

# Section 1

# Introduction and Changes in Law

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## Introduction

This report contains complete individual income tax data for Tax Year 1999. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of a little over 127 million Forms 1040, 1040A, 1040EZ, and 1040PC, including electronic returns, filed for Tax Year 1999.

Table A on the following pages presents selected income and tax items for Tax Years 1995, 1996, 1997, 1998, and 1999 as they appear on the forms and provides the percentage change for each item between 1998 and 1999. When comparing income and tax items from different years, it is important to consider any changes in the tax law which may have affected the data. These tax law changes are explained below. To assist inter-year comparisons, Table A includes the items in both current dollars and constant 1990 dollars, as adjusted by the U.S. Department of Labor's consumer price index (CPI-U).

For Tax Year 1999, the number of individual tax returns filed increased by over 2.0 million, or 1.8

percent. Adjusted gross income (AGI) grew \$439.5 billion, or 8.1 percent from 1998 to 1999, compared to the 9.0 percent growth recorded from 1997 to 1998. Total tax liability increased 10.9 percent to \$917.0 billion. Several components of AGI showed sizable increases for 1999: taxable state and local tax refunds increased 22.2 percent; net capital gains increased 19.0 percent; and taxable IRA distributions increased 17.6 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 1999, and the 1979 Income Concept. Section 2 describes the sample of individual income tax returns upon which the statistics are based. Section 3 contains tables of detailed aggregate statistics on individual tax returns. Section 4 provides explanations of the terms used in the tables. The tax forms appear in Section 5 and Section 6 contains a subject index.

**Table A--Selected Income and Tax Items for Selected Years, 1995-1999, in Current and Constant 1990 Dollars<sup>1</sup>**

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

Item	Current dollars					Percent change, 1998 to 1999
	1995	1996	1997	1998	1999	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>All returns*</b> .....	<b>118,218,327</b>	<b>120,351,208</b>	<b>122,421,991</b>	<b>124,770,662</b>	<b>127,075,145</b>	<b>1.8</b>
Form 1040 returns.....	64,774,724	66,264,999	68,781,991	71,162,837	74,165,814	4.2
Electronically filed returns.....	4,130,001	4,905,975	6,972,994	9,450,121	13,173,514	39.4
Form 1040A returns.....	24,463,262	24,579,173	24,780,076	25,987,822	26,961,302	3.7
Electronically filed returns.....	5,975,664	7,083,225	8,475,296	10,285,487	12,462,963	21.2
Form 1040EZ returns.....	21,644,177	21,196,154	21,154,656	20,830,173	20,752,420	-0.4
Electronically filed returns.....	4,618,555	6,964,704	8,839,265	9,150,964	9,858,843	7.7
Form 1040PC returns.....	7,102,740	8,310,882	7,705,268	6,789,831	5,195,609	-23.5
Salaries & wages						
Number of returns.....	101,138,551	102,748,874	104,404,985	106,535,263	108,183,782	1.5
Amount.....	3,201,456,569	3,376,871,545	3,613,918,456	3,879,762,259	4,132,473,459	6.5
Taxable interest received						
Number of returns.....	67,028,830	67,159,338	67,300,571	67,231,792	67,218,877	(2)
Amount.....	154,780,536	165,672,564	171,700,242	178,333,632	175,675,236	-1.5
Tax-exempt interest						
Number of returns.....	5,006,129	5,000,839	4,925,914	4,778,374	4,801,877	0.5
Amount.....	48,518,428	48,216,666	49,016,921	50,223,365	52,513,007	4.6
Dividends in AGI						
Number of returns.....	26,214,195	27,709,581	29,507,639	30,423,274	32,226,492	5.9
Amount.....	94,592,325	104,254,986	120,493,432	118,479,991	132,465,522	11.8
State income tax refund						
Number of returns.....	18,261,317	18,352,565	19,218,388	19,544,265	20,811,334	6.5
Amount.....	12,235,548	12,751,223	14,094,351	14,707,844	17,976,204	22.2
Alimony received						
Number of returns.....	427,060	415,593	413,109	437,410	418,989	-4.2
Amount.....	4,339,781	4,592,121	4,965,883	5,118,123	5,455,497	6.6
Business or profession net income, less loss						
Number of returns.....	16,172,851	16,735,827	16,937,575	17,104,786	17,312,125	1.2
Amount.....	169,343,327	176,903,956	186,741,216	202,400,115	208,414,067	3.0
Net capital gain in AGI less loss						
Number of returns.....	15,284,562	16,636,286	24,240,112	25,690,397	21,493,841	-16.3
Amount.....	166,758,085	245,960,751	356,083,267	446,083,839	530,795,936	19.0
Capital gain distributions reported on Form 1040						
Number of returns.....	4,678,363	5,428,435	N/A	N/A	6,206,662	--
Amount.....	3,657,121	5,856,183	N/A	N/A	11,962,180	--
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,777,233	1,822,036	1,744,602	1,719,937	1,732,925	0.8
Amount.....	-3,010,038	-2,284,494	-1,460,402	-1,575,698	-1,712,291	-8.7
Total IRA distributions						
Number of returns.....	5,858,634	6,456,820	6,761,089	8,530,379	8,751,378	2.6
Amount.....	59,840,199	70,006,464	79,009,673	133,357,445	125,316,324	-6.0
Taxable IRA distributions in AGI						
Number of returns.....	5,255,882	5,831,146	6,214,044	7,774,091	8,129,376	4.6
Amount.....	37,316,169	45,538,743	55,182,520	74,094,367	87,140,912	17.6
Total pensions & annuities						
Number of returns.....	19,778,915	20,675,450	20,948,184	22,211,348	23,180,716	4.4
Amount.....	311,264,612	344,907,107	382,935,981	441,521,385	508,236,875	15.1
Taxable pensions & annuities in AGI						
Number of returns.....	18,414,601	19,272,307	19,496,575	20,473,407	21,343,646	4.3
Amount.....	221,053,045	238,786,811	259,711,251	280,650,198	304,310,714	8.4
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,158,755	14,371,185	14,480,636	14,647,697	14,536,311	-0.8
Amount.....	148,999,462	175,060,227	198,823,191	219,258,921	246,591,401	12.5
Farm net income less loss						
Number of returns.....	2,219,244	2,188,025	2,160,954	2,091,845	2,046,308	-2.2
Amount.....	-7,849,640	-7,111,985	-6,847,443	-7,933,778	-6,242,916	21.3
Unemployment compensation in AGI						
Number of returns.....	7,985,322	7,995,015	7,124,100	7,082,562	6,775,723	-4.3
Amount.....	19,336,423	19,326,824	17,230,102	16,814,669	17,530,779	4.3
Social security benefits (received)						
Number of returns.....	10,292,449	10,961,473	11,351,510	12,136,792	12,487,903	2.9
Amount.....	119,291,657	130,679,153	139,958,629	154,953,370	163,232,494	5.3
Taxable social security benefits in AGI						
Number of returns.....	6,598,033	7,365,955	8,307,938	8,941,171	9,459,189	5.8
Amount.....	45,715,361	53,203,171	61,557,689	68,702,700	75,078,976	9.3
Foreign earned income exclusion <sup>2</sup> .....						
Number of returns.....	266,129	279,004	297,534	308,284	314,486	2.0
Amount.....	12,284,935	11,982,578	13,170,179	13,455,924	14,136,544	5.1
Net operating loss <sup>2</sup> .....						
Number of returns.....	505,303	503,913	568,443	539,802	578,583	7.2
Amount.....	49,330,982	49,749,182	51,343,546	48,297,886	49,634,620	2.8
Other income, net gain less loss <sup>2</sup> .....						
Number of returns.....	4,623,440	4,698,360	4,737,237	5,088,222	5,160,532	1.4
Amount.....	15,518,117	16,741,080	19,085,136	21,554,040	22,879,779	6.2

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1995-1999, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Current dollars					Percent change, 1998 to 1999
	1995	1996	1997	1998	1999	
	(1)	(2)	(3)	(4)	(5)	(6)
Total income, net gain less loss						
Number of returns.....	118,113,441	120,289,122	122,332,599	124,652,387	126,840,986	1.8
Amount.....	4,230,493,192	4,578,621,425	5,016,904,666	5,467,503,555	5,912,166,710	8.1
Total taxpayer IRA adjustment						
Number of returns.....	4,300,722	4,374,281	4,068,958	3,868,017	3,687,149	-4.7
Amount.....	8,338,014	8,627,534	8,662,694	8,188,452	7,883,438	-3.7
Student loan interest deduction						
Number of returns.....	N/A	N/A	N/A	3,763,742	4,136,505	9.9
Amount.....	N/A	N/A	N/A	1,730,768	2,254,531	30.3
Medical savings account deduction						
Number of returns.....	N/A	N/A	16,912	42,235	50,393	19.3
Amount.....	N/A	N/A	22,454	62,071	81,977	32.1
One-half of self-employment tax						
Number of returns.....	12,849,084	13,204,164	13,513,228	13,756,483	14,029,609	2.0
Amount.....	13,341,810	14,044,148	14,868,362	15,960,341	16,689,650	4.6
Self-employed health insurance						
Number of returns.....	3,011,145	3,147,032	3,284,842	3,380,867	3,491,539	3.3
Amount.....	2,601,145	2,785,382	3,869,842	4,693,286	6,755,071	43.9
Keogh retirement plan						
Number of returns.....	1,032,102	1,079,413	1,189,981	1,177,487	1,264,007	7.3
Amount.....	8,734,145	8,979,382	10,237,623	11,039,683	11,928,242	8.0
Penalty on early withdrawal of savings						
Number of returns.....	803,838	708,631	918,302	828,922	805,367	-2.8
Amount.....	203,861	167,528	234,237	217,913	236,115	8.4
Alimony paid adjustment						
Number of returns.....	567,947	597,157	623,646	590,898	610,609	3.3
Amount.....	5,225,564	5,668,169	6,311,455	6,877,808	7,247,919	5.4
Foreign housing deductions						
Number of returns.....	5,765	4,055	654	1,543	5,782	274.7
Amount.....	114,619	75,059	16,361	38,994	77,574	98.9
Other adjustments						
Number of returns.....	126,323	120,561	118,629	164,646	198,438	20.5
Amount.....	860,329	618,170	884,074	1,037,209	1,313,318	26.6
Total statutory adjustments						
Number of returns.....	18,208,887	18,424,901	18,785,760	21,998,366	22,659,973	3.0
Amount.....	41,139,577	42,646,933	46,954,680	51,530,709	56,698,800	10.0
Adjusted gross income or loss (AGI)						
Amount.....	4,189,353,615	4,535,974,492	4,969,949,986	5,415,972,847	5,855,467,909	8.1
Total itemized deductions						
Number of returns.....	34,007,717	35,414,589	36,624,595	38,186,186	40,244,305	5.4
Amount.....	527,374,034	572,541,293	620,810,172	676,460,336	741,376,847	9.6
Total standard deduction						
Number of returns.....	83,222,737	83,996,917	84,844,302	85,576,463	85,755,366	0.2
Amount.....	413,584,632	426,102,973	441,695,925	459,457,374	463,960,491	1.0
Basic standard deduction						
Number of returns.....	83,222,737	83,996,917	84,844,302	85,576,463	85,755,366	0.2
Amount.....	401,265,344	412,808,983	428,362,726	445,400,450	449,696,182	1.0
Additional standard deduction						
Number of returns.....	10,809,600	11,042,761	11,136,379	11,081,634	11,200,024	1.1
Amount.....	12,319,288	13,293,990	13,333,199	14,056,924	14,264,309	1.5
AGI less deductions						
Number of returns.....	106,211,028	107,919,330	110,720,898	111,924,583	113,863,898	1.7
Amount.....	3,326,498,893	3,615,875,867	3,984,130,897	4,357,840,879	4,730,367,366	8.5
Number of exemptions.....	237,164,486	238,626,393	241,279,259	245,592,958	248,657,119	1.2
Exemption amount.....	584,509,487	598,860,677	627,825,050	650,347,285	669,241,317	2.9
Taxable income						
Number of returns.....	94,612,292	96,576,755	99,314,519	100,801,271	102,845,571	2.0
Amount.....	2,813,826,386	3,089,667,389	3,429,109,165	3,780,838,200	4,136,119,714	9.4
Tax from table, rate schedules, etc.						
Number of returns.....	94,482,512	96,513,834	99,217,292	100,793,439	102,831,402	2.0
Amount.....	595,744,087	666,575,498	738,819,027	813,227,104	906,345,754	11.5
Additional taxes						
Number of returns.....	65,179	36,237	59,250	47,690	36,960	-22.5
Amount.....	424,567	148,670	663,002	341,757	466,001	36.4
Income tax before credits						
Number of returns.....	94,497,909	96,522,237	99,225,503	100,797,716	102,834,362	2.0
Amount.....	596,168,654	666,724,167	739,482,029	813,568,861	906,811,755	11.5
Child care credit						
Number of returns.....	5,964,253	5,974,146	5,795,530	6,128,155	6,182,193	0.9
Amount.....	2,517,962	2,531,383	2,464,005	2,660,573	2,675,147	0.5
Credit for elderly or disabled						
Number of returns.....	251,524	168,012	190,343	180,473	181,813	0.7
Amount.....	48,028	31,836	41,281	35,689	33,629	-5.8
Child tax credit						
Number of returns.....	N/A	N/A	N/A	24,810,781	26,016,019	4.9
Amount.....	N/A	N/A	N/A	15,143,468	19,398,625	28.1
Education credits						
Number of returns.....	N/A	N/A	N/A	4,652,596	6,436,654	38.3
Amount.....	N/A	N/A	N/A	3,376,647	4,772,443	41.3
Adoption credit						
Number of returns.....	N/A	N/A	30,721	40,668	47,349	16.4
Amount.....	N/A	N/A	58,522	83,046	103,016	24.0
Foreign tax credit						
Number of returns.....	1,730,566	2,105,799	2,334,015	2,995,294	3,266,544	9.1
Amount.....	2,965,313	3,538,835	4,073,461	4,677,022	4,941,010	5.6

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1995-1999, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Current dollars					Percent change, 1998 to 1999
	1995	1996	1997	1998	1999	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>General business credit</b>						
Number of returns.....	267,527	297,511	306,254	272,197	287,658	5.7
Amount.....	702,906	742,891	826,320	732,487	783,920	7.0
<b>Prior year minimum tax credit</b>						
Number of returns.....	106,592	117,414	118,571	108,583	166,010	52.9
Amount.....	468,755	669,545	681,282	818,389	996,461	21.8
<b>Total credits<sup>3</sup></b>						
Number of returns.....	8,263,198	8,583,103	8,712,146	32,114,860	34,813,611	8.4
Amount.....	6,894,461	7,740,814	8,410,868	27,823,908	33,974,279	22.1
<b>Income tax less credits<sup>1</sup></b>						
Number of returns.....	94,020,926	96,051,501	98,794,570	96,581,077	97,752,068	1.2
Amount.....	589,274,192	658,983,353	731,071,161	785,744,954	872,837,476	11.1
<b>Self-employment tax</b>						
Number of returns.....	12,850,372	13,217,169	13,515,150	13,757,431	14,029,609	2.0
Amount.....	26,678,859	28,094,894	29,738,153	31,914,256	33,372,365	4.6
<b>Alternative minimum tax</b>						
Number of returns.....	414,106	477,898	618,072	853,433	1,018,063	19.3
Amount.....	2,290,576	2,812,746	4,005,101	5,014,549	6,477,697	29.2
<b>Recapture taxes</b>						
Number of returns.....	7,416	12,207	26,922	22,300	12,243	-45.1
Amount.....	51,517	70,167	133,018	238,980	215,699	-9.7
<b>Social security, Medicare tax on tip income not reported</b>						
Number of returns.....	267,601	286,946	267,055	245,028	254,489	3.9
Amount.....	43,651	32,100	27,826	26,264	29,477	12.2
<b>Tax on qualified retirement plans</b>						
Number of returns.....	3,039,096	3,434,814	3,415,245	3,786,186	4,076,050	7.7
Amount.....	1,780,113	2,189,148	2,335,845	2,699,419	3,074,825	13.9
<b>Advanced earned income credit payments</b>						
Number of returns.....	193,751	192,014	239,664	217,555	171,629	-21.1
Amount.....	124,693	91,737	122,398	105,877	94,004	-11.2
<b>Total tax liability<sup>1,4</sup></b>						
Number of returns.....	97,461,757	99,665,343	102,359,516	100,813,446	102,194,476	1.4
Amount.....	620,965,863	693,027,778	768,290,921	826,621,050	916,992,618	10.9
<b>Income tax withheld</b>						
Number of returns.....	102,436,220	104,213,605	106,483,908	109,144,689	111,193,931	1.9
Amount.....	495,484,153	533,284,434	582,124,212	636,248,491	695,526,980	9.3
<b>Estimated tax payments</b>						
Number of returns.....	11,903,592	12,333,764	12,766,410	13,072,121	13,169,356	0.7
Amount.....	122,489,252	141,571,020	162,584,233	177,750,952	196,915,946	10.8
<b>Earned income credit<sup>1</sup></b>						
Number of returns.....	19,334,397	19,463,836	19,391,179	19,704,707	19,260,339	-2.3
Amount.....	25,955,575	28,825,258	30,388,582	31,591,789	31,903,081	1.0
<b>Additional child tax credit</b>						
Number of returns.....	N/A	N/A	N/A	754,363	985,579	30.7
Amount.....	N/A	N/A	N/A	508,972	812,404	59.6
<b>Payment with an extension request</b>						
Number of returns.....	1,368,994	1,422,648	1,597,435	1,540,573	1,510,206	-2.0
Amount.....	24,929,343	32,447,235	38,918,434	45,640,225	53,984,319	18.3
<b>Excess social security tax withheld</b>						
Number of returns.....	1,033,189	1,178,757	1,267,562	1,303,642	1,377,613	5.7
Amount.....	1,081,454	1,313,451	1,399,705	1,523,584	1,712,649	12.4
<b>Other payments:</b>						
<b>Form 2439</b>						
Number of returns.....	42,037	87,976	68,097	41,688	37,879	-9.1
Amount.....	67,482	60,178	55,227	46,076	151,723	229.3
<b>Form 4136</b>						
Number of returns.....	519,653	513,815	445,633	446,489	426,878	-4.4
Amount.....	123,815	108,650	101,328	108,376	95,029	-12.3
<b>Total payments<sup>1</sup></b>						
Number of returns.....	111,098,864	112,926,241	115,138,784	117,835,317	119,809,259	1.7
Amount.....	670,131,074	737,610,226	815,571,720	893,418,466	981,100,157	9.8
<b>Overpayment, total</b>						
Number of returns.....	85,348,771	86,492,206	88,311,237	93,434,624	94,827,237	1.5
Amount.....	119,462,121	128,964,442	140,110,378	167,987,055	182,049,186	8.4
<b>Overpayment refunded</b>						
Number of returns.....	82,744,440	83,668,927	85,381,040	90,233,356	91,600,741	1.5
Amount.....	104,537,379	111,680,967	119,706,937	144,445,788	155,513,635	7.7
<b>Refund credited to next year</b>						
Number of returns.....	3,671,556	3,862,330	4,109,601	4,567,379	4,514,663	-1.2
Amount.....	14,924,742	17,283,475	20,403,441	23,541,268	26,535,551	12.7
<b>Tax due at time of filing</b>						
Number of returns.....	29,734,331	30,601,619	31,198,382	28,429,856	29,200,902	2.7
Amount.....	71,153,015	85,337,201	93,909,641	102,151,442	119,091,512	16.6
<b>Tax penalty</b>						
Number of returns.....	5,177,201	5,530,812	5,920,839	5,019,736	5,285,114	5.3
Amount.....	856,106	955,207	1,080,062	961,802	1,149,865	19.6

Footnotes at end of table

**Table A--Selected Income and Tax Items for Selected Years, 1995-1999, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Constant 1990 dollars <sup>5</sup>					Percent change, 1998 to 1999
	1995	1996	1997	1998	1999	
	(7)	(8)	(9)	(10)	(11)	(12)
<b>All returns*</b> .....	<b>118,218,327</b>	<b>120,351,208</b>	<b>122,421,991</b>	<b>124,770,662</b>	<b>127,075,145</b>	<b>1.8</b>
Form 1040 returns.....	64,774,724	66,264,999	68,781,991	71,162,837	74,165,814	4.2
Electronically filed returns.....	4,130,001	4,905,975	6,972,994	9,450,121	13,173,514	39.4
Form 1040A returns.....	24,463,262	24,579,173	24,780,076	25,987,822	26,961,302	3.7
Electronically filed returns.....	5,975,664	7,083,225	8,475,296	10,285,487	12,462,963	21.2
Form 1040EZ returns.....	21,644,177	21,196,154	21,154,656	20,830,173	20,752,420	-0.4
Electronically filed returns.....	4,618,555	6,964,704	8,839,265	9,150,964	9,858,843	7.7
Form 1040PC returns.....	7,102,740	8,310,882	7,705,268	6,789,831	5,195,609	-23.5
Salaries & wages						
Number of returns.....	101,138,551	102,748,874	104,404,985	106,535,263	108,183,782	1.5
Amount.....	2,745,674,587	2,814,059,621	2,942,930,339	3,093,909,297	3,241,155,654	4.8
Taxable interest received						
Number of returns.....	67,028,830	67,159,338	67,300,571	67,231,792	67,218,877	(Z)
Amount.....	132,744,885	138,060,470	139,821,044	142,211,828	137,784,499	-3.1
Tax-exempt interest						
Number of returns.....	5,006,129	5,000,839	4,925,914	4,778,374	4,801,877	0.5
Amount.....	41,611,002	40,180,555	39,916,059	40,050,530	41,186,672	2.8
Dividends in AGI						
Number of returns.....	26,214,195	27,709,581	29,507,639	30,423,274	32,226,492	5.9
Amount.....	81,125,493	86,879,155	98,121,687	94,481,652	103,894,527	10.0
State income tax refund						
Number of returns.....	18,261,317	18,352,565	19,218,388	19,544,265	20,811,334	6.5
Amount.....	10,493,609	10,626,019	11,477,485	11,728,743	14,098,984	20.2
Alimony received						
Number of returns.....	427,060	415,593	413,109	437,410	418,989	-4.2
Amount.....	3,721,939	3,826,768	4,043,879	4,081,438	4,278,821	4.8
Business or profession net income, less loss						
Number of returns.....	16,172,851	16,735,827	16,937,575	17,104,786	17,312,125	1.2
Amount.....	145,234,414	147,419,963	152,069,394	161,403,600	163,462,013	1.3
Net capital gain in AGI less loss						
Number of returns.....	15,284,562	16,636,286	24,240,112	25,690,397	21,493,841	-16.3
Amount.....	143,017,226	204,967,293	289,970,087	355,728,739	416,310,538	17.0
Capital gain distributions reported on Form 1040						
Number of returns.....	4,678,363	5,428,435	N/A	N/A	6,206,662	--
Amount.....	3,136,467	4,880,153	N/A	N/A	9,382,102	--
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,777,233	1,822,036	1,744,602	1,719,937	1,732,925	0.8
Amount.....	-2,581,508	-1,903,745	-1,189,252	-1,256,537	-1,342,973	-6.9
Total IRA distributions						
Number of returns.....	5,858,634	6,456,820	6,761,089	8,530,379	8,751,378	2.6
Amount.....	51,320,925	58,338,720	64,340,125	106,345,650	98,287,313	-7.6
Taxable IRA distributions in AGI						
Number of returns.....	5,255,882	5,831,146	6,214,044	7,774,091	8,129,376	4.6
Amount.....	32,003,575	37,948,953	44,936,906	59,086,417	68,345,813	15.7
Total pensions & annuities						
Number of returns.....	19,778,915	20,675,450	20,948,184	22,211,348	23,180,716	4.4
Amount.....	266,950,782	287,422,589	311,837,118	352,090,419	398,617,157	13.2
Taxable pensions & annuities in AGI						
Number of returns.....	18,414,601	19,272,307	19,496,575	20,473,407	21,343,646	4.3
Amount.....	189,582,371	198,989,009	211,491,247	223,803,986	238,675,070	6.6
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,158,755	14,371,185	14,480,636	14,647,697	14,536,311	-0.8
Amount.....	127,786,846	145,883,523	161,908,136	174,847,624	193,405,020	10.6
Farm net income less loss						
Number of returns.....	2,219,244	2,188,025	2,160,954	2,091,845	2,046,308	-2.2
Amount.....	-6,732,110	-5,926,654	-5,576,094	-6,326,777	-4,896,405	22.6
Unemployment compensation in AGI						
Number of returns.....	7,985,322	7,995,015	7,124,100	7,082,562	6,775,723	-4.3
Amount.....	16,583,553	16,105,687	14,031,028	13,408,827	13,749,631	2.5
Social security benefits (received)						
Number of returns.....	10,292,449	10,961,473	11,351,510	12,136,792	12,487,903	2.9
Amount.....	102,308,454	108,899,294	113,972,825	123,567,281	128,025,485	3.6
Taxable social security benefits in AGI						
Number of returns.....	6,598,033	7,365,955	8,307,938	8,941,171	9,459,189	5.8
Amount.....	39,206,999	44,335,976	50,128,411	54,786,842	58,885,471	7.5
Foreign earned income exclusion <sup>2</sup> .....						
Number of returns.....	266,129	279,004	297,534	308,284	314,486	2.0
Amount.....	10,535,965	9,985,482	10,724,901	10,730,402	11,087,485	3.3
Net operating loss <sup>2</sup> .....						
Number of returns.....	505,303	503,913	568,443	539,802	578,583	7.2
Amount.....	42,307,875	41,457,652	41,810,705	38,515,061	38,929,114	1.1
Other income, net gain less loss <sup>2</sup> .....						
Number of returns.....	4,623,440	4,698,360	4,737,237	5,088,222	5,160,532	1.4
Amount.....	13,308,848	13,950,900	15,541,642	17,188,230	17,944,925	4.4

Footnotes at end of table

**Table A--Selected Income and Tax Items for Selected Years, 1995-1999, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Constant 1990 dollars					Percent change, 1998 to 1999
	1995	1996	1997	1998	1999	
	(7)	(8)	(9)	(10)	(11)	(12)
Total income, net gain less loss						
Number of returns.....	118,113,441	120,289,122	122,332,599	124,652,387	126,840,986	1.8
Amount.....	3,628,210,285	3,815,517,854	4,085,427,252	4,360,050,682	4,636,993,498	6.4
Total taxpayer IRA adjustment						
Number of returns.....	4,300,722	4,374,281	4,068,958	3,868,017	3,687,149	-4.7
Amount.....	7,150,955	7,189,612	7,054,311	6,529,866	6,183,089	-5.3
Student loan interest deduction						
Number of returns.....	N/A	N/A	N/A	3,763,742	4,136,505	9.9
Amount.....	N/A	N/A	N/A	1,380,198	1,768,260	28.1
Medical savings account deduction						
Number of returns.....	N/A	N/A	16,912	42,235	50,393	19.3
Amount.....	N/A	N/A	18,285	49,498	64,296	29.9
One-half of self-employment tax						
Number of returns.....	12,849,084	13,204,164	13,513,228	13,756,483	14,029,609	2.0
Amount.....	11,442,376	11,703,457	12,107,787	12,727,545	13,089,922	2.8
Self-employed health insurance						
Number of returns.....	3,011,145	3,147,032	3,284,842	3,380,867	3,491,539	3.3
Amount.....	2,230,828	2,321,152	3,151,337	3,742,652	5,298,095	41.6
Keogh retirement plan						
Number of returns.....	1,032,102	1,079,413	1,189,981	1,177,487	1,264,007	7.3
Amount.....	7,490,690	7,482,818	8,336,827	8,803,575	9,355,484	6.3
Penalty on early withdrawal of savings						
Number of returns.....	803,838	708,631	918,302	828,922	805,367	-2.8
Amount.....	174,838	139,607	190,747	173,774	185,188	6.6
Alimony paid adjustment						
Number of returns.....	567,947	597,157	623,646	590,898	610,609	3.3
Amount.....	4,481,616	4,723,474	5,139,621	5,484,695	5,684,642	3.6
Foreign housing deductions						
Number of returns.....	5,765	4,055	654	1,543	5,782	274.7
Amount.....	98,301	62,549	13,323	31,096	60,842	95.7
Other adjustments						
Number of returns.....	126,323	120,561	118,629	164,646	198,438	20.5
Amount.....	737,846	515,142	719,930	827,120	1,030,053	24.5
Total statutory adjustments						
Number of returns.....	18,208,887	18,424,901	18,785,760	21,998,366	22,659,973	3.0
Amount.....	35,282,656	35,539,111	38,236,710	41,093,069	44,469,647	8.2
Adjusted gross income or loss (AGI)						
Amount.....	3,694,315,357	3,890,201,108	4,141,624,988	4,318,957,613	4,592,523,850	6.3
Total itemized deductions						
Number of returns.....	34,007,717	35,414,589	36,624,595	38,186,186	40,244,305	5.4
Amount.....	452,293,340	477,117,744	505,545,743	539,442,054	581,472,037	7.8
Total standard deduction						
Number of returns.....	83,222,737	83,996,917	84,844,302	85,576,463	85,755,366	0.2
Amount.....	354,703,801	355,085,811	359,687,235	366,393,440	363,890,581	-0.7
Basic standard deduction						
Number of returns.....	83,222,737	83,996,917	84,844,302	85,576,463	85,755,366	0.2
Amount.....	344,138,374	344,007,486	348,829,581	355,183,772	352,702,888	-0.7
Additional standard deduction						
Number of returns.....	10,809,600	11,042,761	11,136,379	11,081,634	11,200,024	1.1
Amount.....	10,565,427	11,078,325	10,857,654	11,209,668	11,187,693	-0.2
AGI less deductions						
Number of returns.....	106,211,028	107,919,330	110,720,898	111,924,583	113,863,898	1.7
Amount.....	2,852,915,003	3,013,229,889	3,244,406,268	3,475,152,216	3,710,092,052	6.8
Number of exemptions.....	237,164,486	238,626,393	241,279,259	245,592,958	248,657,119	1.2
Exemption amount.....	501,294,586	499,050,564	511,258,184	518,618,250	524,895,151	1.2
Taxable income						
Number of returns.....	94,612,292	96,576,755	99,314,519	100,801,271	102,845,571	2.0
Amount.....	2,413,230,177	2,574,722,824	2,792,434,173	3,015,022,488	3,244,015,462	7.6
Tax from table, rate schedules, etc.						
Number of returns.....	94,482,512	96,513,834	99,217,292	100,793,439	102,831,402	2.0
Amount.....	510,929,749	555,479,582	601,644,159	648,506,463	710,859,415	9.6
Additional taxes						
Number of returns.....	65,179	36,237	59,250	47,690	36,960	-22.5
Amount.....	364,123	123,892	539,904	272,533	365,491	34.1
Income tax before credits						
Number of returns.....	94,497,909	96,522,237	99,225,503	100,797,716	102,834,362	2.0
Amount.....	511,293,871	555,603,473	602,184,063	648,778,996	711,224,906	9.6
Child care credit						
Number of returns.....	5,964,253	5,974,146	5,795,530	6,128,155	6,182,193	0.9
Amount.....	2,159,487	2,109,486	2,006,519	2,121,669	2,098,155	-1.1
Credit for elderly or disabled						
Number of returns.....	251,524	168,012	190,343	180,473	181,813	0.7
Amount.....	41,190	26,530	33,616	28,460	26,376	-7.3
Child tax credit						
Number of returns.....	N/A	N/A	N/A	24,810,781	26,016,019	4.9
Amount.....	N/A	N/A	N/A	12,076,131	15,214,608	26.0
Education credits						
Number of returns.....	N/A	N/A	N/A	4,652,596	6,436,654	38.3
Amount.....	N/A	N/A	N/A	2,692,701	3,743,093	39.0
Adoption credit						
Number of returns.....	N/A	N/A	30,721	40,668	47,349	16.4
Amount.....	N/A	N/A	47,656	66,225	80,797	22.0
Foreign tax credit						
Number of returns.....	1,730,566	2,105,799	2,334,015	2,995,294	3,266,544	9.1
Amount.....	2,543,150	2,949,029	3,317,151	3,729,683	3,875,302	3.9

Footnotes at end of table.

**Table A--Selected Income and Tax Items for Selected Years, 1995-1999, in Current and Constant 1990 Dollars--Continued<sup>1</sup>**

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

Item	Constant 1990 dollars <sup>5</sup>					Percent change, 1998 to 1999
	1995	1996	1997	1998	1999	
	(7)	(8)	(9)	(10)	(11)	(12)
General business credit						
Number of returns.....	267,527	297,511	306,254	272,197	287,658	5.7
Amount.....	602,835	619,076	672,899	584,120	614,839	5.3
Prior year minimum tax credit						
Number of returns.....	106,592	117,414	118,571	108,583	166,010	52.9
Amount.....	402,020	557,954	554,790	652,623	781,538	19.8
Total credits <sup>3</sup>						
Number of returns.....	8,263,198	8,583,103	8,712,146	32,114,860	34,813,611	8.4
Amount.....	5,912,917	6,450,678	6,849,241	22,188,124	26,646,493	20.1
Income tax less credits <sup>1</sup>						
Number of returns.....	94,020,926	96,051,501	98,794,570	96,581,077	97,752,068	1.2
Amount.....	505,380,954	549,152,794	595,334,822	626,590,872	684,578,413	9.3
Self-employment tax						
Number of returns.....	12,850,372	13,217,169	13,515,150	13,757,431	14,029,609	2.0
Amount.....	22,880,668	23,412,412	24,216,737	25,449,965	26,174,404	2.8
Alternative minimum tax						
Number of returns.....	414,106	477,898	618,072	853,433	1,018,063	19.3
Amount.....	1,964,473	2,343,955	3,261,483	3,998,843	5,080,547	27.1
Recapture taxes						
Number of returns.....	7,416	12,207	26,922	22,300	12,243	-45.1
Amount.....	44,183	58,473	108,321	190,574	169,176	-11.2
Social security, Medicare tax on tip income not reported						
Number of returns.....	267,601	286,946	267,055	245,028	254,489	3.9
Amount.....	37,437	26,750	22,660	20,944	23,119	10.4
Tax on qualified retirement plans						
Number of returns.....	3,039,096	3,434,814	3,415,245	3,786,186	4,076,050	7.7
Amount.....	1,526,684	1,824,290	1,902,154	2,152,647	2,411,627	12.0
Advanced earned income credit payments						
Number of returns.....	193,751	192,014	239,664	217,555	171,629	-21.1
Amount.....	106,941	76,448	99,673	84,431	73,729	-12.7
Total tax liability <sup>1,4</sup>						
Number of returns.....	97,461,757	99,665,343	102,359,516	100,813,446	102,194,476	1.4
Amount.....	532,560,774	577,523,148	625,644,072	659,187,440	719,209,896	9.1
Income tax withheld						
Number of returns.....	102,436,220	104,213,605	106,483,908	109,144,689	111,193,931	1.9
Amount.....	424,943,527	444,403,695	474,042,518	507,375,192	545,511,357	7.5
Estimated tax payments						
Number of returns.....	11,903,592	12,333,764	12,766,410	13,072,121	13,169,356	0.7
Amount.....	105,050,816	117,975,850	132,397,584	141,747,171	154,443,879	9.0
Earned income credit <sup>1</sup>						
Number of returns.....	19,334,397	19,463,836	19,391,179	19,704,707	19,260,339	-2.3
Amount.....	22,260,356	24,021,048	24,746,402	25,192,814	25,022,024	-0.7
Additional child tax credit						
Number of returns.....	N/A	N/A	N/A	754,363	985,579	30.7
Amount.....	N/A	N/A	N/A	405,879	637,180	57.0
Payment with an extension request						
Number of returns.....	1,368,994	1,422,648	1,597,435	1,540,573	1,510,206	-2.0
Amount.....	21,380,226	27,039,363	31,692,536	36,395,714	42,340,642	16.3
Excess social security tax withheld						
Number of returns.....	1,033,189	1,178,757	1,267,562	1,303,642	1,377,613	5.7
Amount.....	927,491	1,094,543	1,139,825	1,214,979	1,343,254	10.6
Other payments:						
Form 2439						
Number of returns.....	42,037	87,976	68,097	41,688	37,879	-9.1
Amount.....	57,875	50,148	44,973	36,743	118,998	223.9
Form 4136						
Number of returns.....	519,653	513,815	445,633	446,489	426,878	-4.4
Amount.....	106,188	90,542	82,515	86,424	74,533	-13.8
Total payments <sup>1</sup>						
Number of returns.....	111,098,864	112,926,241	115,138,784	117,835,317	119,809,259	1.7
Amount.....	574,726,479	614,675,188	664,146,352	712,454,917	769,490,319	8.0
Overpayment, total						
Number of returns.....	85,348,771	86,492,206	88,311,237	93,434,624	94,827,237	1.5
Amount.....	102,454,649	107,470,368	114,096,399	133,960,969	142,783,675	6.6
Overpayment refunded						
Number of returns.....	82,744,440	83,668,927	85,381,040	90,233,356	91,600,741	1.5
Amount.....	89,654,699	93,067,473	97,481,219	115,188,029	121,971,478	5.9
Refund credited to next year						
Number of returns.....	3,671,556	3,862,330	4,109,601	4,567,379	4,514,663	-1.2
Amount.....	12,799,950	14,402,896	16,615,180	18,772,941	20,812,197	10.9
Tax due at time of filing						
Number of returns.....	29,734,331	30,601,619	31,198,382	28,429,856	29,200,902	2.7
Amount.....	61,023,169	71,114,334	76,473,649	81,460,480	93,405,107	14.7
Tax penalty						
Number of returns.....	5,177,201	5,530,812	5,920,839	5,019,736	5,285,114	5.3
Amount.....	734,225	796,006	879,529	766,987	901,855	17.6

<sup>1</sup> All items correspond to the Form 1040 line items. Therefore, some may differ from the SOI items shown in the Basic Tables in Section 3.

N/A = Not applicable

<sup>2</sup> Line 21 on Form 1040 consists of other income minus foreign earned income exclusion and net operating loss.

(Z) Less than .05 percent.

<sup>3</sup> Total credits includes the values for mortgage interest tax credit and "other credits" not tabulated here.

<sup>4</sup> Total tax liability includes the values for "other taxes" not tabulated here.

<sup>5</sup> Inflation-adjusted data were calculated using the consumer price index in the "Economic Report of the President," February 1999, Table B-59; based on 1990=100 when 1990 CPI-U = 130.7; 1999 CPI-U = 166.6; 1998 CPI-U = 163.9; 1997 CPI-U = 160.5; 1996 CPI-U = 156.9; 1995 CPI-U = 152.4.

\* All returns for 1995 includes 233,424 Form 1040T returns.

<b>Figure 1--General Filing Requirements</b>			
<b>Marital Status</b>	<b>Filing Status</b>	<b>Age</b>	<b>Gross Income</b>
Single (including divorced and legally separated)	Single	under 65	\$7,050
		65 or older	\$8,100
	Head of household	under 65	\$9,100
		65 or older	\$10,150
Married with a child and living apart from spouse during the last six months of 1999	Head of household	under 65	\$9,100
		65 or older	\$10,150
Married and living with spouse at the end of 1999 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$12,700
		65 or older (one spouse)	\$13,550
		65 or older (both spouses)	\$14,400
	Married, separate return	any age	\$2,750
Married, not living with spouse at the end of 1999 (or on the date spouse died)	Married, joint or separate return	any age	\$2,750
	Single	under 65	\$7,050
		65 or older	\$8,100
Widowed in 1997 or 1998 and not remarried in 1999	Head of household	under 65	\$9,100
		65 or older	\$10,150
	Qualifying widow(er) with dependent child	under 65	\$9,950
		65 or older	\$10,800

## Requirements for Filing

The filing requirements for Tax Year 1999 were based on gross income, marital status, age, and, to a lesser extent, dependency and blindness. Gross income included all income received in the form of money, property, and services that was not expressly exempt from tax. Generally, a citizen or resident of the United States was required to file a tax return if gross income for the year was at least as much as the amount shown for the appropriate filing status in Figure 1. Figure 2 shows the filing requirements for taxpayers who could be claimed as a dependent by another person (such as a parent).

In addition to the general filing requirements, an individual was obligated to file a return for Tax Year 1999 if he or she:

1. was liable for any of the following taxes:
  - social security or Medicare tax on unreported tip income;
  - uncollected social security, Medicare, or railroad retirement tax on reported tip income or group-term life insurance;
  - alternative minimum tax;
  - tax on an individual retirement arrangement (IRA) or a qualified retirement plan;
  - tax from the recapture of investment credit or low-income housing credit;

### Figure 2.-Filing Requirements for Children and Other Dependents

If someone (such as a parent) can claim the individual as a dependent, and any of the four conditions listed below applies, he or she must file a return.

In this chart unearned income includes taxable interest, ordinary dividends, and capital gain distributions. Earned incomes includes wages, tips, and taxable scholarship and fellowship grants.

**Caution:** If an individual's gross income was \$2,750 or more, he or she generally could not be claimed as a dependent unless the individual was under age 19 or under age 24 and a full-time student.

**1. Single dependents under 65 must file a return if-**

- Earned income was more than \$4,300,
- Unearned income was over \$700,
- Total of earned and unearned income was more than the larger of (a) \$700 or (b) earned income (up to \$4,050) plus \$250.

**2. Single dependents 65 or older or blind must file a return if-**

- Earned income was more than \$5,350 (\$6,400 if 65 or older and blind), or
- Unearned income was more than \$1,750 (\$2,800 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,050) plus \$250 or \$700, whichever is plus \$1,050 (\$2,100 if 65 or older and blind).

**3. Married dependents under 65 must file a return if-**

- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.
- Earned income was more than \$3,600, or
- Unearned income was over \$700, or
- Total of earned and unearned income was more than the larger of \$700 or earned income (up to \$3,350) plus \$250.

**4. Married dependents 65 or older or blind must file a return if-**

- Earned income was more than \$4,450 (\$5,300 if 65 or older and blind), or
- Unearned was more than \$1,550 (\$2,400 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$3,350) plus \$250 or \$700, whichever is larger, plus \$850 (\$1,700 if 65 or older and blind).
- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

- tax from medical savings accounts (MSA);
- 2. received any advanced earned income credit (AEIC) payments.
- 3. had net earnings from self-employment of at least \$400; or
- 4. had wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from employer

social security and Medicare taxes.

Data shown in this report include individuals who were not required to file tax returns, but did so for any of a number of reasons. For example, an individual might have filed a return to obtain a refund of tax withheld, or take advantage of the earned income credit.

## Changes in Law or Administrative Procedures

Major changes in effect for Tax Year 1999 which influenced the Statistics of Income data are listed below. Section 4, Explanation of Terms, provides more detailed explanations and definitions of the terms used in this report.

## Capital Gain Distributions

Beginning in 1999, taxpayers who had capital gains only from capital gain distributions could report these distributions directly on the Form 1040. These gains did not have to be reported on a Schedule D.

## Child Tax Credits

For 1999, the child tax credit increased to \$500 for each qualifying child under the age of 17. For families with no more than two children, the credit was non-refundable. For families with more than two children, the credit was refundable as the additional child tax credit, subject to certain limitations. The child tax credit was phased out by \$50 for each \$1,000 (or fraction thereof) that AGI exceeded \$110,000 for taxpayers filing jointly, \$55,000 for married filing separately, and \$75,000 for single filers.

## Earned Income Credit

The income eligibility level and amount of the earned income credit (EIC) for 1999 were adjusted for inflation. If a taxpayer's "earned income" and modified adjusted gross income for 1999 were both less than \$26,928 and the taxpayer had one qualifying child living with them, the credit could be as much as \$2,312. If the taxpayer had two or more qualifying children living with them and earned less than \$30,580, the credit could be as much as \$3,816. For taxpayers with no qualifying children and earning less than \$10,200, the credit could be as much as \$347.

Taxpayers with investment income totaling more than \$2,350 were not eligible to receive the EIC.

## Education Credit

Beginning in 1999, taxpayers who received an education credit on their 1998 return and later received tax-free educational assistance for, or a refund of, an expense used to figure the education credit may have had to recapture all or part of the credit.

## Exemption Amount

Indexing for inflation allowed a taxpayer to claim a \$2,750 deduction for each exemption to which he or she was entitled for 1999, an increase over the \$2,700 allowed for 1998. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$124,500 to \$126,600 for single filers; \$186,800 to \$189,950 for married persons filing jointly and surviving spouses; \$155,650 to \$158,300 for heads of household; and \$93,400 to \$94,975 for married persons filing separately. The phaseout of the deduction for exemptions was completed at AGI levels above \$249,100 for single filers; \$312,450 for married persons filing jointly and surviving spouses; \$280,800 for heads of household; and \$156,225 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

## Foreign Earned Income Exclusion

For 1999, the amount of foreign earned income that could have been excluded from income increased from \$72,000 to \$74,000.

## Itemized Deductions

If a taxpayer's AGI was greater than \$126,600 (\$63,300 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$124,500 (\$62,250) for 1998, as a result of inflation indexing. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. To arrive at allowable itemized deductions, total itemized

deductions were reduced by the smaller of: (a) 80 percent of the non-exempt deductions, or (b) 3 percent of the amount of AGI in excess of the limitation threshold.

### **Self-Employed Health Insurance Deduction**

The maximum percentage of self-employed health insurance premiums that a taxpayer could deduct as an adjustment to income rose to 60 percent in 1999, up from 45 percent in 1998.

### **Self-employment Tax**

The ceiling on taxable "self-employment income" was raised for 1999, to \$72,600 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$68,400 for 1998.

### **Standard Deduction**

The standard deduction increased for 1999 as a result of inflation indexing. For single filers, the standard deduction rose from \$4,250 to \$4,300; for married persons filing jointly or surviving spouses, from \$7,100 to \$7,200; for married persons filing separately, from \$3,550 to \$3,600; and for heads of household, from \$6,250 to \$6,350. The amount of standard deduction for a dependent was the greater of \$700 or the dependent's earned income plus \$250 (but not more than the regular standard deduction amount). Taxpayers who were age 65 or over or blind could claim an additional standard deduction amount of \$850 or \$1,050 depending on marital status.

### **Student Loan Interest Deduction**

Beginning in 1999, a deduction allowed eligible taxpayers to deduct up to \$1,500 (up from \$1,000 for 1998) for interest paid on qualified higher education loans. These loans must have gone towards qualified expenses of either the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer at the time the debt was incurred. The education interest deduction was phased out began

with a modified AGI of \$40,000 - \$55,000 (\$60,000 - \$75,000, joint returns).

## **The 1979 Income Concept A Retrospective Income Definition**

In order to analyze changes in income and taxes over a period of years, a consistent definition of income must be used. The income concept available from Federal income tax returns, AGI, was designed to facilitate tax administration, and its definition has changed over time to reflect modifications to the Internal Revenue Code. Tax laws of the 1980's (the Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984, and the Tax Reform Act of 1986) made significant changes to the components of AGI, which made it more difficult to use AGI for accurate comparisons of income from year to year. For this reason, it was decided to develop an income definition that would be consistent over several years, and would allow comparisons both before and after the major tax legislation of the 1980's.

The result was a retrospective income definition known as the 1979 Income Concept, reflecting a base period from 1979 through 1986. It was calculated using only data available from individual income tax returns. By using the same income items in the calculation each year, its definition was consistent throughout the base years. In addition, this retrospective income definition could be used in future years to compare income by continuing to include the same components that were common to all years.

The calculation of the 1979 Income Concept is shown in Figure 3. Several items partially excluded from AGI for the base years were fully included in this new income measure, the largest of which was capital gains. The full amount of all capital gains, as well as all dividends and unemployment compensation, was included in the income calculation. Total pensions, annuities, IRA distributions, and roll-overs were added, including the non-taxable portions that were excluded from

### Figure 3.-Calculation of the 1979 Income Concept for 1999

#### 1979 Total Income Concept=

##### Income or Loss:

- Salaries and wages <sup>1</sup>
- Interest <sup>1</sup>
- Dividends <sup>1</sup>
- Taxable refunds <sup>1</sup>
- Alimony received <sup>1</sup>
- Capital gains reported on Schedule D minus allowable losses <sup>1</sup>
- Other gains and losses (Form 4797) <sup>1</sup>
- Business net income or loss <sup>1</sup>
- Farm net income or loss <sup>1</sup>
- Rent net income or loss <sup>1</sup>
- Royalty net income or loss <sup>1</sup>
- Partnership net income or loss <sup>1</sup>
- S Corporation net income or loss <sup>1</sup>
- Farm rental net income or loss <sup>1</sup>
- Estate or trust net income or loss <sup>1</sup>
- Unemployment compensation <sup>1</sup>
- Depreciation in excess of straight-line depreciation <sup>2</sup>
- Total pension income <sup>3, 5</sup>
- Other net income or loss <sup>4</sup>
- Net operating loss <sup>1</sup>

##### Deductions:

- Disallowed passive losses (Form 8582) <sup>6</sup>
- Moving expenses <sup>1</sup>
- Alimony paid <sup>1</sup>
- Unreimbursed business expenses <sup>6</sup>

<sup>1</sup> Included in adjusted gross income (less deficit) (AGI) for Tax Year 1999.

<sup>2</sup> Adjustment to add back excess depreciation (accelerated over straight-line depreciation) deducted in the course of a trade or business and included in net income (loss) amounts shown above.

<sup>3</sup> Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

<sup>4</sup> Includes an adjustment to add back amounts reported for the foreign-earned income exclusion.

<sup>5</sup> Not fully included in AGI for Tax Year 1999.

<sup>6</sup> Not included in AGI for Tax Year 1999.

AGI. Social security benefits were omitted because they were not reported on tax returns until 1984. Also, any depreciation in excess of straight-line depreciation, which was subtracted in computing AGI, was added back.

Deductions that could be subtracted in the calculation of the 1979 Income Concept were limited to employee business expenses, alimony paid, and moving expenses. These same items were also subtracted in computing AGI until 1987 when unreimbursed business expenses and moving expenses were changed from adjustments to itemized deductions. Starting in 1994, moving expenses were once more made an adjustment to income. The amounts reported for employee business expenses by taxpayers who itemized deductions were subtracted in the calculation of the 1979 Income Concept. Taxpayers who did not itemize deductions, however, could not claim this expense (as well as moving expenses prior to 1994). For this reason, the deduction for these two expenses beginning in 1987 is not completely comparable to that for previous years.

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 1999**

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

Size of income	Income				Salaries and wages			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>All returns, total.....</b>	<b>127,075,145</b>	<b>5,855,468</b>	<b>127,075,145</b>	<b>6,028,011</b>	<b>108,183,782</b>	<b>4,132,473</b>	<b>108,183,782</b>	<b>4,132,473</b>
Under \$10,000.....	27,395,857	78,929	26,896,888	75,905	21,262,351	112,479	21,077,636	108,147
\$10,000 under \$20,000.....	24,058,891	358,631	24,088,414	359,038	19,552,417	272,644	19,558,222	273,885
\$20,000 under \$30,000.....	18,359,979	453,535	18,897,258	467,556	15,971,543	368,098	16,116,705	371,407
\$30,000 under \$40,000.....	13,288,379	461,842	13,646,112	473,861	11,798,725	375,543	11,968,462	382,144
\$40,000 under \$50,000.....	9,870,199	441,506	9,908,072	443,702	8,905,488	361,302	8,963,160	364,276
\$50,000 under \$60,000.....	8,026,402	439,620	7,901,527	432,419	7,301,589	357,873	7,223,178	357,098
\$60,000 under \$70,000.....	6,260,846	405,338	5,871,389	379,914	5,672,172	323,366	5,401,468	311,750
\$70,000 under \$80,000.....	4,509,962	336,897	4,345,804	324,634	4,034,569	263,765	3,962,074	261,606
\$80,000 under \$90,000.....	3,381,260	286,572	3,132,521	265,221	3,092,870	225,548	2,885,953	212,042
\$90,000 under \$100,000.....	2,388,717	226,498	2,332,541	221,046	2,167,267	173,847	2,148,614	171,613
\$100,000 under \$125,000.....	3,651,128	405,564	3,596,737	399,156	3,315,806	306,829	3,283,384	301,254
\$125,000 under \$150,000.....	1,780,525	242,778	1,843,640	251,107	1,587,978	174,404	1,641,013	173,776
\$150,000 under \$175,000.....	1,025,888	165,757	1,112,678	179,793	904,879	111,881	990,031	116,177
\$175,000 under \$200,000.....	647,170	120,668	686,608	128,239	553,376	73,987	583,211	74,195
\$200,000 under \$300,000.....	1,214,992	291,899	1,344,482	324,319	1,044,187	176,137	1,153,895	178,527
\$300,000 under \$400,000.....	438,736	151,143	542,910	187,270	369,498	84,311	451,390	90,290
\$400,000 under \$500,000.....	222,832	99,405	269,987	99,450	185,190	51,284	224,119	54,938
\$500,000 under \$1,000,000.....	348,256	235,701	421,978	285,870	291,817	112,011	352,492	116,890
\$1,000,000 or more.....	205,124	653,184	235,600	708,406	172,063	207,163	198,777	212,458

  

Size of income	Taxable interest received				Dividends in AGI		Dividends received	
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
<b>All returns, total.....</b>	<b>67,218,877</b>	<b>175,675</b>	<b>67,218,877</b>	<b>175,675</b>	<b>32,226,492</b>	<b>132,466</b>	<b>32,226,492</b>	<b>132,466</b>
Under \$10,000.....	8,369,846	9,343	8,075,354	9,188	3,910,656	4,240	3,766,598	4,109
\$10,000 under \$20,000.....	8,537,627	15,215	8,396,768	15,031	3,160,249	5,693	3,069,056	5,712
\$20,000 under \$30,000.....	7,946,691	13,082	8,388,808	15,572	2,807,251	5,531	3,090,535	6,957
\$30,000 under \$40,000.....	7,288,150	11,643	7,595,035	13,733	2,662,332	5,486	2,844,771	6,751
\$40,000 under \$50,000.....	6,384,543	10,013	6,466,276	11,088	2,648,093	5,992	2,692,803	7,230
\$50,000 under \$60,000.....	5,873,362	10,078	5,777,604	9,340	2,647,515	6,528	2,573,626	5,744
\$60,000 under \$70,000.....	4,938,854	8,728	4,613,911	7,688	2,426,703	5,746	2,221,507	5,873
\$70,000 under \$80,000.....	3,818,519	7,621	3,665,249	6,734	2,002,510	5,978	1,889,079	4,699
\$80,000 under \$90,000.....	2,979,516	6,511	2,726,944	5,324	1,730,124	4,665	1,580,582	4,135
\$90,000 under \$100,000.....	2,163,600	5,316	2,091,885	4,867	1,342,862	4,170	1,253,181	3,839
\$100,000 under \$125,000.....	3,324,115	9,493	3,282,139	8,626	2,209,715	8,891	2,179,131	7,659
\$125,000 under \$150,000.....	1,661,429	7,074	1,723,663	6,343	1,273,456	6,139	1,297,257	5,925
\$150,000 under \$175,000.....	972,707	4,229	1,049,084	4,119	782,089	4,837	828,200	4,764
\$175,000 under \$200,000.....	610,261	3,856	651,169	3,946	512,038	3,936	523,540	3,639
\$200,000 under \$300,000.....	1,165,209	9,146	1,284,965	9,009	1,009,503	9,663	1,104,110	9,484
\$300,000 under \$400,000.....	424,017	4,713	521,435	4,865	380,747	5,835	463,557	6,125
\$400,000 under \$500,000.....	216,727	3,395	262,626	3,605	202,201	4,046	242,700	4,286
\$500,000 under \$1,000,000.....	341,242	8,963	413,431	9,051	322,453	9,717	381,354	9,837
\$1,000,000 or more.....	202,461	27,258	232,532	27,547	195,996	25,372	224,905	25,697

  

Size of income	Business or profession net income less loss				Sales of capital assets			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
<b>All returns, total.....</b>	<b>17,312,125</b>	<b>208,414</b>	<b>17,312,125</b>	<b>208,414</b>	<b>27,700,503</b>	<b>542,758</b>	<b>27,700,503</b>	<b>542,758</b>
Under \$10,000.....	3,162,439	6,413	2,919,165	4,184	3,530,557	9,175	3,423,755	9,264
\$10,000 under \$20,000.....	2,495,040	16,487	2,523,579	15,461	2,490,502	5,683	2,422,835	5,638
\$20,000 under \$30,000.....	2,000,203	14,424	2,032,375	13,165	2,298,725	5,938	2,507,736	6,675
\$30,000 under \$40,000.....	1,727,363	12,940	1,777,589	12,810	2,250,669	7,270	2,410,674	8,065
\$40,000 under \$50,000.....	1,494,008	11,947	1,505,774	11,302	2,206,375	7,722	2,225,816	8,643
\$50,000 under \$60,000.....	1,286,527	12,141	1,272,525	11,058	2,142,281	8,429	2,104,283	8,515
\$60,000 under \$70,000.....	1,123,586	12,539	1,077,334	11,249	1,967,735	9,024	1,792,164	9,055
\$70,000 under \$80,000.....	777,439	10,205	785,955	10,413	1,689,013	9,486	1,624,261	10,220
\$80,000 under \$90,000.....	648,678	9,608	594,877	8,032	1,515,535	10,013	1,353,678	9,128
\$90,000 under \$100,000.....	430,208	6,667	450,498	7,638	1,187,541	9,230	1,118,399	8,825
\$100,000 under \$125,000.....	715,161	15,175	755,404	16,105	1,986,192	21,626	1,937,963	19,409
\$125,000 under \$150,000.....	405,433	11,743	420,948	11,352	1,140,663	16,208	1,166,890	15,165
\$150,000 under \$175,000.....	243,472	9,489	269,380	9,525	728,155	14,117	774,582	13,975
\$175,000 under \$200,000.....	172,242	7,596	186,020	8,258	497,702	12,358	504,093	11,677
\$200,000 under \$300,000.....	320,494	19,225	357,703	20,658	970,700	35,260	1,048,027	34,709
\$300,000 under \$400,000.....	116,976	9,452	149,894	11,547	380,198	22,458	450,682	23,184
\$400,000 under \$500,000.....	58,396	5,030	72,530	6,511	201,556	18,054	239,608	18,294
\$500,000 under \$1,000,000.....	85,053	8,617	104,681	10,045	319,771	49,283	369,860	49,383
\$1,000,000 or more.....	49,406	8,715	55,893	9,102	196,633	271,424	225,198	272,934

Footnotes at end of table

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 1999--Continued**

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

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
<b>All returns, total.....</b>	<b>9,924,061</b>	<b>25,636</b>	<b>9,924,061</b>	<b>25,636</b>	<b>6,276,617</b>	<b>211,072</b>	<b>6,276,617</b>	<b>211,072</b>
Under \$10,000.....	918,136	-526	868,161	-545	509,021	-17,838	485,911	-17,796
\$10,000 under \$20,000.....	1,068,867	1,001	1,053,460	775	360,027	138	354,429	-183
\$20,000 under \$30,000.....	997,855	342	1,040,311	908	396,904	1,358	405,338	986
\$30,000 under \$40,000.....	962,044	304	1,035,347	412	403,590	1,430	430,955	1,604
\$40,000 under \$50,000.....	836,021	129	856,169	272	435,776	2,465	451,094	2,291
\$50,000 under \$60,000.....	784,597	146	809,857	478	415,404	1,865	401,051	1,824
\$60,000 under \$70,000.....	759,944	224	687,463	13	396,555	2,985	375,797	3,087
\$70,000 under \$80,000.....	619,302	423	571,560	426	360,840	3,135	331,017	2,949
\$80,000 under \$90,000.....	516,671	714	494,802	969	302,520	2,527	288,700	2,711
\$90,000 under \$100,000.....	447,175	720	397,435	406	275,238	4,032	247,706	3,088
\$100,000 under \$125,000.....	670,968	1,370	681,542	1,128	492,403	7,959	482,066	7,428
\$125,000 under \$150,000.....	398,941	1,692	380,682	1,258	363,409	6,897	376,869	7,471
\$150,000 under \$175,000.....	170,414	1,254	205,564	1,340	242,713	7,688	252,852	6,736
\$175,000 under \$200,000.....	140,550	1,651	145,605	1,585	196,729	7,392	194,803	7,510
\$200,000 under \$300,000.....	269,331	3,487	282,049	3,266	443,573	22,592	455,404	21,673
\$300,000 under \$400,000.....	115,715	1,845	136,991	1,973	202,766	15,580	226,145	16,314
\$400,000 under \$500,000.....	65,051	1,587	76,637	1,665	122,528	12,421	132,235	12,972
\$500,000 under \$1,000,000.....	109,740	3,393	122,185	3,391	211,153	35,749	226,305	36,950
\$1,000,000 or more.....	72,740	5,880	78,241	5,916	145,469	92,694	157,941	93,459

  

Size of income	Nondeductible passive losses				Estate and trust net income less loss			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
<b>All returns, total.....</b>	<b>1,117,400</b>	<b>10,068</b>	<b>1,117,400</b>	<b>10,068</b>	<b>556,095</b>	<b>9,884</b>	<b>556,095</b>	<b>9,884</b>
Under \$10,000.....	58,988	1,146	75,019	2,688	59,580	-76	57,928	-78
\$10,000 under \$20,000.....	51,989	168	58,239	309	50,079	172	51,465	182
\$20,000 under \$30,000.....	54,233	197	62,756	117	31,349	126	38,533	148
\$30,000 under \$40,000.....	45,121	243	44,533	87	33,647	167	32,608	181
\$40,000 under \$50,000.....	57,904	430	57,509	146	36,536	209	41,213	290
\$50,000 under \$60,000.....	57,051	273	38,175	132	44,520	315	31,400	222
\$60,000 under \$70,000.....	37,960	134	40,969	260	24,862	229	30,896	200
\$70,000 under \$80,000.....	41,508	97	39,846	129	27,236	111	26,965	129
\$80,000 under \$90,000.....	18,758	107	17,020	150	24,983	184	21,160	231
\$90,000 under \$100,000.....	37,513	154	34,592	250	27,364	211	21,574	166
\$100,000 under \$125,000.....	80,606	508	73,406	343	49,341	639	52,522	723
\$125,000 under \$150,000.....	90,505	626	93,352	523	25,663	449	25,931	298
\$150,000 under \$175,000.....	106,773	587	96,970	437	17,033	342	16,437	353
\$175,000 under \$200,000.....	59,286	473	52,745	399	14,543	229	14,721	270
\$200,000 under \$300,000.....	144,678	1,289	142,513	983	31,555	729	31,208	669
\$300,000 under \$400,000.....	59,578	645	62,945	527	14,483	435	14,189	373
\$400,000 under \$500,000.....	30,127	379	31,230	297	9,771	430	11,468	558
\$500,000 under \$1,000,000.....	49,534	701	57,953	724	18,775	1,396	20,395	1,362
\$1,000,000 or more.....	35,290	1,911	37,628	1,567	14,774	3,587	15,481	3,607

  

Size of income	Pensions and annuities in AGI <sup>1</sup>		Pensions and annuities <sup>1</sup>		Total statutory adjustments			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
<b>All returns, total.....</b>	<b>25,254,917</b>	<b>391,452</b>	<b>27,276,656</b>	<b>633,553</b>	<b>22,659,973</b>	<b>56,699</b>	<b>13,282,807</b>	<b>55,284</b>
Under \$10,000.....	2,205,105	10,781	2,104,529	10,695	3,061,642	2,447	225,318	1,742
\$10,000 under \$20,000.....	4,678,576	40,905	4,653,762	41,080	3,218,888	3,528	657,088	3,286
\$20,000 under \$30,000.....	3,518,946	41,802	4,035,298	50,571	3,053,873	4,663	1,164,253	4,820
\$30,000 under \$40,000.....	2,884,240	39,305	3,200,909	48,431	2,725,575	4,376	1,578,935	5,485
\$40,000 under \$50,000.....	2,270,337	32,707	2,499,945	38,754	2,152,977	3,902	1,558,658	5,461
\$50,000 under \$60,000.....	2,016,996	31,447	2,115,385	38,968	1,787,771	3,648	1,631,359	5,204
\$60,000 under \$70,000.....	1,810,943	32,462	1,641,960	31,765	1,472,468	3,251	1,429,656	4,221
\$70,000 under \$80,000.....	1,382,491	28,325	1,370,440	28,605	996,953	2,724	1,193,933	3,983
\$80,000 under \$90,000.....	982,091	21,106	994,140	22,930	708,719	2,685	798,573	3,133
\$90,000 under \$100,000.....	801,231	17,572	830,845	20,582	509,619	1,942	619,939	2,279
\$100,000 under \$125,000.....	1,070,306	27,681	1,214,919	36,883	877,868	4,005	966,151	4,287
\$125,000 under \$150,000.....	540,942	15,975	739,966	30,464	511,427	2,988	487,427	2,658
\$150,000 under \$175,000.....	289,913	10,587	442,941	22,902	336,833	2,389	266,747	1,607
\$175,000 under \$200,000.....	186,211	8,533	272,470	16,737	235,662	1,935	156,478	1,036
\$200,000 under \$300,000.....	322,696	14,763	545,404	46,048	466,232	4,750	294,390	2,348
\$300,000 under \$400,000.....	111,976	5,976	236,867	32,113	182,068	2,274	104,436	1,093
\$400,000 under \$500,000.....	55,540	2,585	111,158	17,201	96,793	1,163	49,859	551
\$500,000 under \$1,000,000.....	80,284	4,979	174,987	47,250	162,434	2,287	70,842	1,109
\$1,000,000 or more.....	46,093	3,961	90,730	51,575	102,171	1,741	28,765	981

Footnotes at end of table

**Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 1999--Continued**

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

Size of income	Total itemized deductions				Taxable income			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
<b>All returns, total.....</b>	<b>40,244,305</b>	<b>741,377</b>	<b>40,214,943</b>	<b>708,898</b>	<b>102,845,571</b>	<b>4,136,120</b>	<b>102,845,571</b>	<b>4,136,120</b>
Under \$10,000.....	631,334	7,969	668,469	7,729	8,643,562	15,620	8,589,219	15,983
\$10,000 under \$20,000.....	2,048,407	22,073	2,149,800	20,886	19,183,464	116,661	19,035,698	116,220
\$20,000 under \$30,000.....	3,243,370	34,491	3,435,069	34,481	17,927,628	239,997	18,363,179	248,943
\$30,000 under \$40,000.....	4,233,200	48,169	4,340,253	46,400	13,200,203	284,990	13,512,013	299,672
\$40,000 under \$50,000.....	4,285,183	52,276	4,254,521	50,172	9,837,453	290,994	9,846,602	299,777
\$50,000 under \$60,000.....	4,530,554	60,485	4,497,680	56,842	8,008,743	301,097	7,862,753	301,533
\$60,000 under \$70,000.....	4,365,343	62,822	4,091,276	56,151	6,250,742	282,946	5,843,448	267,672
\$70,000 under \$80,000.....	3,444,677	54,009	3,274,540	49,173	4,503,185	241,485	4,325,499	233,059
\$80,000 under \$90,000.....	2,756,315	46,989	2,535,145	41,487	3,379,256	209,113	3,120,275	191,745
\$90,000 under \$100,000.....	2,017,558	37,545	1,960,791	34,932	2,387,478	167,518	2,325,615	159,604
\$100,000 under \$125,000.....	3,238,720	67,895	3,178,956	63,133	3,648,549	305,909	3,584,788	294,155
\$125,000 under \$150,000.....	1,642,827	40,367	1,660,091	38,308	1,776,045	187,471	1,835,995	184,510
\$150,000 under \$175,000.....	951,838	25,563	1,003,605	25,507	1,025,669	131,859	1,111,073	133,530
\$175,000 under \$200,000.....	601,889	18,977	620,643	17,971	646,420	96,749	685,823	95,710
\$200,000 under \$300,000.....	1,140,623	41,583	1,228,840	41,452	1,213,711	244,500	1,340,794	244,492
\$300,000 under \$400,000.....	405,468	19,315	484,911	20,545	438,387	131,609	537,493	139,630
\$400,000 under \$500,000.....	204,573	11,876	243,472	12,729	222,657	87,432	268,923	93,405
\$500,000 under \$1,000,000.....	315,694	25,712	372,519	26,792	347,693	209,907	421,334	217,288
\$1,000,000 or more.....	186,729	63,260	214,362	64,207	204,728	590,264	235,046	599,190

  

Size of income	Total tax credits				Total income tax			
	1999 Adjusted Gross Income		1979 Income Concept		1999 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
<b>All returns, total.....</b>	<b>36,621,595</b>	<b>35,892</b>	<b>36,621,595</b>	<b>35,892</b>	<b>94,546,080</b>	<b>877,401</b>	<b>94,546,080</b>	<b>877,401</b>
Under \$10,000.....	1,293,718	125	1,270,644	130	8,051,622	2,329	7,998,860	2,441
\$10,000 under \$20,000.....	5,444,766	2,653	5,444,347	2,646	14,769,542	14,741	14,669,248	14,689
\$20,000 under \$30,000.....	6,240,403	5,451	6,278,350	5,443	15,175,214	30,392	15,595,394	31,744
\$30,000 under \$40,000.....	4,675,837	4,126	4,731,168	4,185	12,802,035	39,696	13,089,615	42,184
\$40,000 under \$50,000.....	4,040,831	3,852	4,040,952	3,827	9,741,580	43,464	9,749,361	44,998
\$50,000 under \$60,000.....	3,482,832	3,545	3,410,796	3,499	7,978,204	46,409	7,836,659	47,072
\$60,000 under \$70,000.....	2,937,728	3,249	2,836,114	3,060	6,238,023	45,308	5,832,079	43,222
\$70,000 under \$80,000.....	2,166,712	2,319	2,171,502	2,356	4,498,752	41,770	4,319,543	40,389
\$80,000 under \$90,000.....	1,745,261	1,777	1,661,659	1,657	3,379,724	38,737	3,118,487	35,567
\$90,000 under \$100,000.....	1,243,062	1,177	1,227,770	1,143	2,384,981	32,800	2,320,252	31,014
\$100,000 under \$125,000.....	1,572,623	1,376	1,570,735	1,338	3,647,976	64,034	3,580,289	61,556
\$125,000 under \$150,000.....	484,205	310	533,180	342	1,777,752	42,634	1,836,509	41,617
\$150,000 under \$175,000.....	251,449	190	297,370	270	1,025,702	31,466	1,109,639	31,457
\$175,000 under \$200,000.....	169,338	147	173,092	184	646,638	24,091	685,923	23,560
\$200,000 under \$300,000.....	358,099	692	392,650	633	1,214,217	65,368	1,340,824	64,503
\$300,000 under \$400,000.....	158,900	483	182,989	574	438,466	38,342	537,505	39,828
\$400,000 under \$500,000.....	88,065	265	100,230	354	222,699	26,564	268,959	28,015
\$500,000 under \$1,000,000.....	156,078	975	176,433	971	348,002	66,965	421,613	68,634
\$1,000,000 or more.....	111,688	3,179	121,613	3,279	204,951	182,293	235,321	184,913

<sup>1</sup> Individual Retirement Arrangements are included in the calculation of "Pensions and annuities."

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

## Comparison of AGI with 1979 Income Concept

The Tax Reform Act of 1986 (TRA 86) made extensive changes to the calculation of AGI beginning with 1987. These changes made necessary a revision of the calculation of the 1979 Income Concept, in order to make tax years beginning with 1987 comparable to the base years, 1979 through 1986. The law changes limited the

deduction of passive losses and eliminated unreimbursed employee business expenses and moving expenses as "adjustments" (moving expenses changed back for 1994) in figuring AGI beginning with Tax Year 1987. Since passive losses had been fully deductible for both income measures prior to 1987, the disallowed passive losses had to be deducted in the 1979 Income Concept calculation for tax years after 1986.

Some income items, such as capital gains, that had been partially excluded from AGI under prior law were fully included. The new law also eliminated or restricted some deductions. Therefore, if AGI is used to measure income, comparisons between 1986 income and tax data with that for years after 1986 are misleading. A more accurate comparison can be made using the 1979 Income Concept because it measures income in the same way for all years. Table B shows total income and selected tax items for 1999 using AGI and the 1979 Income Concept, classified by size of 1999 AGI.

Before TRA 86 became effective, a comparison of income measured by AGI with that measured by the 1979 Income Concept showed significant differences at income levels of \$200,000 or more. But, with the elimination of preferential treatment of various income items by TRA 86, such as the exclusion of a portion of capital gains, much of the difference disappeared. Under tax law prior to 1987, the capital gains exclusion accounted for the largest difference at the higher income levels between the two income measures. For 1999, 1979 Concept income was 2.9 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$242.1 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, increased 8.2 percent for 1999; income for the group \$200,000 and above increased 18.6 percent, after increasing 23.9 percent for 1998. Total income tax for all returns increased 11.3 percent; and total income tax reported for the \$200,000 and above income group increased 19.2 percent for 1999, following an increase of 17.0 percent for 1998.

The average tax rates (income tax as a percentage of total income) for each income class and both income concepts for years 1986 through 1999 are shown in Figure 4.

For the population as a whole, average tax rates for 1999 (based on the 1979 Income Concept) are higher than those for 1986 (before tax reform).

However, between these 2 years, the average tax rates declined in all income categories below \$500,000. The remaining two income categories show the following increases in average tax rates between 1986 and 1999: returns with income between \$500,000 and \$1,000,000 increased 0.3 percentage points; and returns with income exceeding \$1,000,000 increased 4.7 percentage points. Although the average tax rate for 1999 was calculated using a lower maximum marginal tax rate of 39.6 percent for 1999 compared to 50 percent for 1986, it was calculated on income which included all capital gains (long-term gains could be partially excluded from income for 1986). Also, certain deductions from income that were allowed for 1986 were limited or eliminated beginning with 1987.

SOURCE: IRS, Individual Income Tax Returns-1999, Publication 1304, Revised 10-2001.

**Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-1999**

Size of 1999 AGI	Total income tax as a percentage of adjusted gross income													
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
<b>All returns, total.....</b>	<b>14.8</b>	<b>13.3</b>	<b>13.4</b>	<b>13.3</b>	<b>13.1</b>	<b>12.9</b>	<b>13.1</b>	<b>13.5</b>	<b>13.7</b>	<b>14.0</b>	<b>14.5</b>	<b>14.7</b>	<b>14.6</b>	<b>15.0</b>
Under \$10,000.....	4.3	4.0	4.0	3.8	3.7	3.5	3.2	3.0	3.0	3.0	3.1	3.2	2.9	3.0
\$10,000 under \$20,000.....	7.8	6.8	6.5	6.4	6.1	5.5	5.1	4.9	4.8	4.7	4.6	4.3	4.3	4.1
\$20,000 under \$30,000.....	10.6	9.4	9.3	9.3	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.6	6.8	6.7
\$30,000 under \$40,000.....	12.2	10.6	10.9	10.9	10.6	10.5	10.2	10.1	10.0	9.8	9.7	9.6	8.8	8.6
\$40,000 under \$50,000.....	13.8	11.8	11.6	11.5	11.4	11.0	10.8	10.7	10.8	10.7	10.8	10.7	10.0	9.8
\$50,000 under \$60,000.....	15.5	13.5	13.2	12.9	12.4	12.1	11.6	11.5	11.4	11.4	11.3	11.3	10.7	10.6
\$60,000 under \$70,000.....	16.9	15.1	14.5	14.2	13.8	13.2	12.9	12.7	12.6	12.5	12.3	12.1	11.4	11.2
\$70,000 under \$80,000.....	18.7	16.5	15.6	15.3	14.9	14.4	14.0	13.9	13.8	13.6	13.6	13.4	12.6	12.4
\$80,000 under \$90,000.....	19.9	17.8	16.6	16.2	15.8	15.4	15.0	15.1	14.9	14.6	14.6	14.4	13.5	13.5
\$90,000 under \$100,000.....	20.8	18.8	17.4	17.3	16.6	16.0	15.9	15.7	15.9	15.8	15.4	15.2	14.8	14.5
\$100,000 under \$125,000.....	23.1	20.1	18.8	18.4	17.5	17.3	16.9	17.0	17.0	16.9	16.7	16.5	16.0	15.8
\$125,000 under \$150,000.....	25.2	21.8	20.3	19.8	19.2	18.6	18.7	18.6	18.6	18.3	18.4	17.7	17.7	17.6
\$150,000 under \$175,000.....	28.0	23.0	21.6	21.1	20.4	19.8	19.6	19.7	19.9	19.9	19.8	19.3	18.8	19.0
\$175,000 under \$200,000.....	29.3	23.9	22.5	21.8	21.1	21.0	20.7	21.2	21.4	20.9	20.9	20.5	20.0	20.0
\$200,000 under \$300,000.....	31.1	25.8	23.7	22.8	22.6	22.7	22.9	23.8	23.9	23.8	23.4	22.9	22.4	22.4
\$300,000 under \$400,000.....	33.7	27.0	24.0	23.6	23.7	24.3	24.4	26.9	26.9	26.8	26.6	26.1	25.4	25.4
\$400,000 under \$500,000.....	36.2	28.2	24.1	23.9	23.6	24.9	25.3	28.4	28.6	28.7	28.2	27.4	26.9	26.7
\$500,000 under \$1,000,000.....	38.4	29.0	24.6	24.0	24.0	25.7	26.0	30.0	30.2	30.2	30.1	29.0	28.2	28.4
\$1,000,000 or more.....	40.2	28.6	25.0	24.2	24.1	26.2	26.8	31.2	31.1	31.4	30.8	28.8	27.5	27.9

  

Size of 1999 AGI	Total income tax as a percentage of 1979 Income Concept													
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)
<b>All returns, total.....</b>	<b>13.3</b>	<b>13.1</b>	<b>13.3</b>	<b>13.2</b>	<b>13.0</b>	<b>12.7</b>	<b>12.8</b>	<b>13.3</b>	<b>13.5</b>	<b>13.8</b>	<b>14.3</b>	<b>14.5</b>	<b>14.2</b>	<b>14.6</b>
Under \$10,000.....	4.9	4.2	4.4	4.3	4.3	4.0	3.5	3.2	3.2	3.1	3.2	3.4	3.1	3.2
\$10,000 under \$20,000.....	7.6	6.7	6.5	6.4	6.1	5.5	5.1	4.8	4.8	4.7	4.6	4.4	4.2	4.1
\$20,000 under \$30,000.....	10.0	9.3	9.3	9.3	9.1	8.7	8.3	8.2	8.1	7.9	7.8	7.6	6.9	6.8
\$30,000 under \$40,000.....	11.6	10.7	10.7	10.9	10.7	10.5	10.2	10.2	10.1	10.1	10.0	9.8	9.1	8.9
\$40,000 under \$50,000.....	12.6	11.7	11.7	11.5	11.5	11.1	10.9	10.8	11.0	11.0	11.1	11.0	10.3	10.1
\$50,000 under \$60,000.....	13.8	13.4	13.2	12.9	12.5	12.0	11.6	11.6	11.6	11.6	11.6	11.5	11.0	10.9
\$60,000 under \$70,000.....	14.9	15.0	14.5	14.2	13.8	13.2	12.9	12.7	12.7	12.5	12.5	12.4	11.4	11.4
\$70,000 under \$80,000.....	15.8	16.2	15.4	15.2	14.6	14.2	13.7	13.7	13.6	13.6	13.5	13.3	12.6	12.4
\$80,000 under \$90,000.....	16.7	17.5	16.1	16.2	15.5	15.1	14.6	14.7	14.6	14.4	14.5	14.2	13.3	13.4
\$90,000 under \$100,000.....	16.8	18.1	17.1	16.8	16.1	15.5	15.2	15.3	15.4	15.5	15.2	15.2	14.5	14.0
\$100,000 under \$125,000.....	18.3	19.3	18.0	17.7	16.9	16.6	16.2	16.3	16.3	16.2	16.1	16.0	15.2	15.4
\$125,000 under \$150,000.....	19.0	20.6	19.6	18.8	18.0	17.3	17.2	17.7	17.4	17.4	17.3	16.7	16.6	16.6
\$150,000 under \$175,000.....	19.3	21.2	20.6	20.0	19.1	18.3	17.8	18.0	18.5	18.1	18.4	18.2	17.1	17.5
\$175,000 under \$200,000.....	20.3	22.5	21.6	20.7	20.0	18.6	19.0	19.1	19.4	19.2	18.9	18.8	18.1	18.4
\$200,000 under \$300,000.....	22.6	23.8	22.3	21.5	21.4	20.5	20.2	21.4	21.5	21.5	21.3	20.4	19.4	19.9
\$300,000 under \$400,000.....	22.6	24.5	22.6	21.9	21.5	21.6	21.6	23.5	23.7	23.7	23.1	24.0	21.5	21.3
\$400,000 under \$500,000.....	23.4	26.5	23.2	22.7	22.3	23.0	21.4	25.4	24.8	25.1	25.0	24.3	22.6	23.2
\$500,000 under \$1,000,000.....	23.7	26.7	23.5	22.0	21.7	23.5	22.6	26.3	26.1	26.7	27.1	26.1	24.3	24.0
\$1,000,000 or more.....	21.4	26.8	24.5	23.2	23.2	25.2	26.1	29.5	30.1	30.4	29.8	27.5	26.2	26.1