gross income (AGI) gap³	18	173.7	200.1	222.3	253.4	251.5	296.3	352.4	349.2	400.4	385.7	350.7	413.0	419.4	413.9	492.4	572.5	589.4	
AGI gap (line 18) as a percentage of BEA-derived AGI (line 16)	19	11.8	12.0	12.1	12.5	12.0	13.2	14.1	13.2	13.9	12.2	10.2	11.3	11.0	10.7	11.9	13.3	13.1	
AGI of IRS (line 17) as a percentage of BEA-derived AGI (line 16)	20	88.2	88.0	87.9	87.5	88.0	86.8	85.9	86.8	86.1	87.8	89.8	88.7	89.0	89.3	88.1	86.7	86.9	

1. Consists of the imputations included in personal income shown in NIPA table 8.19, except for employer-paid health and life insurance premiums (line 115). In this table, these premiums are included in line 4.

2. Equals imputed interest received by persons from life insurance carriers and private noninsured pension plans as shown in NIPA table 8.18 (line 51).

3. Consists of income earned by low-income individuals who are not required to file income tax returns, unre-

ported income that is included in the NIPA measure, and gross errors and omissions in lines 2 through 15. Also includes the net effect of errors in the IRS adjusted gross income (line 17) and NIPA personal income (line 1) measures. Such errors can arise from the sample used by IRS to estimate line 17 and from the data sources used by BEA to estimate line 1.