

High-Income Tax Returns for 1997

by Michael Parisi

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 1.8 million high-income returns for 1997, as well as summary data for the period 1977 to 1997. Detailed data for the years 1974 through 1996 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 1997, there were 1,807,900 individual income tax returns reporting AGI of \$200,000 or more, and 1,854,031 with expanded income of \$200,000 or more. These returns represented, respectively, 1.477 percent and 1.514 percent of all returns for 1997.

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 1996 and 1997, while the total number of tax returns increased 1.7 percent, the number of high

AGI returns increased 18.7 percent, and the number of high expanded-income returns rose 17.9 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 5.9 times the number for 1977. However, the number of high-income returns for 1997 measured in current-year dollars was 27.4 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 1996 to 1997, as it has for 5 of the most recent 10 years. For 1997, the share of high-expanded income returns reached 0.283 percent, surpassing its previous high of 0.239 percent that it reached in 1996. 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 1997 measured in current-year dollars was 33.9 times as large as for 1977. Measured in 1976 constant dollars, the number of returns for 1997 was only 7.3 times the number for 1977. Between 1988

Michael Parisi is an economist with the Individual Returns Analysis Section. This article was prepared under the direction of Jeff Hartzok, Chief.

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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 1977-1997

Tax year	All returns	\$200,000-income threshold measured in current dollars			
		Number of returns		Percentage of all	
		by income concept		returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	86,634,640	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.....	95,396,123	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
1997.....	122,421,991	1,807,900	1,854,031	1.477	1.514

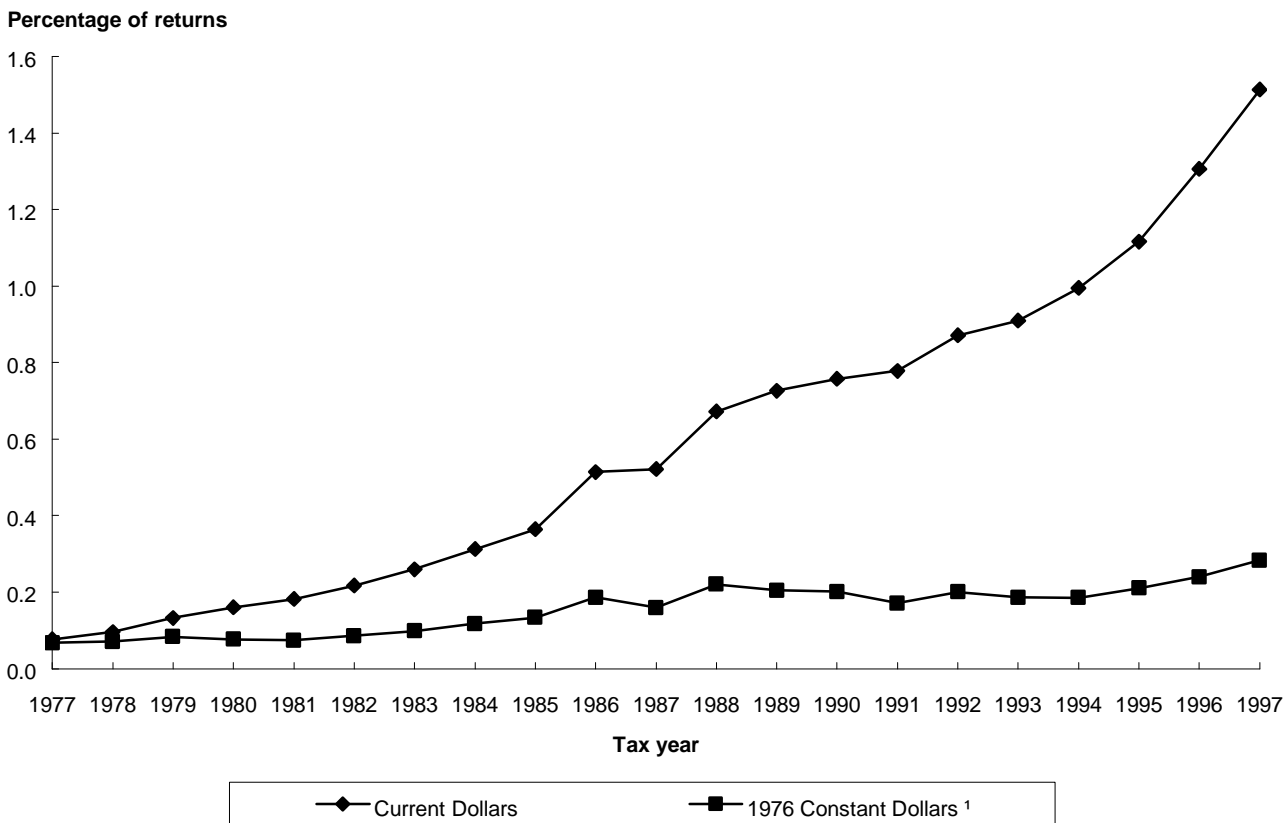
Tax year	Current-dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000-income threshold measured in 1976 constant dollars ¹			
		Number of returns		Percentage of all	
		by income concept		returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.053	0.068
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	0.075
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
1997.....	564,148	335,040	345,869	0.274	0.283

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.

High-Income Tax Returns for 1997

Figure B

Returns with Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current and 1976 Constant Dollars, Tax Years 1977-1997



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.

and 1994, the share of such returns fell from 0.214 percent to 0.176 percent of all returns, before increasing for 1995 through 1997 to reach 0.274 percent for 1997. As for high-expanded income returns, the 1997 share was a new high, surpassing the previous high of 0.231 percent reached in 1996.

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 1997, of the 1,807,900 income tax returns with AGI of \$200,000 or more, 1,189, or 0.066 percent, showed no U.S. income tax liability; and 1,048, or 0.058 percent, showed no worldwide income tax liability (the top panel of Figure C). For 1996, there were 1,044 returns (0.069 percent) with AGI of \$200,000 or more with no U.S. income tax liability;

High-Income Tax Returns for 1997

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 1977-1997

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
1997.....	1,189	1,814	1,048	1,562	0.066	0.098	0.058	0.084

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
1997.....	256	247	222	214	0.076	0.071	0.066	0.062

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.

NOTE: See Figure H for the derivation of U.S. income tax and worldwide income tax.

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and 950 returns (0.062 percent) with no worldwide income tax liability.

Of the 1,854,031 tax returns with expanded income of \$200,000 or more, 1,814, or 0.098 percent, had no U.S. income tax liability; and 1,562, or 0.084 percent, had no worldwide income tax liability [9]. Of the 1,572,114 returns with expanded income of \$200,000 or more for 1996, there were 1,820 (0.116 percent) with no U.S. income tax liability and 1,660 (0.106 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 1996 and 1997.

Although the number of nontaxable, high expanded-income returns, as measured by absence of U.S. income tax, increased in all but 8 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 1997 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, 0.066 percent reported no U.S. income tax for 1997; and 0.058 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.076; the percentage without worldwide income tax liability was 0.066 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.098 percent reported no U.S. income tax, and 0.084 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 0.071; the percentage without worldwide income tax liability was 0.062.

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 1997. 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 through 1997.

Detailed Data for 1997

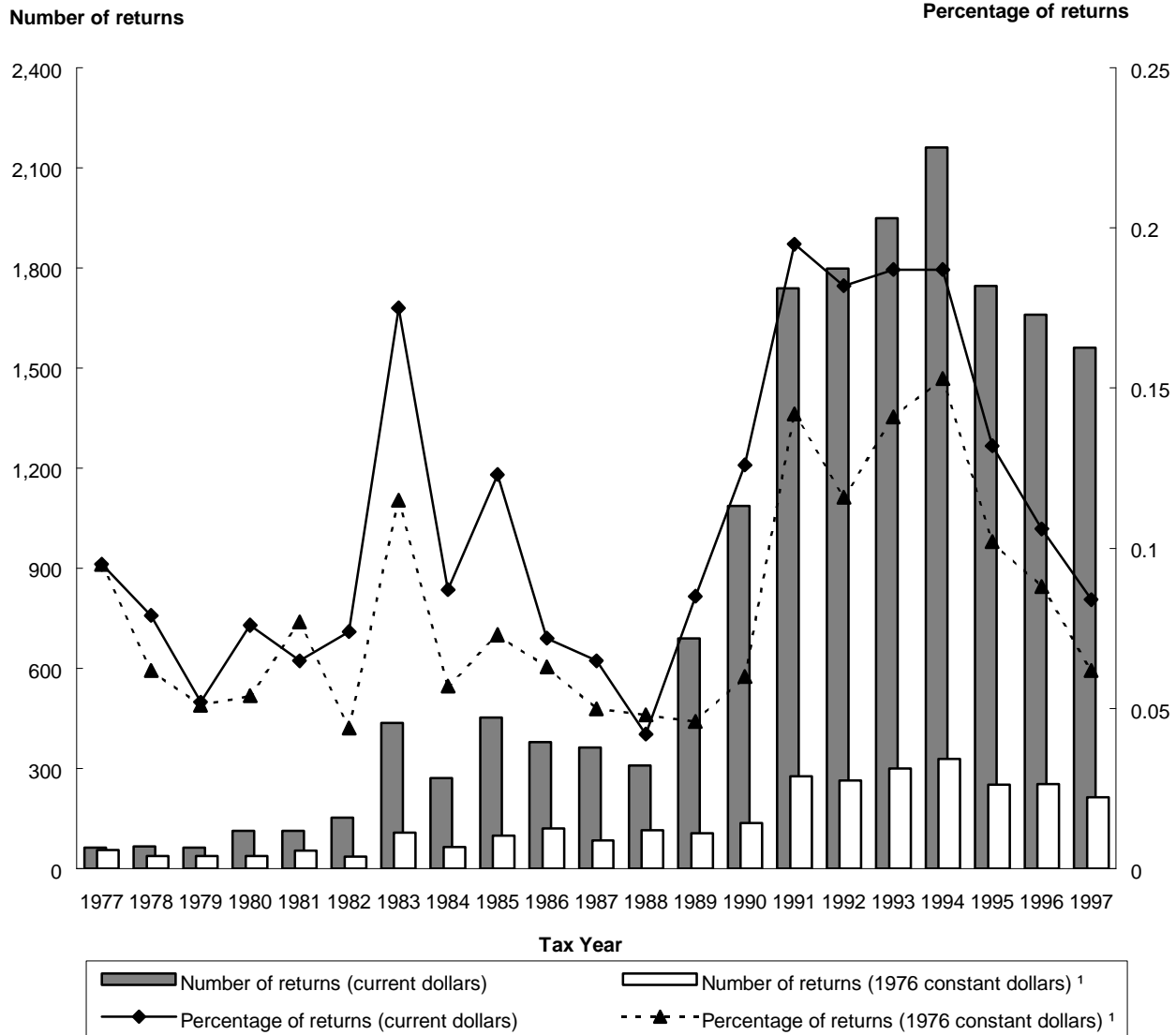
Tables 1 through 12 present data based on income tax returns for 1997, mainly those with income of \$200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

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

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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 1977-1997



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.

NOTE: See Figure H for the derivation of worldwide income tax.

- 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 per-

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centage 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 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 1,189 returns with no U.S. income tax had an AGI of \$200,000 or more; and 1,814 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, are 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 (0.084 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 income to less than 25 percent of their expanded income.)

- ❑ Overall, a large portion of high-income taxpayers were subject to tax on a large share of their income and, consequently, reported very substantial amounts of tax. (Almost 64 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 adjusted gross income 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 1.5 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, 49.3 percent had effective tax rates of 25 percent or more. In addition, 81.9 percent of high-income taxpayers had average tax rates ranging from 20 percent to 35 percent, while 36.0 percent had effective tax rates between 20 percent and 25 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.

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Reasons for Nontaxability

It is possible for certain itemized deductions and certain exclusions from income to cause nontaxability by themselves, but high-income returns 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 49.3 percent of the time. Where

this was the primary item, the interest paid deduction was the second most important item 57.7 percent of the time, and the charitable contributions deduction was the second most important item 26.2 percent of the time.

Table 8 shows that on returns without any worldwide tax and expanded income of \$200,000 or more, the most important item in reducing the tax, reported on 55.5 percent of the returns, was the exclusion for State and local government interest (“tax-exempt interest”). For these returns, the itemized deduction for medical and dental expense was the second most important item 28.8 percent of the time, and the deduction for taxes paid was the second most important reason 27.6 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 (412 returns, or 39.3 percent of the 1,048 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); total miscellaneous deductions (196 returns, or 18.7 percent); partnership and S Corporation net losses (114 returns, or 10.9 percent); and medical and dental expense deductions (100 returns, or 9.5 percent). These effects are also shown graphically in Figure E.

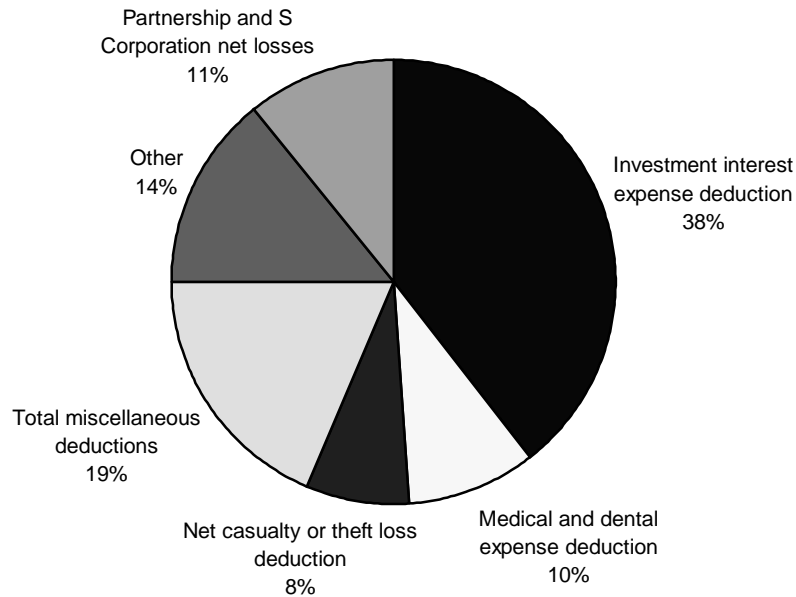
The four categories that most frequently had the largest effect in reducing taxes for high expanded-income returns with no worldwide income tax were tax-exempt interest (822 returns, or 55.5 percent of the 1,480 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); medical and dental expense deductions (186 returns, or 12.6 percent); interest paid deduction (100 returns, or 6.8 percent); and partnership and S Corporation net losses (83 returns, or 5.6 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 fractions

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Figure E

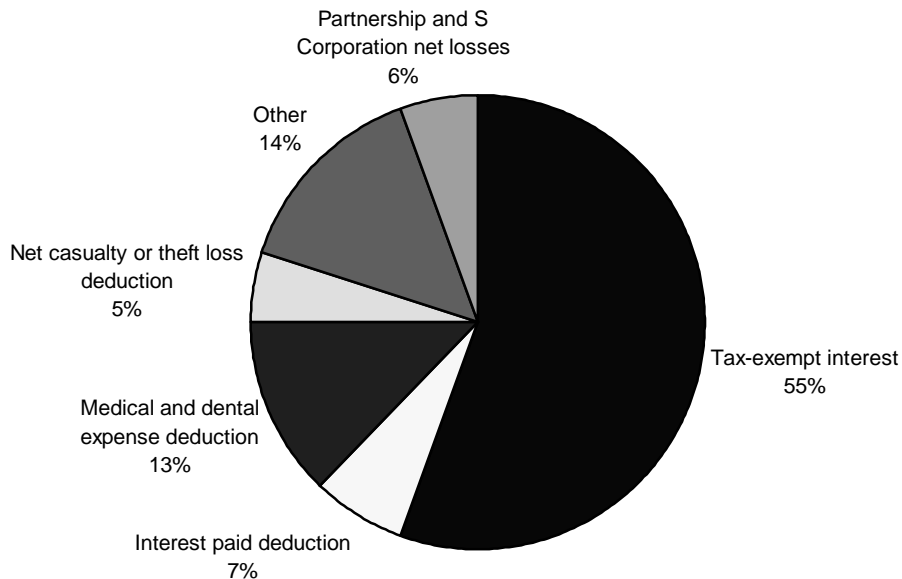
Returns with No Worldwide Income Tax and with Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1997



NOTE: See Figure H for the derivation of worldwide income tax.

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 1997



NOTE: See Figure H for the derivation of worldwide income tax.

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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 51 of the 1,562 returns, but there was no casualty or theft loss deduction on 1,467 returns. The medical expense deduction exceeded total expanded income on 42 returns and amounted to between 50 percent and 100 percent of expanded income on an additional 170 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; "High-Income Tax Returns for 1996," *Statistics of Income Bulletin*, Winter 1998-1999, Volume 18, Number 3, pp. 7-59.

- [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 1997. 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

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Statistics of Income—Individual Income Tax Returns (see footnote 2), the “U.S. income tax” concept was described as “total income tax,” and the “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-

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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.

- ❑ *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 pre-tax 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 pre-tax 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 pre-tax, 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

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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 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

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-1997

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.

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

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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 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.

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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 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 adjusted gross income.

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 (pre-credit) 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].

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

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 1997

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

(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 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

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deductions and exclusions reduce taxes before credits. As a result, the deduction equivalent of tax credits may be overstated.

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 pre-credit 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, Winter 1999/2000, Publication 1136, Rev. 2/00.

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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.....	122,421,991	93,601,030	21,635,161	5,377,899	1,807,900
Under \$50,000 ¹	93,122,795	92,647,267	474,767	324	438
\$50,000 under \$100,000.....	22,055,194	929,339	20,945,622	179,944	289
\$100,000 under \$200,000.....	5,389,971	23,067	210,397	5,124,728	31,779
\$200,000 or more.....	1,854,031	1,357	4,376	72,905	1,775,394
Returns with U.S. income tax					
Total.....	98,816,159	70,043,380	21,591,904	5,374,164	1,806,711
Under \$50,000 ¹	69,632,905	69,162,273	470,408	66	158
\$50,000 under \$100,000.....	21,950,138	859,163	20,911,354	179,424	197
\$100,000 under \$200,000.....	5,380,899	21,093	206,020	5,122,125	31,660
\$200,000 or more.....	1,852,217	851	4,122	72,549	1,774,696
Returns without U.S. income tax					
Total.....	23,605,832	23,557,650	43,258	3,735	1,189
Under \$50,000 ¹	23,489,890	23,484,994	4,359	257	280
\$50,000 under \$100,000.....	105,056	70,177	34,268	520	92
\$100,000 under \$200,000.....	9,072	1,974	4,377	2,602	119
\$200,000 or more.....	1,814	506	254	356	698

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.....	122,421,991	93,601,030	21,635,161	5,377,899	1,807,900
Under \$50,000 ¹	93,122,795	92,647,267	474,767	324	438
\$50,000 under \$100,000.....	22,055,194	929,339	20,945,622	179,944	289
\$100,000 under \$200,000.....	5,389,971	23,067	210,397	5,124,728	31,779
\$200,000 or more.....	1,854,031	1,357	4,376	72,905	1,775,394
Returns with worldwide income tax					
Total.....	98,841,670	70,068,233	21,592,290	5,374,295	1,806,852
Under \$50,000 ¹	69,655,104	69,184,469	470,408	66	162
\$50,000 under \$100,000.....	21,951,663	860,682	20,911,354	179,424	203
\$100,000 under \$200,000.....	5,382,433	22,222	206,377	5,122,170	31,663
\$200,000 or more.....	1,852,469	860	4,151	72,635	1,774,824
Returns without worldwide income tax					
Total.....	23,580,321	23,532,797	42,872	3,604	1,048
Under \$50,000 ¹	23,467,691	23,462,798	4,359	257	276
\$50,000 under \$100,000.....	103,531	68,657	34,268	520	86
\$100,000 under \$200,000.....	7,538	845	4,020	2,557	116
\$200,000 or more.....	1,562	497	225	270	570

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	1,807,900	100.0	--	1,854,031	100.0	--
Returns without U.S. income tax	1,189	0.1	--	1,814	0.1	--
Returns with U.S. income tax:						
Total	1,806,711	99.9	100.0	1,852,217	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	946	0.1	0.1	1,238	0.1	0.1
5 under 10 percent.....	786	(¹)	0.1	6,849	0.4	0.4
10 under 15 percent.....	3,905	0.2	0.3	7,896	0.4	0.9
15 under 20 percent.....	2,347	0.1	0.4	6,512	0.4	1.2
20 under 25 percent.....	2,166	0.1	0.6	6,250	0.3	1.6
25 under 30 percent.....	1,889	0.1	0.7	5,484	0.3	1.8
30 under 35 percent.....	4,191	0.2	0.9	7,501	0.4	2.3
35 under 40 percent.....	6,557	0.4	1.3	10,525	0.6	2.8
40 under 45 percent.....	5,825	0.3	1.6	10,939	0.6	3.4
45 under 50 percent.....	16,277	0.9	2.5	24,465	1.3	4.7
50 under 60 percent.....	51,937	2.9	5.4	70,725	3.8	8.6
60 under 70 percent.....	121,025	6.7	12.1	149,985	8.1	16.6
70 under 80 percent.....	405,432	22.4	34.5	397,648	21.5	38.1
80 percent or more.....	1,183,428	65.5	100.0	1,146,201	61.9	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 1997

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.....	1,807,900	100.0	--	1,854,031	100.0	--
Returns without worldwide income tax.....	1,048	0.1	--	1,562	0.1	--
Returns with worldwide income tax:						
Total.....	1,806,852	99.9	100.0	1,852,469	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	820	(¹)	(¹)	923	(¹)	(¹)
5 under 10 percent.....	487	(¹)	0.1	3,316	0.2	0.2
10 under 15 percent.....	1,339	0.1	0.1	3,077	0.2	0.4
15 under 20 percent.....	713	(¹)	0.2	2,933	0.2	0.6
20 under 25 percent.....	1,173	0.1	0.3	3,617	0.2	0.7
25 under 30 percent.....	931	0.1	0.3	2,650	0.1	0.9
30 under 35 percent.....	2,363	0.1	0.4	6,215	0.3	1.2
35 under 40 percent.....	5,997	0.3	0.8	9,177	0.5	1.7
40 under 45 percent.....	4,573	0.3	1.0	8,547	0.5	2.2
45 under 50 percent.....	14,850	0.8	1.8	20,969	1.1	3.3
50 under 60 percent.....	47,203	2.6	4.5	68,041	3.7	7.0
60 under 70 percent.....	117,302	6.5	10.9	148,374	8.0	15.0
70 under 80 percent.....	398,576	22.1	33.0	392,838	21.2	36.2
80 percent or more.....	1,210,526	67.0	100.0	1,181,792	63.8	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 1997

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.....	1,527,443	444,315,969	1,526,830	444,174,737	613	141,232
Business or profession:						
Net income.....	394,251	42,440,772	394,062	42,418,007	189	22,764
Net loss.....	113,853	2,382,650	113,707	2,297,247	146	85,403
Farm:						
Net income.....	14,203	925,438	14,190	924,950	13	487
Net loss.....	43,920	1,832,505	43,866	1,821,125	54	11,381
Partnership and S Corporation net income (loss) after Section 179 property deduction: ¹						
Net income.....	666,117	154,363,779	665,913	154,343,942	204	19,837
Net loss.....	230,871	15,770,501	230,407	15,448,174	464	322,327
Sales of capital assets:						
Net gain.....	1,269,936	245,220,190	1,269,240	244,780,685	696	439,505
Net loss.....	253,580	607,542	253,299	606,752	281	790
Sales of property other than capital assets:						
Net gain.....	90,232	2,073,160	90,131	2,064,428	101	8,732
Net loss.....	137,388	1,819,464	137,230	1,782,538	158	36,926
Taxable interest received.....	1,771,174	45,595,486	1,770,104	45,191,461	1,070	404,024
Tax-exempt interest received.....	710,551	22,205,855	710,158	22,173,380	393	32,475
Dividends.....	1,545,239	44,948,191	1,544,348	44,779,877	891	168,314
Pensions and annuities in adjusted gross income.....	335,439	12,319,649	335,217	12,310,096	222	9,553
Rent:						
Net income.....	320,578	13,075,607	320,369	13,059,335	209	16,272
Net loss, total (deductible and nondeductible).....	232,250	2,578,785	232,021	2,568,248	229	10,537
Nondeductible rental loss.....	158,769	1,472,012	158,630	1,467,702	139	4,310
Royalty:						
Net income.....	110,582	3,376,630	110,460	3,370,596	122	6,033
Net loss.....	4,253	41,109	4,246	41,022	7	87
Estate or trust:						
Net income.....	68,301	5,678,462	68,242	5,676,499	59	1,962
Net loss.....	7,695	464,069	7,670	455,990	25	8,079
State income tax refunds.....	826,865	3,752,149	826,483	3,743,616	382	8,533
Alimony received.....	2,120	160,172	**	160,048	**	124
Social Security benefits in adjusted gross income.....	277,481	4,144,500	277,177	4,140,303	304	4,198
Social Security benefits (nontaxable).....	277,481	731,455	277,177	730,714	304	741
Unemployment compensation.....	15,208	48,435	15,202	48,410	6	25
Other income.....	298,525	9,133,684	298,271	9,115,715	254	17,969
Other loss.....	27,452	1,243,924	27,428	1,241,216	24	2,709
Foreign-earned income exclusion.....	21,261	1,305,578	21,188	1,300,008	73	5,570
Total income.....	1,807,900	1,013,376,242	1,806,711	1,012,537,464	1,189	838,778
Statutory adjustments, total.....	820,008	8,885,588	819,616	8,869,663	392	15,925
Payments to Individual Retirement Arrangements.....	111,983	385,448	111,941	385,323	42	126
Payments to self-employed retirement (Keogh) plans.....	226,813	3,914,053	226,781	3,913,589	32	465
Moving expenses adjustment.....	25,245	143,412	25,241	143,383	4	29
Adjusted gross income.....	1,807,900	1,004,490,654	1,806,711	1,003,667,801	1,189	822,853
Investment interest expense deduction.....	464,220	10,092,263	463,489	9,561,477	731	530,786
Total tax preferences excluded from adjusted gross income.....	724,940	22,610,965	724,521	22,573,073	419	37,892
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	29,777	417,229	29,738	411,722	39	5,507
Passive activity loss (alternative minimum tax adjustment).....	248,840	1,188,603	248,576	1,183,815	264	4,788
Expanded income.....	1,807,892	1,016,306,800	1,806,711	1,015,972,479	1,181	334,322

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	881,099	3,567,380	880,625	3,565,798	474	1,582
Itemized deductions:						
Total per adjusted gross income concept.....	1,682,703	115,634,682	1,681,571	114,700,423	1,132	934,259
Charitable contributions deduction.....	1,620,970	33,393,805	1,620,040	33,299,670	930	94,136
Interest paid deduction:						
Total per adjusted gross income concept.....	1,392,393	34,896,011	1,391,461	34,321,062	932	574,949
Total home mortgage interest.....	1,295,121	24,637,049	1,294,405	24,593,033	716	44,016
Medical and dental expense deduction.....	23,337	630,761	23,192	603,695	145	27,065
Net casualty or theft loss deduction.....	1,892	167,418	1,807	118,864	85	48,554
Taxes paid deduction.....	1,676,538	60,728,052	1,675,504	60,673,004	1,034	55,048
Net limited miscellaneous deductions per adjusted gross income concept.....	275,801	4,638,855	275,430	4,611,588	371	27,267
Non-limited miscellaneous deductions.....	48,662	1,980,184	48,429	1,855,646	233	124,538
Excess of exemptions and deductions over adjusted gross income.....	1,752	536,272	876	296,883	876	239,389
Taxable income.....	1,806,107	884,972,036	1,805,835	884,845,968	272	126,068
Tax at regular rates.....	1,806,159	273,923,938	1,805,882	273,888,287	277	35,651
Income tax before credits.....	1,806,159	274,014,022	1,805,882	273,978,371	277	35,651
Tax credits:						
Total.....	607,808	4,197,918	607,531	4,162,267	277	35,651
Child care credit.....	91,202	45,313	91,193	45,310	9	3
Minimum tax credit.....	52,726	596,268	52,572	583,607	154	12,661
Foreign tax credit.....	458,628	3,024,843	458,487	3,002,300	141	22,542
General business credit.....	63,642	404,246	63,614	403,866	28	380
Alternative minimum tax (Form 6251).....	252,624	2,912,257	252,624	2,912,257	--	--
U.S. total income tax.....	1,806,711	272,738,652	1,806,711	272,738,652	--	--
Taxable income which would yield:						
Income tax before credits.....	1,806,159	799,117,063	1,805,882	799,014,143	277	102,920
Income tax after credits.....	1,804,180	788,081,574	1,804,180	788,081,574	--	--
U.S. total income tax.....	1,806,711	795,864,651	1,806,711	795,864,651	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,807,900	1,004,490,654	1,806,711	1,003,667,801	1,189	822,853
plus: Total tax preferences excluded from adjusted gross income ²	724,940	22,610,965	724,521	22,573,073	419	37,892
Social Security benefits (nontaxable).....	277,481	731,455	277,177	730,714	304	741
Foreign-earned income exclusion.....	21,261	1,305,578	21,188	1,300,008	73	5,570
minus: Investment interest expense deduction.....	464,220	10,092,263	463,489	9,561,477	731	530,786
Non-limited miscellaneous deductions.....	48,662	1,980,184	48,429	1,855,646	233	124,538
Unreimbursed employee business expenses.....	315,647	2,739,589	315,561	2,737,641	86	1,949
Equals: Expanded income.....	1,807,892	1,016,306,800	1,806,711	1,015,972,479	1,181	334,322

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	1,537,421	444,868,523	1,536,775	444,738,729	646	129,794
Business or profession:						
Net income.....	400,787	42,497,674	400,608	42,476,743	179	20,931
Net loss.....	112,928	2,351,032	112,780	2,270,089	148	80,943
Farm:						
Net income.....	15,795	932,844	15,776	931,978	19	866
Net loss.....	46,171	1,892,061	46,118	1,883,158	53	8,903
Partnership and S Corporation net income (loss) after Section 179 property deduction: ¹						
Net income.....	672,526	154,298,971	672,280	154,282,353	246	16,618
Net loss.....	238,217	15,500,446	237,742	15,321,332	475	179,113
Sales of capital assets:						
Net gain.....	1,308,993	246,080,029	1,308,078	245,798,531	915	281,497
Net loss.....	261,755	626,714	261,164	625,108	591	1,606
Sales of property other than capital assets:						
Net gain.....	91,211	2,021,430	91,117	2,015,880	94	5,550
Net loss.....	137,737	1,783,482	137,579	1,771,083	158	12,399
Taxable interest received.....	1,819,338	46,111,565	1,817,661	45,934,802	1,677	176,763
Tax-exempt interest received.....	770,803	27,151,065	769,560	26,800,260	1,243	350,805
Dividends.....	1,593,129	46,676,588	1,591,683	46,568,738	1,446	107,850
Pensions and annuities in adjusted gross income.....	363,206	13,259,417	362,832	13,249,648	374	9,769
Rent:						
Net income.....	337,228	13,282,243	336,979	13,272,992	249	9,251
Net loss, total (deductible and nondeductible).....	237,557	2,599,898	237,298	2,591,060	259	8,838
Nondeductible rental loss.....	159,955	1,483,646	159,828	1,479,431	127	4,216
Royalty:						
Net income.....	119,269	3,443,646	119,116	3,439,761	153	3,885
Net loss.....	4,217	36,227	4,211	36,206	6	20
Estate or trust:						
Net income.....	71,750	5,704,745	71,617	5,702,545	133	2,201
Net loss.....	7,700	460,162	7,665	456,434	35	3,729
State income tax refunds.....	836,358	3,763,495	835,847	3,755,562	511	7,933
Alimony received.....	1,351	159,974	1,345	159,711	6	262
Social Security benefits in adjusted gross income.....	319,468	4,875,411	318,634	4,864,011	834	11,400
Social Security benefits (nontaxable).....	319,468	860,448	318,634	858,436	834	2,012
Unemployment compensation.....	14,862	48,028	14,853	47,991	9	36
Other income.....	305,979	9,109,182	305,728	9,094,909	251	14,273
Other loss.....	37,296	1,675,096	37,240	1,671,745	56	3,352
Foreign-earned income exclusion.....	35,153	2,350,548	34,967	2,333,986	186	16,562
Total income.....	1,854,031	1,018,804,500	1,852,217	1,018,231,276	1,814	573,224
Statutory adjustments, total.....	830,535	8,902,788	830,159	8,899,440	376	3,348
Payments to Individual Retirement Arrangements.....	113,154	389,098	113,109	388,974	45	124
Payments to self-employed retirement (Keogh) plans.....	228,499	3,915,099	228,475	3,914,787	24	313
Moving expenses adjustment.....	25,914	143,917	25,909	143,884	5	32
Adjusted gross income.....	1,854,031	1,009,901,712	1,852,217	1,009,331,836	1,814	569,876
Investment interest expense deduction.....	458,745	8,943,102	458,304	8,786,449	441	156,652
Total tax preferences excluded from adjusted gross income.....	785,262	27,604,180	784,006	27,247,786	1,256	356,394
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	31,375	465,224	31,336	459,553	39	5,671
Passive activity loss (alternative minimum tax adjustment).....	261,226	1,197,452	260,964	1,197,982	262	-530
Expanded income.....	1,854,031	1,029,319,866	1,852,217	1,028,534,236	1,814	785,630

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	927,074	3,812,564	925,700	3,806,128	1,374	6,436
Itemized deductions:						
Total per adjusted gross income concept.....	1,712,331	115,075,428	1,710,778	114,520,085	1,553	555,343
Total per expanded income concept.....	1,711,415	123,405,967	1,709,907	123,121,460	1,508	284,507
Charitable contributions deduction.....	1,648,773	33,781,305	1,647,527	33,714,179	1,246	67,125
Interest paid deduction:						
Total per adjusted gross income concept.....	1,393,243	33,543,609	1,392,408	33,351,948	835	191,661
Total per expanded income concept.....	1,295,136	24,600,507	1,294,474	24,565,498	662	35,009
Total home mortgage interest.....	1,292,613	24,430,058	1,291,953	24,395,191	660	34,867
Medical and dental expense deduction.....	31,710	862,543	30,959	790,606	751	71,937
Net casualty or theft loss deduction.....	1,902	163,085	1,807	118,864	95	44,222
Taxes paid deduction.....	1,706,247	61,020,172	1,704,817	60,973,596	1,430	46,576
Net limited miscellaneous deductions per adjusted gross income concept.....	271,218	4,513,300	270,417	4,492,786	801	20,515
Non-limited miscellaneous deductions.....	48,138	1,979,916	47,915	1,856,327	223	123,589
Excess of exemptions and deductions over adjusted gross income.....	2,312	368,022	908	237,323	1,404	130,699
Taxable income.....	1,851,695	890,411,092	1,851,309	890,273,934	386	137,157
Tax at regular rates.....	1,851,736	275,208,877	1,851,346	275,170,499	390	38,378
Income tax before credits.....	1,851,736	275,298,961	1,851,346	275,260,583	390	38,378
Tax credits:						
Total.....	639,015	4,494,523	638,625	4,456,145	390	38,378
Child care credit.....	88,701	44,591	88,688	44,583	13	8
Minimum tax credit.....	54,441	596,491	54,281	583,922	160	12,569
Foreign tax credit.....	492,630	3,320,074	492,378	3,294,694	252	25,380
General business credit.....	64,093	405,940	64,061	405,584	32	355
Alternative minimum tax (Form 6251).....	259,079	2,934,249	259,079	2,934,249	--	--
U.S. total income tax.....	1,852,217	273,748,976	1,852,217	273,748,976	--	--
Taxable income which would yield:						
Income tax before credits.....	1,851,736	804,254,890	1,851,346	804,140,967	390	113,923
Income tax after credits.....	1,849,135	792,161,865	1,849,135	792,161,865	--	--
U.S. total income tax.....	1,852,217	800,035,072	1,852,217	800,035,072	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,854,031	1,009,901,712	1,852,217	1,009,331,836	1,814	569,876
plus: Total tax preferences excluded from adjusted gross income ²	785,262	27,604,180	784,006	27,247,786	1,256	356,394
Social Security benefits (nontaxable).....	319,468	860,448	318,634	858,436	834	2,012
Foreign-earned income exclusion.....	35,153	2,350,548	34,967	2,333,986	186	16,562
minus: Investment interest expense deduction.....	458,745	8,943,102	458,304	8,786,449	441	156,652
Non-limited miscellaneous deductions.....	48,138	1,979,916	47,915	1,856,327	223	123,589
Unreimbursed employee business expenses.....	301,521	2,451,923	301,429	2,450,891	92	1,032
Equals: Expanded income.....	1,854,031	1,029,319,866	1,852,217	1,028,534,236	1,814	785,630

** 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 1997

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.....	1,527,443	444,315,969	1,526,943	444,224,820	500	91,149
Business or profession:						
Net income.....	394,251	42,440,772	394,076	42,426,798	175	13,974
Net loss.....	113,853	2,382,650	113,719	2,308,128	134	74,522
Farm:						
Net income.....	14,203	925,438	14,190	924,950	13	487
Net loss.....	43,920	1,832,505	43,870	1,822,243	50	10,263
Partnership and S Corporation net income (loss) after section 179 property deduction: ¹						
Net income.....	666,117	154,363,779	665,933	154,347,696	184	16,083
Net loss.....	230,871	15,770,501	230,435	15,467,652	436	302,849
Sales of capital assets:						
Net gain.....	1,269,936	245,220,190	1,269,312	244,873,299	624	346,891
Net loss.....	253,580	607,542	253,320	606,809	260	732
Sales of property other than capital assets:						
Net gain.....	90,232	2,073,160	90,139	2,064,858	93	8,302
Net loss.....	137,388	1,819,464	137,243	1,784,509	145	34,956
Taxable interest received.....	1,771,174	45,595,486	1,770,223	45,216,339	951	379,147
Tax-exempt interest received.....	710,551	22,205,855	710,197	22,174,880	354	30,975
Dividends.....	1,545,239	44,948,191	1,544,439	44,796,890	800	151,300
Pensions and annuities in adjusted gross income.....	335,439	12,319,649	335,232	12,310,572	207	9,077
Rent:						
Net income.....	320,578	13,075,607	320,387	13,060,224	191	15,383
Net loss, total (deductible and nondeductible).....	232,250	2,578,785	232,044	2,568,645	206	10,140
Nondeductible rental loss.....	158,769	1,472,012	158,645	1,467,936	124	4,075
Royalty:						
Net income.....	110,582	3,376,630	110,470	3,370,741	112	5,888
Net loss.....	4,253	41,109	4,248	41,044	5	65
Estate or trust:						
Net income.....	68,301	5,678,462	68,250	5,676,977	51	1,485
Net loss.....	7,695	464,069	7,670	455,990	25	8,079
State income tax refunds.....	826,865	3,752,149	826,509	3,744,380	356	7,770
Alimony received.....	2,120	160,172	**	160,088	**	84
Social Security benefits in adjusted gross income.....	277,481	4,144,500	277,191	4,140,511	290	3,989
Social Security benefits (nontaxable).....	277,481	731,455	277,191	730,751	290	704
Unemployment compensation.....	15,208	48,435	15,203	48,418	5	17
Other income.....	298,525	9,133,684	298,293	9,116,892	232	16,792
Other loss.....	27,452	1,243,924	27,440	1,241,656	12	2,268
Foreign-earned income exclusion.....	21,261	1,305,578	**	1,305,508	**	70
Total income.....	1,807,900	1,013,376,242	1,806,852	1,012,698,753	1,048	677,489
Statutory adjustments, total.....	820,008	8,885,588	819,639	8,869,898	369	15,690
Payments to Individual Retirement Arrangements.....	111,983	385,448	111,942	385,325	41	124
Payments to self-employed retirement (Keogh) plans.....	226,813	3,914,053	226,783	3,913,593	30	461
Moving expenses adjustment.....	25,245	143,412	25,242	143,388	3	23
Adjusted gross income.....	1,807,900	1,004,490,654	1,806,852	1,003,828,855	1,048	661,799
Investment interest expense deduction.....	464,220	10,092,263	463,543	9,625,744	677	466,519
Total tax preferences excluded from adjusted gross income.....	724,940	22,610,965	724,562	22,574,573	378	36,392
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	29,777	417,229	29,742	411,734	35	5,495
Passive activity loss (alternative minimum tax adjustment).....	248,840	1,188,603	248,603	1,182,394	237	6,209
Expanded income.....	1,807,892	1,016,306,800	1,806,852	1,016,076,263	1,040	230,537

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	881,099	3,567,380	880,690	3,566,018	409	1,362
Itemized deductions:						
Total per adjusted gross income concept.....	1,682,703	115,634,682	1,681,657	114,773,274	1,046	861,408
Charitable contributions deduction.....	1,620,970	33,393,805	1,620,110	33,306,551	860	87,254
Interest paid deduction:						
Total per adjusted gross income concept.....	1,392,393	34,896,011	1,391,540	34,386,968	853	509,043
Total home mortgage interest.....	1,295,121	24,637,049	1,294,461	24,594,664	660	42,385
Medical and dental expense deduction.....	23,337	630,761	23,197	603,875	140	26,886
Net casualty or theft loss deduction.....	1,892	167,418	1,807	118,864	85	48,554
Taxes paid deduction.....	1,676,538	60,728,052	1,675,577	60,675,477	961	52,575
Net limited miscellaneous deductions per adjusted gross income concept.....	275,801	4,638,855	275,449	4,611,886	352	26,969
Non-limited miscellaneous deductions.....	48,662	1,980,184	48,430	1,855,646	232	124,538
Excess of exemptions and deductions over adjusted gross income.....	1,752	536,272	876	296,883	876	239,389
Taxable income.....	1,806,107	884,972,036	1,805,976	884,933,634	131	38,402
Tax at regular rates.....	1,806,159	273,923,938	1,806,023	273,913,988	136	9,950
Income tax before credits.....	1,806,159	274,014,022	1,806,023	274,004,072	136	9,950
Tax credits:						
Total.....	210,089	1,173,075	209,953	1,163,125	136	9,950
Child care credit.....	91,202	45,313	91,196	45,311	6	2
Minimum tax credit.....	52,726	596,268	52,606	586,597	120	9,670
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	63,642	404,246	63,624	403,973	18	273
Alternative minimum tax (Form 6251).....	252,624	2,912,257	252,624	2,912,257	--	--
Worldwide total income tax.....	1,806,852	276,175,778	1,806,852	276,175,778	--	--
Foreign taxes paid.....	458,628	3,437,127	458,628	3,437,127	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	14,987	412,284	14,987	412,284	--	--
Taxable income which would yield:						
Income tax before credits.....	1,806,159	799,117,063	1,806,023	799,085,951	136	31,112
Income tax after credits.....	1,806,023	797,153,154	1,806,023	797,153,154	--	--
Worldwide total income tax.....	1,806,852	804,865,535	1,806,852	804,865,535	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,807,900	1,004,490,654	1,806,852	1,003,828,855	1,048	661,799
plus: Total tax preferences excluded from adjusted gross income ²	724,940	22,610,965	724,562	22,574,573	378	36,392
Social Security benefits (nontaxable).....	277,481	731,455	277,191	730,751	290	704
Foreign-earned income exclusion.....	21,261	1,305,578	**	1,305,508	**	70
minus: Investment interest expense deduction.....	464,220	10,092,263	463,543	9,625,744	677	466,519
Non-limited miscellaneous deductions.....	48,662	1,980,184	48,430	1,855,646	232	124,538
Unreimbursed employee business expenses.....	315,647	2,739,589	315,569	2,737,680	78	1,909
Equals: Expanded income.....	1,807,892	1,016,306,800	1,806,852	1,016,076,263	1,040	230,537

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	1,537,421	444,868,523	1,536,979	444,808,738	442	59,785
Business or profession:						
Net income.....	400,787	42,497,674	400,632	42,486,802	155	10,871
Net loss.....	112,928	2,351,032	112,794	2,280,978	134	70,055
Farm:						
Net income.....	15,795	932,844	15,777	932,020	18	824
Net loss.....	46,171	1,892,061	46,123	1,884,289	48	7,772
Partnership and S Corporation net income (loss) after section 179 property deduction: ¹						
Net income.....	672,526	154,298,971	672,314	154,287,642	212	11,330
Net loss.....	238,217	15,500,446	237,773	15,341,257	444	159,189
Sales of capital assets:						
Net gain.....	1,308,993	246,080,029	1,308,187	245,891,538	806	188,491
Net loss.....	261,755	626,714	261,207	625,217	548	1,497
Sales of property other than capital assets:						
Net gain.....	91,211	2,021,430	91,126	2,016,365	85	5,064
Net loss.....	137,737	1,783,482	137,587	1,772,703	150	10,779
Taxable interest received.....	1,819,338	46,111,565	1,817,878	45,958,233	1,460	153,332
Tax-exempt interest received.....	770,803	27,151,065	769,620	26,806,356	1,183	344,710
Dividends.....	1,593,129	46,676,588	1,591,842	46,585,909	1,287	90,679
Pensions and annuities in adjusted gross income.....	363,206	13,259,417	362,849	13,250,191	357	9,226
Rent:						
Net income.....	337,228	13,282,243	337,007	13,274,066	221	8,177
Net loss, total (deductible and nondeductible).....	237,557	2,599,898	237,345	2,591,816	212	8,082
Nondeductible rental loss.....	159,955	1,483,646	159,849	1,479,848	106	3,798
Royalty:						
Net income.....	119,269	3,443,646	119,130	3,439,911	139	3,735
Net loss.....	4,217	36,227	4,212	36,216	5	10
Estate or trust:						
Net income.....	71,750	5,704,745	71,625	5,702,947	125	1,798
Net loss.....	7,700	460,162	7,666	456,434	34	3,728
State income tax refunds.....	836,358	3,763,495	835,880	3,756,355	478	7,140
Alimony received.....	1,351	159,974	1,348	159,756	3	217
Social Security benefits in adjusted gross income.....	319,468	4,875,411	318,654	4,864,315	814	11,096
Social Security benefits (nontaxable).....	319,468	860,448	318,654	858,490	814	1,958
Unemployment compensation.....	14,862	48,028	14,854	48,000	8	28
Other income.....	305,979	9,109,182	305,757	9,096,336	222	12,846
Other loss.....	37,296	1,675,096	37,279	1,672,962	17	2,134
Foreign-earned income exclusion.....	35,153	2,350,548	35,140	2,349,110	13	1,438
Total income.....	1,854,031	1,018,804,500	1,852,469	1,018,404,372	1,562	400,128
Statutory adjustments, total.....	830,535	8,902,788	830,199	8,900,003	336	2,785
Payments to Individual Retirement Arrangements.....	113,154	389,098	113,114	388,986	40	112
Payments to self-employed retirement (Keogh) plans.....	228,499	3,915,099	228,478	3,914,811	21	288
Moving expenses adjustment.....	25,914	143,917	**	143,899	**	18
Adjusted gross income.....	1,854,031	1,009,901,712	1,852,469	1,009,504,370	1,562	397,343
Investment interest expense deduction.....	458,745	8,943,102	458,367	8,847,366	378	95,736
Total tax preferences excluded from adjusted gross income.....	785,262	27,604,180	784,069	27,253,930	1,193	350,250
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	31,375	465,224	31,342	459,614	33	5,610
Passive activity loss (alternative minimum tax adjustment).....	261,226	1,197,452	261,000	1,196,487	226	965
Expanded income.....	1,854,031	1,029,319,866	1,852,469	1,028,667,116	1,562	652,750

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	927,074	3,812,564	925,876	3,807,250	1,198	5,315
Itemized deductions:						
Total per adjusted gross income concept.....	1,712,331	115,075,428	1,710,911	114,591,476	1,420	483,953
Total per expanded income concept.....	1,711,415	123,405,967	1,710,039	123,134,779	1,376	271,188
Charitable contributions deduction.....	1,648,773	33,781,305	1,647,632	33,721,463	1,141	59,842
Interest paid deduction:						
Total per adjusted gross income concept.....	1,393,243	33,543,609	1,392,525	33,415,333	718	128,276
Total per expanded income concept.....	1,295,136	24,600,507	1,294,568	24,567,967	568	32,540
Total home mortgage interest.....	1,292,613	24,430,058	1,292,047	24,397,650	566	32,407
Medical and dental expense deduction.....	31,710	862,543	30,977	791,041	733	71,502
Net casualty or theft loss deduction.....	1,902	163,085	1,807	118,864	95	44,222
Taxes paid deduction.....	1,706,247	61,020,172	1,704,928	60,976,283	1,319	43,889
Net limited miscellaneous deductions per adjusted gross income concept.....	271,218	4,513,300	270,455	4,493,261	763	20,040
Non-limited miscellaneous deductions.....	48,138	1,979,916	47,918	1,856,327	220	123,589
Excess of exemptions and deductions over adjusted gross income.....	2,312	368,022	909	237,329	1,403	130,693
Taxable income.....	1,851,695	890,411,092	1,851,560	890,373,235	135	37,856
Tax at regular rates.....	1,851,736	275,208,877	1,851,598	275,199,058	138	9,819
Income tax before credits.....	1,851,736	275,298,961	1,851,598	275,289,142	138	9,819
Tax credits:						
Total.....	210,248	1,174,449	210,110	1,164,630	138	9,819
Child care credit.....	88,701	44,591	88,697	44,589	4	2
Minimum tax credit.....	54,441	596,491	54,318	586,903	123	9,588
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	64,093	405,940	64,076	405,715	17	225
Alternative minimum tax (Form 6251).....	259,079	2,934,249	259,079	2,934,249	--	--
Worldwide total income tax.....	1,852,469	277,755,414	1,852,469	277,755,414	--	--
Foreign taxes paid.....	492,630	4,006,439	492,630	4,006,439	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	26,303	686,365	26,303	686,365	--	--
Taxable income which would yield:						
Income tax before credits.....	1,851,736	804,254,890	1,851,598	804,224,314	138	30,576
Income tax after credits.....	1,851,598	803,071,700	1,851,598	803,071,700	--	--
Worldwide total income tax.....	1,852,469	810,851,592	1,852,469	810,851,592	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,854,031	1,009,901,712	1,852,469	1,009,504,370	1,562	397,343
plus: Total tax preferences excluded from adjusted gross income ²	785,262	27,604,180	784,069	27,253,930	1,193	350,250
Social Security benefits (nontaxable).....	319,468	860,448	318,654	858,490	814	1,958
Foreign-earned income exclusion.....	35,153	2,350,548	35,140	2,349,110	13	1,438
minus: Investment interest expense deduction.....	458,745	8,943,102	458,367	8,847,366	378	95,736
Non-limited miscellaneous deductions.....	48,138	1,979,916	47,918	1,856,327	220	123,589
Unreimbursed employee business expenses.....	301,521	2,451,923	301,442	2,450,949	79	974
Equals: Expanded income.....	1,854,031	1,029,319,866	1,852,469	1,028,667,116	1,562	652,750

** 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 1997

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.....	1,729,419	100.0	392,310	22.7	43,635	2.5	951,756	55.0
Interest paid deduction.....	580,521	33.6	--	--	7,964	18.3	514,468	54.1
Investment interest expense deduction ¹	54,529	3.2	9,693	2.5	--	--	31,235	3.3
Taxes paid deduction.....	522,716	30.2	321,950	82.1	22,103	50.7	--	--
Charitable contributions deduction.....	361,787	20.9	40,732	10.4	6,765	15.5	298,063	31.3
Medical and dental expense deduction.....	4,950	0.3	516	0.1	9	(²)	3,342	0.4
Net casualty or theft loss deduction.....	66	(²)	**	**	--	--	**	**
Total miscellaneous deductions.....	67,882	3.9	13,095	3.3	1,291	3.0	42,745	4.5
Foreign tax credit.....	21,914	1.3	**	**	522	1.2	**	**
General business credit.....	11,482	0.7	1,198	0.3	640	1.5	7,232	0.8
All other tax credits.....	10,806	0.6	794	0.2	599	1.4	6,777	0.7
Partnership and S Corporation net losses.....	39,193	2.3	3,866	1.0	3,525	8.1	23,164	2.4
No second largest item.....	53,574	3.1	--	--	217	0.5	10,029	1.1
Returns with expanded income of \$200,000 or more								
Total.....	1,792,943	100.0	385,243	21.5	--	--	883,171	49.3
Interest paid deduction.....	572,593	31.9	--	--	--	--	509,789	57.7
Tax-exempt interest ³	122,120	6.8	4,451	1.2	--	--	82,089	9.3
Taxes paid deduction.....	572,690	31.9	328,990	85.4	--	--	--	--
Charitable contributions deduction.....	309,951	17.3	40,705	10.6	--	--	231,588	26.2
Medical and dental expense deduction.....	7,358	0.4	516	0.1	--	--	2,158	0.2
Net casualty or theft loss deduction.....	47	(²)	**	**	--	--	3	(²)
Total miscellaneous deductions.....	25,323	1.4	3,906	1.0	--	--	8,285	0.9
Foreign tax credit.....	37,769	2.1	373	0.1	--	--	9,932	1.1
General business credit.....	9,879	0.6	913	0.2	--	--	5,920	0.7
All other tax credits.....	10,433	0.6	**	**	--	--	5,637	0.6
Partnership and S Corporation net losses.....	38,977	2.2	3,997	1.0	--	--	18,552	2.1
Foreign-earned income exclusion ³	21,620	1.2	347	0.1	--	--	345	(²)
No second largest item.....	64,184	3.6	**	**	--	--	8,873	1.0

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	142,248	8.2	8,401	0.5	720	(?)
Interest paid deduction.....	25,274	17.8	1,457	17.3	171	23.8
Investment interest expense deduction ¹	5,698	4.0	12	0.1	3	0.4
Taxes paid deduction.....	96,204	67.6	3,650	43.4	529	73.5
Charitable contributions deduction.....	--	--	1,438	17.1	--	--
Medical and dental expense deduction.....	673	0.5	--	--	--	--
Net casualty or theft loss deduction.....	--	--	3	(?)	--	--
Total miscellaneous deductions.....	7,219	5.1	1,596	19.0	--	--
Foreign tax credit.....	921	0.6	51	0.6	8	1.2
General business credit.....	1,074	0.8	--	--	--	--
All other tax credits.....	612	0.4	--	--	--	--
Partnership and S Corporation net losses.....	4,192	2.9	194	2.3	8	1.2
No second largest item.....	380	0.3	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	129,472	7.2	8,181	0.5	677	(?)
Interest paid deduction.....	26,453	20.4	1,457	17.8	183	27.0
Tax-exempt interest ³	16,865	13.0	1,485	18.2	161	23.8
Taxes paid deduction.....	76,636	59.2	2,997	36.6	325	48.0
Charitable contributions deduction.....	--	--	1,138	13.9	--	--
Medical and dental expense deduction.....	322	0.2	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	3,248	2.5	716	8.8	--	--
Foreign tax credit.....	738	0.6	--	--	--	--
General business credit.....	645	0.5	--	--	--	--
All other tax credits.....	511	0.4	--	--	--	--
Partnership and S Corporation net losses.....	3,620	2.8	194	2.4	--	--
Foreign-earned income exclusion ³	12	(?)	194	2.4	8	1.2
No second largest item.....	422	0.3	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	47,716	2.8	52,105	3.0	12,011	0.7	16,119	0.9
Interest paid deduction.....	11,034	23.1	6,128	11.8	1,462	12.2	1,819	11.3
Investment interest expense deduction ¹	1,085	2.3	398	0.8	351	2.9	1,638	10.2
Taxes paid deduction.....	27,476	57.6	11,015	21.1	4,037	33.6	7,426	46.1
Charitable contributions deduction.....	6,117	12.8	2,000	3.8	476	4.0	1,140	7.1
Medical and dental expense deduction.....	183	0.4	--	--	8	0.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	639	1.2	173	1.4	68	0.4
Foreign tax credit.....	215	0.5	--	--	1,006	8.4	728	4.5
General business credit.....	160	0.3	218	0.4	--	--	389	2.4
All other tax credits.....	30	0.1	654	1.3	335	2.8	--	--
Partnership and S Corporation net losses.....	493	1.0	1,723	3.3	1,532	12.8	496	3.1
No second largest item.....	922	1.9	29,329	56.3	2,631	21.9	2,414	15.0
Returns with expanded income of \$200,000 or more								
Total.....	10,289	0.6	44,752	2.5	11,720	0.7	15,802	0.9
Interest paid deduction.....	1,500	14.6	2,845	6.4	1,744	14.9	2,030	12.8
Tax-exempt interest ³	1,292	12.6	2,527	5.6	3,196	27.3	1,223	7.7
Taxes paid deduction.....	5,255	51.1	7,202	16.1	3,531	30.1	7,925	50.2
Charitable contributions deduction.....	1,251	12.2	434	1.0	523	4.5	960	6.1
Medical and dental expense deduction.....	158	1.5	--	--	8	0.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	182	0.4	8	0.1	13	0.1
Foreign tax credit.....	27	0.3	--	--	531	4.5	427	2.7
General business credit.....	3	(?)	96	0.2	--	--	302	1.9
All other tax credits.....	**	**	252	0.6	287	2.5	--	--
Partnership and S Corporation net losses.....	92	0.9	443	1.0	638	5.4	295	1.9
Foreign-earned income exclusion ³	155	1.5	20,266	45.3	--	--	6	(?)
No second largest item.....	**	**	10,507	23.5	1,254	10.7	2,621	16.6

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	62,398	3.6	--	--	--	--
Interest paid deduction.....	10,744	17.2	--	--	--	--
Investment interest expense deduction ¹	4,415	7.1	--	--	--	--
Taxes paid deduction.....	28,325	45.4	--	--	--	--
Charitable contributions deduction.....	5,056	8.1	--	--	--	--
Medical and dental expense deduction.....	219	0.4	--	--	--	--
Net casualty or theft loss deduction.....	8	(²)	--	--	--	--
Total miscellaneous deductions.....	1,055	1.7	--	--	--	--
Foreign tax credit.....	3,350	5.4	--	--	--	--
General business credit.....	570	0.9	--	--	--	--
All other tax credits.....	1,004	1.6	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	7,652	12.3	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	57,649	3.2	12,005	0.7	233,982	13.1
Interest paid deduction.....	10,393	18.0	1,925	16.0	14,275	6.1
Tax-exempt interest ³	8,576	14.9	253	2.1	--	--
Taxes paid deduction.....	24,961	43.3	515	4.3	114,352	48.9
Charitable contributions deduction.....	4,817	8.4	54	0.4	28,482	12.2
Medical and dental expense deduction.....	45	0.1	152	1.3	3,999	1.7
Net casualty or theft loss deduction.....	--	--	--	--	42	(²)
Total miscellaneous deductions.....	456	0.8	--	--	8,509	3.6
Foreign tax credit.....	1,446	2.5	7,717	64.3	16,578	7.1
General business credit.....	689	1.2	--	--	1,311	0.6
All other tax credits.....	1,115	1.9	--	--	1,594	0.7
Partnership and S Corporation net losses.....	--	--	85	0.7	11,063	4.7
Foreign-earned income exclusion ³	108	0.2	--	--	179	0.1
No second largest item.....	5,043	8.7	1,303	10.9	33,598	14.4

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	1,189	100.0	23	1.9	426	35.8	15	1.3
Interest paid deduction.....	209	17.6	--	--	97	22.8	3	20.0
Investment interest expense deduction ¹	129	10.8	6	26.1	--	--	5	33.3
Taxes paid deduction.....	198	16.7	6	26.1	63	14.8	--	--
Charitable contributions deduction.....	144	12.1	5	21.7	87	20.4	**	**
Medical and dental expense deduction.....	23	1.9	--	--	3	0.7	--	--
Net casualty or theft loss deduction.....	77	6.5	--	--	**	**	--	--
Total miscellaneous deductions.....	75	6.3	--	--	23	5.4	**	**
Foreign tax credit.....	4	0.3	**	**	**	**	--	--
General business credit.....	5	0.4	--	--	**	**	--	--
All other tax credits.....	29	2.4	**	**	8	1.9	--	--
Partnership and S Corporation net losses.....	191	16.1	4	17.4	134	31.5	3	20.0
No second largest item.....	105	8.8	--	--	5	1.2	--	--
Returns with expanded income of \$200,000 or more								
Total.....	1,732	100.0	103	5.9	--	--	69	4.0
Interest paid deduction.....	200	11.5	--	--	--	--	19	27.5
Tax-exempt interest ³	89	5.1	12	11.7	--	--	7	10.1
Taxes paid deduction.....	336	19.4	24	23.3	--	--	--	--
Charitable contributions deduction.....	149	8.6	7	6.8	--	--	15	21.7
Medical and dental expense deduction.....	297	17.1	24	23.3	--	--	**	**
Net casualty or theft loss deduction.....	143	8.3	4	3.9	--	--	--	--
Total miscellaneous deductions.....	55	3.2	**	**	--	--	**	**
Foreign tax credit.....	44	2.5	--	--	--	--	--	--
General business credit.....	7	0.4	--	--	--	--	--	--
All other tax credits.....	32	1.8	**	**	--	--	--	--
Partnership and S Corporation net losses.....	127	7.3	25	24.3	--	--	6	8.7
Foreign-earned income exclusion ³	163	9.4	4	3.9	--	--	--	--
No second largest item.....	90	5.2	**	**	--	--	20	29.0

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	30	2.5	100	8.4	79	6.6
Interest paid deduction.....	3	10.0	**	**	21	26.6
Investment interest expense deduction ¹	7	23.3	--	--	3	3.8
Taxes paid deduction.....	**	**	3	3.0	13	16.5
Charitable contributions deduction.....	--	--	10	10.0	4	5.1
Medical and dental expense deduction.....	16	53.3	--	--	**	**
Net casualty or theft loss deduction.....	--	--	**	**	--	--
Total miscellaneous deductions.....	--	--	7	7.0	34	43.0
Foreign tax credit.....	**	**	--	--	--	--
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.....	54	3.1	187	10.8	75	4.3
Interest paid deduction.....	5	9.3	**	**	22	29.3
Tax-exempt interest ³	**	**	39	20.9	7	9.3
Taxes paid deduction.....	7	13.0	3	1.6	11	14.7
Charitable contributions deduction.....	--	--	8	4.3	6	8.0
Medical and dental expense deduction.....	**	**	--	--	--	--
Net casualty or theft loss deduction.....	--	--	132	70.6	--	--
Total miscellaneous deductions.....	--	--	**	**	26	34.7
Foreign tax credit.....	**	**	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	**	**	--	--	--	--
Partnership and S Corporation net losses.....	4	7.4	--	--	**	**
Foreign-earned income exclusion ³	--	--	--	--	**	**
No second largest item.....	**	**	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	196	16.5	94	7.9	4	(²)	95	8.0
Interest paid deduction.....	33	16.8	21	22.3	**	**	23	24.2
Investment interest expense deduction ¹	5	2.6	8	8.5	--	--	12	12.6
Taxes paid deduction.....	58	29.6	3	3.2	--	--	42	44.2
Charitable contributions deduction.....	13	6.6	**	**	--	--	10	10.5
Medical and dental expense deduction.....	**	**	**	**	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	--	--	**	**
Foreign tax credit.....	--	--	--	--	--	--	--	--
General business credit.....	**	**	--	--	--	--	--	--
All other tax credits.....	**	**	3	3.2	**	**	--	--
Partnership and S Corporation net losses.....	40	20.4	**	**	--	--	5	5.3
No second largest item.....	44	22.4	52	55.3	--	--	**	**
Returns with expanded income of \$200,000 or more								
Total.....	6	0.3	150	8.7	5	(²)	92	5.3
Interest paid deduction.....	**	**	**	**	**	**	24	26.1
Tax-exempt interest ³	**	**	3	2.0	--	--	4	4.3
Taxes paid deduction.....	**	**	3	2.0	--	--	42	45.7
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.....	**	**	**	**	--	--	6	6.5
Foreign-earned income exclusion ³	--	--	124	82.7	--	--	**	**
No second largest item.....	--	--	15	10.0	**	**	7	7.6

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	127	10.7	--	--	--	--
Interest paid deduction.....	4	3.1	--	--	--	--
Investment interest expense deduction ¹	83	65.4	--	--	--	--
Taxes paid deduction.....	**	**	--	--	--	--
Charitable contributions deduction.....	10	7.9	--	--	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	8	6.3	--	--	--	--
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	12	9.4	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	97	5.6	52	3.0	842	48.6
Interest paid deduction.....	6	6.2	6	11.5	110	13.1
Tax-exempt interest ³	14	14.4	**	**	--	--
Taxes paid deduction.....	14	14.4	3	5.8	228	27.1
Charitable contributions deduction.....	10	10.3	**	**	93	11.0
Medical and dental expense deduction.....	--	--	--	--	239	28.4
Net casualty or theft loss deduction.....	--	--	**	**	**	**
Total miscellaneous deductions.....	**	**	--	--	24	2.9
Foreign tax credit.....	**	**	40	76.9	**	**
General business credit.....	**	**	--	--	**	**
All other tax credits.....	15	15.5	--	--	12	1.4
Partnership and S Corporation net losses.....	--	--	--	--	81	9.6
Foreign-earned income exclusion ³	32	33.0	--	--	**	**
No second largest item.....	3	3.1	--	--	41	4.9

** 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 1997

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.....	1,700,179	100.0	398,462	23.4	44,055	2.6
Interest paid deduction.....	582,818	34.3	--	--	8,053	18.3
Investment interest expense deduction ¹	55,885	3.3	9,857	2.5	--	--
Taxes paid deduction.....	520,566	30.6	327,620	82.2	22,620	51.3
Charitable contributions deduction.....	372,114	21.9	41,307	10.4	6,894	15.6
Medical and dental expense deduction.....	4,951	0.3	516	0.1	10	(²)
Net casualty or theft loss deduction.....	66	(²)	**	**	--	--
Total miscellaneous deductions.....	69,146	4.1	13,291	3.3	1,307	3.0
General business credit.....	11,412	0.7	1,198	0.3	653	1.5
All other tax credits.....	10,580	0.6	795	0.2	603	1.4
Partnership and S Corporation net losses.....	38,178	2.2	3,869	1.0	3,594	8.2
No second largest item.....	34,464	2.0	**	**	322	0.7
Returns with expanded income of \$200,000 or more						
Total.....	1,782,673	100.0	388,093	21.8	--	--
Interest paid deduction.....	580,911	32.6	--	--	--	--
Tax-exempt interest ³	124,866	7.0	4,456	1.1	--	--
Taxes paid deduction.....	577,072	32.4	332,112	85.6	--	--
Charitable contributions deduction.....	317,389	17.8	40,736	10.5	--	--
Medical and dental expense deduction.....	7,363	0.4	516	0.1	--	--
Net casualty or theft loss deduction.....	47	0.0	**	**	--	--
Total miscellaneous deductions.....	25,884	1.5	3,948	1.0	--	--
General business credit.....	10,029	0.6	922	0.2	--	--
All other tax credits.....	11,231	0.6	1,036	0.3	--	--
Partnership and S Corporation net losses.....	40,216	2.3	3,997	1.0	--	--
Foreign-earned income exclusion ³	1,995	0.1	361	0.1	--	--
No second largest item.....	85,672	4.8	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	962,775	56.6	144,253	8.5	8,403	0.5
Interest paid deduction.....	521,580	54.2	26,099	18.1	1,457	17.3
Investment interest expense deduction ¹	32,250	3.3	5,801	4.0	12	0.1
Taxes paid deduction.....	--	--	97,546	67.6	3,650	43.4
Charitable contributions deduction.....	309,569	32.2	--	--	1,438	17.1
Medical and dental expense deduction.....	3,342	0.3	673	0.5	--	--
Net casualty or theft loss deduction.....	53	(?)	--	--	**	**
Total miscellaneous deductions.....	43,974	4.6	7,601	5.3	1,647	19.6
General business credit.....	7,344	0.8	1,081	0.7	--	--
All other tax credits.....	7,115	0.7	632	0.4	--	--
Partnership and S Corporation net losses.....	23,580	2.4	4,307	3.0	194	2.3
No second largest item.....	13,967	1.5	513	0.4	**	**
Returns with expanded income of \$200,000 or more						
Total.....	890,377	49.9	129,911	7.3	8,182	0.5
Interest paid deduction.....	514,305	57.8	26,492	20.4	1,457	17.8
Tax-exempt interest ³	83,813	9.4	17,261	13.3	1,486	18.2
Taxes paid deduction.....	--	--	77,134	59.4	2,997	36.6
Charitable contributions deduction.....	237,558	26.7	--	--	1,138	13.9
Medical and dental expense deduction.....	2,158	0.2	323	0.2	--	--
Net casualty or theft loss deduction.....	**	**	--	--	--	--
Total miscellaneous deductions.....	8,727	1.0	3,272	2.5	716	8.8
General business credit.....	5,964	0.7	648	0.5	--	--
All other tax credits.....	5,811	0.7	520	0.4	--	--
Partnership and S Corporation net losses.....	18,746	2.1	3,689	2.8	194	2.4
Foreign-earned income exclusion ³	728	0.1	95	0.1	194	2.4
No second largest item.....	**	**	478	0.4	--	--

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	720	(?)	48,355	2.8	12,231	0.7	16,789	1.0
Interest paid deduction.....	171	23.8	11,231	23.2	1,506	12.3	1,917	11.4
Investment interest expense deduction ¹	3	0.4	1,093	2.3	487	4.0	1,708	10.2
Taxes paid deduction.....	537	74.6	27,903	57.7	4,169	34.1	7,467	44.5
Charitable contributions deduction.....	--	--	6,181	12.8	487	4.0	1,147	6.8
Medical and dental expense deduction.....	--	--	183	0.4	8	0.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	173	1.4	83	0.5
General business credit.....	--	--	160	0.3	--	--	394	2.3
All other tax credits.....	--	--	31	0.1	337	2.8	--	--
Partnership and S Corporation net losses.....	8	1.2	494	1.0	1,589	13.0	543	3.2
No second largest item.....	--	--	1,078	2.2	3,476	28.4	3,529	21.0
Returns with expanded income of \$200,000 or more								
Total.....	677	(?)	10,472	0.6	11,818	0.7	16,066	0.9
Interest paid deduction.....	183	27.0	1,505	14.4	1,749	14.8	2,039	12.7
Tax-exempt interest ³	161	23.8	1,295	12.4	3,292	27.9	1,232	7.7
Taxes paid deduction.....	325	48.0	5,438	51.9	3,979	33.7	7,945	49.5
Charitable contributions deduction.....	--	--	1,265	12.1	531	4.5	964	6.0
Medical and dental expense deduction.....	--	--	158	1.5	8	0.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	--	--	--	--	13	0.1	21	0.1
General business credit.....	--	--	3	(?)	--	--	306	1.9
All other tax credits.....	--	--	3	(?)	288	2.4	--	--
Partnership and S Corporation net losses.....	--	--	93	0.9	638	5.4	297	1.8
Foreign-earned income exclusion ³	8	1.2	155	1.5	--	--	38	0.2
No second largest item.....	--	--	556	5.3	1,319	11.2	3,225	20.1

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	64,137	3.8	--	--	--	--
Interest paid deduction.....	10,803	16.8	--	--	--	--
Investment interest expense deduction ¹	4,675	7.3	--	--	--	--
Taxes paid deduction.....	29,054	45.3	--	--	--	--
Charitable contributions deduction.....	5,091	7.9	--	--	--	--
Medical and dental expense deduction.....	219	0.3	--	--	--	--
Net casualty or theft loss deduction.....	8	(?)	--	--	--	--
Total miscellaneous deductions.....	1,070	1.7	--	--	--	--
General business credit.....	582	0.9	--	--	--	--
All other tax credits.....	1,066	1.7	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	11,569	18.0	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	58,107	3.3	32,438	1.8	236,532	13.3
Interest paid deduction.....	10,421	17.9	8,442	26.0	14,319	6.1
Tax-exempt interest ³	8,708	15.0	3,163	9.8	--	--
Taxes paid deduction.....	25,548	44.0	5,727	17.7	115,865	49.0
Charitable contributions deduction.....	4,841	8.3	1,470	4.5	28,886	12.2
Medical and dental expense deduction.....	45	0.1	154	0.5	4,001	1.7
Net casualty or theft loss deduction.....	--	--	--	--	42	(?)
Total miscellaneous deductions.....	468	0.8	196	0.6	8,523	3.6
General business credit.....	734	1.3	--	--	1,452	0.6
All other tax credits.....	1,166	2.0	777	2.4	1,630	0.7
Partnership and S Corporation net losses.....	--	--	788	2.4	11,775	5.0
Foreign-earned income exclusion ³	141	0.2	--	--	274	0.1
No second largest item.....	6,037	10.4	11,721	36.1	49,764	21.0

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	1,048	100.0	21	2.0	412	39.3
Interest paid deduction.....	181	17.3	--	--	96	23.3
Investment interest expense deduction ¹	115	11.0	6	28.6	--	--
Taxes paid deduction.....	189	18.0	6	28.6	60	14.6
Charitable contributions deduction.....	132	12.6	5	23.8	83	20.1
Medical and dental expense deduction.....	20	1.9	--	--	**	**
Net casualty or theft loss deduction.....	77	7.3	--	--	**	**
Total miscellaneous deductions.....	74	7.1	--	--	23	5.6
General business credit.....	5	0.5	--	--	**	**
All other tax credits.....	15	1.4	--	--	6	1.5
Partnership and S Corporation net losses.....	187	17.8	4	19.0	133	32.3
No second largest item.....	53	5.1	--	--	5	1.2
Returns with expanded income of \$200,000 or more						
Total.....	1,480	100.0	100	6.8	--	--
Interest paid deduction.....	189	12.8	--	--	--	--
Tax-exempt interest ³	82	5.5	12	12.0	--	--
Taxes paid deduction.....	327	22.1	24	24.0	--	--
Charitable contributions deduction.....	137	9.3	7	7.0	--	--
Medical and dental expense deduction.....	294	19.9	24	24.0	--	--
Net casualty or theft loss deduction.....	143	9.7	4	4.0	--	--
Total miscellaneous deductions.....	53	3.6	**	**	--	--
General business credit.....	3	0.2	--	--	--	--
All other tax credits.....	17	1.1	--	--	--	--
Partnership and S Corporation net losses.....	124	8.4	25	25.0	--	--
Foreign-earned income exclusion ³	36	2.4	**	**	--	--
No second largest item.....	75	5.1	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	**	**	28	2.7	100	9.5
Interest paid deduction.....	3	**	3	10.7	3	3.0
Investment interest expense deduction ¹	5	**	7	25.0	--	--
Taxes paid deduction.....	--	--	**	**	**	**
Charitable contributions deduction.....	**	**	--	--	10	10.0
Medical and dental expense deduction.....	--	--	16	57.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	**	**
Total miscellaneous deductions.....	**	**	--	--	7	7.0
General business credit.....	--	--	--	--	--	--
All other tax credits.....	--	--	--	--	--	--
Partnership and S Corporation net losses.....	3	**	**	**	--	--
No second largest item.....	--	--	--	--	**	**
Returns with expanded income of \$200,000 or more						
Total.....	68	4.6	49	3.3	186	12.6
Interest paid deduction.....	19	27.9	5	10.2	3	1.6
Tax-exempt interest ³	7	10.3	**	**	38	20.4
Taxes paid deduction.....	--	--	**	**	3	1.6
Charitable contributions deduction.....	**	**	--	--	8	4.3
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.....	6	8.8	4	8.2	--	--
Foreign-earned income exclusion ³	--	--	--	--	--	--
No second largest item.....	20	29.4	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	79	7.5	196	18.7	**	**	82	7.8
Interest paid deduction.....	21	26.6	33	16.8	--	--	19	23.2
Investment interest expense deduction ¹	3	3.8	5	2.6	--	--	11	13.4
Taxes paid deduction.....	13	16.5	58	29.6	--	--	39	47.6
Charitable contributions deduction.....	**	**	13	6.6	--	--	6	7.3
Medical and dental expense deduction.....	**	**	**	**	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	34	43.0	--	--	--	--	**	**
General business credit.....	--	--	**	**	--	--	--	--
All other tax credits.....	--	--	**	**	**	**	--	--
Partnership and S Corporation net losses.....	**	**	40	20.4	--	--	4	4.9
No second largest item.....	**	**	44	22.4	--	--	**	**
Returns with expanded income of \$200,000 or more								
Total.....	75	5.1	6	0.4	3	0.2	80	5.4
Interest paid deduction.....	22	29.3	**	**	--	--	21	26.3
Tax-exempt interest ³	7	9.3	**	**	--	--	3	3.8
Taxes paid deduction.....	11	14.7	**	**	--	--	39	48.8
Charitable contributions deduction.....	6	8.0	--	--	--	--	5	6.3
Medical and dental expense deduction.....	--	--	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	26	34.7	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	--	--
All other tax credits.....	--	--	--	--	**	**	--	--
Partnership and S Corporation net losses.....	**	**	**	**	--	--	5	6.3
Foreign-earned income exclusion ³	**	**	--	--	--	--	--	--
No second largest item.....	**	**	--	--	**	**	7	8.8

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	114	10.9	--	--	--	--
Interest paid deduction.....	3	2.6	--	--	--	--
Investment interest expense deduction ¹	78	68.4	--	--	--	--
Taxes paid deduction.....	9	7.9	--	--	--	--
Charitable contributions deduction.....	9	7.9	--	--	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--
Total miscellaneous deductions.....	**	**	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	6	5.3	--	--	--	--
Partnership and S Corporation net losses.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	83	5.6	8	0.5	822	55.5
Interest paid deduction.....	5	6.0	**	**	110	13.4
Tax-exempt interest ³	12	14.5	**	**	--	--
Taxes paid deduction.....	13	15.7	3	37.5	**	**
Charitable contributions deduction.....	9	10.8	**	**	86	10.5
Medical and dental expense deduction.....	--	--	--	--	237	28.8
Net casualty or theft loss deduction.....	--	--	**	**	6	0.7
Total miscellaneous deductions.....	**	**	--	--	23	2.8
General business credit.....	**	**	--	--	**	**
All other tax credits.....	**	**	--	--	8	1.0
Partnership and S Corporation net losses.....	--	--	--	--	81	9.9
Foreign-earned income exclusion ³	32	38.6	--	--	**	**
No second largest item.....	3	3.6	--	--	41	5.0

** 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 1997

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.....	1,189	57	62	43	22	10
Interest paid deduction:						
Total.....	1,189	257	243	57	31	24
Investment interest per income concept.....	1,189	458	144	18	19	28
Taxes paid deduction.....	1,189	155	744	172	58	20
Charitable contributions deduction.....	1,189	259	631	63	48	68
Medical and dental expense deduction.....	1,189	1,044	24	8	**	**
Net casualty or theft loss deduction.....	1,189	1,104	**	--	**	**
Net limited miscellaneous deduction per income concept.....	1,189	818	243	60	26	13
Non-limited miscellaneous deduction.....	1,189	956	31	4	3	**
Deduction equivalent of:						
Total credits.....	1,189	912	50	7	**	8
Foreign tax credit.....	1,189	1,048	44	**	--	**
General business credit.....	1,189	1,161	18	3	--	**
Tax preferences excluded from adjusted gross income.....	1,189	770	265	55	33	11
Expanded income concept						
Total itemized deductions.....	1,814	337	323	263	135	107
Interest paid deduction:						
Total.....	1,814	1,157	399	140	63	27
Investment interest per income concept.....	1,814	1,379	299	35	17	11
Taxes paid deduction.....	1,814	408	1,127	181	39	18
Charitable contributions deduction.....	1,814	581	955	100	49	41
Medical and dental expense deduction.....	1,814	1,063	279	65	62	73
Net casualty or theft loss deduction.....	1,814	1,719	**	**	**	4
Net limited miscellaneous deduction per income concept.....	1,814	1,034	642	89	24	6
Non-limited miscellaneous deduction.....	1,814	1,662	26	6	--	--
Deduction equivalent of:						
Total credits.....	1,814	1,424	59	**	24	16
Foreign tax credit.....	1,814	1,562	54	**	15	11
General business credit.....	1,814	1,782	22	4	**	**
Tax preferences excluded from adjusted gross income.....	1,814	558	134	63	54	64

Footnotes at end of table.

High-Income Tax Returns for 1997

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 under	60 percent under	70 percent under	100 percent or more
	50 percent	60 percent	70 percent	100 percent	more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	5	13	6	91	880
Interest paid deduction:					
Total.....	22	34	46	217	258
Investment interest per income concept.....	32	33	46	223	188
Taxes paid deduction.....	9	8	4	6	13
Charitable contributions deduction.....	38	82	--	--	--
Medical and dental expense deduction.....	9	12	6	38	43
Net casualty or theft loss deduction.....	**	**	3	19	56
Net limited miscellaneous deduction per income concept.....	8	7	4	6	4
Non-limited miscellaneous deduction.....	**	5	**	90	96
Deduction equivalent of:					
Total credits.....	17	25	23	142	**
Foreign tax credit.....	**	3	**	87	**
General business credit.....	3	**	--	**	--
Tax preferences excluded from adjusted gross income.....	9	5	10	10	21
Expanded income concept					
Total itemized deductions.....	93	74	77	157	248
Interest paid deduction:					
Total.....	7	**	**	7	7
Investment interest per income concept.....	7	5	8	12	41
Taxes paid deduction.....	8	3	7	7	16
Charitable contributions deduction.....	35	10	11	15	17
Medical and dental expense deduction.....	60	60	38	72	42
Net casualty or theft loss deduction.....	3	3	4	23	51
Net limited miscellaneous deduction per income concept.....	6	4	--	5	4
Non-limited miscellaneous deduction.....	--	3	--	79	38
Deduction equivalent of:					
Total credits.....	30	48	68	128	**
Foreign tax credit.....	17	31	44	73	**
General business credit.....	**	**	--	**	--
Tax preferences excluded from adjusted gross income.....	64	78	94	564	141

** 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 1997

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.....	1,048	**	31	30	15	6
Interest paid deduction:						
Total.....	1,048	195	203	46	27	19
Investment interest per income concept.....	1,048	371	111	17	18	28
Taxes paid deduction.....	1,048	87	687	159	55	20
Charitable contributions deduction.....	1,048	188	577	58	44	65
Medical and dental expense deduction.....	1,048	908	22	6	**	**
Net casualty or theft loss deduction.....	1,048	963	**	--	**	**
Net limited miscellaneous deduction per income concept.....	1,048	696	226	59	25	13
Non-limited miscellaneous deduction.....	1,048	816	30	4	3	**
Deduction equivalent of:						
Total credits.....	1,048	912	33	**	**	4
Foreign tax credit.....	1,048	1,048	--	--	--	--
General business credit.....	1,048	1,030	11	**	--	**
Tax preferences excluded from adjusted gross income.....	1,048	670	234	52	29	11
Expanded income concept						
Total itemized deductions.....	1,562	216	268	227	126	99
Interest paid deduction:						
Total.....	1,562	999	335	122	56	23
Investment interest per income concept.....	1,562	1,188	247	34	17	9
Taxes paid deduction.....	1,562	267	1,032	172	34	17
Charitable contributions deduction.....	1,562	433	873	93	47	36
Medical and dental expense deduction.....	1,562	829	266	62	62	71
Net casualty or theft loss deduction.....	1,562	1,467	3	**	**	4
Net limited miscellaneous deduction per income concept.....	1,562	816	613	85	23	6
Non-limited miscellaneous deduction.....	1,562	1,413	23	6	--	--
Deduction equivalent of:						
Total credits.....	1,562	1,424	38	5	**	**
Foreign tax credit.....	1,562	1,562	--	--	--	--
General business credit.....	1,562	1,545	12	**	--	**
Tax preferences excluded from adjusted gross income.....	1,562	369	105	55	50	62

Footnotes at end of table.

High-Income Tax Returns for 1997

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 under	60 percent under	70 percent under	100 percent or more
	50 percent	60 percent	70 percent	100 percent	more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	**	7	3	71	880
Interest paid deduction:					
Total.....	22	31	43	204	258
Investment interest per income concept.....	32	29	43	211	188
Taxes paid deduction.....	9	8	4	6	13
Charitable contributions deduction.....	38	78	--	--	--
Medical and dental expense deduction.....	9	12	6	38	43
Net casualty or theft loss deduction.....	**	**	3	19	56
Net limited miscellaneous deduction per income concept.....	8	7	4	6	4
Non-limited miscellaneous deduction.....	**	5	**	90	96
Deduction equivalent of:					
Total credits.....	9	14	19	51	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	3	**	--	--	--
Tax preferences excluded from adjusted gross income.....	9	4	9	9	21
Expanded income concept					
Total itemized deductions.....	84	70	73	152	247
Interest paid deduction:					
Total.....	6	**	**	7	7
Investment interest per income concept.....	6	5	8	12	36
Taxes paid deduction.....	8	3	6	7	16
Charitable contributions deduction.....	31	8	11	14	16
Medical and dental expense deduction.....	60	60	38	72	42
Net casualty or theft loss deduction.....	3	3	4	23	51
Net limited miscellaneous deduction per income concept.....	6	4	--	5	4
Non-limited miscellaneous deduction.....	--	3	--	79	38
Deduction equivalent of:					
Total credits.....	7	11	21	51	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	**	--	--	--
Tax preferences excluded from adjusted gross income.....	62	77	92	549	141

** 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 1997

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	Percentage of total	Number of returns	Percentage of total	Number of returns
	(1)	(2)	(3)	(4)	(5)
All returns.....	122,421,991	100.0	93,601,030	100.0	21,635,161
Returns without U.S. income tax.....	23,605,832	19.3	23,557,650	25.2	43,258
Returns with U.S. income tax.....	98,816,159	80.7	70,043,380	74.8	21,591,904
Effective tax rate:					
Under 5 percent.....	18,838,566	15.4	18,568,300	19.8	231,413
5 under 10 percent.....	38,022,167	31.1	32,861,739	35.1	5,068,861
10 under 15 percent.....	28,371,218	23.2	16,395,503	17.5	10,902,330
15 under 20 percent.....	10,021,198	8.2	2,028,956	2.2	4,815,696
20 under 25 percent.....	2,491,324	2.0	124,895	0.1	560,678
25 under 30 percent.....	716,590	0.6	39,679	(?)	3,834
30 under 35 percent.....	271,084	0.2	9,225	(?)	1,501
35 under 40 percent.....	58,607	(?)	--	--	3,205
40 under 45 percent.....	2,991	(?)	1,009	(?)	49
45 under 50 percent.....	1,746	(?)	1,222	(?)	15
50 under 60 percent.....	3,489	(?)	1,161	(?)	347
60 under 70 percent.....	942	(?)	16	(?)	--
70 under 80 percent.....	641	(?)	404	(?)	3
80 percent or more.....	15,596	(?)	11,272	(?)	3,972

Tax status, effective tax rate	Size of adjusted gross income--continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(6)	(7)	(8)	(9)	(10)
All returns.....	100.0	5,377,899	100.0	1,807,900	100.0
Returns without U.S. income tax.....	0.2	3,735	0.1	1,189	0.1
Returns with U.S. income tax.....	99.8	5,374,164	99.9	1,806,711	99.9
Effective tax rate:					
Under 5 percent.....	1.1	29,810	0.6	9,043	0.5
5 under 10 percent.....	23.4	81,101	1.5	10,466	0.6
10 under 15 percent.....	50.4	1,035,209	19.2	38,177	2.1
15 under 20 percent.....	22.3	3,007,996	55.9	168,550	9.3
20 under 25 percent.....	2.6	1,137,108	21.1	668,643	37.0
25 under 30 percent.....	(?)	76,033	1.4	597,043	33.0
30 under 35 percent.....	(?)	3,346	0.1	257,012	14.2
35 under 40 percent.....	(?)	959	(?)	54,443	3.0
40 under 45 percent.....	(?)	608	(?)	1,326	0.1
45 under 50 percent.....	(?)	3	(?)	506	(?)
50 under 60 percent.....	(?)	1,524	(?)	457	(?)
60 under 70 percent.....	--	403	(?)	523	(?)
70 under 80 percent.....	(?)	15	(?)	219	(?)
80 percent or more.....	(?)	50	(?)	304	(?)

Footnotes at end of table.

High-Income Tax Returns for 1997

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.....	122,421,991	100.0	93,122,795	76.1	22,055,194
Returns without U.S. income tax.....	23,605,832	19.3	23,489,890	25.2	105,056
Returns with U.S. income tax.....	98,816,159	80.7	69,632,905	74.8	21,950,138
Effective tax rate:					
Under 5 percent.....	19,811,963	16.2	19,448,559	20.9	276,008
5 under 10 percent.....	37,454,898	30.6	31,907,503	34.3	5,417,618
10 under 15 percent.....	28,039,992	22.9	16,033,591	17.2	10,958,819
15 under 20 percent.....	10,042,765	8.2	2,062,482	2.2	4,744,990
20 under 25 percent.....	2,426,881	2.0	123,907	0.1	535,532
25 under 30 percent.....	694,065	0.6	34,040	(²)	6,990
30 under 35 percent.....	265,843	0.2	7,970	(²)	2,492
35 under 40 percent.....	54,301	(²)	46	(²)	3,205
40 under 45 percent.....	4,428	(²)	2,117	(²)	90
45 under 50 percent.....	1,729	(²)	1,261	(²)	16
50 under 60 percent.....	2,429	(²)	109	(²)	359
60 under 70 percent.....	647	(²)	13	(²)	41
70 under 80 percent.....	990	(²)	358	(²)	--
80 percent or more.....	15,228	(²)	10,951	(²)	3,977

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.....	18.0	5,389,971	4.4	1,854,031	100.0
Returns without U.S. income tax.....	0.5	9,072	0.2	1,814	0.1
Returns with U.S. income tax.....	99.5	5,380,899	99.8	1,852,217	99.9
Effective tax rate:					
Under 5 percent.....	1.3	62,109	1.2	25,287	1.4
5 under 10 percent.....	24.6	107,501	2.0	22,276	1.2
10 under 15 percent.....	49.7	989,497	18.4	58,086	3.1
15 under 20 percent.....	21.5	3,039,590	56.4	195,703	10.6
20 under 25 percent.....	2.4	1,102,655	20.5	664,788	35.9
25 under 30 percent.....	(²)	72,297	1.3	580,738	31.3
30 under 35 percent.....	(²)	3,579	0.1	251,802	13.6
35 under 40 percent.....	(²)	880	(²)	50,171	2.7
40 under 45 percent.....	(²)	743	(²)	1,477	0.1
45 under 50 percent.....	(²)	--	--	452	(²)
50 under 60 percent.....	(²)	1,575	(²)	386	(²)
60 under 70 percent.....	(²)	53	(²)	540	(²)
70 under 80 percent.....	--	367	(²)	265	(²)
80 percent or more.....	(²)	54	(²)	247	(²)

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 1997

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.....	122,421,991	100.0	93,601,030	100.0	21,635,161
Returns without worldwide income tax.....	23,580,321	19.3	23,532,797	25.1	42,872
Returns with worldwide income tax.....	98,841,670	80.7	70,068,233	74.9	21,592,290
Effective tax rate:					
Under 5 percent.....	18,783,257	15.3	18,543,944	19.8	217,893
5 under 10 percent.....	38,001,288	31.0	32,857,646	35.1	5,061,293
10 under 15 percent.....	28,386,652	23.2	16,429,221	17.6	10,896,226
15 under 20 percent.....	10,032,871	8.2	2,035,841	2.2	4,829,735
20 under 25 percent.....	2,504,872	2.0	124,892	0.1	565,954
25 under 30 percent.....	729,850	0.6	42,195	(?)	4,548
30 under 35 percent.....	282,671	0.2	9,225	(?)	2,214
35 under 40 percent.....	70,813	0.1	356	(?)	5,758
40 under 45 percent.....	9,006	(?)	2,136	(?)	407
45 under 50 percent.....	7,015	(?)	1,371	(?)	1,439
50 under 60 percent.....	6,110	(?)	3,004	(?)	349
60 under 70 percent.....	3,600	(?)	16	(?)	1,782
70 under 80 percent.....	3,608	(?)	3,016	(?)	359
80 percent or more.....	20,058	(?)	15,371	(?)	4,331
	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	5,377,899	100.0	1,807,900	100.0
Returns without worldwide income tax.....	0.2	3,604	0.1	1,048	0.1
Returns with worldwide income tax.....	99.8	5,374,295	99.9	1,806,852	99.9
Effective tax rate:					
Under 5 percent.....	1.0	17,196	0.3	4,223	0.2
5 under 10 percent.....	23.4	75,591	1.4	6,758	0.4
10 under 15 percent.....	50.4	1,028,890	19.1	32,314	1.8
15 under 20 percent.....	22.3	3,003,755	55.9	163,540	9.0
20 under 25 percent.....	2.6	1,147,366	21.3	666,660	36.9
25 under 30 percent.....	(?)	83,086	1.5	600,022	33.2
30 under 35 percent.....	(?)	7,167	0.1	264,064	14.6
35 under 40 percent.....	(?)	3,982	0.1	60,716	3.4
40 under 45 percent.....	(?)	1,436	(?)	5,027	0.3
45 under 50 percent.....	(?)	2,448	(?)	1,756	0.1
50 under 60 percent.....	(?)	2,040	(?)	717	(?)
60 under 70 percent.....	(?)	1,271	(?)	532	(?)
70 under 80 percent.....	(?)	15	(?)	219	(?)
80 percent or more.....	(?)	52	(?)	305	(?)

Footnotes at end of table.

High-Income Tax Returns for 1997

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			
			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.....	122,421,991	100.0	93,122,795	76.1	22,055,194	
Returns without worldwide income tax.....	23,580,321	19.3	23,467,691	25.2	103,531	
Returns with worldwide income tax.....	98,841,670	80.7	69,655,104	74.8	21,951,663	
Effective tax rate:						
Under 5 percent.....	19,747,305	16.1	19,428,264	20.9	265,196	
5 under 10 percent.....	37,437,795	30.6	31,911,676	34.3	5,408,381	
10 under 15 percent.....	28,072,658	22.9	16,068,268	17.3	10,960,414	
15 under 20 percent.....	10,058,462	8.2	2,063,603	2.2	4,758,625	
20 under 25 percent.....	2,446,420	2.0	125,163	0.1	538,910	
25 under 30 percent.....	711,951	0.6	35,296	(²)	8,474	
30 under 35 percent.....	277,583	0.2	7,970	(²)	2,492	
35 under 40 percent.....	60,872	(²)	46	(²)	3,205	
40 under 45 percent.....	7,050	(²)	2,117	(²)	1,574	
45 under 50 percent.....	1,890	(²)	1,261	(²)	16	
50 under 60 percent.....	2,449	(²)	109	(²)	359	
60 under 70 percent.....	649	(²)	13	(²)	41	
70 under 80 percent.....	990	(²)	358	(²)	--	
80 percent or more.....	15,596	(²)	10,962	(²)	3,977	
			Size of expanded 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 (16)	Number of returns (17)	Percentage of total (18)	Number of returns (19)	Percentage of total (20)	
All returns.....	18.0	5,389,971	4.4	1,854,031	100.0	
Returns without worldwide income tax.....	0.5	7,538	0.1	1,562	0.1	
Returns with worldwide income tax.....	99.5	5,382,433	99.9	1,852,469	99.9	
Effective tax rate:						
Under 5 percent.....	1.2	42,160	0.8	11,686	0.6	
5 under 10 percent.....	24.5	102,369	1.9	15,368	0.8	
10 under 15 percent.....	49.7	991,957	18.4	52,020	2.8	
15 under 20 percent.....	21.6	3,042,419	56.4	193,815	10.5	
20 under 25 percent.....	2.4	1,115,225	20.7	667,123	36.0	
25 under 30 percent.....	(²)	77,732	1.4	590,449	31.8	
30 under 35 percent.....	(²)	5,477	0.1	261,644	14.1	
35 under 40 percent.....	(²)	1,592	(²)	56,030	3.0	
40 under 45 percent.....	(²)	1,099	(²)	2,260	0.1	
45 under 50 percent.....	(²)	--	--	614	(²)	
50 under 60 percent.....	(²)	1,575	(²)	406	(²)	
60 under 70 percent.....	(²)	53	(²)	542	(²)	
70 under 80 percent.....	--	367	(²)	265	(²)	
80 percent or more.....	(²)	410	(²)	248	(²)	

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.