

High-Income Tax Returns for 2002

by Brian Balkovic

The Tax Reform Act of 1976 requires 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 2.4 million high-income returns for 2002, as well as summary data for the period 1977 to 2001. Detailed data for the years 1974 through 2001 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

Figure A and Table 1 show that, for 2002, there were 2,414,128 individual income tax returns reporting AGI of \$200,000 or more, and 2,464,515 returns with expanded income of \$200,000 or more. These returns represented 1.856 percent and 1.895 percent, respectively, of all returns for 2002.

From 1977 to 2000, the number of returns reporting income of \$200,000 or more increased at a much greater rate than the total number of returns filed. This pattern was true under both income concepts. For 2001, although the total number of returns in-

creased, both the number of high AGI returns and high expanded-income returns fell by over 7 percent. That represented the first decrease under either income concept since the Tax Reform Act of 1976 required that data be published on individual income tax returns reporting \$200,000 or more. For 2002, the number of high-income returns decreased again, by 6.0 percent as measured by AGI and by 5.4 percent as measured by expanded income. (For 2002, the total number of tax returns decreased 0.1 percent, marking the first decrease in the total number of returns since the early 1990’s.) Thus, for 2002, both the numbers of high-income returns and their percentage of all returns were lower than in 2000.

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 for 2002 was only 6.0 times the number for 1977. However, the number of high-income returns for 2002 measured in current-year dollars was 36.5 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 through 2000, when it began to decline slightly. The share of high expanded-income returns in 1976 constant dollars decreased from 2000

Brian Balkovic is an economist with the Individual Statistics Branch 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 1977-2002

Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	86,634,640	53,403	67,580	0.062	0.078
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
1998.....	124,770,662	2,085,211	2,132,301	1.671	1.709
1999.....	127,075,145	2,429,942	2,479,556	1.912	1.951
2000.....	129,373,500	2,771,577	2,807,804	2.142	2.170
2001.....	130,255,237	2,567,220	2,605,021	1.971	2.000
2002.....	130,076,443	2,414,128	2,464,515	1.856	1.895

Tax year	Current dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000 income threshold measured in 1976 constant dollars ¹			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.053	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
1998.....	572,934	385,183	396,207	0.309	0.318
1999.....	585,589	436,118	446,583	0.343	0.351
2000.....	605,272	482,396	492,589	0.373	0.381
2001.....	622,495	391,901	400,906	0.301	0.308
2002.....	632,337	345,892	356,402	0.266	0.274

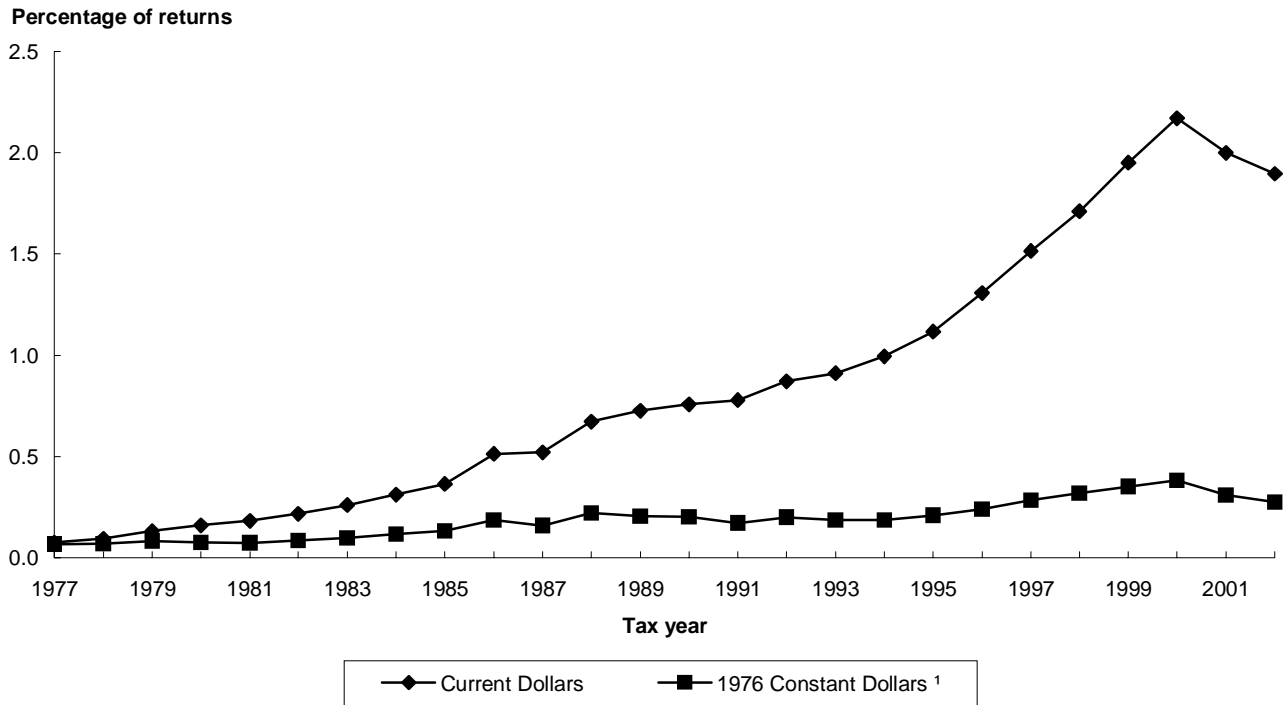
¹ 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers. See footnote 6 of this article for further details.

NOTE: See Figure G for the derivation of expanded income.

High-Income Tax Returns for 2002

Figure B

Returns With Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current Dollars and in 1976 Constant Dollars, Tax Years 1977-2002



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 G for the derivation of expanded income.

to 2002. For 2002, the share of high-expanded income returns in constant dollars was 0.274 percent, a decline from 0.308 percent in 2001 and a peak of 0.381 percent in 2000. Figure B shows the difference between the constant and current-dollar shares of high expanded-income returns.

Based on AGI, the number of high-income returns for 2002 measured in current-year dollars was 45.2 times as large as for 1977. Measured in 1976 constant dollars, the number of returns for 2002 was only 7.5 times the number for 1977. For Tax Year 2002, the share of high AGI income returns in constant dollars fell to 0.266 percent from 0.301 percent in 2001 and a peak of 0.373 percent in 2000.

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 2002, of the 2,414,128 income tax returns with AGI of \$200,000 or more, 2,959 (0.123 percent) showed no U.S. income tax liability; and 2,551 (0.106 percent) showed no worldwide income tax liability (the top panel of Figure C) [9]. For 2001, of the

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Figure C

Nontaxable Returns With Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Tax and Income Concept, Tax Years 1977-2002

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
1998.....	1,467	2,224	1,283	1,914	0.070	0.104	0.062	0.090
1999.....	1,605	2,525	1,398	2,174	0.067	0.102	0.058	0.088
2000.....	2,328	2,766	2,022	2,320	0.084	0.099	0.073	0.083
2001.....	3,385	4,910	2,875	4,119	0.132	0.188	0.112	0.158
2002.....	2,959	5,650	2,551	4,922	0.123	0.229	0.106	0.200

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
1998.....	290	289	251	253	0.075	0.073	0.065	0.064
1999.....	351	343	296	293	0.082	0.077	0.069	0.066
2000.....	464	365	390	290	0.096	0.074	0.081	0.059
2001.....	694	648	567	519	0.177	0.162	0.145	0.129
2002.....	520	616	437	530	0.150	0.173	0.126	0.149

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 G for the derivation of expanded income. See Figure H for the Tax Year 2002 derivation of U.S. income tax and worldwide income tax.

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2,567,220 returns with AGI of \$200,000 and over, 3,385 returns (0.132 percent) had no U.S. income tax liability, and 2,875 returns (0.112 percent) had no worldwide income tax liability.

For 2002, of the 2,464,515 tax returns with expanded income of \$200,000 or more, 5,650 (0.229 percent) had no U.S. income tax liability; and 4,922 (0.200 percent) had no worldwide income tax liability. For 2001, of the 2,605,021 returns with expanded income of \$200,000 or more, there were 4,910 (0.188 percent) with no U.S. income tax liability and 4,119 (0.158 percent) with no worldwide income tax liability.

Thus, whether measured by absence of U.S. income tax or absence of worldwide income tax, the proportion of nontaxable high-expanded income returns increased between 2001 and 2002. In contrast, the proportion of nontaxable high-AGI returns declined slightly from 2001 to 2002 whether measured by U.S. income tax liability or worldwide income tax liability.

Although the number of nontaxable, high expanded-income returns, as measured by absence of U.S. income tax, increased in most years since 1977, that increase was largely attributable to the growth from 1977 through 2000 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 2002 nontaxable, high-income returns in 1976 constant dollars were much lower than the numbers in current dollars. The percentages of nontaxable returns, however, 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, 0.123 percent reported no U.S. income tax for 2002; and 0.106 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.150; the percentage without worldwide income tax liability was 0.126 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.229 percent reported no

U.S. income tax for 2002, and 0.200 percent had no worldwide income tax. When looking at these returns using 1976 constant dollars, the percentage without U.S. income tax liability was 0.173; the percentage without worldwide income tax liability was 0.149.

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-expanded income returns for 1977 through 2002. 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 also narrowed from 1994 through 1997 and then increased in 1998. The spread narrowed again in 1999 and did not increase significantly until 2002 when 0.200 percent of returns with expanded income were high-income and nontaxable in current dollars and just 0.149 percent in constant dollars.

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.

Detailed Data for 2002

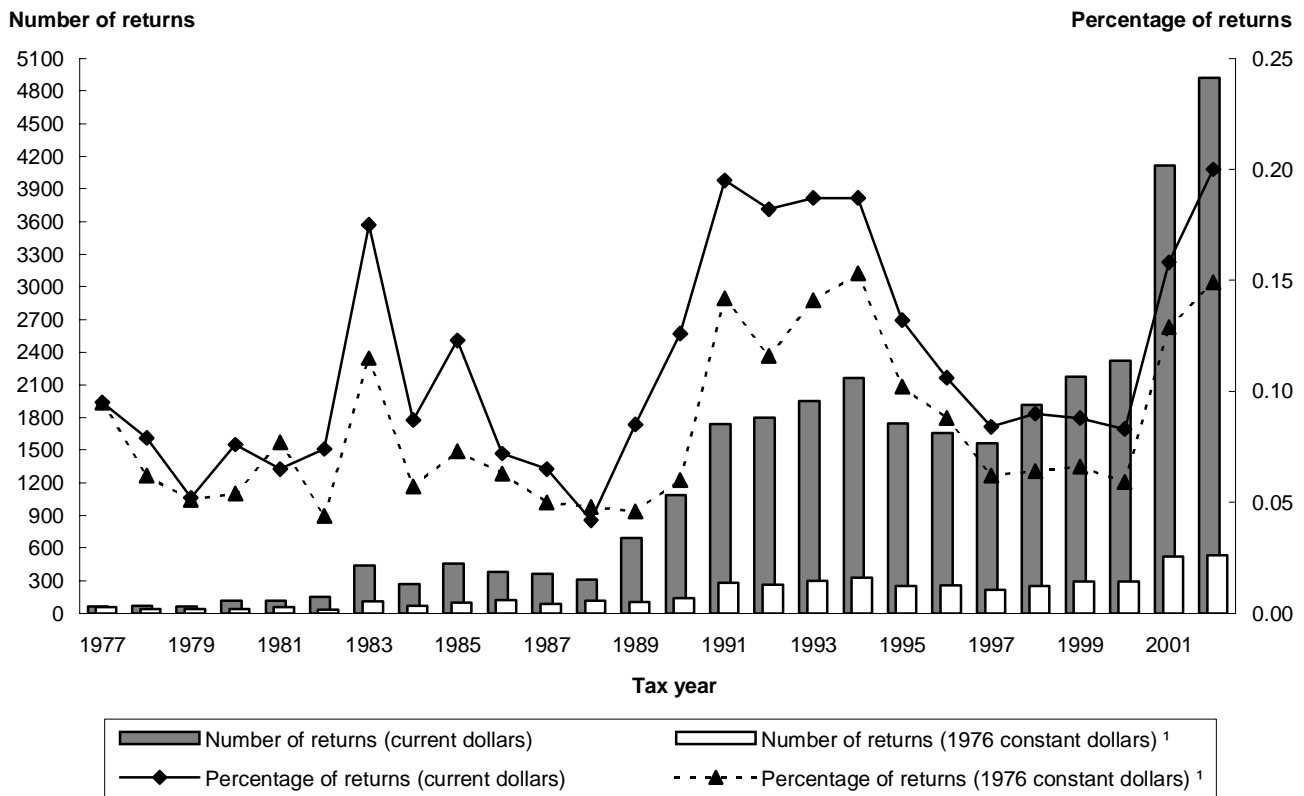
Tables 1 through 12 present data based on income tax returns for 2002, mainly those with income of \$200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- ❑ The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income-size classes (Tables 1 and 2);

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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 1977-2002



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 G for the derivation of expanded income. See Figure H for the Tax Year 2002 derivation of U.S. income tax and worldwide income tax.

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

occur as certain percentages of income (Tables 9 and 10); and

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

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

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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 the number of nontaxable returns is greater in each income class over \$50,000 when income is measured by economic income rather than by AGI. Table 1 shows that 2,959 returns with no U.S. income tax had an AGI of \$200,000 or more; and 5,650 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 (0.2 percent).
- ❑ 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.” (Around 0.8 percent of high expanded-income taxpayers who reported at least some worldwide tax liability were able to reduce their taxable incomes to less than 25 percent of their expanded incomes.)
- ❑ Overall, a large portion of high-income taxpayers were subject to tax on a large share of their incomes and, consequently, reported very substantial amounts of tax. (65.4 percent of high-expanded income taxpayers had taxable income equal to 80 percent or more of expanded income; and 96.3 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 2.3 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, 37.2 percent had effective tax rates of 25 percent or more. In addition, 39.1 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.

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

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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 exemption of \$49,000 on joint returns (\$35,750 on single and head-of-household returns and \$24,500 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 50.0 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 59.1 percent of the time, and the charitable contributions deduction was the second most important item 26.7 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 eliminating tax, on 65.6 percent of returns, was the exclusion for State and local government interest (“tax-exempt interest”). For these returns, the itemized deduction for taxes paid was the second most important item 23.1 percent of the time, and the deduction for medical

and dental expenses was the second most important reason 19.1 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 total miscellaneous deductions (734 returns, or 28.8 percent of the 2,551 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); investment interest expense deduction (529 returns, or 20.7 percent); “all other” tax credits [15] (369 returns, or 14.5 percent); and medical and dental expense deduction (276 returns, or 10.8 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 (3,228 returns, or 65.6 percent of the 4,922 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); medical and dental expense deductions (547 returns, or 11.1 percent); “all other” tax credits (366 returns, or 7.4 percent); and Partnership and S corporation net losses (277 returns, or 5.6 percent). These effects are also shown graphically in Figure F.

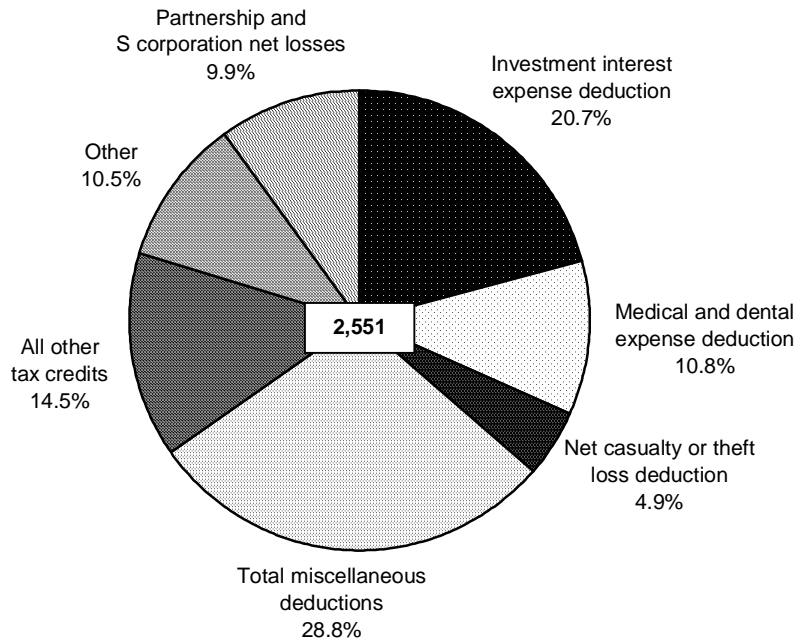
Table 8 also shows the two items that most frequently had the second largest effect in reducing regular tax liability for high expanded-income returns with no worldwide tax. These were the deduction for taxes paid (1,034 returns, or 21.0 percent) and the deduction for medical and dental expense deduction (653 returns, or 13.3 percent).

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. Tables 9 and 10 show the number of times that various items reduced income by different percentages 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 83 of the 4,922 returns, but there was no casualty or theft loss deduction on 4,770 returns.

High-Income Tax Returns for 2002

Figure E

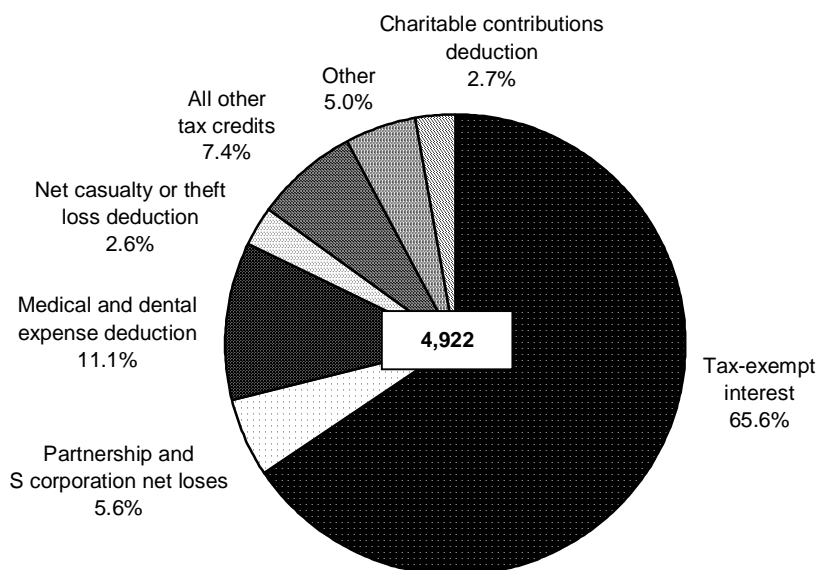
Returns With No Worldwide Income Tax and With Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 2002



NOTE: Percentages may not total to 100 because of rounding.

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 2002



NOTE: See Figure G for the derivation of expanded income.

High-Income Tax Returns for 2002

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;
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108; "High-Income Tax Returns for 1996," *Statistics of Income Bulletin*, Winter 1998-1999, Volume 18, Number 3, pp. 7-59.

Parisi, Michael, "High-Income Tax Returns for 1997," *Statistics of Income Bulletin*, Winter 1999-2000, Volume 19, Number 3, pp. 6-58.

Balkovic, Brian, "High-Income Tax Returns for 1998," *Statistics of Income Bulletin*, Winter 2000-2001, Volume 20, Number 3, pp. 5-57; "High-Income Tax Returns for 1999," *Statistics of Income Bulletin*, Spring 2002, Volume 21, Number 4, pp. 7-58; "High-Income Tax Returns for 2000," *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4, pp. 10-62; "High-Income Tax Returns for 2001," *Statistics of Income Bulletin*, Summer 2004, Volume 24, Number 1, pp. 65-117.

- [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 the current year. 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, Note A4.
- [6] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.
- [7] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income--Individual Income Tax Returns* (see footnote 2), the "U.S. income tax" concept

High-Income Tax Returns for 2002

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 phaseout range, the phaseout income is not relevant for nontaxable, high-income 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.
- [15] “All other” tax credits include: child and dependent care credit, credit for the elderly and disabled, child tax credit, education credits, rate reduction credit, retirement savings contribution

credit, adoption credit, minimum tax credit, mortgage interest credit, empowerment zone employment credit, New York Liberty Zone credit, nonconventional source fuel credit, qualified electrical vehicle credit, and DC first-time home buyer credit.

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

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

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

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

should be "grossed up" by implicit taxes to properly measure H-S income.

Adjusted Gross Income

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

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

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated. AGI also excludes some expenses not related to earning income, such as contributions to self-employed retirement (Keogh) plans, deductible contributions to Individual Retirement Arrangements (IRA's), the portion of Social Security contributions for self-employed workers that is analogous to the employer share of such contributions for employees, and contributions to medical savings accounts. 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); and expenses attributable to a taxpayer's (passive) investments (as opposed to

active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses.

Although 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 production of income, including those related to any

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-2002

Adjusted gross income (AGI)

- PLUS:
- 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:
- 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 income
 - o Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)

EQUALS: o Expanded income

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

income-producing investments, without limit. Investment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and capital gains.)

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

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and nonincome-producing assets, such

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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 [A5]. 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.

Beginning in 1987, taxpayers were required to report on their Federal income tax returns the amounts 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 nonlimited 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] 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 (precredit) U.S. tax liability attributable

to foreign-source income. This limit prevents the foreign tax credit from offsetting the U.S. tax on U.S.-source income.

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

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.

High-Income Tax Returns for 2002

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 2002

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

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

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

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

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated may affect

the value of their deduction equivalents. Because the tax rate schedules are progressive, with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first, unless all relevant taxable income amounts are within a single tax-rate bracket.

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

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[B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset precredit U.S. income tax liability with foreign tax credits.

[B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax

liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate or understate worldwide taxes on current-year income.

Source: IRS, Statistics of Income Spring Bulletin, Publication 1136, June 2005.

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Table 1.--Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2002

[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.....	130,076,443	92,594,957	26,644,756	8,422,603	2,414,128
Under \$50,000 ¹	91,896,545	91,169,538	717,410	6,869	2,728
\$50,000 under \$100,000.....	27,403,702	1,386,294	25,698,053	315,191	4,165
\$100,000 under \$200,000.....	8,311,681	34,705	223,352	8,006,731	46,893
\$200,000 or more.....	2,464,515	4,421	5,940	93,812	2,360,342
Returns with U.S. income tax					
Total.....	93,565,364	56,369,959	26,376,560	8,407,677	2,411,169
Under \$50,000 ¹	55,761,488	55,086,511	668,444	4,692	1,841
\$50,000 under \$100,000.....	27,067,514	1,261,062	25,488,506	313,930	4,017
\$100,000 under \$200,000.....	8,277,497	19,766	214,792	7,996,325	46,614
\$200,000 or more.....	2,458,865	2,620	4,818	92,730	2,358,697
Returns without U.S. income tax					
Total.....	36,511,079	36,224,998	268,196	14,926	2,959
Under \$50,000 ¹	36,135,057	36,083,027	48,966	2,177	887
\$50,000 under \$100,000.....	336,187	125,232	209,547	1,261	148
\$100,000 under \$200,000.....	34,184	14,939	8,560	10,406	279
\$200,000 or more.....	5,650	1,801	1,122	1,082	1,645

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

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

High-Income Tax Returns for 2002

Table 2.--Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2002

[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.....	130,076,443	92,594,957	26,644,756	8,422,603	2,414,128
Under \$50,000 ¹	91,896,545	91,169,538	717,410	6,869	2,728
\$50,000 under \$100,000.....	27,403,702	1,386,294	25,698,053	315,191	4,165
\$100,000 under \$200,000.....	8,311,681	34,705	223,352	8,006,731	46,893
\$200,000 or more.....	2,464,515	4,421	5,940	93,812	2,360,342
Returns with worldwide income tax					
Total.....	93,688,357	56,474,618	26,394,161	8,408,001	2,411,577
Under \$50,000 ¹	55,855,405	55,180,201	668,651	4,704	1,848
\$50,000 under \$100,000.....	27,086,829	1,264,961	25,503,913	313,930	4,026
\$100,000 under \$200,000.....	8,286,530	26,784	216,648	7,996,460	46,638
\$200,000 or more.....	2,459,593	2,672	4,949	92,907	2,359,065
Returns without worldwide income tax					
Total.....	36,388,087	36,120,339	250,595	14,602	2,551
Under \$50,000 ¹	36,041,140	35,989,337	48,759	2,164	880
\$50,000 under \$100,000.....	316,873	121,332	194,140	1,261	139
\$100,000 under \$200,000.....	25,152	7,920	6,705	10,272	255
\$200,000 or more.....	4,922	1,749	991	905	1,277

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

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

High-Income Tax Returns for 2002

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, Tax Year 2002

[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.....	2,414,128	100.0	100.0	2,464,515	100.0	100.0
Returns without U.S. income tax.....	2,959	0.1	0.1	5,650	0.2	0.2
Returns with U.S. income tax:						
Total.....	2,411,169	99.9	--	2,458,865	99.8	--
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent.....	1,558	0.1	0.2	1,819	0.1	0.3
5 under 10 percent.....	2,197	0.1	0.3	8,707	0.4	0.7
10 under 15 percent.....	5,408	0.2	0.5	17,184	0.7	1.4
15 under 20 percent.....	8,488	0.4	0.9	6,540	0.3	1.6
20 under 25 percent.....	5,251	0.2	1.1	8,428	0.3	2.0
25 under 30 percent.....	4,838	0.2	1.3	9,015	0.4	2.3
30 under 35 percent.....	5,444	0.2	1.5	11,645	0.5	2.8
35 under 40 percent.....	8,779	0.4	1.9	16,428	0.7	3.5
40 under 45 percent.....	10,231	0.4	2.3	16,429	0.7	4.1
45 under 50 percent.....	15,715	0.7	2.9	22,640	0.9	5.1
50 under 60 percent.....	63,557	2.6	5.6	76,267	3.1	8.1
60 under 70 percent.....	165,124	6.8	12.4	179,018	7.3	15.4
70 under 80 percent.....	519,440	21.5	33.9	513,364	20.8	36.2
80 percent or more.....	1,595,135	66.1	100.0	1,571,376	63.8	100.0

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

High-Income Tax Returns for 2002

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, Tax Year 2002

[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.....	2,414,128	100.0	100.0	2,464,515	100.0	100.0
Returns without worldwide income tax.....	2,551	0.1	0.1	4,922	0.2	0.2
Returns with worldwide income tax:						
Total.....	2,411,577	99.9	--	2,459,593	99.8	--
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent.....	1,747	0.1	0.2	1,440	0.1	0.3
5 under 10 percent.....	1,462	0.1	0.2	3,068	0.1	0.4
10 under 15 percent.....	1,979	0.1	0.3	5,917	0.2	0.6
15 under 20 percent.....	1,651	0.1	0.4	3,736	0.2	0.8
20 under 25 percent.....	3,643	0.2	0.5	5,578	0.2	1.0
25 under 30 percent.....	4,294	0.2	0.7	6,259	0.3	1.3
30 under 35 percent.....	4,074	0.2	0.9	9,180	0.4	1.6
35 under 40 percent.....	7,531	0.3	1.2	13,551	0.5	2.2
40 under 45 percent.....	8,490	0.4	1.5	16,527	0.7	2.8
45 under 50 percent.....	14,722	0.6	2.2	21,443	0.9	3.7
50 under 60 percent.....	59,017	2.4	4.6	73,618	3.0	6.7
60 under 70 percent.....	160,136	6.6	11.2	176,932	7.2	13.9
70 under 80 percent.....	511,861	21.2	32.4	510,920	20.7	34.6
80 percent or more.....	1,630,970	67.6	100.0	1,611,424	65.4	100.0

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

High-Income Tax Returns for 2002

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, Tax Year 2002

[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.....	2,096,767	640,711,117	2,095,163	640,356,069	1,604	355,048
Business or profession:						
Net income.....	492,422	57,533,926	491,977	57,474,599	445	59,326
Net loss.....	142,056	3,602,104	141,677	3,524,242	379	77,862
Farm:						
Net income.....	15,099	711,581	15,077	708,335	22	3,246
Net loss.....	51,541	2,212,697	51,416	2,177,602	125	35,095
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	866,285	236,696,136	865,659	236,535,462	626	160,674
Net loss.....	246,354	18,873,926	245,363	18,262,617	991	611,309
Sales of capital assets:						
Net gain.....	794,561	193,333,721	793,345	192,531,182	1,216	802,539
Net loss.....	1,075,959	2,886,808	1,074,746	2,883,334	1,213	3,474
Sales of property other than capital assets:						
Net gain.....	96,809	2,457,686	96,579	2,432,455	230	25,231
Net loss.....	173,661	2,421,543	173,286	2,369,681	375	51,862
Taxable interest received.....	2,324,740	44,346,363	2,322,042	43,627,460	2,698	718,903
Tax-exempt interest.....	724,565	24,811,811	723,391	24,633,723	1,174	178,088
Dividends.....	1,979,826	40,988,902	1,977,466	40,693,431	2,360	295,472
Pensions and annuities in adjusted gross income.....	442,050	17,411,188	441,526	17,385,849	524	25,340
Rent:						
Net income.....	352,357	17,279,937	351,944	17,245,769	413	34,169
Net loss, total (deductible and nondeductible).....	287,732	4,032,287	287,307	4,008,326	425	23,961
Nondeductible rental loss.....	186,553	2,182,610	186,267	2,172,755	286	9,855
Royalty:						
Net income.....	115,039	3,671,174	114,725	3,658,323	314	12,851
Net loss.....	5,748	58,559	5,739	58,336	9	223
Estate or trust:						
Net income.....	74,517	8,561,384	74,326	8,536,117	191	25,266
Net loss.....	6,684	486,242	6,619	476,103	65	10,139
State income tax refunds.....	1,190,910	6,767,364	1,189,948	6,723,558	962	43,806
Alimony received.....	5,266	818,498	5,262	818,298	4	199
Social Security benefits in adjusted gross income.....	354,701	6,336,030	353,941	6,323,753	760	12,277
Social Security benefits (nontaxable).....	354,731	1,118,442	353,971	1,116,275	760	2,167
Unemployment compensation.....	52,753	336,609	52,677	336,059	76	550
Other income.....	321,879	9,632,749	321,361	9,598,854	518	33,895
Other loss.....	32,721	1,505,933	32,655	1,500,356	66	5,577
Foreign-earned income exclusion.....	22,958	1,705,502	22,840	1,695,758	118	9,744
Total income.....	2,414,128	1,267,760,290	2,411,169	1,265,895,060	2,959	1,865,230
Statutory adjustments, total.....	1,044,245	16,068,745	1,043,323	16,055,168	922	13,577
Payments to Individual Retirement Arrangements.....	92,014	473,877	91,952	473,595	62	282
Payments to self-employed retirement (Keogh) plans.....	288,963	7,607,516	288,898	7,605,672	65	1,844
Moving expenses adjustment.....	27,598	129,917	27,581	129,653	17	264
Adjusted gross income.....	2,414,128	1,251,691,545	2,411,169	1,249,839,892	2,959	1,851,654
Investment interest expense deduction.....	495,349	9,368,650	493,749	8,583,767	1,600	784,883
Total tax preferences excluded from adjusted gross income ²	733,944	27,018,677	732,791	26,836,180	1,153	182,497
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	17,752	2,211,320	17,704	2,206,457	48	4,863
Passive activity loss (alternative minimum tax adjustment).....	302,635	573,665	302,088	571,716	547	1,949
Expanded income.....	2,414,047	1,262,312,253	2,411,169	1,261,560,402	2,878	751,850

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	1,340,927	7,592,337	1,339,505	7,585,351	1,422	6,986
Itemized deductions:						
Total per adjusted gross income concept.....	2,268,784	163,957,420	2,265,953	161,903,392	2,831	2,054,028
Charitable contributions deduction.....	2,189,551	42,360,302	2,187,139	42,129,333	2,412	230,969
Interest paid deduction:						
Total per adjusted gross income concept.....	1,927,059	46,869,262	1,924,751	46,004,035	2,308	865,227
Total home mortgage interest.....	1,823,382	37,188,349	1,821,490	37,108,595	1,892	79,754
Medical and dental expense deduction.....	34,842	932,037	34,416	846,258	426	85,778
Net casualty or theft loss deduction.....	3,904	391,699	3,770	306,661	134	85,038
Taxes paid deduction.....	2,260,801	84,583,642	2,258,140	84,408,516	2,661	175,125
Net limited miscellaneous deductions per adjusted gross income concept.....	381,596	8,011,442	380,438	7,866,223	1,158	145,218
Nonlimited miscellaneous deductions.....	73,476	5,609,092	72,739	5,104,189	737	504,902
Excess of exemptions and deductions over adjusted gross income.....	4,212	1,227,631	2,225	684,087	1,987	543,543
Taxable income.....	2,409,855	1,080,290,885	2,408,944	1,079,957,555	911	333,330
Tax at regular rates.....	2,409,861	325,859,621	2,408,948	325,777,152	913	82,470
Alternative minimum tax (Form 6251).....	613,028	4,370,269	613,023	4,370,169	5	99
Income tax before credits.....	2,412,082	330,247,541	2,411,168	330,164,972	914	82,569
Tax credits:						
Total.....	884,134	6,270,320	883,220	6,187,751	914	82,569
Child care credit.....	137,396	71,655	137,366	71,641	30	14
Minimum tax credit.....	68,527	760,184	67,868	706,928	659	53,257
Foreign tax credit.....	680,596	4,787,051	680,189	4,767,106	407	19,945
General business credit.....	64,535	445,547	64,447	444,577	88	970
U.S. total income tax.....	2,411,169	323,980,309	2,411,169	323,980,309	--	--
Taxable income which would yield:						
Income tax before credits.....	2,412,082	1,017,665,027	2,411,168	1,017,401,380	914	263,647
Income tax after credits.....	2,411,165	1,000,683,485	2,411,165	1,000,683,485	--	--
U.S. total income tax.....	2,411,169	1,000,691,536	2,411,169	1,000,691,536	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,414,128	1,251,691,545	2,411,169	1,249,839,892	2,959	1,851,654
plus: Total tax preferences excluded from adjusted gross income ²	733,944	27,018,677	732,791	26,836,180	1,153	182,497
Social Security benefits (nontaxable).....	354,731	1,118,442	353,971	1,116,275	760	2,167
Foreign-earned income exclusion.....	22,958	1,705,502	22,840	1,695,758	118	9,744
minus: Investment interest expense deduction.....	495,349	9,368,650	493,749	8,583,767	1,600	784,883
Nonlimited miscellaneous deductions.....	73,476	5,609,092	72,739	5,104,189	737	504,902
Unreimbursed employee business expenses.....	462,334	4,244,171	462,090	4,239,746	244	4,425
Equals: Expanded income.....	2,414,047	1,262,312,253	2,411,169	1,261,560,402	2,878	751,850

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	2,098,186	639,593,672	2,096,030	639,229,316	2,156	364,356
Business or profession:						
Net income.....	494,540	57,738,390	493,987	57,700,024	553	38,365
Net loss.....	140,059	3,611,631	139,559	3,535,465	500	76,166
Farm:						
Net income.....	15,084	724,764	15,054	724,480	30	284
Net loss.....	54,278	2,319,567	54,108	2,273,428	170	46,139
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	880,957	237,069,870	879,941	236,958,391	1,016	111,479
Net loss.....	259,241	19,017,772	257,404	18,393,990	1,837	623,781
Sales of capital assets:						
Net gain.....	822,466	194,050,445	820,657	193,508,428	1,809	542,017
Net loss.....	1,108,222	2,978,318	1,104,790	2,968,404	3,432	9,915
Sales of property other than capital assets:						
Net gain.....	99,469	2,459,670	99,138	2,437,176	331	22,494
Net loss.....	180,602	2,420,676	179,994	2,373,257	608	47,419
Taxable interest received.....	2,376,746	45,235,506	2,371,264	44,742,307	5,481	493,198
Tax-exempt interest.....	801,480	32,919,895	796,871	31,441,008	4,608	1,478,887
Dividends.....	2,041,310	43,582,337	2,036,060	43,224,504	5,249	357,833
Pensions and annuities in adjusted gross income.....	474,141	18,876,506	472,979	18,843,450	1,162	33,056
Rent:						
Net income.....	365,071	17,480,249	364,468	17,451,628	603	28,621
Net loss, total (deductible and nondeductible).....	288,264	4,055,210	287,631	4,031,267	633	23,943
Nondeductible rental loss.....	185,397	2,172,087	185,120	2,164,653	277	7,435
Royalty:						
Net income.....	122,082	3,735,453	121,468	3,720,860	614	14,593
Net loss.....	5,956	48,564	5,938	48,197	18	367
Estate or trust:						
Net income.....	80,665	8,620,007	80,195	8,599,922	470	20,085
Net loss.....	8,725	484,399	8,610	476,699	115	7,700
State income tax refunds.....	1,212,245	6,858,071	1,210,575	6,813,067	1,670	45,004
Alimony received.....	4,925	810,342	4,917	810,025	8	317
Social Security benefits in adjusted gross income.....	411,471	7,369,600	409,176	7,331,908	2,295	37,692
Social Security benefits (nontaxable).....	411,502	1,300,850	409,206	1,294,197	2,296	6,653
Unemployment compensation.....	50,377	323,155	50,305	322,620	72	535
Other income.....	330,504	9,794,938	329,675	9,774,477	829	20,461
Other loss.....	40,849	1,731,141	40,676	1,723,352	173	7,789
Foreign-earned income exclusion.....	38,611	3,005,003	38,268	2,969,323	343	35,680
Total income.....	2,464,513	1,270,802,642	2,458,865	1,269,601,680	5,648	1,200,962
Statutory adjustments, total.....	1,048,635	16,153,009	1,047,329	16,133,628	1,306	19,382
Payments to Individual Retirement Arrangements.....	95,133	483,782	95,015	483,246	118	536
Payments to self-employed retirement (Keogh) plans.....	289,476	7,640,623	289,380	7,638,180	96	2,443
Moving expenses adjustment.....	27,055	130,131	27,035	129,868	20	263
Adjusted gross income.....	2,464,513	1,254,649,633	2,458,865	1,253,468,052	5,648	1,181,580
Investment interest expense deduction.....	500,066	8,486,652	498,159	8,182,835	1,907	303,817
Total tax preferences excluded from adjusted gross income ²	813,870	35,426,844	809,284	33,942,381	4,586	1,484,463
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	21,559	2,511,531	21,493	2,505,403	66	6,128
Passive activity loss (alternative minimum tax adjustment).....	317,303	580,193	316,384	578,324	918	1,868
Expanded income.....	2,464,513	1,279,705,622	2,458,865	1,277,328,354	5,650	2,377,268

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	1,394,879	7,885,867	1,390,060	7,855,722	4,818	30,144
Itemized deductions:						
Total per adjusted gross income concept.....	2,301,376	161,555,007	2,296,468	160,240,728	4,908	1,314,279
Total per expanded income concept.....	2,301,214	172,990,297	2,296,307	171,978,344	4,907	1,011,952
Charitable contributions deduction.....	2,220,766	43,071,674	2,216,292	42,842,468	4,474	229,206
Interest paid deduction:						
Total per adjusted gross income concept.....	1,927,837	45,795,598	1,924,736	45,396,854	3,101	398,744
Total per expanded income concept.....	1,818,038	37,308,946	1,815,594	37,214,019	2,444	94,927
Total home mortgage interest.....	1,815,195	37,003,739	1,812,758	36,909,423	2,437	94,315
Medical and dental expense deduction.....	48,350	1,296,149	45,950	1,093,035	2,400	203,113
Net casualty or theft loss deduction.....	4,309	400,978	4,156	313,157	153	87,822
Taxes paid deduction.....	2,291,640	85,242,587	2,286,881	85,022,551	4,759	220,036
Net limited miscellaneous deductions per adjusted gross income concept.....	380,273	7,966,942	376,907	7,788,349	3,366	178,593
Nonlimited miscellaneous deductions.....	61,901	2,500,075	61,730	2,481,186	171	18,889
Excess of exemptions and deductions over adjusted gross income.....	7,763	1,280,373	3,391	758,438	4,371	521,935
Taxable income.....	2,456,749	1,085,275,986	2,455,474	1,084,922,257	1,275	353,728
Tax at regular rates.....	2,456,783	326,935,906	2,455,484	326,849,009	1,299	86,897
Alternative minimum tax (Form 6251).....	626,523	4,531,348	626,447	4,531,144	76	203
Income tax before credits.....	2,460,193	331,484,936	2,458,865	331,397,836	1,328	87,100
Tax credits:						
Total.....	932,388	6,633,100	931,060	6,545,999	1,328	87,100
Child care credit.....	137,274	71,524	137,220	71,499	54	25
Minimum tax credit.....	72,276	766,130	71,548	712,592	728	53,538
Foreign tax credit.....	727,455	5,142,391	726,729	5,118,227	726	24,165
General business credit.....	68,535	445,559	68,445	444,653	90	906
U.S. total income tax.....	2,458,865	324,854,894	2,458,865	324,854,894	--	--
Taxable income which would yield:						
Income tax before credits.....	2,460,193	1,022,911,244	2,458,865	1,022,626,765	1,328	284,479
Income tax after credits.....	2,458,861	1,004,596,322	2,458,861	1,004,596,322	--	--
U.S. total income tax.....	2,458,865	1,004,604,248	2,458,865	1,004,604,248	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,464,513	1,254,649,633	2,458,865	1,253,468,052	5,648	1,181,580
plus: Total tax preferences excluded from adjusted gross income ²	813,870	35,426,844	809,284	33,942,381	4,586	1,484,463
Social Security benefits (nontaxable).....	411,502	1,300,850	409,206	1,294,197	2,296	6,653
Foreign-earned income exclusion.....	38,611	3,005,003	38,268	2,969,323	343	35,680
minus: Investment interest expense deduction.....	500,066	8,486,652	498,159	8,182,835	1,907	303,817
Nonlimited miscellaneous deductions.....	61,901	2,500,075	61,730	2,481,186	171	18,889
Unreimbursed employee business expenses.....	440,368	3,681,874	440,046	3,679,892	322	1,983
Equals: Expanded income.....	2,464,515	1,279,705,622	2,458,865	1,277,328,354	5,650	2,377,268

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 2002

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, Tax Year 2002

[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.....	2,096,767	640,711,117	2,095,478	640,466,536	1,289	244,580
Business or profession:						
Net income.....	492,422	57,533,926	492,022	57,481,989	400	51,936
Net loss.....	142,056	3,602,104	141,711	3,527,772	345	74,331
Farm:						
Net income.....	15,099	711,581	15,079	708,364	20	3,217
Net loss.....	51,541	2,212,697	51,426	2,196,714	115	15,983
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	866,285	236,696,136	865,736	236,556,059	549	140,077
Net loss.....	246,354	18,873,926	245,456	18,312,096	898	561,830
Sales of capital assets:						
Net gain.....	794,561	193,333,721	793,551	192,658,440	1,010	675,281
Net loss.....	1,075,959	2,886,808	1,074,873	2,883,694	1,086	3,113
Sales of property other than capital assets:						
Net gain.....	96,809	2,457,686	96,601	2,433,797	208	23,889
Net loss.....	173,661	2,421,543	173,326	2,372,557	335	48,985
Taxable interest received.....	2,324,740	44,346,363	2,322,415	43,650,433	2,325	695,930
Tax-exempt interest.....	724,565	24,811,811	723,542	24,644,075	1,023	167,736
Dividends.....	1,979,826	40,988,902	1,977,813	40,716,039	2,013	272,863
Pensions and annuities in adjusted gross income.....	442,050	17,411,188	441,568	17,386,747	482	24,442
Rent:						
Net income.....	352,357	17,279,937	351,989	17,249,462	368	30,475
Net loss, total (deductible and nondeductible).....	287,732	4,032,287	287,351	4,014,567	381	17,720
Nondeductible rental loss.....	186,553	2,182,610	186,299	2,173,388	254	9,222
Royalty:						
Net income.....	115,039	3,671,174	114,754	3,661,387	285	9,786
Net loss.....	5,748	58,559	5,740	58,339	8	220
Estate or trust:						
Net income.....	74,517	8,561,384	74,342	8,536,518	175	24,866
Net loss.....	6,684	486,242	6,622	476,112	62	10,130
State income tax refunds.....	1,190,910	6,767,364	1,190,067	6,729,746	843	37,618
Alimony received.....	5,266	818,498	5,262	818,298	4	199
Social Security benefits in adjusted gross income.....	354,701	6,336,030	353,982	6,324,408	719	11,622
Social Security benefits (nontaxable).....	354,731	1,118,442	354,012	1,116,391	719	2,051
Unemployment compensation.....	52,753	336,609	52,690	336,127	63	482
Other income.....	321,879	9,632,749	321,421	9,600,685	458	32,064
Other loss.....	32,721	1,505,933	32,684	1,501,456	37	4,476
Foreign-earned income exclusion.....	22,958	1,705,502	22,954	1,705,272	4	230
Total income.....	2,414,128	1,267,760,290	2,411,577	1,266,133,030	2,551	1,627,260
Statutory adjustments, total.....	1,044,245	16,068,745	1,043,426	16,056,845	819	11,900
Payments to Individual Retirement Arrangements.....	92,014	473,877	91,960	473,640	54	237
Payments to self-employed retirement (Keogh) plans.....	288,963	7,607,516	288,910	7,605,996	53	1,520
Moving expenses adjustment.....	27,598	129,917	27,587	129,722	11	195
Adjusted gross income.....	2,414,128	1,251,691,545	2,411,577	1,250,076,185	2,551	1,615,360
Investment interest expense deduction.....	495,349	9,368,650	493,935	8,607,994	1,414	760,656
Total tax preferences excluded from adjusted gross income ²	733,944	27,018,677	732,927	26,848,233	1,017	170,443
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	17,752	2,211,320	17,713	2,208,293	39	3,027
Passive activity loss (alternative minimum tax adjustment).....	302,635	573,665	302,151	571,550	484	2,115
Expanded income.....	2,414,047	1,262,312,253	2,411,577	1,261,792,469	2,470	519,784

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	1,340,927	7,592,337	1,339,674	7,586,364	1,253	5,974
Itemized deductions:						
Total per adjusted gross income concept.....	2,268,784	163,957,420	2,266,249	161,964,977	2,535	1,992,443
Charitable contributions deduction.....	2,189,551	42,360,302	2,187,408	42,142,512	2,143	217,789
Interest paid deduction:						
Total per adjusted gross income concept.....	1,927,059	46,869,262	1,925,026	46,035,900	2,033	833,361
Total home mortgage interest.....	1,823,382	37,188,349	1,821,725	37,116,184	1,657	72,165
Medical and dental expense deduction.....	34,842	932,037	34,426	846,930	416	85,107
Net casualty or theft loss deduction.....	3,904	391,699	3,771	307,558	133	84,141
Taxes paid deduction.....	2,260,801	84,583,642	2,258,422	84,422,655	2,379	160,987
Net limited miscellaneous deductions per adjusted gross income concept.....	381,596	8,011,442	380,552	7,869,656	1,044	141,785
Nonlimited miscellaneous deductions.....	73,476	5,609,092	72,756	5,105,648	720	503,443
Excess of exemptions and deductions over adjusted gross income.....	4,212	1,227,631	2,225	684,087	1,987	543,543
Taxable income.....	2,409,855	1,080,290,885	2,409,352	1,080,130,516	503	160,369
Tax at regular rates.....	2,409,861	325,859,621	2,409,356	325,823,025	505	36,596
Alternative minimum tax (Form 6251).....	613,028	4,370,269	613,028	4,370,269	--	--
Income tax before credits.....	2,412,082	330,247,541	2,411,576	330,210,901	506	36,640
Tax credits:						
Total.....	295,057	1,483,269	294,551	1,446,629	506	36,640
Child care credit.....	137,396	71,655	137,370	71,643	26	13
Minimum tax credit.....	68,527	760,184	68,071	725,129	466	35,055
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	64,535	445,547	64,477	444,760	58	787
Worldwide total income tax.....	2,411,577	329,300,252	2,411,577	329,300,252	--	--
Foreign taxes paid.....	680,597	5,319,943	680,597	5,319,943	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	16,415	532,892	16,415	532,892	--	--
Taxable income which would yield:						
Income tax before credits.....	2,412,082	1,017,665,027	2,411,576	1,017,542,766	506	122,260
Income tax after credits.....	2,411,576	1,015,080,350	2,411,576	1,015,080,350	--	--
Worldwide total income tax.....	2,411,577	1,015,088,340	2,411,577	1,015,088,340	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,414,128	1,251,691,545	2,411,577	1,250,076,185	2,551	1,615,360
plus: Total tax preferences excluded from adjusted gross income ²	733,944	27,018,677	732,927	26,848,233	1,017	170,443
Social Security benefits (nontaxable).....	354,731	1,118,442	354,012	1,116,391	719	2,051
Foreign-earned income exclusion.....	22,958	1,705,502	22,954	1,705,272	4	230
minus: Investment interest expense deduction.....	495,349	9,368,650	493,935	8,607,994	1,414	760,656
Nonlimited miscellaneous deductions.....	73,476	5,609,092	72,756	5,105,648	720	503,443
Unreimbursed employee business expenses..	462,334	4,244,171	462,124	4,239,969	210	4,202
Equals: Expanded income.....	2,414,047	1,262,312,253	2,411,577	1,261,792,469	2,470	519,784

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	2,098,186	639,593,672	2,096,585	639,384,623	1,601	209,049
Business or profession:						
Net income.....	494,540	57,738,390	494,064	57,709,155	476	29,234
Net loss.....	140,059	3,611,631	139,611	3,539,330	448	72,301
Farm:						
Net income.....	15,084	724,764	15,055	724,492	29	271
Net loss.....	54,278	2,319,567	54,122	2,293,119	156	26,447
Partnership and S corporation net income after Section 179 property deduction: ¹						
Net income.....	880,957	237,069,870	880,050	236,979,185	907	90,685
Net loss.....	259,241	19,017,772	257,528	18,441,543	1,713	576,229
Sales of capital assets:						
Net gain.....	822,466	194,050,445	820,915	193,629,963	1,551	420,482
Net loss.....	1,108,222	2,978,318	1,105,070	2,969,198	3,152	9,120
Sales of property other than capital assets:						
Net gain.....	99,469	2,459,670	99,172	2,438,550	297	21,120
Net loss.....	180,602	2,420,676	180,040	2,376,492	562	44,183
Taxable interest received.....	2,376,746	45,235,506	2,371,916	44,760,768	4,829	474,738
Tax-exempt interest.....	801,480	32,919,895	797,163	31,481,172	4,316	1,438,723
Dividends.....	2,041,310	43,582,337	2,036,644	43,247,973	4,665	334,364
Pensions and annuities in adjusted gross income.....	474,141	18,876,506	473,054	18,844,919	1,087	31,586
Rent:						
Net income.....	365,071	17,480,249	364,528	17,455,812	543	24,437
Net loss, total (deductible and nondeductible).....	288,264	4,055,210	287,726	4,037,812	538	17,398
Nondeductible rental loss.....	185,397	2,172,087	185,167	2,165,203	230	6,884
Royalty:						
Net income.....	122,082	3,735,453	121,516	3,723,935	566	11,518
Net loss.....	5,956	48,564	5,939	48,199	17	364
Estate or trust:						
Net income.....	80,665	8,620,007	80,229	8,600,488	436	19,519
Net loss.....	8,725	484,399	8,615	476,715	110	7,684
State income tax refunds.....	1,212,245	6,858,071	1,210,761	6,819,656	1,484	38,415
Alimony received.....	4,925	810,342	4,917	810,025	8	317
Social Security benefits in adjusted gross income.....	411,471	7,369,600	409,264	7,333,369	2,207	36,231
Social Security benefits (nontaxable).....	411,502	1,300,850	409,295	1,294,455	2,207	6,394
Unemployment compensation.....	50,377	323,155	50,321	322,704	56	451
Other income.....	330,504	9,794,938	329,763	9,777,491	741	17,447
Other loss.....	40,849	1,731,141	40,775	1,725,697	74	5,443
Foreign-earned income exclusion.....	38,611	3,005,003	38,595	3,003,251	16	1,752
Total income.....	2,464,513	1,270,802,642	2,459,593	1,269,855,320	4,920	947,323
Statutory adjustments, total.....	1,048,635	16,153,009	1,047,516	16,136,086	1,119	16,924
Payments to Individual Retirement Arrangements.....	95,133	483,782	95,049	483,407	84	375
Payments to self-employed retirement (Keogh) plans.....	289,476	7,640,623	289,397	7,638,537	79	2,086
Moving expenses adjustment.....	27,055	130,131	27,043	129,953	12	179
Adjusted gross income.....	2,464,513	1,254,649,633	2,459,593	1,253,719,234	4,920	930,399
Investment interest expense deduction.....	500,066	8,486,652	498,362	8,190,386	1,704	296,266
Total tax preferences excluded from adjusted gross income ²	813,870	35,426,844	809,562	33,984,675	4,308	1,442,169
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	21,559	2,511,531	21,509	2,507,708	50	3,824
Passive activity loss (alternative minimum tax adjustment).....	317,303	580,193	316,486	578,477	816	1,716
Expanded income.....	2,464,515	1,279,705,622	2,459,593	1,277,647,745	4,922	2,057,877

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	1,394,879	7,885,867	1,390,567	7,859,561	4,311	26,306
Itemized deductions:						
Total per adjusted gross income concept.....	2,301,376	161,555,007	2,296,960	160,293,400	4,416	1,261,607
Total per expanded income concept.....	2,301,214	172,990,297	2,296,799	172,026,460	4,415	963,837
Charitable contributions deduction.....	2,220,766	43,071,674	2,216,712	42,857,519	4,054	214,155
Interest paid deduction:						
Total per adjusted gross income concept.....	1,927,837	45,795,598	1,925,133	45,413,774	2,704	381,824
Total per expanded income concept.....	1,818,038	37,308,946	1,815,938	37,223,388	2,100	85,558
Total home mortgage interest.....	1,815,195	37,003,739	1,813,101	36,918,745	2,094	84,994
Medical and dental expense deduction.....	48,350	1,296,149	46,032	1,095,620	2,318	200,528
Net casualty or theft loss deduction.....	4,309	400,978	4,157	314,054	152	86,924
Taxes paid deduction.....	2,291,640	85,242,587	2,287,335	85,038,639	4,305	203,949
Net limited miscellaneous deductions per adjusted gross income concept.....	380,273	7,966,942	377,120	7,792,631	3,153	174,311
Nonlimited miscellaneous deductions.....	61,901	2,500,075	61,741	2,481,684	160	18,391
Excess of exemptions and deductions over adjusted gross income.....	7,763	1,280,373	3,396	758,532	4,366	521,841
Taxable income.....	2,456,749	1,085,275,986	2,456,197	1,085,115,403	552	160,583
Tax at regular rates.....	2,456,783	326,935,906	2,456,210	326,899,272	573	36,635
Alternative minimum tax (Form 6251).....	626,523	4,531,348	626,490	4,531,267	33	81
Income tax before credits.....	2,460,193	331,484,936	2,459,592	331,448,220	601	36,716
Tax credits:						
Total.....	303,807	1,490,708	303,206	1,453,992	601	36,716
Child care credit.....	137,274	71,524	137,248	71,510	26	14
Minimum tax credit.....	72,276	766,130	71,800	730,993	476	35,137
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	68,535	445,559	68,483	444,810	52	749
Worldwide total income tax.....	2,459,593	330,877,214	2,459,593	330,877,214	--	--
Foreign taxes paid.....	727,457	6,022,320	727,457	6,022,320	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	26,679	879,929	26,679	879,929	--	--
Taxable income which would yield:						
Income tax before credits.....	2,460,193	1,022,911,244	2,459,592	1,022,788,409	601	122,835
Income tax after credits.....	2,459,593	1,021,328,823	2,459,593	1,021,328,823	--	--
Worldwide total income tax.....	2,459,593	1,021,336,683	2,459,593	1,021,336,683	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	2,464,513	1,254,649,633	2,459,593	1,253,719,234	4,920	930,399
plus: Total tax preferences excluded from adjusted gross income ²	813,870	35,426,844	809,562	33,984,675	4,308	1,442,169
Social Security benefits (nontaxable).....	411,502	1,300,850	409,295	1,294,455	2,207	6,394
Foreign-earned income exclusion.....	38,611	3,005,003	38,595	3,003,251	16	1,752
minus: Investment interest expense deduction.....	500,066	8,486,652	498,362	8,190,386	1,704	296,266
Nonlimited miscellaneous deductions.....	61,901	2,500,075	61,741	2,481,684	160	18,391
Unreimbursed employee business expenses..	440,368	3,681,874	440,101	3,680,114	267	1,760
Equals: Expanded income.....	2,464,515	1,279,705,622	2,459,593	1,277,647,745	4,922	2,057,877

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 2002

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, Tax Year 2002

[All figures are estimates based on samples]

Tax status, 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.....	2,324,918	100.0	580,732	25.0	31,635	1.4	1,262,035	54.3
Interest paid deduction.....	827,164	35.6	--	--	6,933	21.9	725,174	57.5
Investment interest expense deduction ¹	41,780	1.8	5,555	1.0	--	--	25,632	2.0
Taxes paid deduction.....	747,717	32.2	499,890	86.1	14,267	45.1	--	--
Charitable contributions deduction.....	470,309	20.2	52,551	9.0	6,223	19.7	392,312	31.1
Medical and dental expense deduction.....	4,850	0.2	196	(?)	30	0.1	3,443	0.3
Net casualty or theft loss deduction.....	896	(?)	--	--	--	--	195	(?)
Total miscellaneous deductions.....	88,736	3.8	13,561	2.3	1,433	4.5	60,309	4.8
Foreign tax credit.....	23,365	1.0	1,020	0.2	532	1.7	15,991	1.3
General business credit.....	8,614	0.4	1,337	0.2	105	0.3	5,426	0.4
All other tax credits.....	15,233	0.7	2,463	0.4	526	1.7	6,552	0.5
Partnership and S corporation net losses.....	31,963	1.4	4,008	0.7	1,566	4.9	18,177	1.4
No second largest item.....	64,293	2.8	150	(?)	19	0.1	8,823	0.7
Returns with expanded income of \$200,000 or more								
Total.....	2,406,766	100.0	574,024	23.9	--	--	1,202,808	50.0
Interest paid deduction.....	807,333	33.5	--	--	--	--	711,382	59.1
Tax-exempt interest ³	120,117	5.0	3,023	0.5	--	--	82,335	6.8
Taxes paid deduction.....	779,443	32.4	506,187	88.2	--	--	--	--
Charitable contributions deduction.....	416,251	17.3	53,295	9.3	--	--	321,571	26.7
Medical and dental expense deduction.....	7,928	0.3	423	0.1	--	--	2,584	0.2
Net casualty or theft loss deduction.....	1,243	0.1	--	--	--	--	195	(?)
Total miscellaneous deductions.....	30,404	1.3	1,674	0.3	--	--	13,401	1.1
Foreign tax credit.....	38,723	1.6	1,016	0.2	--	--	10,996	0.9
General business credit.....	8,491	0.4	1,329	0.2	--	--	4,387	0.4
All other tax credits.....	15,181	0.6	2,470	0.4	--	--	6,156	0.5
Partnership and S corporation net losses.....	37,921	1.6	4,201	0.7	--	--	16,261	1.4
Foreign-earned income exclusion ³	22,998	1.0	--	--	--	--	105	(?)
AMT tax preference ³	1,084	(?)	40	(?)	--	--	402	(?)
Nontaxable Social Security benefits ³	54,541	2.3	217	(?)	--	--	25,539	2.1
No second largest item.....	65,109	2.7	149	(?)	--	--	7,494	0.6

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, 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		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	203,859	8.8	9,490	0.4	2,353	0.1	69,734	3.0
Interest paid deduction.....	50,370	24.7	671	7.1	704	29.9	19,103	27.4
Investment interest expense deduction ¹	3,592	1.8	430	4.5	--	--	1,020	1.5
Taxes paid deduction.....	129,784	63.7	6,093	64.2	1,453	61.8	39,320	56.4
Charitable contributions deduction.....	--	--	646	6.8	189	8.0	8,659	12.4
Medical and dental expense deduction.....	927	0.5	--	--	--	--	201	0.3
Net casualty or theft loss deduction.....	698	0.3	--	--	--	--	--	--
Total miscellaneous deductions.....	8,300	4.1	1,050	11.1	6	0.3	--	--
Foreign tax credit.....	835	0.4	235	2.5	--	--	270	0.4
General business credit.....	768	0.4	--	--	--	--	12	(?)
All other tax credits.....	2,435	1.2	19	0.2	--	--	51	0.1
Partnership and S corporation net losses.....	4,850	2.4	156	1.6	--	--	1,028	1.5
No second largest item.....	1,301	0.6	190	2.0	--	--	69	0.1
Returns with expanded income of \$200,000 or more								
Total.....	190,374	7.9	10,362	0.4	2,004	0.1	12,614	0.5
Interest paid deduction.....	51,444	27.0	703	6.8	704	35.1	1,400	11.1
Tax-exempt interest ³	15,604	8.2	2,222	21.4	--	--	2,672	21.2
Taxes paid deduction.....	108,201	56.8	3,672	35.4	1,104	55.1	6,055	48.0
Charitable contributions deduction.....	--	--	1,039	10.0	189	9.4	1,784	14.1
Medical and dental expense deduction.....	873	0.5	--	--	--	--	23	0.2
Net casualty or theft loss deduction.....	696	0.4	--	--	--	--	--	--
Total miscellaneous deductions.....	2,652	1.4	1,134	10.9	6	0.3	--	--
Foreign tax credit.....	343	0.2	--	--	--	--	93	0.7
General business credit.....	651	0.3	--	--	--	--	--	--
All other tax credits.....	2,392	1.3	8	0.1	--	--	11	0.1
Partnership and S corporation net losses.....	4,635	2.4	156	1.5	--	--	528	4.2
Foreign-earned income exclusion ³	6	(?)	--	--	--	--	--	--
AMT tax preference ³	191	0.1	--	--	--	--	5	(?)
Nontaxable Social Security benefits ³	1,712	0.9	1,387	13.4	--	--	41	0.3
No second largest item.....	974	0.5	41	0.4	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign tax credit		General business credit		All other tax credits		Partnership and S corporation net losses	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	66,774	2.9	6,437	0.3	18,438	0.8	73,432	3.2
Interest paid deduction.....	6,863	10.3	1,098	17.1	3,217	17.4	13,030	17.7
Investment interest expense deduction ¹	934	1.4	415	6.4	1,085	5.9	3,117	4.2
Taxes paid deduction.....	14,123	21.2	3,342	51.9	6,623	35.9	32,821	44.7
Charitable contributions deduction.....	1,286	1.9	337	5.2	1,031	5.6	7,074	9.6
Medical and dental expense deduction.....	--	--	--	--	--	--	52	0.1
Net casualty or theft loss deduction.....	--	--	--	--	--	--	3	(?)
Total miscellaneous deductions.....	1,540	2.3	26	0.4	88	0.5	2,424	3.3
Foreign tax credit.....	--	--	256	4.0	1,368	7.4	2,857	3.9
General business credit.....	284	0.4	--	--	206	1.1	477	0.6
All other tax credits.....	1,988	3.0	114	1.8	--	--	1,084	1.5
Partnership and S corporation net losses.....	1,686	2.5	154	2.4	337	1.8	--	--
No second largest item.....	38,070	57.0	695	10.8	4,484	24.3	10,492	14.3
Returns with expanded income of \$200,000 or more								
Total.....	53,153	2.2	6,060	0.3	17,510	0.7	67,302	2.8
Interest paid deduction.....	3,675	6.9	1,031	17.0	3,432	19.6	13,611	20.2
Tax-exempt interest ³	1,887	3.6	624	10.3	859	4.9	3,967	5.9
Taxes paid deduction.....	10,930	20.6	3,073	50.7	6,857	39.2	30,758	45.7
Charitable contributions deduction.....	965	1.8	363	6.0	1,025	5.9	6,437	9.6
Medical and dental expense deduction.....	--	--	--	--	--	--	8	(?)
Net casualty or theft loss deduction.....	--	--	--	--	--	--	4	(?)
Total miscellaneous deductions.....	152	0.3	31	0.5	17	0.1	1,028	1.5
Foreign tax credit.....	--	--	298	4.9	683	3.9	1,941	2.9
General business credit.....	111	0.2	--	--	247	1.4	450	0.7
All other tax credits.....	366	0.7	120	2.0	--	--	1,741	2.6
Partnership and S corporation net losses.....	697	1.3	155	2.6	173	1.0	--	--
Foreign-earned income exclusion ³	22,704	42.7	--	--	--	--	--	--
AMT tax preference ³	55	0.1	--	--	126	0.7	178	0.3
Nontaxable Social Security benefits ³	313	0.6	102	1.7	139	0.8	3,050	4.5
No second largest item.....	11,300	21.3	261	4.3	3,952	22.6	4,128	6.1

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign-earned income exclusion ³		Tax-exempt interest ³		AMT tax preference ³		Nontaxable social security benefits ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	--	--	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--	--	--
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.....	--	--	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	13,724	0.6	202,801	8.4	13,716	0.6	40,314	1.7
Interest paid deduction.....	1,793	13.1	13,705	6.8	3,200	23.3	1,253	3.1
Tax-exempt interest ³	872	6.4	--	--	438	3.2	5,614	13.9
Taxes paid deduction.....	1,087	7.9	91,165	45.0	7,343	53.5	3,012	7.5
Charitable contributions deduction.....	583	4.2	27,266	13.4	723	5.3	1,012	2.5
Medical and dental expense deduction.....	30	0.2	3,946	1.9	40	0.3	--	--
Net casualty or theft loss deduction.....	--	--	--	--	348	2.5	--	--
Total miscellaneous deductions.....	--	--	10,300	5.1	8	0.1	--	--
Foreign tax credit.....	8,177	59.6	11,843	5.8	36	0.3	3,296	8.2
General business credit.....	--	--	1,298	0.6	3	(?)	16	(?)
All other tax credits.....	--	--	1,416	0.7	326	2.4	176	0.4
Partnership and S corporation net losses.....	467	3.4	8,875	4.4	214	1.6	1,559	3.9
Foreign-earned income exclusion ³	--	--	17	(?)	166	1.2	--	--
AMT tax preference ³	--	--	86	(?)	--	--	--	--
Nontaxable Social Security benefits ³	3	(?)	21,683	10.7	353	2.6	--	--
No second largest item.....	712	5.2	11,202	5.5	518	3.8	24,377	60.5

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, 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.....	2,959	100.0	75	2.5	562	19.0	62	2.1
Interest paid deduction.....	582	19.7	--	--	74	13.2	**	**
Investment interest expense deduction ¹	338	11.4	16	21.3	--	--	14	22.6
Taxes paid deduction.....	686	23.2	33	44.0	89	15.8	--	--
Charitable contributions deduction.....	442	14.9	9	12.0	149	26.5	11	17.7
Medical and dental expense deduction.....	51	1.7	**	**	8	1.4	**	**
Net casualty or theft loss deduction.....	5	0.2	**	**	--	--	**	**
Total miscellaneous deductions.....	240	8.1	7	9.3	64	11.4	7	11.3
Foreign tax credit.....	15	0.5	**	**	**	**	--	--
General business credit.....	8	0.3	**	**	**	**	--	--
All other tax credits.....	67	2.3	**	**	5	0.9	**	**
Partnership and S corporation net losses.....	317	10.7	3	4.0	163	29.0	11	17.7
No second largest item.....	208	7.0	--	--	**	**	**	**
Returns with expanded income of \$200,000 or more								
Total.....	5,650	100.0	68	1.2	--	--	73	1.3
Interest paid deduction.....	711	12.6	--	--	--	--	**	**
Tax-exempt interest ³	617	10.9	4	5.9	--	--	**	**
Taxes paid deduction.....	1,141	20.2	36	52.9	--	--	--	--
Charitable contributions deduction.....	664	11.8	10	14.7	--	--	10	13.7
Medical and dental expense deduction.....	672	11.9	**	**	--	--	**	**
Net casualty or theft loss deduction.....	11	0.2	--	--	--	--	**	**
Total miscellaneous deductions.....	578	10.2	6	8.8	--	--	6	8.2
Foreign tax credit.....	129	2.3	**	**	--	--	--	--
General business credit.....	7	0.1	**	**	--	--	--	--
All other tax credits.....	84	1.5	3	4.4	--	--	7	9.6
Partnership and S corporation net losses.....	637	11.3	**	**	--	--	6	8.2
Foreign-earned income exclusion ³	193	3.4	--	--	--	--	--	--
AMT tax preference ³	13	0.2	--	--	--	--	--	--
Nontaxable Social Security benefits ³	77	1.4	**	**	--	--	--	--
No second largest item.....	116	2.1	--	--	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, 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		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	157	5.3	278	9.4	125	4.2	738	24.9
Interest paid deduction.....	27	17.2	17	6.1	45	36.0	194	26.3
Investment interest expense deduction ¹	53	33.8	9	3.2	4	3.2	43	5.8
Taxes paid deduction.....	16	10.2	50	18.0	41	32.8	223	30.2
Charitable contributions deduction.....	--	--	111	39.9	16	12.8	71	9.6
Medical and dental expense deduction.....	22	14.0	--	--	3	2.4	15	2.0
Net casualty or theft loss deduction.....	**	**	--	--	--	--	**	**
Total miscellaneous deductions.....	22	14.0	83	29.9	8	6.4	--	--
Foreign tax credit.....	**	**	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	**	**
All other tax credits.....	11	7.0	--	--	--	--	5	0.7
Partnership and S corporation net losses.....	3	1.9	4	1.4	5	4.0	99	13.4
No second largest item.....	--	--	4	1.4	3	2.4	85	11.5
Returns with expanded income of \$200,000 or more								
Total.....	151	2.7	553	9.8	127	2.2	91	1.6
Interest paid deduction.....	28	18.5	15	2.7	47	37.0	7	7.7
Tax-exempt interest ³	17	11.3	327	59.1	14	11.0	28	30.8
Taxes paid deduction.....	32	21.2	22	4.0	34	26.8	9	9.9
Charitable contributions deduction.....	--	--	100	18.1	14	11.0	24	26.4
Medical and dental expense deduction.....	21	13.9	--	--	3	2.4	7	7.7
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	24	15.9	68	12.3	**	**	--	--
Foreign tax credit.....	**	**	--	--	--	--	--	--
General business credit.....	--	--	--	--	--	--	--	--
All other tax credits.....	**	**	--	--	--	--	--	--
Partnership and S corporation net losses.....	18	11.9	6	1.1	5	3.9	14	15.4
Foreign-earned income exclusion ³	--	--	**	**	**	**	**	**
AMT tax preference ³	--	--	**	**	--	--	--	--
Nontaxable Social Security benefits ³	--	--	10	1.8	6	4.7	**	**
No second largest item.....	--	--	3	0.5	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign tax credit		General business credit		All other tax credits		Partnership and S corporation net losses	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	149	5.0	5	0.2	525	17.7	283	9.6
Interest paid deduction.....	27	18.1	**	**	179	34.1	12	4.2
Investment interest expense deduction ¹	4	2.7	--	--	65	12.4	130	45.9
Taxes paid deduction.....	6	4.0	--	--	198	37.7	30	10.6
Charitable contributions deduction.....	**	**	**	**	26	5.0	45	15.9
Medical and dental expense deduction.....	--	--	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	--	--	**	**
Total miscellaneous deductions.....	**	**	--	--	**	**	35	12.4
Foreign tax credit.....	--	--	--	--	6	1.1	3	1.1
General business credit.....	--	--	--	--	**	**	**	**
All other tax credits.....	6	4.0	**	**	--	--	26	9.2
Partnership and S corporation net losses.....	8	5.4	--	--	21	4.0	--	--
No second largest item.....	95	63.8	--	--	16	3.0	--	--
Returns with expanded income of \$200,000 or more								
Total.....	226	4.0	6	0.1	523	9.3	303	5.4
Interest paid deduction.....	**	**	**	**	193	36.9	13	4.3
Tax-exempt interest ³	--	--	--	--	32	6.1	162	53.5
Taxes paid deduction.....	7	3.1	--	--	200	38.2	23	7.6
Charitable contributions deduction.....	--	--	**	**	30	5.7	56	18.5
Medical and dental expense deduction.....	--	--	--	--	--	--	**	**
Net casualty or theft loss deduction.....	--	--	--	--	--	--	**	**
Total miscellaneous deductions.....	--	--	--	--	9	1.7	19	6.3
Foreign tax credit.....	--	--	--	--	5	1.0	3	1.0
General business credit.....	--	--	--	--	**	**	**	**
All other tax credits.....	**	**	**	**	--	--	24	7.9
Partnership and S corporation net losses.....	4	1.8	--	--	23	4.4	--	--
Foreign-earned income exclusion ³	187	82.7	--	--	**	**	--	--
AMT tax preference ³	--	--	--	--	9	1.7	--	--
Nontaxable Social Security benefits ³	--	--	--	--	**	**	--	--
No second largest item.....	19	8.4	--	--	**	**	--	--

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	Foreign-earned income exclusion ³		Tax-exempt interest ³		AMT tax preference ³		Nontaxable social security benefits ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	--	--	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--	--	--
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.....	--	--	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	146	2.6	3,370	59.6	13	0.2	--	--
Interest paid deduction.....	17	11.6	372	11.0	**	**	--	--
Tax-exempt interest ³	**	**	--	--	**	**	--	--
Taxes paid deduction.....	5	3.4	773	22.9	--	--	--	--
Charitable contributions deduction.....	**	**	417	12.4	--	--	--	--
Medical and dental expense deduction.....	**	**	635	18.8	--	--	--	--
Net casualty or theft loss deduction.....	--	--	9	0.3	--	--	--	--
Total miscellaneous deductions.....	3	2.1	440	13.1	--	--	--	--
Foreign tax credit.....	117	80.1	**	**	--	--	--	--
General business credit.....	--	--	4	0.1	--	--	--	--
All other tax credits.....	--	--	26	0.8	**	76.9	--	--
Partnership and S corporation net losses.....	--	--	555	16.5	**	**	--	--
Foreign-earned income exclusion ³	--	--	**	**	--	--	--	--
AMT tax preference ³	--	--	3	0.1	--	--	--	--
Nontaxable Social Security benefits ³	--	--	58	1.7	--	--	--	--
No second largest item.....	--	--	74	2.2	--	--	--	--

** 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, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits 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 2002

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, Tax Year 2002

[All figures are estimates based on samples]

Tax status, 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 worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,287,161	100.0	587,629	25.7	32,606	1.4	1,276,166	55.8
Interest paid deduction.....	830,151	36.3	--	--	7,102	21.8	733,966	57.5
Investment interest expense deduction ¹	42,205	1.8	5,691	1.0	--	--	26,431	2.1
Taxes paid deduction.....	743,253	32.5	506,015	86.1	14,903	45.7	--	--
Charitable contributions deduction.....	483,381	21.1	53,594	9.1	6,458	19.8	404,897	31.7
Medical and dental expense deduction.....	5,007	0.2	197	(²)	31	0.1	3,598	0.3
Net casualty or theft loss deduction.....	896	(²)	--	--	--	--	195	(²)
Total miscellaneous deductions.....	88,969	3.9	13,655	2.3	1,625	5.0	61,318	4.8
General business credit.....	8,807	0.4	1,337	0.2	107	0.3	5,651	0.4
All other tax credits.....	14,310	0.6	2,480	0.4	709	2.2	7,104	0.6
Partnership and S corporation net losses.....	31,117	1.4	4,052	0.7	1,632	5.0	18,723	1.5
No second largest item.....	39,065	1.7	608	0.1	39	0.1	14,284	1.1
Returns with expanded income of \$200,000 or more								
Total.....	2,396,175	100.0	577,713	24.1	--	--	1,213,747	50.7
Interest paid deduction.....	817,705	34.1	--	--	--	--	718,619	59.2
Tax-exempt interest ³	122,233	5.1	3,408	0.6	--	--	83,220	6.9
Taxes paid deduction.....	777,773	32.5	509,922	88.3	--	--	--	--
Charitable contributions deduction.....	424,749	17.7	53,623	9.3	--	--	328,062	27.0
Medical and dental expense deduction.....	8,103	0.3	423	0.1	--	--	2,739	0.2
Net casualty or theft loss deduction.....	1,243	0.1	--	--	--	--	195	(²)
Total miscellaneous deductions.....	31,791	1.3	1,715	0.3	--	--	14,014	1.2
General business credit.....	8,712	0.4	1,329	0.2	--	--	4,582	0.4
All other tax credits.....	17,945	0.7	2,475	0.4	--	--	6,570	0.5
Partnership and S corporation net losses.....	38,886	1.6	4,207	0.7	--	--	16,697	1.4
Foreign-earned income exclusion ³	1,018	(²)	57	(²)	--	--	396	(²)
AMT tax preference ³	1,570	0.1	40	(²)	--	--	419	(²)
Nontaxable Social Security benefits ³	57,173	2.4	216	(²)	--	--	26,647	2.2
No second largest item.....	87,275	3.6	298	0.1	--	--	11,587	1.0

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, 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		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	205,169	9.0	9,492	0.4	2,354	0.1	71,279	3.1
Interest paid deduction.....	50,515	24.6	671	7.1	704	29.9	19,490	27.3
Investment interest expense deduction ¹	3,824	1.9	430	4.5	--	--	1,089	1.5
Taxes paid deduction.....	130,824	63.8	6,133	64.6	1,454	61.8	40,231	56.4
Charitable contributions deduction.....	--	--	687	7.2	189	8.0	9,015	12.6
Medical and dental expense deduction.....	927	0.5	--	--	--	--	202	0.3
Net casualty or theft loss deduction.....	698	0.3	--	--	--	--	--	--
Total miscellaneous deductions.....	8,574	4.2	1,205	12.7	6	0.3	--	--
General business credit.....	811	0.4	--	--	--	--	12	(?)
All other tax credits.....	2,535	1.2	19	0.2	--	--	51	0.1
Partnership and S corporation net losses.....	4,928	2.4	156	1.6	--	--	1,046	1.5
No second largest item.....	1,533	0.7	190	2.0	--	--	143	0.2
Returns with expanded income of \$200,000 or more								
Total.....	191,356	8.0	10,368	0.4	2,005	0.1	12,766	0.5
Interest paid deduction.....	51,525	26.9	703	6.8	704	35.1	1,412	11.1
Tax-exempt interest ³	15,874	8.3	2,227	21.5	--	--	2,711	21.2
Taxes paid deduction.....	108,838	56.9	3,672	35.4	1,105	55.1	6,128	48.0
Charitable contributions deduction.....	--	--	1,040	10.0	189	9.4	1,866	14.6
Medical and dental expense deduction.....	873	0.5	--	--	--	--	23	0.2
Net casualty or theft loss deduction.....	696	0.4	--	--	--	--	--	--
Total miscellaneous deductions.....	2,675	1.4	1,134	10.9	6	0.3	--	--
General business credit.....	702	0.4	--	--	--	--	--	--
All other tax credits.....	2,407	1.3	8	0.1	--	--	11	0.1
Partnership and S corporation net losses.....	4,841	2.5	156	1.5	--	--	532	4.2
Foreign-earned income exclusion ³	28	(?)	--	--	--	--	4	(?)
AMT tax preference ³	191	0.1	--	--	--	--	5	(?)
Nontaxable Social Security benefits ³	1,722	0.9	1,387	13.4	--	--	42	0.3
No second largest item.....	983	0.5	41	0.4	--	--	30	0.2

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	General business credit		All other tax credits		Partnership and S corporation net losses		Foreign-earned income exclusion ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	6,720	0.3	20,589	0.9	75,158	3.3	--	--
Interest paid deduction.....	1,107	16.5	3,331	16.2	13,265	17.6	--	--
Investment interest expense deduction ¹	415	6.2	1,118	5.4	3,208	4.3	--	--
Taxes paid deduction.....	3,435	51.1	6,855	33.3	33,403	44.4	--	--
Charitable contributions deduction.....	353	5.3	1,051	5.1	7,137	9.5	--	--
Medical and dental expense deduction.....	--	--	--	--	52	0.1	--	--
Net casualty or theft loss deduction.....	--	--	--	--	3	(?)	--	--
Total miscellaneous deductions.....	26	0.4	94	0.5	2,466	3.3	--	--
General business credit.....	--	--	342	1.7	547	0.7	--	--
All other tax credits.....	114	1.7	--	--	1,298	1.7	--	--
Partnership and S corporation net losses.....	171	2.5	409	2.0	--	--	--	--
No second largest item.....	1,101	16.4	7,389	35.9	13,778	18.3	--	--
Returns with expanded income of \$200,000 or more								
Total.....	6,170	0.3	18,035	0.8	68,029	2.8	36,752	1.5
Interest paid deduction.....	1,037	16.8	3,483	19.3	13,821	20.3	7,761	21.1
Tax-exempt interest ³	795	12.9	1,017	5.6	4,145	6.1	2,710	7.4
Taxes paid deduction.....	3,161	51.2	6,987	38.7	31,135	45.8	4,287	11.7
Charitable contributions deduction.....	373	6.0	1,039	5.8	6,491	9.5	2,957	8.0
Medical and dental expense deduction.....	--	--	--	--	8	(?)	33	0.1
Net casualty or theft loss deduction.....	--	--	--	--	4	(?)	--	--
Total miscellaneous deductions.....	31	0.5	24	0.1	1,041	1.5	641	1.7
General business credit.....	--	--	258	1.4	501	0.7	--	--
All other tax credits.....	120	1.9	--	--	1,767	2.6	1,917	5.2
Partnership and S corporation net losses.....	164	2.7	190	1.1	--	--	1,054	2.9
Foreign-earned income exclusion ³	--	--	75	0.4	67	0.1	--	--
AMT tax preference ³	--	--	140	0.8	180	0.3	467	1.3
Nontaxable Social Security benefits ³	110	1.8	170	0.9	3,059	4.5	10	(?)
No second largest item.....	379	6.1	4,655	25.8	5,810	8.5	14,914	40.6

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued					
	Tax-exempt interest ³		AMT tax preference ³		Nontaxable social security benefits ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--
Charitable contributions deduction.....	--	--	--	--	--	--
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.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	204,830	8.5	13,777	0.6	40,627	1.7
Interest paid deduction.....	14,177	6.9	3,209	23.3	1,253	3.1
Tax-exempt interest ³	--	--	440	3.2	5,687	14.0
Taxes paid deduction.....	91,837	44.8	7,371	53.5	3,330	8.2
Charitable contributions deduction.....	27,358	13.4	723	5.2	1,030	2.5
Medical and dental expense deduction.....	3,964	1.9	40	0.3	--	--
Net casualty or theft loss deduction.....	--	--	348	2.5	--	--
Total miscellaneous deductions.....	10,502	5.1	8	0.1	--	--
General business credit.....	1,321	0.6	3	(²)	16	(²)
All other tax credits.....	2,154	1.1	339	2.5	176	0.4
Partnership and S corporation net losses.....	9,217	4.5	218	1.6	1,609	4.0
Foreign-earned income exclusion ³	213	0.1	178	1.3	--	--
AMT tax preference ³	126	0.1	--	--	--	--
Nontaxable Social Security benefits ³	23,456	11.5	353	2.6	--	--
No second largest item.....	20,503	10.0	548	4.0	27,527	67.8

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, 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 worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,551	100.0	68	2.7	529	20.7	59	2.3
Interest paid deduction.....	491	19.2	--	--	63	11.9	6	10.2
Investment interest expense deduction ¹	306	12.0	15	22.1	--	--	14	23.7
Taxes paid deduction.....	605	23.7	32	47.1	87	16.4	--	--
Charitable contributions deduction.....	418	16.4	**	**	141	26.7	11	18.6
Medical and dental expense deduction.....	49	1.9	**	**	7	1.3	**	**
Net casualty or theft loss deduction.....	5	0.2	**	**	--	--	**	**
Total miscellaneous deductions.....	225	8.8	6	8.8	62	11.7	7	11.9
General business credit.....	8	0.3	**	**	3	0.6	--	--
All other tax credits.....	36	1.4	**	**	3	0.6	6	10.2
Partnership and S corporation net losses.....	296	11.6	**	**	159	30.1	11	18.6
No second largest item.....	112	4.4	--	--	4	0.8	**	**
Returns with expanded income of \$200,000 or more								
Total.....	4,922	100.0	61	1.2	--	--	70	1.4
Interest paid deduction.....	623	12.7	--	--	--	--	9	12.9
Tax-exempt interest ³	586	11.9	4	6.6	--	--	29	41.4
Taxes paid deduction.....	1,034	21.0	34	55.7	--	--	--	--
Charitable contributions deduction.....	604	12.3	9	14.8	--	--	10	14.3
Medical and dental expense deduction.....	653	13.3	**	**	--	--	3	4.3
Net casualty or theft loss deduction.....	11	0.2	--	--	--	--	**	**
Total miscellaneous deductions.....	555	11.3	5	8.2	--	--	6	8.6
General business credit.....	5	0.1	**	**	--	--	--	--
All other tax credits.....	54	1.1	**	**	--	--	5	7.1
Partnership and S corporation net losses.....	607	12.3	5	8.2	--	--	6	8.6
Foreign-earned income exclusion ³	5	0.1	--	--	--	--	--	--
AMT tax preference ³	11	0.2	--	--	--	--	--	--
Nontaxable Social Security benefits ³	77	1.6	**	**	--	--	--	--
No second largest item.....	97	2.0	--	--	--	--	**	**

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, 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		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	135	5.3	276	10.8	124	4.9	734	28.8
Interest paid deduction.....	24	17.8	17	6.2	45	36.3	193	26.3
Investment interest expense deduction ¹	50	37.0	9	3.3	4	3.2	41	5.6
Taxes paid deduction.....	12	8.9	50	18.1	40	32.3	223	30.4
Charitable contributions deduction.....	--	--	110	39.9	16	12.9	71	9.7
Medical and dental expense deduction.....	22	16.3	--	--	3	2.4	14	1.9
Net casualty or theft loss deduction.....	**	**	--	--	--	--	**	**
Total miscellaneous deductions.....	18	13.3	82	29.7	8	6.5	--	--
General business credit.....	--	--	--	--	--	--	**	**
All other tax credits	5	3.7	--	--	--	--	5	0.7
Partnership and S corporation net losses.....	**	**	4	1.4	5	4.0	99	13.5
No second largest item.....	--	--	4	1.4	3	2.4	85	11.6
Returns with expanded income of \$200,000 or more								
Total.....	134	2.7	547	11.1	126	2.6	91	1.8
Interest paid deduction.....	24	17.9	15	2.7	47	37.3	7	7.7
Tax-exempt interest ³	15	11.2	322	58.9	14	11.1	28	30.8
Taxes paid deduction.....	29	21.6	22	4.0	33	26.2	**	**
Charitable contributions deduction.....	--	--	99	18.1	**	**	24	26.4
Medical and dental expense deduction.....	21	15.7	--	--	3	2.4	7	7.7
Net casualty or theft loss deduction.....	--	--	--	--	--	--	--	--
Total miscellaneous deductions.....	23	17.2	68	12.4	3	2.4	--	--
General business credit.....	--	--	--	--	--	--	--	--
All other tax credits	5	3.7	--	--	--	--	--	--
Partnership and S corporation net losses.....	17	12.7	6	1.1	5	4.0	14	15.4
Foreign-earned income exclusion ³	--	--	**	**	**	**	**	**
AMT tax preference ³	--	--	**	**	--	--	--	--
Nontaxable Social Security benefits ³	--	--	10	1.8	6	4.8	**	**
No second largest item.....	--	--	3	0.5	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued							
	General business credit		All other tax credits		Partnership and S corporation net losses		Foreign-earned income exclusion ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	5	0.2	369	14.5	252	9.9	--	--
Interest paid deduction.....	**	**	131	35.5	**	**	--	--
Investment interest expense deduction ¹	--	--	47	12.7	126	50.0	--	--
Taxes paid deduction.....	--	--	135	36.6	26	10.3	--	--
Charitable contributions deduction.....	**	**	21	5.7	38	15.1	--	--
Medical and dental expense deduction.....	--	--	--	--	--	--	--	--
Net casualty or theft loss deduction.....	--	--	--	--	**	**	--	--
Total miscellaneous deductions.....	--	--	7	1.9	35	13.9	--	--
General business credit.....	--	--	**	**	**	**	--	--
All other tax credits.....	**	**	--	--	14	5.6	--	--
Partnership and S corporation net losses.....	--	--	12	3.3	--	--	--	--
No second largest item.....	--	--	**	**	--	--	--	--
Returns with expanded income of \$200,000 or more								
Total.....	6	0.1	366	7.4	277	5.6	9	0.3
Interest paid deduction.....	**	**	142	38.8	12	4.3	5	55.6
Tax-exempt interest ³	--	--	**	**	157	56.7	**	**
Taxes paid deduction.....	--	--	140	38.3	21	7.6	**	**
Charitable contributions deduction.....	**	**	24	6.6	51	18.4	--	--
Medical and dental expense deduction.....	--	--	--	--	**	**	--	--
Net casualty or theft loss deduction.....	--	--	--	--	**	**	--	--
Total miscellaneous deductions.....	--	--	**	**	18	6.5	**	**
General business credit.....	--	--	**	**	**	**	--	--
All other tax credits.....	**	**	--	--	15	5.4	--	--
Partnership and S corporation net losses.....	--	--	14	3.8	--	--	--	--
Foreign-earned income exclusion ³	--	--	--	--	--	--	--	--
AMT tax preference ³	--	--	7	1.9	--	--	--	--
Nontaxable Social Security benefits ³	--	--	**	**	--	--	--	--
No second largest item.....	--	--	**	**	--	--	--	--

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect--continued					
	Tax-exempt interest ³		AMT tax preference ³		Nontaxable social security benefits ³	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	--	--	--	--	--	--
Interest paid deduction.....	--	--	--	--	--	--
Investment interest expense deduction ¹	--	--	--	--	--	--
Taxes paid deduction.....	--	--	--	--	--	--
Charitable contributions deduction.....	--	--	--	--	--	--
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.....	--	--	--	--	--	--
No second largest item.....	--	--	--	--	--	--
Returns with expanded income of \$200,000 or more						
Total.....	3,228	65.6	7	0.1	--	--
Interest paid deduction.....	359	11.1	**	**	--	--
Tax-exempt interest ³	--	--	--	--	--	--
Taxes paid deduction.....	745	23.1	--	--	--	--
Charitable contributions deduction.....	371	11.5	--	--	--	--
Medical and dental expense deduction.....	617	19.1	--	--	--	--
Net casualty or theft loss deduction.....	9	0.3	--	--	--	--
Total miscellaneous deductions.....	428	13.3	--	--	--	--
General business credit.....	**	**	--	--	--	--
All other tax credits.....	20	0.6	**	**	--	--
Partnership and S corporation net losses.....	540	16.7	--	--	--	--
Foreign-earned income exclusion ³	**	**	--	--	--	--
AMT tax preference ³	**	**	--	--	--	--
Nontaxable Social Security benefits ³	58	1.8	--	--	--	--
No second largest item.....	74	2.3	--	--	--	--

** 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, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits 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 2002

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, Tax Year 2002

[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.....	2,959	128	200	180	101	52
Interest paid deduction:						
Total.....	2,959	651	869	272	123	99
Investment interest per income concept.....	2,959	1,359	596	85	68	84
Taxes paid deduction.....	2,959	298	1,737	501	183	82
Charitable contributions deduction.....	2,959	547	1,538	163	135	160
Medical and dental expense deduction.....	2,959	2,533	82	16	11	16
Net casualty or theft loss deduction.....	2,959	2,825	3	**	**	**
Net limited miscellaneous deduction per income concept.....	2,959	1,801	570	214	88	70
Nonlimited miscellaneous deduction.....	2,959	2,222	66	9	8	3
Deduction equivalent of:						
Total credits.....	2,959	2,045	112	39	26	36
Foreign tax credit.....	2,959	2,552	247	5	**	**
General business credit.....	2,959	2,871	58	13	8	5
Tax preferences excluded from adjusted gross income.....	2,959	1,806	676	112	64	39
Expanded income concept						
Total itemized deductions.....	5,650	754	612	911	643	495
Interest paid deduction:						
Total.....	5,650	3,209	1,379	601	269	101
Investment interest per income concept.....	5,650	3,751	1,443	144	80	41
Taxes paid deduction.....	5,650	897	3,260	926	280	105
Charitable contributions deduction.....	5,650	1,182	3,282	536	257	127
Medical and dental expense deduction.....	5,650	3,252	1,166	223	168	161
Net casualty or theft loss deduction.....	5,650	5,497	8	8	**	5
Net limited miscellaneous deduction per income concept.....	5,650	2,331	2,191	555	241	104
Nonlimited miscellaneous deduction.....	5,650	5,480	128	11	10	3
Deduction equivalent of:						
Total credits.....	5,650	4,322	318	89	65	57
Foreign tax credit.....	5,650	4,924	369	47	38	19
General business credit.....	5,650	5,560	64	13	5	**
Tax preferences excluded from adjusted gross income.....	5,650	1,064	428	140	123	171

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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	
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	41	25	20	276	1,936
Interest paid deduction:					
Total.....	111	88	105	351	290
Investment interest per income concept.....	102	89	81	283	212
Taxes paid deduction.....	45	33	17	27	36
Charitable contributions deduction.....	105	311	--	--	--
Medical and dental expense deduction.....	21	17	38	108	117
Net casualty or theft loss deduction.....	**	5	5	35	80
Net limited miscellaneous deduction per income concept.....	58	38	22	55	43
Nonlimited miscellaneous deduction.....	6	8	8	276	353
Deduction equivalent of:					
Total credits.....	51	142	177	329	**
Foreign tax credit.....	**	4	4	141	**
General business credit.....	--	**	**	**	--
Tax preferences excluded from adjusted gross income.....	38	27	28	41	128
Expanded income concept					
Total itemized deductions.....	378	325	229	517	786
Interest paid deduction:					
Total.....	24	15	13	23	16
Investment interest per income concept.....	26	20	22	42	81
Taxes paid deduction.....	43	38	21	38	42
Charitable contributions deduction.....	109	53	20	49	35
Medical and dental expense deduction.....	127	118	101	212	122
Net casualty or theft loss deduction.....	3	**	7	37	83
Net limited miscellaneous deduction per income concept.....	71	36	32	51	38
Nonlimited miscellaneous deduction.....	--	3	**	**	11
Deduction equivalent of:					
Total credits.....	56	183	261	298	**
Foreign tax credit.....	14	58	70	111	--
General business credit.....	**	**	**	**	--
Tax preferences excluded from adjusted gross income.....	192	305	413	2,300	514

** Data deleted to avoid disclosure of information for specific taxpayers.

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

High-Income Tax Returns for 2002

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, Tax Year 2002

[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.....	2,551	16	116	132	67	33
Interest paid deduction:						
Total.....	2,551	518	720	224	101	87
Investment interest per income concept.....	2,551	1,137	468	75	62	79
Taxes paid deduction.....	2,551	172	1,539	446	166	73
Charitable contributions deduction.....	2,551	408	1,324	151	127	150
Medical and dental expense deduction.....	2,551	2,135	76	14	11	16
Net casualty or theft loss deduction.....	2,551	2,418	3	**	**	**
Net limited miscellaneous deduction per income concept.....	2,551	1,507	482	193	85	69
Nonlimited miscellaneous deduction.....	2,551	1,831	56	7	6	3
Deduction equivalent of:						
Total credits.....	2,551	2,045	67	22	14	20
Foreign tax credit.....	2,551	2,551	--	--	--	--
General business credit.....	2,551	2,493	36	7	6	5
Tax preferences excluded from adjusted gross income.....	2,551	1,534	578	103	58	37
Expanded income concept						
Total itemized deductions.....	4,922	513	459	771	567	455
Interest paid deduction:						
Total.....	4,922	2,824	1,134	537	246	94
Investment interest per income concept.....	4,922	3,223	1,272	131	76	39
Taxes paid deduction.....	4,922	621	2,907	857	262	95
Charitable contributions deduction.....	4,922	871	2,947	498	238	117
Medical and dental expense deduction.....	4,922	2,606	1,106	215	164	157
Net casualty or theft loss deduction.....	4,922	4,770	8	8	**	5
Net limited miscellaneous deduction per income concept.....	4,922	1,800	2,019	534	238	104
Nonlimited miscellaneous deduction.....	4,922	4,763	119	11	9	**
Deduction equivalent of:						
Total credits.....	4,922	4,321	162	23	14	20
Foreign tax credit.....	4,922	4,922	--	--	--	--
General business credit.....	4,922	4,870	32	8	4	**
Tax preferences excluded from adjusted gross income.....	4,922	614	329	125	117	158

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income--continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	19	15	10	207	1,936
Interest paid deduction:					
Total.....	108	82	96	325	290
Investment interest per income concept.....	96	84	74	264	212
Taxes paid deduction.....	44	32	16	27	36
Charitable contributions deduction.....	96	295	--	--	--
Medical and dental expense deduction.....	21	17	37	107	117
Net casualty or theft loss deduction.....	**	5	5	34	80
Net limited miscellaneous deduction per income concept.....	57	38	22	55	43
Nonlimited miscellaneous deduction.....	5	8	8	274	353
Deduction equivalent of:					
Total credits.....	23	90	128	142	--
Foreign tax credit.....	--	--	--	--	--
General business credit.....	--	**	**	**	--
Tax preferences excluded from adjusted gross income.....	36	23	26	38	118
Expanded income concept					
Total itemized deductions.....	345	313	218	496	785
Interest paid deduction:					
Total.....	23	14	11	23	16
Investment interest per income concept.....	24	19	20	41	77
Taxes paid deduction.....	43	37	20	38	42
Charitable contributions deduction.....	101	48	19	48	35
Medical and dental expense deduction.....	125	118	100	209	122
Net casualty or theft loss deduction.....	3	**	7	36	83
Net limited miscellaneous deduction per income concept.....	70	36	32	51	38
Nonlimited miscellaneous deduction.....	--	3	**	**	11
Deduction equivalent of:					
Total credits.....	**	81	139	143	**
Foreign tax credit.....	--	--	--	--	--
General business credit.....	**	**	**	**	--
Tax preferences excluded from adjusted gross income.....	178	289	386	2,213	513

** Data deleted to avoid disclosure of information for specific taxpayers.

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

High-Income Tax Returns for 2002

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, Tax Year 2002

[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.....	130,076,443	100.0	92,594,957	100.0	26,644,756
Returns without U.S. income tax.....	36,511,079	28.1	36,224,998	39.1	268,196
Returns with U.S. income tax.....	93,565,364	71.9	56,369,959	60.9	26,376,560
Effective tax rate:					
Under 5 percent.....	26,394,740	20.3	23,792,220	25.7	2,497,863
5 under 10 percent.....	34,863,920	26.8	24,044,654	26.0	10,301,592
10 under 15 percent.....	20,399,529	15.7	8,101,722	8.7	9,341,375
15 under 20 percent.....	8,887,738	6.8	397,045	0.4	3,965,826
20 under 25 percent.....	2,046,960	1.6	14,509	(?)	268,094
25 under 30 percent.....	665,998	0.5	7,569	(?)	50
30 under 35 percent.....	256,421	0.2	4,618	(?)	1,272
35 under 40 percent.....	40,242	(?)	1,933	(?)	--
40 under 45 percent.....	1,839	(?)	29	(?)	9
45 under 50 percent.....	786	(?)	455	(?)	3
50 under 60 percent.....	398	(?)	8	(?)	**
60 under 70 percent.....	156	(?)	**	**	--
70 under 80 percent.....	211	(?)	**	**	**
80 percent or more.....	6,425	(?)	5,190	(?)	470

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 (6)	Number of returns (7)	Percentage of total (8)	Number of returns (9)	Percentage of total (10)
All returns.....	100.0	8,422,603	100.0	2,414,128	100.0
Returns without U.S. income tax.....	1.0	14,926	0.2	2,959	0.1
Returns with U.S. income tax.....	99.0	8,407,677	99.8	2,411,169	99.9
Effective tax rate:					
Under 5 percent.....	9.4	82,433	1.0	22,224	0.9
5 under 10 percent.....	38.7	495,504	5.9	22,170	0.9
10 under 15 percent.....	35.1	2,897,351	34.4	59,080	2.4
15 under 20 percent.....	14.9	4,077,473	48.4	447,394	18.5
20 under 25 percent.....	1.0	802,146	9.5	962,210	39.9
25 under 30 percent.....	(?)	47,201	0.6	611,178	25.3
30 under 35 percent.....	(?)	2,413	(?)	248,118	10.3
35 under 40 percent.....	--	1,120	(?)	37,189	1.5
40 under 45 percent.....	(?)	1,008	(?)	793	(?)
45 under 50 percent.....	(?)	87	(?)	241	(?)
50 under 60 percent.....	**	93	(?)	294	(?)
60 under 70 percent.....	--	110	(?)	43	(?)
70 under 80 percent.....	**	10	(?)	197	(?)
80 percent or more.....	(?)	728	(?)	37	(?)

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	130,076,443	100.0	91,896,545	70.6	27,403,702
Returns without U.S. income tax.....	36,511,079	28.1	36,135,057	39.3	336,187
Returns with U.S. income tax.....	93,565,364	71.9	55,761,488	60.7	27,067,514
Effective tax rate:					
Under 5 percent.....	27,166,329	20.9	24,262,289	26.4	2,751,258
5 under 10 percent.....	33,929,052	26.1	22,805,966	24.8	10,624,096
10 under 15 percent.....	20,460,923	15.7	8,175,619	8.9	9,456,243
15 under 20 percent.....	8,974,348	6.9	475,539	0.5	3,949,313
20 under 25 percent.....	2,060,993	1.6	18,425	(²)	283,479
25 under 30 percent.....	675,731	0.5	7,694	(²)	1,947
30 under 35 percent.....	250,619	0.2	6,508	(²)	392
35 under 40 percent.....	36,079	(²)	1,933	(²)	18
40 under 45 percent.....	1,799	(²)	21	(²)	359
45 under 50 percent.....	1,009	(²)	351	(²)	4
50 under 60 percent.....	728	(²)	253	(²)	351
60 under 70 percent.....	36	(²)	3	(²)	3
70 under 80 percent.....	43	(²)	--	--	--
80 percent or more.....	7,676	(²)	6,888	(²)	53

Tax status, effective tax rate	Size of expanded 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.....	21.1	8,311,681	6.4	2,464,515	100.0
Returns without U.S. income tax.....	1.2	34,184	0.4	5,650	0.2
Returns with U.S. income tax.....	98.8	8,277,497	99.6	2,458,865	99.8
Effective tax rate:					
Under 5 percent.....	10.0	112,045	1.3	40,736	1.7
5 under 10 percent.....	38.8	456,790	5.5	42,200	1.7
10 under 15 percent.....	34.5	2,749,383	33.1	79,678	3.2
15 under 20 percent.....	14.4	4,093,907	49.3	455,589	18.5
20 under 25 percent.....	1.0	805,054	9.7	954,035	38.7
25 under 30 percent.....	(²)	55,798	0.7	610,292	24.8
30 under 35 percent.....	(²)	2,342	(²)	241,377	9.8
35 under 40 percent.....	(²)	44	(²)	34,084	1.4
40 under 45 percent.....	(²)	967	(²)	452	(²)
45 under 50 percent.....	(²)	435	(²)	219	(²)
50 under 60 percent.....	(²)	13	(²)	111	(²)
60 under 70 percent.....	(²)	--	--	30	(²)
70 under 80 percent.....	--	--	--	43	(²)
80 percent or more.....	(²)	717	(²)	19	(²)

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

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

² Less than 0.05 percent.

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

High-Income Tax Returns for 2002

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, Tax Year 2002

[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.....	130,076,443	100.0	92,594,957	100.0	26,644,756
Returns without worldwide income tax.....	36,388,087	28.0	36,120,339	39.0	250,595
Returns with worldwide income tax.....	93,688,357	72.0	56,474,618	61.0	26,394,161
Effective tax rate:					
Under 5 percent.....	26,416,828	20.3	23,850,293	25.8	2,488,863
5 under 10 percent.....	34,858,156	26.8	24,064,151	26.0	10,291,330
10 under 15 percent.....	20,402,182	15.7	8,111,501	8.8	9,352,830
15 under 20 percent.....	8,905,933	6.8	399,985	0.4	3,976,754
20 under 25 percent.....	2,062,882	1.6	14,509	(?)	270,191
25 under 30 percent.....	676,894	0.5	7,459	(?)	1,790
30 under 35 percent.....	270,848	0.2	4,728	(?)	2,422
35 under 40 percent.....	51,824	(?)	2,665	(?)	1,808
40 under 45 percent.....	8,670	(?)	974	(?)	1,725
45 under 50 percent.....	5,852	(?)	455	(?)	394
50 under 60 percent.....	6,126	(?)	393	(?)	2,695
60 under 70 percent.....	2,826	(?)	387	(?)	2,279
70 under 80 percent.....	614	(?)	388	(?)	9
80 percent or more.....	18,722	(?)	16,729	(?)	1,072

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 (6)	Number of returns (7)	Percentage of total (8)	Number of returns (9)	Percentage of total (10)
All returns.....	100.0	8,422,603	100.0	2,414,128	100.0
Returns without worldwide income tax.....	0.9	14,602	0.2	2,551	0.1
Returns with worldwide income tax.....	99.1	8,408,001	99.8	2,411,577	99.9
Effective tax rate:					
Under 5 percent.....	9.3	66,907	0.8	10,766	0.4
5 under 10 percent.....	38.6	485,297	5.8	17,379	0.7
10 under 15 percent.....	35.1	2,882,402	34.2	55,450	2.3
15 under 20 percent.....	14.9	4,092,362	48.6	436,831	18.1
20 under 25 percent.....	1.0	814,634	9.7	963,547	39.9
25 under 30 percent.....	(?)	49,487	0.6	618,158	25.6
30 under 35 percent.....	(?)	5,080	0.1	258,617	10.7
35 under 40 percent.....	(?)	3,980	(?)	43,372	1.8
40 under 45 percent.....	(?)	2,051	(?)	3,920	0.2
45 under 50 percent.....	(?)	2,980	(?)	2,023	0.1
50 under 60 percent.....	(?)	1,812	(?)	1,226	0.1
60 under 70 percent.....	(?)	115	(?)	44	(?)
70 under 80 percent.....	(?)	11	(?)	206	(?)
80 percent or more.....	(?)	883	(?)	38	(?)

Footnotes at end of table.

High-Income Tax Returns for 2002

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, Tax Year 2002--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.....	130,076,443	100.0	91,896,545	70.6	27,403,702
Returns without worldwide income tax.....	36,388,087	28.0	36,041,140	39.2	316,873
Returns with worldwide income tax.....	93,688,357	72.0	55,855,405	60.8	27,086,829
Effective tax rate:					
Under 5 percent.....	27,184,194	20.9	24,327,010	26.5	2,750,735
5 under 10 percent.....	33,936,807	26.1	22,829,851	24.8	10,620,815
10 under 15 percent.....	20,475,752	15.7	8,178,666	8.9	9,467,478
15 under 20 percent.....	8,989,745	6.9	477,520	0.5	3,959,105
20 under 25 percent.....	2,083,080	1.6	17,467	(?)	283,481
25 under 30 percent.....	695,355	0.5	8,542	(?)	3,094
30 under 35 percent.....	266,349	0.2	6,619	(?)	392
35 under 40 percent.....	42,732	(?)	1,933	(?)	18
40 under 45 percent.....	2,339	(?)	21	(?)	359
45 under 50 percent.....	1,183	(?)	351	(?)	4
50 under 60 percent.....	1,830	(?)	253	(?)	1,293
60 under 70 percent.....	44	(?)	3	(?)	3
70 under 80 percent.....	43	(?)	--	--	--
80 percent or more.....	8,903	(?)	7,171	(?)	53

Tax status, effective tax rate	Size of expanded 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.....	21.1	8,311,681	6.4	2,464,515	100.0
Returns without worldwide income tax.....	1.2	25,152	0.3	4,922	0.2
Returns with worldwide income tax.....	98.8	8,286,530	99.7	2,459,593	99.8
Effective tax rate:					
Under 5 percent.....	10.0	88,113	1.1	18,336	0.7
5 under 10 percent.....	38.8	451,116	5.4	35,025	1.4
10 under 15 percent.....	34.5	2,752,417	33.1	77,191	3.1
15 under 20 percent.....	14.4	4,104,725	49.4	448,394	18.2
20 under 25 percent.....	1.0	818,223	9.8	963,910	39.1
25 under 30 percent.....	(?)	63,022	0.8	620,697	25.2
30 under 35 percent.....	(?)	5,027	0.1	254,312	10.3
35 under 40 percent.....	(?)	811	(?)	39,971	1.6
40 under 45 percent.....	(?)	967	(?)	992	(?)
45 under 50 percent.....	(?)	435	(?)	393	(?)
50 under 60 percent.....	(?)	13	(?)	270	(?)
60 under 70 percent.....	(?)	--	--	38	(?)
70 under 80 percent.....	--	--	--	43	(?)
80 percent or more.....	(?)	1,660	(?)	20	(?)

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.