

SOI BULLETIN



Department of the Treasury
Internal Revenue Service

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Spring 1988

Contents of This Issue

Page

- v SOI Bulletin Board**
- 1 SOI Studies of Business Income Tax Returns**
- 23 Corporation Income Tax Returns, 1985**
- 31 Personal Wealth, 1982**
- 47 Foreign Trusts, 1986**
- 55 U.S. Possessions Corporations, 1983**
- 65 Selected Historical Data**

SOI BULLETIN

Department of the Treasury
Internal Revenue Service

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The SOI Bulletin provides the earliest published annual financial statistics from various types of tax and information returns filed with the Internal Revenue Service. It also includes information from periodic or special analytical studies of particular interest to tax administrators. In addition, historical data are provided for selected types of taxpayers, as well as the gross internal revenue collections and other tax related items.

Information on the availability of additional unpublished data concerning the topics in this issue may be obtained by writing to the Statistics of Income Division, TR:S Internal Revenue Service, Washington, DC 20224.

In addition, special Statistics of Income tabulations based on income tax returns can be produced upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, at the address shown above.

Overall policy review of the SOI Bulletin was conducted by the Office of Tax Analysis, under the direction of Thomas Neubig. For this issue, those assisting in the review were Daniel Frisch, David Joulfaian, James Mackie and Jenny Wahl. Robert A. Wilson and Bettye Jamerson of the Statistics of Income Division were the technical editors and were assisted by Clementine D. Brittain who provided editorial assistance and did the copy preparation.

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SOI STATISTICAL SERVICES

(Available from Statistics of Income Division)

As part of the Statistics of Income program a series of special services is now being offered to data users (see below). Detailed information on these statistical services can be obtained by writing to Director, Statistics of Income Division (TR:S), Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224. Purchase is by check made payable to the IRS Accounting Section.

Studies of International Income and Taxes, Publication 1267 — Price \$45.00

Purchase price includes a 516-page document for 1979–83 that presents information from 13 Statistics of Income studies in the international area, including:

- Foreign activity of U.S. corporations
- Activity of foreign corporations in the U.S.
- Foreign interests in U.S. corporations
- Statistics related to individuals, trusts, and estates
- Data presented by—
geographical area or
industrial activity, as well as
other classifiers

Purchasers of this service also will be provided with additional information for one year as it becomes available. The one year period for receiving additional information can be extended at a cost of \$35.00 per year. A long-term subscription (\$150) includes the compendium and additional information as it becomes available through August 1990. (The next compendium is scheduled for release in September 1990.)

Individual Income Tax Returns, Publication 1304 — Price \$32.00

Purchase price includes a 196-page document for 1985 presenting Statistics of Income data and tables on:

- Sources of income
- Exemptions
- Itemized deductions
- Tax computations
- Data presented by—
size of adjusted gross
income, marital status

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Purchase price includes a 314-page document for 1978–82 presenting previously unpublished Statistics of Income data for 1980, 1981 and 1982, as well as data previously issued in other publications. Features include:

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- Cost of sales and operations
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- Net income
- Capital gains
- Data presented by—
industry
size of total assets
state
number of partners

Purchasers of this service also will be provided with data for 1983–1985 as they become available and will also be notified of future statistical releases relating to partnership returns.

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- Unpublished tabulations from SOI program are available. Includes detailed tables underlying those published in SOI Bulletin.
- Special tabulations produced to user specifications.
- Public use tape files, including the Individual Tax Model (1978–1985), among others. (Earlier files are available from the Machine Readable Branch (NNSR) of the National Archives, Washington, DC 20408.

BUSINESS SOURCE BOOKS

(Available from Statistics of Income Division)

In addition to the Corporation Source Book, two others are now being offered by the Statistics of Income Division (see below). Information can be obtained by writing to Director, Statistics of Income Division (TR:S) at the address above. Purchase of Source Books is by check made payable to the IRS Accounting Section.

Corporation Source Book, 1985, Publication 1053 — Price \$175.00

This is a 480-page document that presents detailed income statement, balance sheet, tax and investment credit items by major and minor industries and size of total assets. This report is part of an annual series and can be purchased for \$175 (issues prior to 1982 are for sale at \$150). A magnetic tape containing the tabular statistics for 1985 can be purchased for \$1,500.

Partnership Source Book, Publication 1289 — Price \$30.00

This is a 291-page document showing key partnership data for 1957 through 1983, at the minor, major and division industry level. Includes a historical definition of terms section and a summary of legislative changes affecting partnerships during that period. Tables feature:

- Number of partnerships
- Number of partners
- Business receipts
- Depreciation
- Taxes paid deduction
- Interest paid
- Payroll
- Payments to partners
- Net income

Purchasers of this service also will be advised of the release of subsequent years' data. A magnetic tape containing the tabular statistics can be purchased for an additional \$200.

Sole Proprietorship Source Book, Publication 1323 — Price \$95.00

This Source Book is a companion to that for partnerships, shown above. It is a 244-page document showing key proprietorship data for 1957 through 1984. Each page contains statistics for a particular industry. Included will be data on:

- Number of business
- Business receipts
- Interest paid
- Depreciation
- Taxes paid deduction
- Payroll
- Net income

As with Partnerships, a magnetic tape containing the tabular statistics can be purchased for \$245.

OTHER PUBLICATIONS

(Available from Superintendent of Documents GPO, Washington, D.C. 20402)

The Statistics of Income (SOI) Bulletin (Quarterly) — Publication No. 1136

Subscription price \$16.00; Single copy price \$6.00

The SOI Bulletin provides the earliest published financial statistics from the various types of tax and information returns filed with the Internal Revenue Service. The Bulletin also includes information from periodic or special analytical studies of particular interest to tax administrators and economists.

Statistics of Income—1984, Corporation Income Tax Returns, Publication No. 16

Price \$8.50

Presents information on—

- Receipts
- Deductions
- Net income
- Taxable income
- Income tax
- Tax credits
- Distribution to stockholders
- Assets
- Liabilities

Data classified by—

- industry
- accounting period
- size of total assets
- size of business receipts

IRS Methodology Reports on Statistical Uses of Administrative Records

Statistics of Income and Related Administrative Record Research: 1986–1987.—Selected papers given at the 1986 and 1987 Annual Meetings of the American Statistical Association in Chicago and San Francisco, respectively. Papers focus on on-going wealth estimation research and U.S. and Canadian efforts regarding methodological enhancements to corporate and individual tax data and recent refinements to disclosure avoidance techniques.

Record Linkage Techniques—1985.—The Proceedings of the Workshop on Exact Matching Methodologies held in Arlington, Virginia, May 9–10, 1985. Includes landmark background papers on record linkage use and papers describing methodological enhancements, applications and technological developments, as well as extensive bibliographic material on exact matching.

Statistical Uses of Administrative Records: Recent Research and Present Prospects.—A two-volume reference handbook on research results involving the use of administrative records for statistical purposes from 1979 through 1982.

- Volume I (March 1984) focuses on general considerations in administrative record research, applications of income tax data, uses based on data from other major administrative record systems, and enhancements to statistical systems using administrative data.
- Volume II (July 1984) focuses on comparability and quality issues, access to administrative records for statistical purposes, selected examples of end uses of linked administrative statistical systems, and a status report which sets goals for the future.

Statistics of Income and Related Administrative Record Research: 1984.—Selected papers given at the 1984 Annual Meeting of the American Statistical Association in Philadelphia. Papers focus on future policy issues, applications, exact matching techniques, quality control, missing data and sample design issues.

Statistics of Income and Related Administrative Record Research: 1983.—Selected papers given at the 1983 Annual Meeting of the American Statistical Association in Toronto. Papers focus on use of administrative records in censuses and surveys, applications for epidemiologic research and other statistical purposes, and statistical techniques involving imputation and disclosure and confidentiality.

Statistics of Income and Related Administrative Record Research: 1982.—Selected papers given at the 1982 Annual Meeting of the American Statistical Association in Cincinnati. Papers focus on statistical uses of administrative records, resulting methodologic advances, and estimates and projections for intercensal updates.

Statistics of Income and Related Administrative Record Research.—Selected papers given at the 1981 Annual Meeting of the American Statistical Association in Detroit. Papers focus on applications and methodologies with an emphasis on IRS' Statistics of Income Program, the Small Business Data Base, nonprofit and pension data, and on Canada's Generalized Iterative Record Linkage System.

Economic and Demographic Statistics.—Selected papers given at the 1980 Annual Meeting of the American Statistical Association in Houston. Papers focus on evaluation of the 1977 Economic Census, CPS hot deck techniques, and efforts to upgrade Social Security's Continuous Work History Sample.

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SOI Bulletin Board

Spring 1988

SOME OBSERVATIONS AND INSIGHTS

One of the key issues impacting on the Statistics of Income (SOI) Division this year is tax reform. The first real effects of the Tax Reform Act of 1986 are being realized in the returns filed this spring, and some of the data from them will be reported on in the Summer issue of the *Bulletin*. In 1986 during the tax reform debate, the SOI Division, working with The Brookings Institution, established a "blue ribbon" panel of tax experts.

Representatives on the Panel (about a dozen in all) are drawn from the academic and business communities. They meet with Division and other Treasury staff members in April and October of each year to provide guidance on future directions for the SOI programs. Joining them this spring at their fifth meeting were about 30 Federal Government employees with ties to or interests in IRS data. In addition to tax reform issues, valuable discussions took place at the spring 1988 meeting concerning numerous other topics, including capital gains research, depreciation analysis, and wealth and savings studies.

Suggestions and recommendations made as a result of these sessions have already proven useful in the implementation and planning of current SOI work. We expect to continue this Panel and invite your suggestions for topics.

Fritz Scheuren
Director, Statistics
of Income Division

THIS ISSUE AT A GLANCE

The Spring 1988 issue of the *Bulletin* focuses on data produced by our Corporation and Foreign Statistics Branches. A brief abstract of each article is provided below:

U.S. Possessions Corporations, 1983.—This article presents statistics tabulated from all returns filed by "qualifying" U.S. possessions corporations, most of which were able to claim the possessions tax credit for 1983. Data on these corporations are compiled annually and are published periodically in the *Bulletin*.

Personal Wealth, 1982.—This article presents revised estimates of the personal wealth of top wealthholders derived from estate tax returns. More recent statistics—for 1985—are expected to become available next year.

Foreign Trusts, 1986.—This article presents statistics by country on trusts set up in foreign countries that have U.S. persons as their grantors, transferors, or beneficiaries.

SOI Statistical Services (Businesses).—This is the concluding article of a four-part series on SOI statistical services. The focus is on corporation, partnership and sole proprietorship statistics, past, present, and planned.

Corporation Income Tax Returns, 1985.—This article presents the first comprehensive statistics from the corporation income tax returns filed for Income Year 1985. More detailed statistics for 1985 will be published in a separate SOI report later this year. Early statistics about cor-

porations are an annual feature of the *Bulletin*, heretofore included in the Winter issue.

Selected Historical Data.—These tables contain historical and current financial statistics from the various tax returns and supporting schedules filed with the IRS, as well as the most recent information about tax collections and refunds. A new feature, gradually being introduced, provides historical data relating SOI to Department of Commerce estimates—a byproduct of data used to update the National Income and Product Accounts.

BEHIND THE SCENES

This year, as we reflect on the 75-year history of SOI data, our remembrances are so often of the many people who have contributed significantly to our rich history. MEL JOHNSON is one of our special champions. During his 36-year tenure he served under four of the seven SOI Division Directors and participated in the computer revolution, as he moved his way up the ladder from a file clerk to a manager. His retirement last year leaves a void in the Corporation Statistics Branch and throughout the Division. We miss him.

We would also like to recognize four other champions—still in our ranks—who were recently elected by the National Bureau of Economic Research (NBER) to membership in their prestigious NBER Conference on Research in Income and Wealth. TOM PETSKA, MARVIN SCHWARTZ, DAN SKELLY and BOB WILSON were bestowed this

well-deserved honor for their many contributions to the field of economic measurement through their work with SOI data. They were installed at the 50th Anniversary Conference, held here in Washington last May.

YOUR CALL

Although we try to provide a wide variety of statistical products and services to all SOI users, in recent years the content of the Program has been increasingly determined by the needs of Treasury Department tax researchers. Treasury Department needs are similar to those of most other users; however, some gaps exist.

For instance, in looking over the results from the User Survey forms (which have appeared in the back of the *Bulletin* since 1982), we have found that three areas often mentioned where more information is needed are:

- more State and local area data;
- detailed industrial and occupational information; and
- better computer access to SOI data.

We are making an effort to partially fill these and other gaps.

In the individual area, for example, a new and larger data file has been produced consisting of a sample of over 300,000 returns selected from the IRS Master File system. This expanded file should permit reliable, detailed estimates to be produced by State. (The regular, much smaller, SOI sample is now designed to produce national estimates, only.) The data are being released by two methods: computer tape files for each State are being offered to State tax authorities on a cost-reimbursable basis; and special tabulations are being produced for the public, also for a fee.

In the business area, "source books" on partnerships and sole proprietorships are now available, providing some of the same kinds of detailed industry aggregates previously produced only for corporations. Unfortunately, more detailed industrial data cannot be produced because of differences between enterprises and establishments. The difficulties caused by applying Standard Industrial Classifications to enterprise data are addressed in "SOI Statistical Services (Businesses)" in this issue. The source books are also available on computer tape.

Interest in computer access to SOI data has led to the recent release of diskettes containing the historical tables appearing in the Selected Historical Data section of the *Bulletin*. These diskettes will be offered annually on a cost basis. We are also exploring the possibility of making the above-mentioned State data available on diskette, as well.

UPCOMING FEATURES

The following are a few of the articles to look for in upcoming issues of the *SOI Bulletin*:

- Taxpayer usage of individual income tax returns, 1987;
- Sole proprietorship returns, 1986;
- Partnership returns, 1986;
- Unreported income and tax gap, 1983; and
- Private activity bonds, 1986.

CONTENTS

Page

Statistics of Income Studies of Business Income and Taxes 1
By Dan Rosa and Dorothy Collins

This is the fourth and concluding article in a series on broad areas of the Statistics of Income program. It reviews the corporation, partnership, and sole proprietorship statistics, past, present, and planned.

Corporation Income Tax Returns for 1985: An Initial Look 23
By Allison Clark

Although net income (less deficit) of \$240 billion for 1985 was the largest ever recorded, the \$8 billion increase over 1984 was considerably smaller than the \$44 billion and \$34 billion increases recorded for 1983 and 1984, respectively. The slowdown in economic expansion appears to have been the major cause.

Estimates of Personal Wealth, 1982: A Second Look 31
By Marvin Schwartz

Revised estimates for 1982 show that approximately 4.5 million persons had gross assets of \$325,000 or more. These persons represented only 2.8 percent of the Nation's adult population. Their net worth exceeded \$2.7 trillion and accounted for almost 30 percent of the personal wealth in the United States in 1982.

Foreign Trusts, 1986 47
By James R. Hobbs

During 1986, U.S. "persons" transferred nearly \$17 million in money and property to trusts located in 17 foreign countries. While about half of the 255 trusts were located in Canada, trusts in "tax haven" countries accounted for 89 percent of the total transferred. The average transfer value was \$66,000.

U.S. Possessions Corporation Returns, 1983 55
By Jeff Hartzok

For Income Year 1983, nearly \$2 billion in possessions tax credit was claimed by U.S. corporations. By claiming this credit, corporations operating in Puerto Rico and U.S. possessions were able to offset all of their U.S. income tax liability on qualified possession-source business and investment income. Total U.S. income tax liability of these corporations amounted to only \$36.8 million (compared to nearly \$4.5 billion in net income).

Selected Historical Data 65

Appendix—General Description of SOI Sample Procedures and Data Limitations . 95

Cumulative Index of Previously Published SOI Bulletin ArticlesBack Cover

Statistics of Income Studies of Business Income and Taxes

by Dan Rosa and Dorothy Collins*

This article on business income and taxes is the fourth in a series on the Statistics of Income (SOI) program [1]. Previous articles presented the international statistics program, domestic special studies such as those on tax-exempt organizations and estate taxes, and most recently the studies of individual income and taxes. The present article covers the annual corporation, partnership, and sole proprietorship programs and related studies.

The primary users of studies on business income and taxes in the Federal Government have traditionally been and continue to be the Office of Tax Analysis in the Office of the Secretary of the Treasury, the Congressional Joint Committee on Taxation, and the Bureau of Economic Analysis in the Department of Commerce. Since 1980, however, the Small Business Administration has sponsored periodic studies of employment and payroll associated with corporations, partnerships and sole proprietorships.

The SOI programs for three entity types (corporations, partnerships, and sole proprietorships) are commonly referred to as the "business income tax returns" programs, although there are other vehicles for conducting a trade or business such as farmers' cooperatives, tax-exempt organizations that have "unrelated business" activity, and estates and trusts that have sole proprietorship activity [2]. However, most U.S. business activity is covered on corporation income tax returns, Form 1120 series; partnership returns of income, Form 1065; and individual income tax returns, sole proprietorship Schedules C (for nonfarm businesses and professions) and F (for farming businesses), attached to Forms 1040. Figure A shows the number of business returns by industry for 1985. Nonfarm sole proprietorships are the most common business type by far, numbering almost 12 million for 1985, followed by corporations with 3.3 million and then partnerships with 1.7 million [3].

Figure B presents a much different view. In terms of total receipts, corporations account for 90 percent of the total, reporting \$8.4 trillion compared to \$5.4 billion for nonfarm sole proprietorships and \$3.7 billion for partnerships.

CORPORATE STUDIES

Beginning with the Revenue Act of 1916, the tax law has required the publication of annual "facts deemed pertinent

and valuable" with respect to the operation of the income tax law. The first Statistics of Income (SOI) report which fulfilled these requirements was published in 1918 and contained data for both corporation and individual income tax returns for 1916 [4]. For corporations, the 1916 SOI also contained information for 1909-1915 obtained from the *Annual Reports of the Commissioner of Internal Revenue*. A separate volume presenting corporate statistics that began with the SOI report for 1934 continues through to the present day [5].

Scope of Corporation Studies

Program content.—For all years, the SOI corporate statistics have, in general, included corporations of all types, that are organized for profit [6]. These data are the only source of financial information about *all* corporations. Other sources include only the large or publicly-held, or those in certain industries.

In the beginning, the data items and classifications used in SOI were extremely limited [7]. Their primary purpose was to measure how the taxpayer responded to both the tax law and tax administration system, so that in addition to industry the emphasis was on geography showing where the returns were being filed. Gradually, requests for additional data from tax policymakers and estimators of future tax revenue and from numerous Congressional, Federal, State, and private economic research agencies, resulted in additional data items and size classifications being introduced.

By 1922, data for the complete income statement were published; balance sheet data appeared starting with 1926 following a change in the tax return form. Total assets, the basic size classifier used for corporation statistics, was introduced for 1931 along with the amounts distributed to stockholders. By 1934, a 251-page report was produced presenting income, deductions, assets, and liabilities cross-classified by major industry and size of total assets. Additional classifiers were introduced for returns with net income and returns "with balance sheets" (inasmuch as not all corporations filed them). The 1934 format was retained through the 1957 publication.

Separate tables were added for "Small Business Corporations" (now called "S Corporations") in the 1958 volume, the first year for this new corporate tax entity which allowed certain closely-held corporations to be taxed through their shareholders. (The tax code subsequently created other new types of corporate tax entities for which separate

*Dan Rosa is with the Corporation Statistics Branch and Dorothy Collins is with the Individual Statistics Branch. Significant contributions were also made by Keith Gilmour, Kimm Bates, David Paris, Raymond Wolfe, and Alan Zempel.

Figure A.—Business Income Tax Returns by Industry, Income Year 1985

[Numbers of returns are in thousands]

Industrial division	Corporations		Partnerships		Nonfarm sole proprietorships	
	Number ¹	Percentage of total	Number	Percentage of total	Number	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries.....	3,282	100.0%	1,714	100.0%	11,929	100.0%
Agriculture, forestry, and fishing	103	3.1	136	7.9	319 ²	2.7 ²
Mining.....	41	1.3	62	3.6	176	1.5
Construction.....	318	9.7	57	3.3	1,454	12.2
Manufacturing.....	277	8.4	30	1.8	326	2.7
Transportation and public utilities.....	138	4.2	25	1.5	546	4.6
Wholesale and retail trade	917	28.0	201	11.7	2,289	19.2
Finance, insurance, and real estate.....	518	15.8	844	49.2	1,014	8.5
Services.....	939	28.7	341	19.9	5,532	46.4
Nature of business not allocable.....	24	0.7	18	1.1	272	2.3

¹ Includes parent corporations filing consolidated returns for affiliated groups of companies.² Represents only businesses engaged in agricultural services. For 1982, the most recent year that *Statistics of Income* data are available on farms, there were nearly 2.7 million farm proprietorships.

statistics were produced, most notably Domestic International Sales Corporations, or DISC's, starting with 1972, and Foreign Sales Corporations, or FSC's, starting with 1985. However, compared to S Corporations, these entities were small in number.)

Beginning with 1959, balance sheet data were published that represented *all* corporations (as asset and liability estimates were imputed and included in the statistics for the first time for the small number of corporations that did not file balance sheets with their returns). Clearly defined totals for current assets and liabilities could now be derived for the first time (because of another tax form change) and size of business receipts was introduced as a classifier [8].

"Income subject to tax," which in contrast to net income is the base on which tax was computed, was first included in SOI for 1959 [9]. In addition, the net income per books of account was added for 1963 to facilitate comparison with the net income computed under the Internal Revenue Code.

At various times subjects of particular interest were also included in the statistics, many of them on tax-related

computations. Examples of such computations involved depreciation; inventories; foreign tax, investment, and certain other tax credits; and net gain or loss from sales of business assets. Examples of other kinds of statistics included from time to time are returns of "controlled group" members and related to these, consolidated returns filed for "affiliated groups" of corporations.

In most respects, the format and content of the most recent report, *The Statistics of Income for 1985*, is similar to that for 1974. It contains the complete balance sheets and income statements, as well as the tax and tax-related items, including tax and payment credits. The classifiers include industry, total assets, business receipts, and the presence of net income. Separate tables are presented for S Corporations. However, some of the more detailed tax-oriented statistics have been discontinued, and somewhat less industry or size information is now published for certain categories. In part, this reflects changing needs of the principal users of the data.

Almost from the beginning the tax before credits (or more specifically the tax after all credits *except* the foreign tax credit) has been the amount emphasized in the corporate

Figure B.—Total Receipts Reported on Business Income Tax Returns, Income Year 1985

[Money amounts are in billions of dollars]

Industrial division	Corporations		Partnerships		Nonfarm sole proprietorships	
	Amount ¹	Percentage of total	Amount ¹	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries.....	\$8,398	100.0%	\$367	100.0%	\$540	100.0%
Agriculture, forestry, and fishing	70	0.8	9	2.6	12 ²	2.2 ²
Mining.....	142	1.7	23	6.4	13	2.3
Construction.....	387	4.6	22	6.1	71	13.1
Manufacturing.....	2,831	33.7	23	6.3	17	3.1
Transportation and public utilities.....	772	9.2	12	3.2	26	4.8
Wholesale and retail trade	2,474	29.5	70	19.1	205	38.0
Finance, insurance, and real estate.....	1,182	14.1	92	25.1	31	5.8
Services.....	535	6.4	113	30.7	157	29.1
Nature of business not allocable.....	5	0.1	2	0.5	8	1.5

¹ Total receipts for corporations and partnerships include income from investments, in addition to income from sales and operations.² Represents only businesses engaged in agricultural services. For 1982, the most recent year that *Statistics of Income* data are available on farms, total receipts for farm proprietorships amounted to \$99 billion.

Statistics of Income Studies of Business Income and Taxes

statistics because it comes closer to measuring the total worldwide tax burden of U.S. corporations and corresponds to the total worldwide net income reported on the tax return. Looked at this way, tax after credits represents that part of the worldwide tax that is payable to the U.S. Government [10].

Total income tax before and after credits and the associated income subject to tax are presented for the period 1960–1985 in Figure C. While income tax before credits grew by 410 percent, income tax after credits increased by only 209 percent, from \$20.6 billion to \$63.7 billion. One reason for this relatively slow growth in the tax after credits is the foreign tax credit, which grew from \$1.2 billion for 1960 to \$36.8 billion for 1979 [11].

Geographic data were eliminated beginning with the 1970 report [12]. The geographic distributions had become increasingly misleading for economic analyses because they were based strictly on the place of filing or on the mailing address of the corporate headquarters. Often these locations bear little relationship to the place or places where business operations are conducted. This is especially so in the case of the larger corporations. Thus, there is no way of determining from income tax returns alone the amount of

income originating in a specific State or the amount of tax payable on that income.

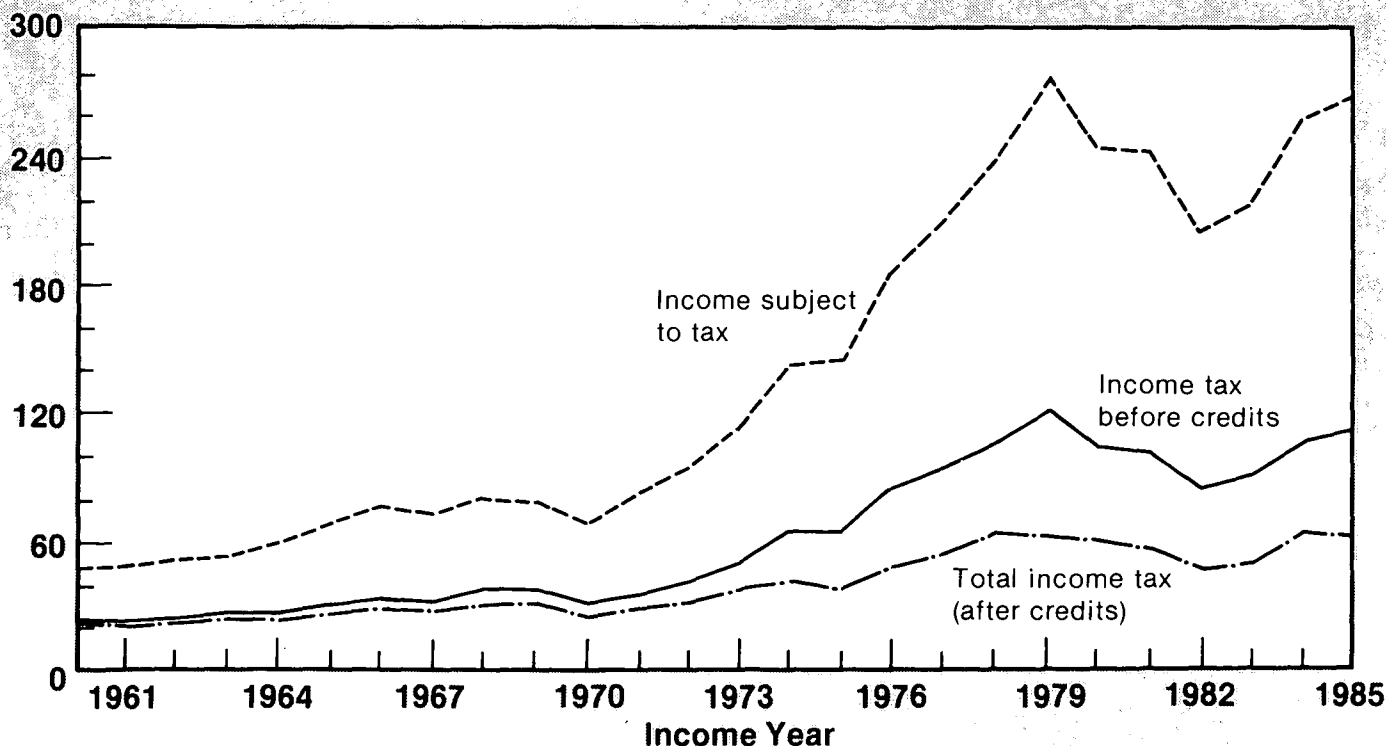
Source Book.—Source Books of unpublished data starting with 1926 have been compiled to preserve the detailed cross-classifications of a maximum number of data items (which are summarized for publication in each annual SOI report). As part of a Work Project during the depression years of the 1930's, extensive permanent public records for 1926–1936, in ink, were prepared for each of these years. From 1937 to the present (except for 1952) the Statistics of Income Division has continued the annual production of the Corporation Source Book [13].

Population Coverage and Item Content.—Beginning with 1959, there have been over one million corporation returns filed for each income year. The total number has grown steadily since World War II. As shown in Figure D, by 1962 there were over three times as many corporation returns as for 1945. In the 20 years after 1962, the number doubled to approximately 3.3 million. Corporations are projected to continue to grow in number; by Income Year 1990 it is estimated that there will be 4.5 million corporate returns filed [14]. While these increases provide a measure of economic growth, they also reflect changes in the tax law, and may

Figure C

Corporate Income Subject to Tax, Income Tax Before Credits, and Total Income Tax (After Credits), Income Years 1960 – 1985

Billions of dollars



also indicate an increasing preference for the corporate form of organization by previously unincorporated businesses [15].

In contrast to the gradual increase in the total number of returns, there has been a wide variation in the number of returns with or without net income over the years, particularly during the period 1916–1944. The depressions of 1921 and the 1930's resulted in more returns without income than with income, so that for 1932, for example, corporations with net income comprised only 18 percent of all those in business.

For 1916–1950 data were extracted for SOI from each return filed. Beginning with 1951, universe estimates were obtained from statistical samples [16]. Over the years the size of the samples has decreased while the population of returns increased, as illustrated in Figure E. (Figure E also shows the "certainty" sample, i.e., returns in the population sampled at the 100 percent rate.) The sample for Income Year 1951 comprised 41.5 percent of the population, or 285,000 of the 687,000 returns filed. For 1985, the sample proportion had decreased to 2.6 percent, or 94,000 returns from a population of over 3.5 million.

Stratification of the 1951 sample was by size of total assets and industry. For 1952–1965, the stratification was by size only—volume of business for 1953–1958 and total assets for 1952 and 1959–1967 with no industry stratification. In the 1960's, the Internal Revenue Service (IRS) began to computerize its manual administrative processing and the SOI sample designation, heretofore a manual operation, was soon also computerized, based on the Master File system which contained accounts for all taxpayers. This new system enabled more efficient, sophisticated, and effective sample designs to be used than under manual sampling. Since the samples could be smaller in size, economies as well as improved data were realized. The first computerized design, for 1968, employed total assets and size of net income or deficit as the major stratifiers.

The use of the employer identification number (EIN), which is permanently and uniquely assigned to each corporation, was also used for the first time to select the 1968 sample [17]. Because a corporation uses the same EIN each year, use of this identifier to select the samples over several years can facilitate selection of returns of the same corporations over time. The advantage here lies in the

Figure D

Number of Active Corporation Income Tax Returns, Income Years 1916 – 1985 Millions of returns

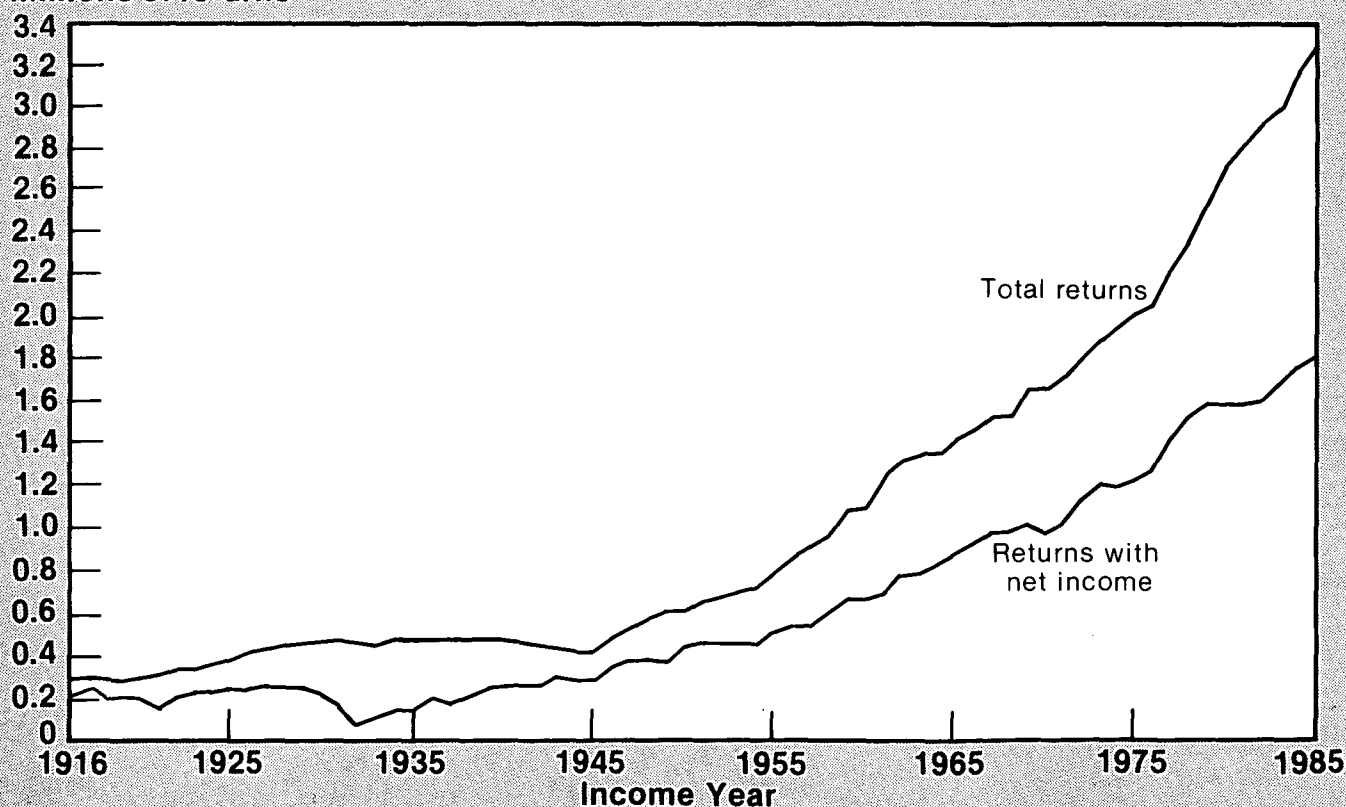
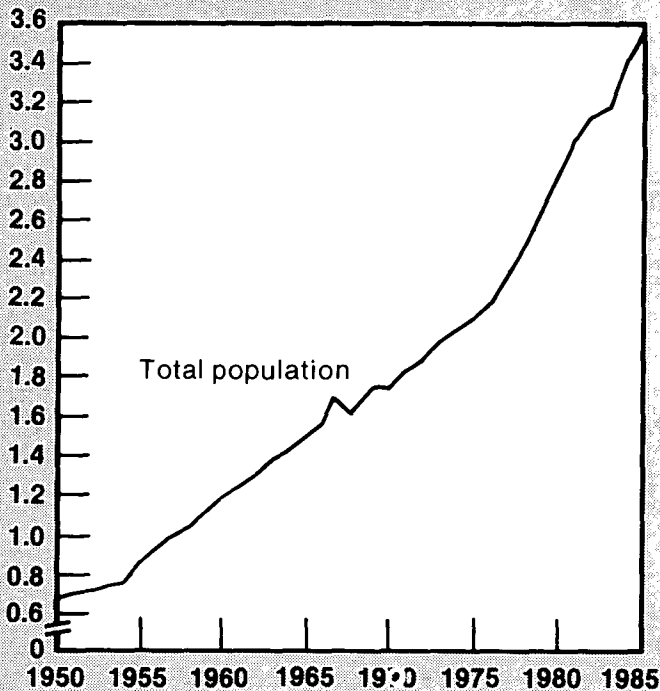
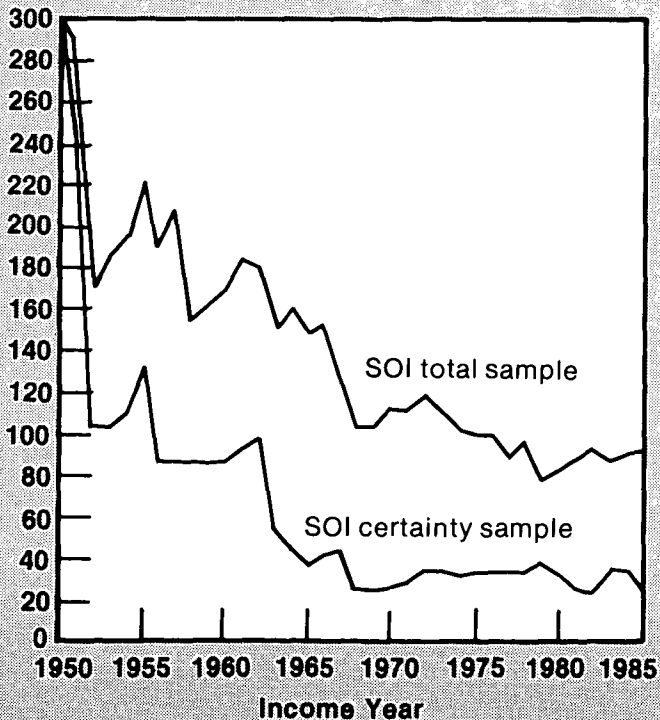


Figure E
**Corporation Income Tax Returns:
 Number in Population, SOI Total Sample,
 and SOI Certainty Sample,
 Income Years 1950-1985**

Number of returns
 (in millions)



Number of returns
 (in thousands)



resultant reduction of sampling variance for the estimates of year-to-year change. Although the SOI sampling scheme has been refined over the past 20 years, the concepts have remained essentially the same as for 1968.

For Income Year 1980 and subsequent years, a "post-stratification raking ratio estimation" procedure has been introduced to improve the industry statistics [18]. Under this procedure, estimated totals are initially developed by weighting the sample to population control totals obtained from the Master File for the two principal characteristics used in the sample design, i.e., total assets and net income (or deficit). Improved totals are then obtained by further stratifying the achieved sample by industry for each asset/net income sample class. As a result, the SOI weighted estimates published by industry are based on a two-way classification of the sample—by the original sample selection criteria using control totals for asset/net income size combinations and simultaneously by the additional criterion using control totals from the Master File by industry.

Statistical Editing.—The program for 1916 required obtaining only five items from each return and, by 1931, 41 items were abstracted. This number reached 344 by 1980. Seven years later (1987) the number of items more than doubled to 826. This growth is especially significant given the great amount of "statistical editing" that many SOI items require.

Statistical editing involves adjusting certain taxpayer entries based on supplemental information reported elsewhere in the return, usually in schedules that support a reported total [19]. Editing also includes the constructing of certain totals for the statistics that are reported in a format that differs from the official tax form, using information from other schedules including those improvised by the taxpayer. (IRS permits some latitude on how certain information is reported as long as it is correctly reported.)

Editing is designed to help overcome some of the limitations inherent in tax return statistics that are due to nonstandardized reporting. It also helps to achieve certain statistical definitions desired by a user. An example of the former occurs when corporations file balance sheets of their own design instead of using the balance sheet schedule that appears on the tax return form; in this case, the statistical editor must attempt to recast the taxpayer's balance sheet into the official format of the return so that uniform statistics can be produced. An example of the latter is when editors are required to examine "cost of goods sold" schedules for any depreciation reported there in order to augment the depreciation deduction on the return—an objective that is of far greater interest to tax policymakers and other economists than a cost of goods sold figure that may otherwise be correct from an accounting standpoint.

While statistical editing is minimal in producing sole proprietorship and partnership statistics (and, when it is

necessary, can often be accomplished through computerized imputations), it is a major factor in producing corporation income tax return statistics because of the complexity of many of the returns, particularly those of the larger corporations which dominate the statistics.

Industry Classifications.—The tax return instructions request that corporations classify themselves by industry according to their principal business activity, as identified from the list of industry groups and codes contained in the instructions. Principal business activity is that which accounts for the largest percentage of total receipts. This can be a limitation because some companies, particularly the larger ones, are often engaged in multiple business activities or may be included in consolidated returns that include all members of an affiliated group, each of which may engage in different activities. In such cases, the largest percentage of total receipts may be relatively small. Year-to-year changes in the classification of specific corporations can result from mergers and other changes in organization, from filing consolidated returns, as well as from changes in the principal source of receipts.

The first Statistics of Income report (1916) contained data for over 100 industries summarized into 27 major groups (currently there are over 180 industries summarized into 60 major groups). Since 1938, the classification structure for all SOI business income tax returns has been based on the Standard Industrial Classification (SIC) system, currently issued by the Office of Management and Budget. However, the SIC is designed to classify “establishments” rather than companies which may be comprised of one or more establishments [20]. In order to apply the SIC to a legal entity or ownership basis for SOI, appropriate groups have to be combined. The resulting industry groupings that are listed in the corporation income tax return instructions and that are used for SOI are, in general, those that tend to be best represented by the corporate form of organization. Thus, for example, more industry detail is available in the corporation statistics for manufacturing or for finance, insurance, and real estate, than is available in the statistics for sole proprietorships or partnerships [21].

Although the industry definitions used for SOI conform closely to the SIC, particular provisions of the Internal Revenue Code are also taken into account. Thus, for corporations, certain types of investment and insurance companies which are defined in the Code are among the groups for which SOI industry data are provided.

Timing of Corporate Statistics.—A frequent misunderstanding about the corporate statistics concerns their timing. It is not always apparent to users that many corporations report for noncalendar year accounting periods. In fact, these corporations have now become the majority. Figure F shows that for Income Year 1985, only 42 percent

filed for the accounting period ended December 1985.

This noncalendar year filing phenomenon is unique among income tax return filers, even among businesses (nearly all sole proprietorships and partnerships use the calendar year). This means that the corporate “income year” covered by SOI data must be uniquely defined. Figure F shows that an income year includes accounting periods ended July of one calendar year through June of the next. The December-ending accounting period is thus at the center of this span of accounting periods. This compromise has been judged to be the best means of relating the totals for all corporations to a specific calendar year. The validity of this compromise is reinforced by the fact that most of the dollar totals (including those for net income) continue to be reported by corporations that file for the December-ending accounting period (see Figure F).

In addition, many corporations, including some of the largest, request extensions of time (up to 6 months) in which to file. The combination of noncalendar year filing and filing extensions means that while returns for the last included accounting period for Income Year 1985 (ended June 1986) were first due to be received by IRS in September 1986, they could be timely filed as late as March 1987, if there were filing extensions. If these corporations were large, the administrative processing of the returns that precedes statistical processing could then also take a considerable amount of time. The SOI sample for a given year cannot be closed out while large corporation returns are unaccounted for because of their predominant effect on the statistics. As a result, the first results for 1985 were only published in the *Statistics of Income Bulletin* for the Spring 1988; the more complete data for 1985 were then published separately, later on [22].

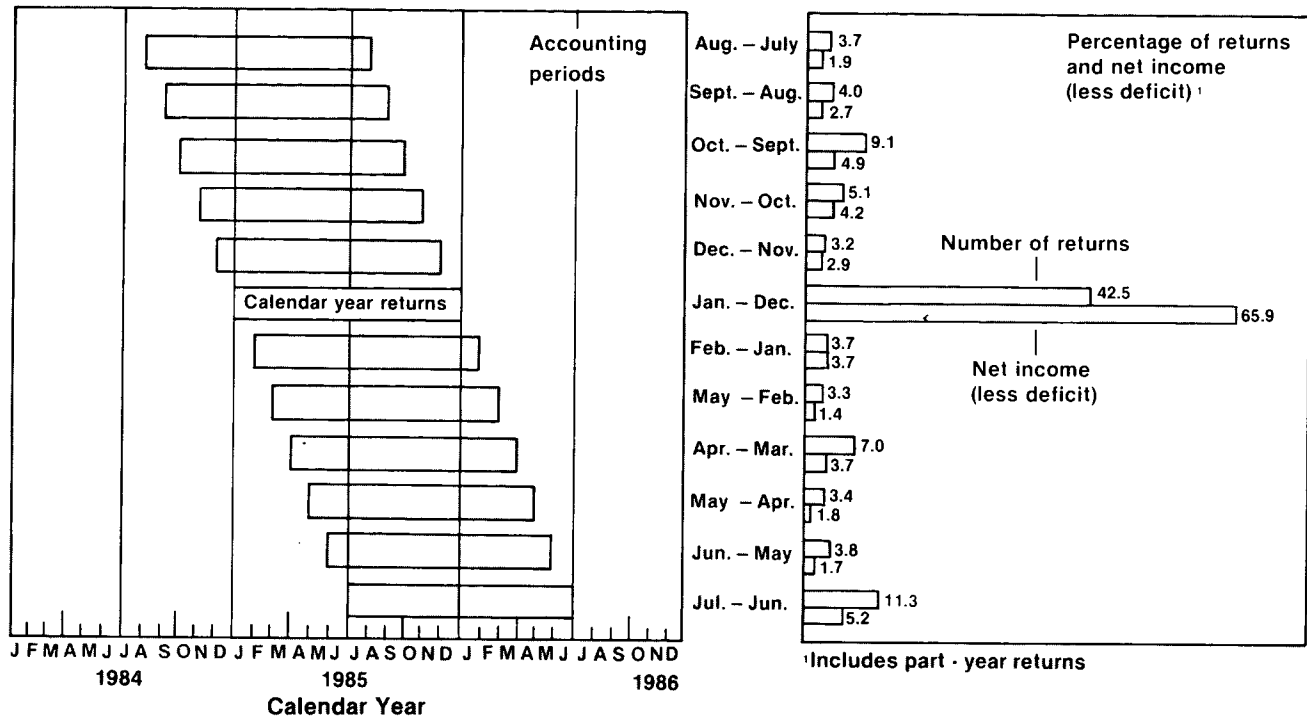
Principal Users of the Data

Much of the previous discussion has focussed on the SOI publications. However, as is true in most Statistics of Income Division studies, the principal product of the corporate program is now the microdata (record-by-record) magnetic tape files provided to the Office of Tax Analysis and to the Congressional Joint Committee on Taxation for use in revenue estimating and tax modeling, rather than the SOI tabulations and publications that these users formerly relied upon.

As permitted by the Internal Revenue Code, the Bureau of Economic Analysis also has access to corporate records because of its role in producing the National Income and Product Accounts [23]. However, it is not routinely provided with a *complete* SOI sample microdata file in the sense that the Office of Tax Analysis and the Joint Committee staff are. Special detailed tabulations or access to the tax return

Figure F:

Corporation Income Tax Returns and Net Income (less Deficit.) by Accounting Periods, Income Year 1985



records of specific corporations or classes of corporations are usually sufficient to serve its needs.

No public access tax model file exists for corporations mainly to protect the confidentiality of taxpayer information. The very restrictive privacy statutes that prevent disclosing even the fact that a business or individual has filed a tax return require that any corporate data be released cautiously because of the great amount of company data and other information that are available in the public domain [24]. The costs inherent in reviewing statistical tabulations for possible disclosure and in the application of disclosure-avoidance techniques also limit the amount of data that can be published [25]. However, requests for special tabulations can still be produced on a reimbursable basis from the SOI data files provided disclosure can be avoided.

Future Plans

Each year, the item content and coverage of the SOI programs are reviewed with the major users [26]. These reviews always result in changes to a particular program. Long-range planning is difficult because unforeseen changes in the tax law frequently lead to new or revised statistical requirements. Thus, for example, the new tax

research needs emanating from the Tax Reform Act of 1986 are currently severely taxing the ability of the SOI statistical system to deliver timely results. These needs are evidenced in the sharp increase in the number of tax return items for which 1987 SOI data have been requested. The challenge to the Statistics of Income Division is to determine users' requirements early enough in the planning process so that they can be reflected in its budgets for the processing years concerned.

The sample size is expected to remain constant at about 90,000 returns through Income Year 1990, unless special funding by users is obtained to meet their needs. For several years, the Bureau of Economic Analysis has requested but not obtained a special appropriation in its budget to fund an increase in the SOI corporate sample size to about 120,000 returns.

A review of the sample design is needed again to determine if its composition is adequate, given the new pressures emanating from the 1986 tax reform. For example, the proportion of the total sample that is comprised of S Corporation returns (Form 1120S) may be changed given their relative significance to users.

Special Studies

Corporation Post-Filing Tax Adjustments.—The statistics in the corporate program, as in most SOI programs, are derived from returns selected after initial administrative processing, but before audit examination and adjustments. In addition, adjustments such as those resulting from amended returns are excluded. Users have long been concerned about the possible effects these adjustments might have on SOI data and in 1986 a pilot effort was undertaken to determine their magnitude and structure [27].

For this purpose, the corporate tax accounts from the Master File system were obtained for the 94,000 corporations in the Income Year 1982 corporate SOI sample (the most recent sample complete at the time). Unlike the SOI statistical file, which only records data from the tax returns as originally filed for the particular year under study, the Master File maintains selected data from the entire population of returns filed, including numerous items used for tax administration purposes. Generally, these data are maintained for 5 years. Included are adjustment transactions resulting from the filing of amended returns, "carrybacks" of "unused" tax-related amounts, and results of IRS audit examination activity.

Preliminary data from this effort indicate that for corporations active in 1982, post-filing adjustments reduced the originally calculated income tax liability by at least \$38 billion over the tax period 1978–1983. This reduction, which represents 11 percent of these corporations' original tax liability after credits, arose principally through unused "net operating losses" and unused investment tax credits carried back from subsequent tax years, rather than through audit examination or other compliance activities.

Current plans are to continue this research with the intent of eventually incorporating the resulting new methodology to improve the SOI statistics. Research is now focussed on issues of sample coverage and the validity for statistical purposes of data obtained from the administrative system.

Preliminary Corporate Statistics.—In addition to the comprehensive annual SOI report, preliminary reports were formerly produced in order to provide selected income and tax highlights before the more detailed statistics became available. The separate preliminary reports were discontinued after the 1977 statistics and replaced by more limited data now contained in annual articles published in the Winter or Spring issues of the *Statistics of Income Bulletin* [28].

For Income Years 1956 through 1977, preliminary corporate estimates were scheduled for production in April following the close of the filing period for returns with the

accounting periods used for SOI, and were primarily for use by the Bureau of Economic Analysis in updating the estimates of corporate profits published as part of the annual revisions of the National Income and Product Accounts [29, 30]. By 1977, rather than just a by-product of the regular corporate SOI program (as the current and most previous published "preliminary" statistics are and were), these early estimates required so much special processing that they virtually became a separate program that could not be sustained. This special processing included a costly, customized, imputation process to compensate for the significant number of larger corporations whose returns were not yet available for the statistics by the date specified by the Department of Commerce. Shrinking resources, the increasing complexity of the overall corporate SOI program, and later filings by growing numbers of larger-size corporations finally led to the cancellation of this effort.

In order to improve the accuracy and timing of its corporate profit estimates, the Bureau of Economic Analysis has included funds in its annual budget for the last few years that would reimburse the Statistics of Income Division for developing a revised system that could again provide these early estimates. Some research into the development of a "modern" version of the "old" system is being considered in anticipation of the eventual reinstatement of this segment of the SOI program.

International Statistics.—Separate studies of business activity conducted abroad by U.S. corporations and of business activity conducted in the United States by foreign corporations are discussed at length in an article published in the Fall 1986 issue of the *Statistics of Income Bulletin* [31]. These studies, on foreign tax credit, Controlled Foreign Corporations, U.S. possessions corporations, Domestic International Sales Corporations, Foreign Sales Corporations, and international boycott participation, to name the major ones, are undertaken partly in acknowledgment of the increasing significance of foreign operations and of foreign corporations, and partly in response to the need for reports by the Office of Tax Analysis that are mandated by tax law. Typically, these studies include a classification of the data by country.

Secretary's Percentage.—Foreign life insurance companies doing business in the United States must maintain a minimum surplus of assets to cover their U.S. insurance liabilities. That minimum surplus is determined by multiplying their U.S. insurance liabilities by a percentage required by the tax code that is proclaimed annually by the Secretary of the Treasury. This "percentage," based on data reported on Form 1120L, U.S. Life Insurance Company Income Tax Return, has been calculated annually since 1961 by the Statistics of Income Division.

The processing of data necessary to develop this figure takes place between September and February each year

and the results are sent to the Office of Tax Analysis and the IRS Office of the Chief Counsel for review and approval by the end of each February. The Secretary's Percentage is then published in the Federal Register in March. The percentage proclaimed by the Secretary has varied from a low of 13.4 percent for 1961 to a high of 18.9 percent for 1985.

EMPLOYMENT LINK STUDIES

The Statistics of Income Division conducts a series of periodic studies partially funded by the Small Business Administration that add employment and payroll data to the SOI files of corporations, partnerships, and sole proprietorships. Although payroll is a deductible expense on income tax returns, it is often not clearly identified as such, or it is included as a component of some other deductible expense and, in some cases, is actually capitalized and deducted over a period of years as part of the depreciation deduction.

The special study involves tabulating financial data classified by selected industry and size of business receipts, total assets, and employment. Employment and payroll are obtained from computer tape files of data from Form 941, Employer's Quarterly Federal Tax Return, and Form 943, Employer's Annual Tax Return for Agricultural Employees, that IRS regularly provides to the Census Bureau for its use in preparing its *County Business Patterns* report [32]. These employment tax returns are then linked to the business income tax returns in the SOI samples.

Work on the Income Year 1982 studies is complete [33]. Tabulations have been provided to the Small Business Administration, Office of Tax Analysis, and the Joint Committee on Taxation. The next study is scheduled for Income Year 1987, but is dependent on continued funding from the Small Business Administration or some other source. Plans are to publish the results from time to time in the *Statistics of Income Bulletin* [34].

Figure G shows employment classified by type of business entity. As would be expected, 90 percent of all corporations had employees in 1982. Most partnerships and sole proprietorships, on the other hand, were small businesses without employees. Only 13 percent of partnerships and 9 percent of sole proprietorships had at least one employee.

One interesting employment note in the corporate area is that while 835,000 or 38 percent of all corporations had 1-4 employees in 1982, the greatest number of those employed were by corporations having 500 or more employees. Over 32 million people were employed by the 7,613 largest corporations [35].

In the corporate area, a factor which complicates the linking of the files is that the reporting units for income tax returns and employment tax returns are not always the same. It is possible for a consolidated income tax return to be filed for an affiliated group, while separate employment tax returns can be filed for each group member or combination of members. In order to link records for the same reporting unit, it is first necessary to explore these relationships.

To accomplish the linkage, EIN's are transcribed for all parent corporations and their subsidiaries as reported on the Form 851, Affiliations Schedule, filed with consolidated returns included in the corporate SOI sample. Then a match is performed by computer between the Form 851 file and the file of SOI corporate income tax return records. The Form 851 data are then matched to the employment tax return file. At this point, the employment and payroll for the parent and subsidiary are aggregated so that they represent the same reporting unit as the SOI corporation income tax return.

In the partnership area, research is needed in the area of "independent contractors," i.e., those persons who appear to be providing labor to the partnership but are not being treated as employees for employment tax purposes. The analysis performed thus far indicates that many partnerships reporting a "cost of labor" in their income statements are not reporting the presence of employees through the filing of employment tax forms. Therefore, when an expected match is not made between an employment tax return and a partnership return, it is not clear whether the cause is a mismatch which should be corrected by imputation or a problem caused by an "independent contractor" issue.

The sole proprietorship study is heavily dependent on imputation techniques to compensate for the often-missing linking variable, the EIN [36]. Nonfarm sole proprietorship activity is reported on Schedule C of the Form 1040, Individual Income Tax Return, and the identifier most important to IRS on this form is the social security number rather than the EIN. The EIN is requested on Schedule C, but only for sole proprietorships with employees and this identifier is often not reported on the return as originally filed (which is the return used for the statistics). (Farm proprietorships have been excluded from these studies.)

Future plans for this project include analysis of the methods used to impute for missing employment and payroll data and research into alternative imputation methods. This research is documented in a paper presented at the 1988 American Statistical Association meetings [37].

PARTNERSHIP STUDIES

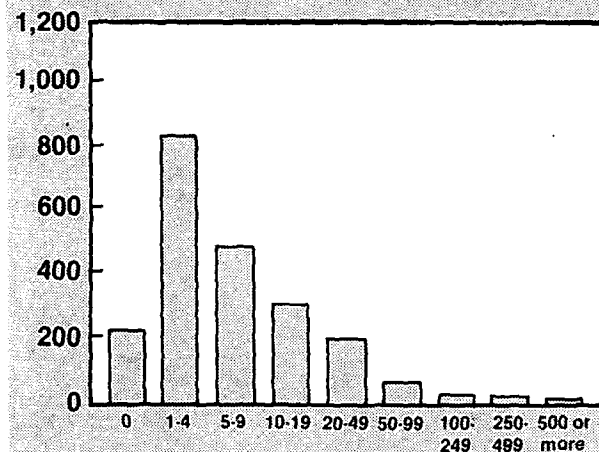
The partnership return of income, Form 1065, is an information return because partnerships are not taxed as

Figure G

Summary of 1982 Employment, by Size of Employment

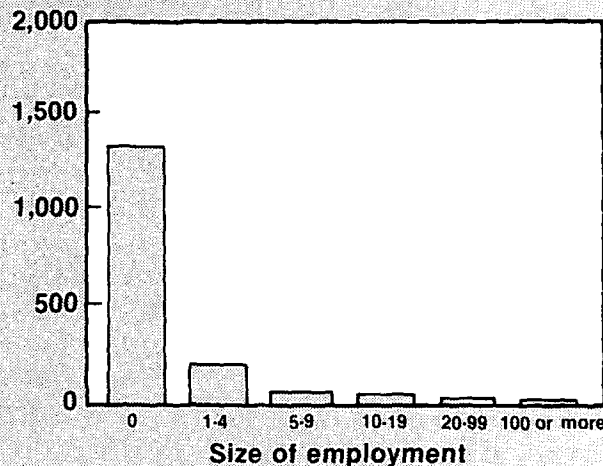
Number of corporations by employment size

Number of corporations (in thousands)



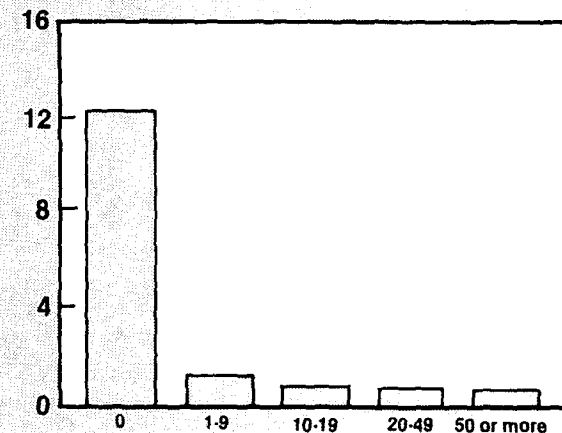
Number of partnerships by employment size

Number of partnerships (in thousands)



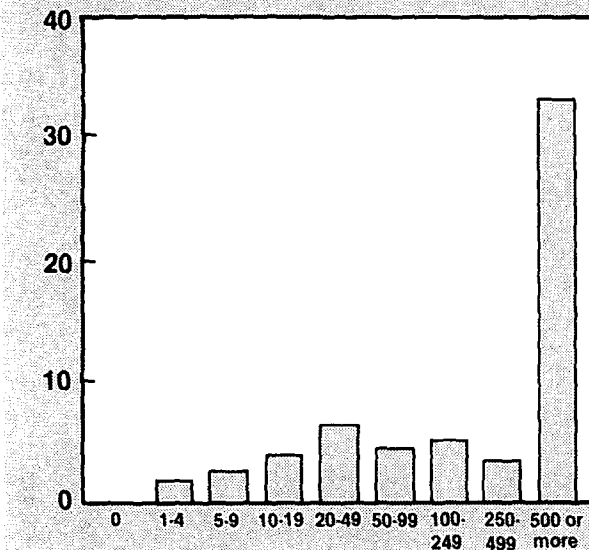
Number of sole proprietorships by employment size

Number of sole proprietorships (in millions)



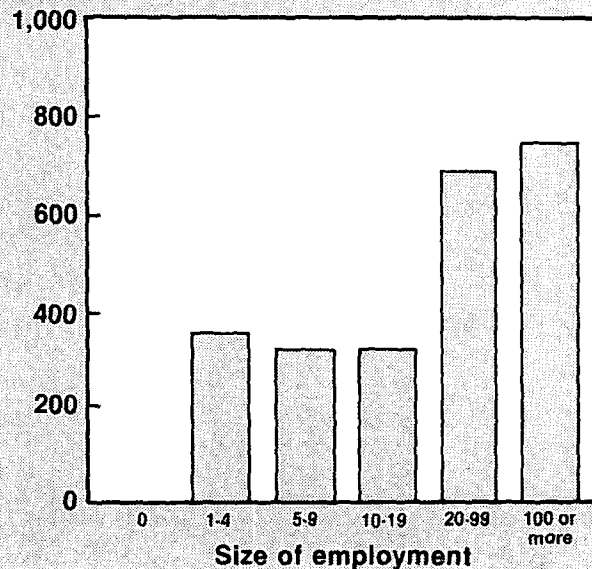
Number of employees by employment size of corporation

Number of employees (in millions)



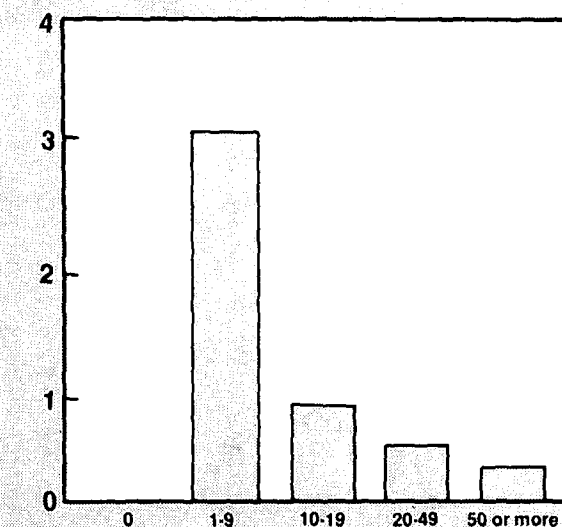
Number of employees by employment size of partnership

Number of employees (in thousands)



Number of employees by employment size of sole proprietorship

Number of employees (in millions)



such. Nevertheless, an annual return is required containing an income statement; balance sheet; and schedules showing the shares of income or losses and other items, such as credits and foreign taxes, either distributed or allocated to partners. The partners are required to report the distributions or allocations from the partnership on their own income tax returns.

Counts of the number of partnerships since 1917 are available from SOI. The individual income tax return statistics also show the number of returns with income or loss from partnerships and the corresponding amounts starting with 1917.

The Statistics of Income Division did not publish financial data from the partnership returns until Income Year 1939, when they were released in a supplemental SOI report [38]. Data for 1945 and 1947 were published as press releases by the Department of the Treasury [39]. A separate SOI report for partnerships was published for Income Year 1953 [40].

Annual partnership statistics were included in the *Statistics of Income—Business Income Tax Returns* series (together with data on sole proprietorships) starting with 1957 until that series was discontinued after 1976 [41]. Thereafter, separate SOI reports on partnerships only, were released for 1977 through 1980 [42]. Because of budget constraints, the separate partnership report was then discontinued, but with the inception of the quarterly *Statistics of Income Bulletin* in 1981, an alternate publication vehicle became available in which to include some limited statistics about partnerships annually, in each Summer issue [43].

The first of a series of so-called SOI partnership compendiums, *Partnership Returns, 1978–82*, was issued in September 1985 and included tables and analyses previously published in the *Bulletin* for Income Years 1978–82, and in the separate SOI reports for Income Years 1978–80 [44]. It also included additional tables plus sections analyzing trends in the data. Future publications are now planned at 5-year intervals.

Scope of Partnership Studies

The 1939 partnership report included data for the complete income statement and on the number of partners, classified by industry. These features were to continue for most partnership programs for the years that followed. Balance sheet data first appeared in the report for 1953 and by the late 1950's had become a biennial feature of the program. Data classifications aside from industry were mainly by size of business receipts (starting with 1945) and by size of total assets (starting with 1958). At various times over these earlier years, detailed data were also provided on such topics as the age of partnerships, depreciation and

inventory practices, joint ventures, and on some of the items allocated to partners, e.g., "tax preferences" subject to the "minimum tax" and items reported in connection with the jobs or investment tax credits. Little of this information was published for more than a few years, most of it not more than once.

Currently, the annual program includes the income statement, balance sheet, the number of partners and limited partnerships, and capital gain distributions, by industry. Balance sheet data are not included in the annual *Statistics of Income Bulletin* release, but are published instead in each 5-year partnership compendium [45]. State data and data by size of business receipts are no longer compiled.

As in other areas, the partnership program content has grown in response to the needs of its users. In the early years, generally up to the early 1970's when partnerships were known primarily for their trade or service activities, most economists were interested in analyzing the partnership data along with data on corporations and sole proprietorships in order to obtain a complete picture of U.S. business activity.

As the partnership form of organization became popular as a "tax shelter" vehicle, more detail was added to the program. For example, in the early 1980's, in response to Office of Tax Analysis requests, data began to be collected on limited partnerships and from taxpayer-provided schedules on which data for real estate deductions were reported.

Beginning with 1981 and continuing to the present day, partnerships have reported significant overall losses primarily attributable to tax shelter activity. Most of these losses occurred as a result of real estate operations. In fact, as shown in Figure H, if real estate, which accounts for about one-third of the total number of partnerships, were removed from the statistics, partnership net income (less deficit) would be positive for all years.

Principal Users of the Data

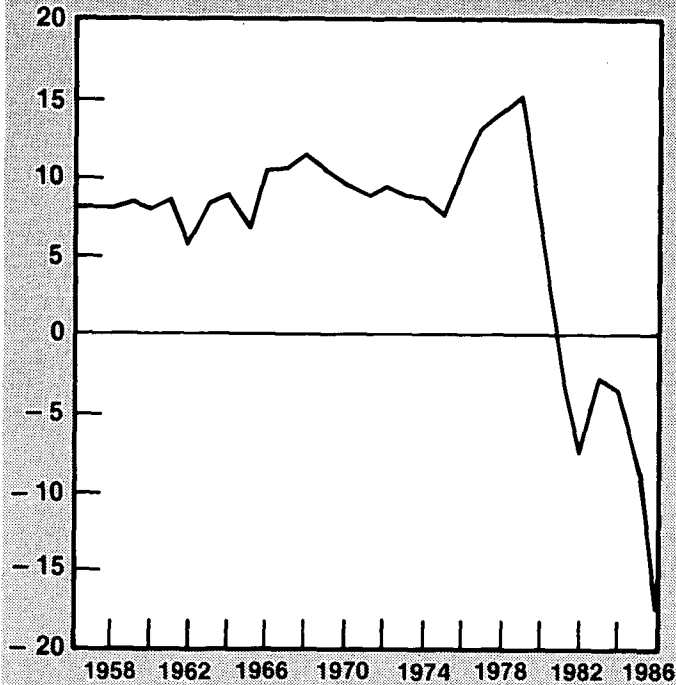
Most of the requests for additional content in the partnership program have come from the Bureau of Economic Analysis and the Office of Tax Analysis. The Congressional Joint Committee on Taxation is the third principal user.

The Bureau of Economic Analysis uses the data for the National Income and Product Accounts. Partnership income is a minor, but not insignificant, input to the overall national accounts as well as to the personal income accounts component. In this connection, the tax return data are the only source of information about unincorporated businesses. It is thus not surprising that the Bureau of Economic Analysis was instrumental in having the Statistics of Income Division produce partnership as well as sole

Figure H
**Partnership Net Income (less Deficit),
 Income Years 1957-1986**

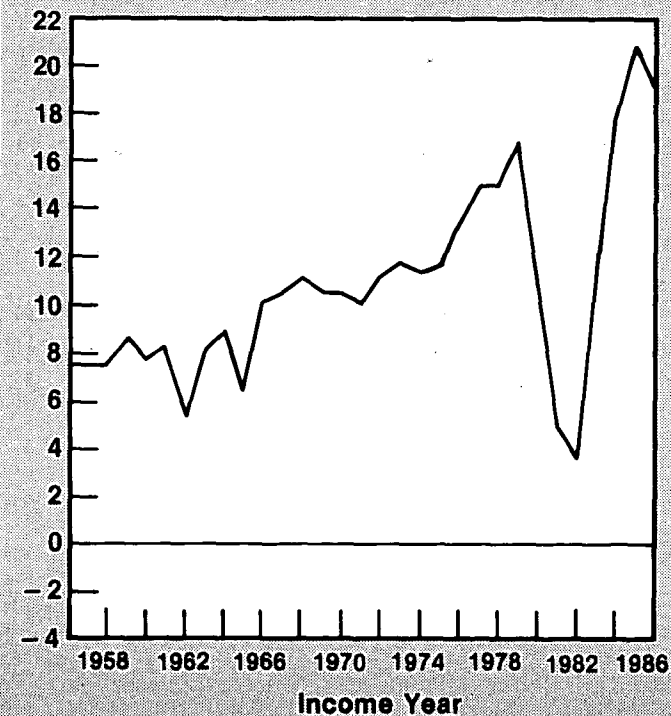
All industries

**Net income (less deficit)
 (billions of dollars)**



All industries except real estate

**Net income (less deficit)
 (billions of dollars)**



proprietorship data each year starting with 1956. Previously, it used SOI data for small corporations as a proxy for the partnership sector, but this proved to be increasingly unsatisfactory. For recent years, the Department of Commerce has also assumed a major role in funding this program.

The Office of Tax Analysis and the Joint Committee are authorized to receive microdata files which they use to model proposed tax law changes and to analyze partnership activity. As with the corporate program, the files provided to the Office of Tax Analysis and Joint Committee contain data which are not published, such as for distributions to partners, depreciation computations, and some limited detail on farm income and deductions. The Bureau of Economic Analysis is not allowed access to the microdata files; instead, it receives detailed tabulations processed to avoid disclosure, which are produced to its own specifications.

Although attempts have been made to construct public use files, confidentiality problems so far have proved too difficult to overcome [46]. As in the case of corporations, requests for special tabulations are produced on a reimbursable basis from the existing data files.

Population Coverage

The earliest partnership studies included data from every partnership return filed. Partnership returns were sampled for the SOI studies beginning with 1953 using a three-tier sampling scheme which continued with minor modifications until 1969. Using this system, partnerships were sampled at one of three rates based on size of business receipts and total income. (Total income was defined as business receipts plus investment income minus cost of sales and operations.)

From 1970 through 1976, the sample was based on combinations of receipts and total assets with the size stratifiers being adjusted periodically. For 1977, industry was included as a stratifier in that partnerships in the real estate industry were sampled at one set of rates and all other industries were sampled at another [47]. This was done because the characteristics of the large real estate component of total partnerships are significantly different from those of other industries. As before, within each of these two major breaks the partnerships were stratified by combinations of receipts and asset size.

The sampling scheme was redesigned for 1981 to improve the sample in several strata which were poorly represented previously, resulting in many additional sample categories. However, returns were still classified by whether the partnership was in real estate or not and, in addition, by the absolute value of net income (or deficit) and total assets.

Figure 1 shows the population and sample size for Income Years 1956 through 1986. The significant changes in sample size reflect the users' changing levels of interest over time and their ability and desire to help fund the program.

Future Plans

One of the major developments now in the planning stage is tied to a modification to Schedule K, Partners' Shares of Income, Credits, Deductions, etc., of the partnership return. This is the form the partnership uses to summarize its distributions to partners. The tax form change would also require partnerships to summarize their distributions by *type* of partner. This kind of information can currently be obtained from the 30,000 returns in the SOI partnership sample only by abstracting data from over 3 million Schedules K-1 filed for partners. By having this information, the Bureau of Economic Analysis will be able to reduce the double counting in the national accounts that occurs when the partner in a partnership happens to be a corporation. Presently, income to the corporate partner is counted once when it is distributed by the partnership and again when it is reported by the corporation. In addition, the Office of Tax Analysis needs to be able to distinguish between "passive" and "active" partners, an important distinction in the Tax Reform Act of 1986, in order to help evaluate the new provisions [48].

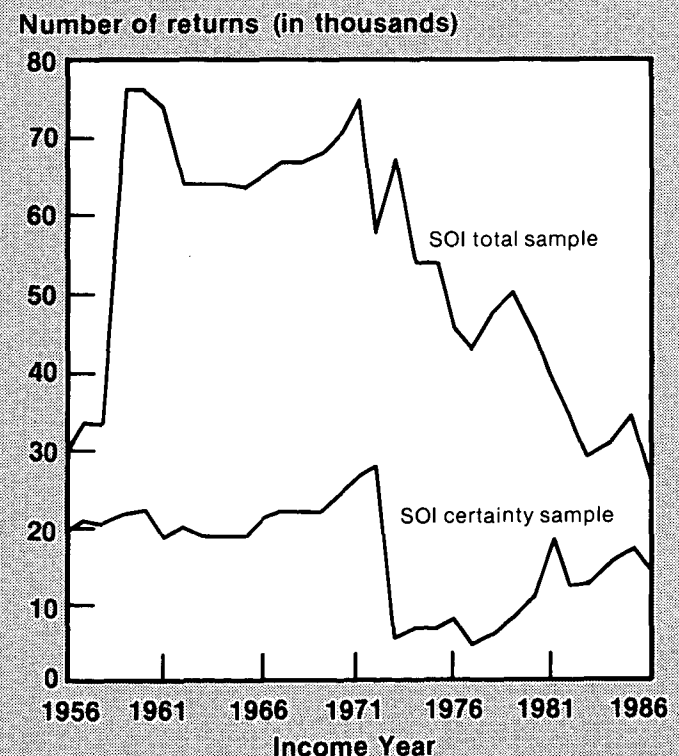
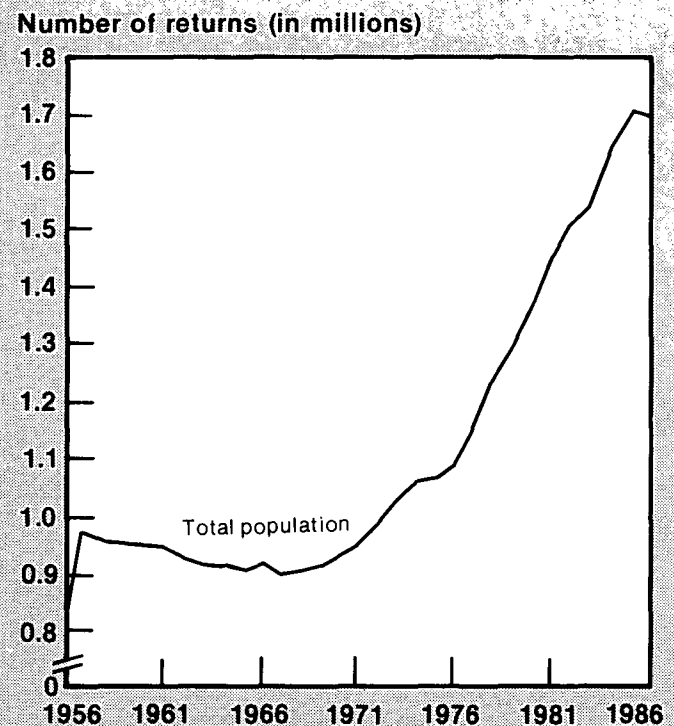
SOLE PROPRIETORSHIP STUDIES

Information about sole proprietorship business activities is reported as part of the individual income tax return, Form 1040. The profit or loss from nonfarm businesses or professions is reported on Schedule C; that from farming, on Schedule F. In addition, for some of the more recent years, Form 4835 has been used to report the profits of farm landlords, many of whom are indirectly engaged in farm operations. Profits from each of these activities are combined with personal income from other sources on Form 1040 in order to compute "adjusted gross income" (AGI). Therefore, sole proprietorship activities are not taxed separately.

Although SOI data on the total profit or loss from sole proprietorship activities have been published annually since 1917 (profits from farm proprietorships have been published by themselves only since 1963), statistics on at least some of the business activities associated with these profits began with Income Year 1921 [49]. They continued annually thereafter through Income Year 1939.

For 1921 and each year for the next 12 years, the sole proprietorship data were published in the single reports that contained SOI data from all tax returns. Then, from 1934 through 1955 (with exceptions for most alternate years after

Figure 1
Partnership Returns: Number in Population, SOI Total Sample and SOI Certainty Sample, Income Years 1956-1986



1941 when there were little or no sole proprietorship data), the statistics were published in the SOI report that focussed on individual income tax returns [50, 51].

Statistics that excluded farming were compiled for 1956, but they were not published [52]. *Statistics of Income—Business Income Tax Returns*, the new series that began with 1957, concentrated on unincorporated businesses—sole proprietorships and partnerships [53]. This series was discontinued after Income Year 1976, and was replaced by separate reports for each of these two types of business [54].

For budgetary reasons, these reports are no longer published. The last sole proprietorship report was for Income Year 1981. However, sole proprietorship statistics have continued to be produced, although in a much reduced form and with data on farming no longer tabulated on a regular basis. After 1981, just one or two tables on sole proprietorships have been published each year in the Summer issue of the *Statistics of Income Bulletin*.

Scope of Sole Proprietorship Studies

The history of the SOI sole proprietorship program is characterized by several breaks in continuity. Even though the series dates from 1921, the industries and businesses covered, as well as the content of the program, have changed over time. These changes were due primarily to changing user needs, changes in the tax law, introduction of the first SIC system in 1938, processing decisions, as well as budgetary considerations. Sole proprietorship studies predate those on partnerships by many years and have been far more varied in terms of their scope and coverage.

Data for the earlier years were confined to the number of businesses with net income and an amount for net income, classified by 19 industry groupings. For 1921, there were 807,000 such businesses whose net income totalled \$2.4 billion [55]. Loss businesses were excluded from the statistics.

This emphasis on businesses "with net income" continued for many years. With exceptions for 1921 through 1925 and then for 1928, the earlier statistics by industry were confined not only to businesses with net income, but to returns that showed a net income from all sources of at least \$5,000 [56]. Most individuals were not subject to the income tax and of those who were, many were thus excluded from the sole proprietorship statistics. Business coverage was, therefore, extremely limited. As a result, the industry data published were probably of limited use for most economic analyses. Nevertheless, for the early years of the series they were the only financial data published by the U.S. Government about sole proprietorship businesses, just as they are now.

Starting with 1933, totals by industry were published for businesses reporting a loss. The data also began to be classified by size of business net income or deficit. In addition to profits, data were presented for business receipts and wages paid. Meanwhile, the industry detail gradually increased so that by 1939, information was provided for more than 100 groups.

Throughout the 1930's until 1939, the statistics continued to be limited to businesses reported on returns with net income of \$5,000 or more. The expansion in coverage for 1939 to include returns with net income under \$5,000 was thus a major improvement. Mainly as a result of this change, the number of sole proprietorships shown in the statistics increased from almost 130,000 for 1938 to nearly 1.1 million for 1939 [57]. The corresponding net income (less deficit) rose from \$0.8 billion to nearly \$2.5 billion [58]. In addition to business receipts and net income or deficit, data for the cost of goods sold, purchases of merchandise bought for sale, and total business deductions were also included in the 1939 statistics; and another size distribution was added, based on business receipts. This classifier continued to be used until recent times.

During the 1940's and early 1950's, detailed business data were not produced as frequently, fewer industry groupings were used, and no industry detail was provided for loss businesses. On the other hand, there were major improvements in coverage. When the tax code was broadened during the early 1940's to include most of the population (and therefore most of the sole proprietors), the resulting increase in the businesses reported on individual income tax returns was clearly reflected in the statistics. Sole proprietorships grew in number from 2.0 million for 1940 to 5.7 million for 1945 [59]. A further refinement in coverage resulted from enactment of the social security self-employment tax in 1951. When appended to the income tax filing requirements based on gross income, all proprietors with net earnings of \$400 or more from self employment had to file individual income tax returns that also included information about their business or professional activities. The filing requirement for self-employment tax purposes increased the stability of the sole proprietorship coverage; while the income tax filing thresholds were to change several times over the years that followed, the low filing threshold for self-employment tax remained the same.

The complete income statement was first tabulated for 1945, by industry division. Only business receipts and profits were then presented separately for more detailed industry groupings. A similar pattern of presentation was resumed starting with 1959, in the *Business Tax Returns* series, and also continues to the present (although currently farm data are excluded). Data for 1986 (the most recent year available) show that there were 12.2 million nonfarm proprietorships distributed over more than 200 industries.

Their net income (less deficit) was \$90.4 billion [60]. In comparison, for 1959, there were 5.8 million nonfarm proprietorships, and their net income (less deficit) totalled \$18.9 billion [61].

During the 1960's and 1970's, SOI sole proprietorship statistics also explored a variety of special subjects in efforts to meet as many data needs as practicable. Included were depreciation and inventory practices; the cost of depreciable property; information about the investment and jobs tax credits claimed by proprietors; and, in general, the nonbusiness and total income characteristics of proprietors. For several years the income and deductions unique to farming operations were shown and geographic data were featured. As with the partnership statistics, most of these special subjects were not repeated on any regular basis and none of them are included in the current statistics.

Principal users of the data

As in the case of partnerships, the Bureau of Economic Analysis is the principal requester of nonfarm sole proprietorship statistics, for use in the National Income and Product Accounts. The Bureau of Economic Analysis was instrumental in reviving an annual sole proprietorship program starting with 1956 and in expanding both its item and industry coverage. For more recent years, the Department of Commerce has also funded most of the program. Prior to 1956, Commerce used SOI sole proprietorship data for years when they were available and filled in the gaps for the national accounts by using statistics for small corporations as a proxy for extrapolation, as it did for partnerships. Sole proprietorship statistics are also used extensively by the Office of Tax Analysis and the Joint Committee on Taxation. Each utilizes the data in its continuing evaluation of the effects of the tax law on small businesses and their owners.

The Department of Agriculture is the principal user of the statistics on farm proprietorships. For years when SOI data on farming are compiled, it uses them as a check on its own farm income and expense data derived from surveys. Data that show farmers' principal source of receipts by type of farm commodity and on farm deductions are of particular interest.

As with corporations and partnerships, the Office of Tax Analysis and the Joint Committee are authorized to receive the microdata files containing information for each sole proprietorship return in the SOI sample. These files also include data for items not shown in the published statistics. The Bureau of Economic Analysis does not have access to the data files. However, the detailed tabulations it receives are generally sufficient to meet its needs.

Public use files were created for Income Years 1980 and 1983. For 1982 only, a file was created that contains

information about farm businesses only. In order to preserve taxpayer confidentiality, all three files exclude business returns with AGI of \$200,000 or more and the data included have been "edited" [62]. In addition, steps have been taken so that the sole proprietorship data cannot be linked with other individual tax returns information, such as that contained in the Individual Tax Model file [63]. There are no public use files for more recent years, however, special tabulations can be produced on a reimbursable basis.

Population coverage

Number of Businesses.—In general, the sole proprietorship studies provide data on all unincorporated, single-owner businesses, whether conducted on a full-time or part-time basis, so long as the owner (the sole proprietor) meets the income tax or social security self-employment tax filing requirements. Beyond this though, the population shown in SOI is somewhat imprecise, especially over a period of years. This imprecision in counting the number of businesses is quite apart from the exclusion from the earlier statistics of businesses reporting a loss and those reported on returns with total net income under \$5,000.

Often, classification for the statistics depends on how the business income is reported and whether a business schedule is attached as part of the tax return. Also, until 1937, the statistics included the relatively small number of sole proprietorship businesses reported by fiduciary agents of estates and trusts. Starting with 1937, the data have been limited to businesses owned by individuals. More notable is the imprecision caused by changes made in the treatment of multiple businesses with the same owner. These changes also complicate comparisons with the number of business "establishments" published by the Bureau of Labor Statistics and the Bureau of the Census.

In the early years of SOI and currently, all businesses reported by a taxpayer were combined and classified based on the predominant business activity so that, in effect, the industry statistics are actually for sole proprietors (the business owners) rather than for sole proprietorships (the businesses themselves). This simplifies data processing and the discrepancy created is not large. In fact, the relationship between the number of businesses and the number of owners is close, about 1.1 to 1 [64].

In the intervening years, efforts were made to improve the counting of multiple businesses for SOI, so that only multiple businesses with the same business activity (and the same spousal owner, in the case of joint returns) were combined for the statistics. On the other hand, if the income and expenses of an identical business were equally divided between husband and wife on a joint return and separate business schedules filed for each spouse, they were com-

bined for SOI. Moving toward more recent times, businesses were counted however they were reported, although for awhile they were limited to a maximum of three per owner.

The sole proprietorship population is often thought to equal the establishment population, especially for smaller-size firms. However, if ownership of a business establishment changes during a year, the establishment is counted more than once for SOI because each owner files his or her own business schedule to report for different parts of the year. Some establishments can consist of more than one business, e.g., the restaurant facilities in a bowling alley or the chair in a barber shop that is leased out by the owner of the shop. Similarly, in the sense that an establishment has a fixed place of business, some businesses may not be establishments at all, e.g., self-employed taxicab drivers.

Sampling of returns.—Sampling of individual income tax returns, including those with business schedules, started with 1925. For many years, only returns with total net income from all sources under \$5,000 were sampled at less than 100 percent [65]. The sampling classes were determined exclusively with reference to the return processing categories used for tax administration. An early SOI report notes that, with the exception of 1928 when the sample of returns with net income under \$5,000 was increased so that certain returns including those with business schedules were sampled at 100 percent, the SOI samples were inadequate for purposes of producing sole proprietorship statistics for all businesses [66]. Limitations due to sampling were avoided by limiting the sole proprietorship data for most of the early years to businesses reported on returns with net income of \$5,000 or more [67].

For 1943, many new sampling classes were added and other improvements introduced in selecting returns from the various processing categories used for tax administration. Sampling of returns with net income under \$20,000 at less than 100 percent had become a necessity because of the sharp increase in returns filed after the income tax was extended to most of the population. This dollar cutoff for the certainty sample was gradually increased as more sophisticated designs were implemented and the size of the overall samples declined substantially.

From 1945 through 1955, the so-called "basic" SOI sample, now based on AGI rather than net income, was augmented for the smaller returns with business schedules in order to produce sole proprietorship statistics by industry [68]. The additional returns were not used for the rest of the individual income tax return statistics, however. Since 1956, the so-called business returns in the sample have been selected at rates that are generally higher than those used for other individual income tax returns. In addition, the same samples have generally been used for all of the

individual income tax return statistics, including those for sole proprietorships. A major change for 1966 was the first use of the social security number as the basis of sample selection. Previously, the sample had been selected based on document or taxpayer account numbers.

Beginning with 1968, sample designation was computerized, based on the tax return records processed for the IRS Master File. (Previously, the samples had been manually designated from the IRS tax return categories.) This enabled further improvements to be made in the sample designs which no longer had to be based on the IRS categories. The revised criteria were based on combinations of the larger of AGI and the largest specific source of income, and of business receipts reported by farm and nonfarm proprietors. Until 1973, farm proprietorships were sampled at the same rates as nonfarm proprietorships. Since then, with an exception for 1982, they have been sampled at the same lower rates used for nonbusiness returns.

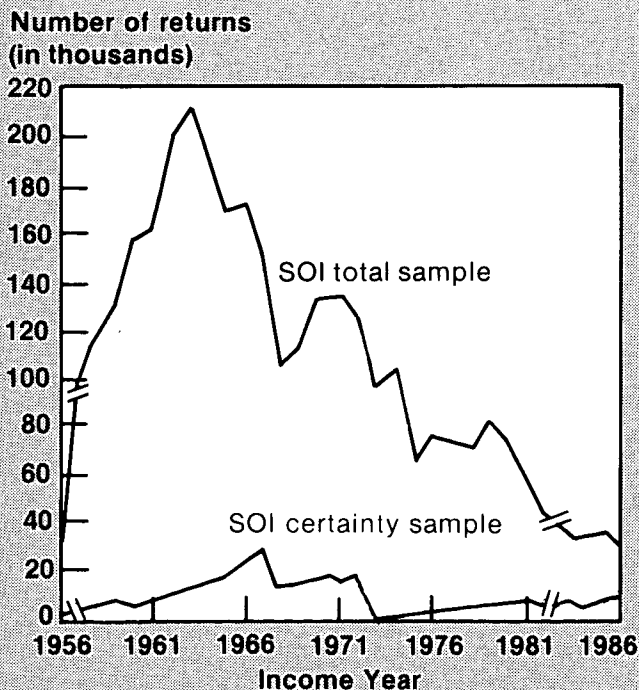
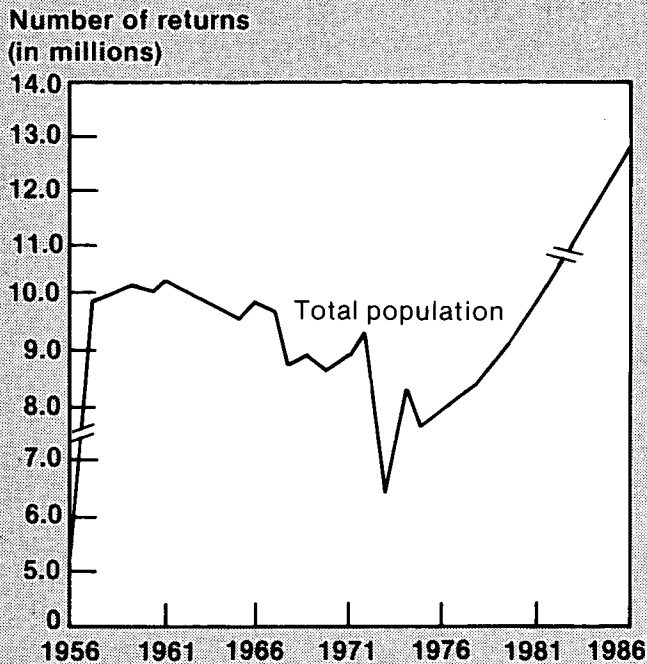
For 1982, the sample was redesigned and is currently based on the larger of total positive income or total negative income (i.e., total loss) per return, as well as on the size of farm and nonfarm receipts of sole proprietorships. For 1982 only, farm returns were sampled separately at rates somewhat higher than nonbusiness returns in order to accommodate a reimbursable request by the Department of Agriculture for farm industry statistics. Currently, there are over 30 sampling classes.

Figure J is a summary for 1956 through 1986 of the total number of individual income tax returns classified as business returns, the total number in the SOI samples, and the number in the samples that were included at the 100-percent rate, i.e., in the certainty sample. For Income Years 1957 through 1980 the data in Figure J are based on the number of individual income tax returns with Schedule C (nonfarm proprietorships) or Schedule F (farm proprietorships). For 1956 and in general since 1981, the data have been based on returns with Schedule C (to reflect the exclusion of farm proprietorships from the statistics).

Future Plans

In response to the increased attention focussed on "tax shelters" and taxpayers' participation in activities designed to yield "passive" losses, information relating to these two areas is being included in the sole proprietorship studies, beginning with Income Year 1987 [69]. Through a series of questions on the return form, the taxpayer is asked to indicate whether the business is a registered tax shelter and whether he or she materially participated in the operation of the business. Responses to these questions are being coded during statistical processing and statistics will be developed based on them.

Figure J
Sole Proprietorship Returns: Number in Population, SOI Total Sample, and SOI Certainty Sample, Income Years 1956-1986



In response to requests from users, information regarding other aspects of taxpayers' businesses is being gathered and will be tabulated. To assist the Bureau of the Census, the number of months the business was in operation during the year and information indicating whether or not the business was operating at the end of the year will be coded and included in the statistical file. In addition, data will also indicate whether expenses for a home office were deducted.

The "three martini lunch," a popular topic among tax reformers, also is being addressed in the sole proprietorship program. Using the expanded reporting requirements in the travel and entertainment area resulting from the Tax Reform Act of 1986, SOI data beginning with Income Year 1987 will contain the total amounts spent, as well as the limited amounts actually deducted.

Topics which have been included in past studies will be continued for future SOI sole proprietorship studies. Information regarding sex of proprietor, accounting and inventory practices, and "at risk" investments in the business, has been requested by various users for their on-going research endeavors and the items supporting this research will continue to be included in the sole proprietorship program [70]. In addition, data on farming may be included from time to time, depending on the availability of funds from the Department of Agriculture.

NOTES AND REFERENCES

- [1] See Skelly, Daniel F., and Hobbs, James R., "Statistics of Income Studies of International Income and Taxes," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2; Skelly, Daniel F., and Kozielec, John A., "Statistics of Income Domestic Special Studies," *Statistics of Income Bulletin*, Fall 1987, Volume 7, Number 2; and Coleman, Michael J., "Statistics of Income Studies of Individual Income and Taxes," *Statistics of Income Bulletin*, Winter 1987-1988, Volume 7, Number 3.
- [2] See Skelly, Daniel F., and Kozielec, John A., "Statistics of Income Domestic Special Studies," *op. cit.*, Scheuren, Fritz J., *Statistics of Income—1963, Farmers' Cooperative Income Tax Returns*, U.S. Department of Treasury, Internal Revenue Service, 1966, and Estep, Gary J., "Fiduciary Income Tax Returns, 1982," *Statistics of Income Bulletin*, Spring 1985, Volume 4, Number 4.
- [3] Unlike the corporation and partnership statistics, those for sole proprietorships currently exclude farm proprietorships. For 1982, the most recent year that *Statistics of Income* data are available on farming, there were nearly 2.7 million farm proprietorships. See

Wolfe, Raymond, "Sole Proprietorship Returns, 1982," *Statistics of Income Bulletin*, Summer 1984, Volume 4, Number 1. See also the discussion on sole proprietorships later on in this article.

- [4] Much of the material in this and following sections is taken from the 50-year historical summary contained in *Statistics of Income—1965, Corporation Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1968. Prior to enactment of the income tax in 1913, there was a so-called excise tax on the income of corporations (1909–1913).

- [5] For the first 18 years, i.e., Income Years 1916 through 1933, only one *Statistics of Income* report was prepared each year. Beginning with the 1934 statistics, a separate report for corporations was instituted. From time to time, supplemental SOI reports for corporations have been issued, particularly on the foreign tax credit and on Controlled Foreign Corporations.

The first separate report was *Statistics of Income for 1934, Part 2*, U.S. Treasury Department, Bureau of Internal Revenue, Washington, DC, 1937. The most recent report is *Statistics of Income—1985, Corporation Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service.

- [6] The return types included for Income Year 1985, which is the most recent year for which statistics are available, are:

Form 1120 (U.S. Corporation),
 Form 1120-A (U.S. Short-Form Corporation),
 Form 1120S (U.S. S Corporation),
 Form 1120L (U.S. Life Insurance Company),
 Form 1120M (U.S. Mutual Insurance Company),
 Form 1120F (U.S. Returns of Foreign Corporation),
 Form 1120 IC-DISC (Interest-Charge Domestic International Sales Corporation), and
 Form 1120-FSC (Foreign Sales Corporation).

- [7] These items and classifications consisted of State in which the return was filed, industrial activity, "gross income," total deductions, net income (or deficit), and income tax.

- [8] In regard to current assets and liabilities, previously only selected accounts on the tax return balance sheet could be identified as current or long-term.

- [9] For a more complete explanation of "income subject to tax," see footnote 8, Table 13, in the Selected Historical Data section of this issue of the *Statistics of Income Bulletin*.

- [10] For a discussion of this income tax definitional concept (in the context of individual income tax returns), see the analysis contained in Lerman, Allen H., "High Income Returns for 1984," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4.

- [11] See Carson, Chris R., "Corporate Foreign Tax Credit, 1982: A Geographic Focus," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2, and Barlow, Mary, "Foreign Tax Credit by Industry, 1982," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4.

- [12] Data classified by State were produced through 1951 and again for 1953. For 1955–1969, in order to emphasize that the data were intended primarily for use by tax administrators, the geographic data were labelled as for Internal Revenue Districts and Regions, rather than States. The geographic statistics needed most for tax administration continue to be tabulated from other Internal Revenue sources and are summarized in the *Annual Reports of the Commissioner and Chief Counsel, Internal Revenue Service*.

- [13] A general description is contained in *Source Book of Statistics of Income*, Publication 1053, including ordering information, is available from the Director, Statistics of Income Division TR:S, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224.

- [14] U.S. Department of Treasury, Internal Revenue Service, "Number of Returns to be Filed," *Projections*, Document 6149 (Rev. 12-87).

- [15] The last study on the growth and "age" of corporations was contained in *Statistics of Income—1959–60, Corporation Income Tax Returns*. This report also compares the 1959 data with the results of related studies published in *Statistics of Income* reports for the mid-1940's.

- [16] Much of the material in this discussion of sampling was obtained from Jones, Homer W., and McMahon, Paul B., "Sampling Corporation Income Tax Returns for Statistics of Income, 1951 to Present," *Statistics of Income and Related Administrative Record Research: 1984*, U.S. Department of the Treasury, Internal Revenue Service, 1984.

- [17] For a discussion of how this identifying number is used, see Harte, James M., "Some Mathematical and Statistical Aspects of the Transformed Taxpayer Identification Number: A Sample Selection Tool Used at IRS," *Statistics of Income and Related Administrative Record Research: 1986–1987*, U.S. Department of the Treasury, Internal Revenue Service. See also, Jones,

Homer W., and McMahon, Paul B., "Sampling Corporation Income Tax Returns for Statistics of Income, 1951 to Present," *op. cit.*

[18] See Leszcz, Michael R., Oh, H. Lock, and Scheuren, Fritz J., "Modified Raking Estimation in the Corporate SOI Program," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*, and Harte, James M., "Post-Stratification Approaches in the Corporation Program," *1982 Proceedings of the American Statistical Association, Section on Survey Research Methods*.

[19] This description of statistical editing was taken from Wilson, Robert A., "Statistics of Income: A Byproduct of the U.S. Tax System," *Multi-National Tax Modelling Symposium Proceedings*, Revenue Canada Taxation, 1985.

[20] For Income Years starting with 1963, the Enterprise Standard Industrial Classification (ESIC), also issued by the Office of Management and Budget (OMB), was used for the corporation Statistics of Income Program. This system was specifically intended as a means of classifying "businesses" rather than "establishments" and was based on groupings of appropriate Standard Industrial Classification (SIC) codes. OMB discontinued the ESIC system when the SIC system was revised in 1987, so that Federal statistical agencies responsible for enterprise data now use their own classification systems. For a brief discussion of "establishments" versus "businesses," see the section on SOI sole proprietorship statistics later on in this article.

[21] The 1972 Standard Industrial Classification (as revised in 1977) and the accompanying 1974 Enterprise Standard Industrial Classification, both issued by the Office of Management and Budget, are presently used as the basis of Statistics of Income industry classifications for corporations, partnerships, and sole proprietorships. However, research is currently underway to determine how best to adapt the revised industry groupings contained in the recently released 1987 Standard Industrial Classification to Statistics of Income. Decisions will be based on knowledge of the economy's changing industry mix, the statistical needs of principal users of the data, the legal forms of organization in which an industry is likely to be best represented, the likelihood that the statistics will be reliable given the present and anticipated size of the SOI samples, and the limited number of industry titles and codes for which space can be devoted in the tax return instructions used for taxpayer self-coding.

[22] See Clark, Allison, "Corporation Income Tax Returns for 1985: An Initial Look," in this issue. (Some data for 1985 were also included earlier, in the historical tables

contained in the Winter 1987-1988 issue of the *Statistics of Income Bulletin*.)

[23] For a description of how the Bureau of Economic Analysis uses SOI data for corporations, see U.S. Department of Commerce, Bureau of Economic Analysis, *Corporate Profits: Profits Before Tax, Profits Tax Liability, and Dividends*, Methodology Paper Series MP-2, May 1985.

[24] See Wilson, Oliver, and Smith, William J., "Access to Tax Records for Statistical Purposes," *Statistics of Income and Related Administrative Record Research: 1983*, U.S. Department of the Treasury, Internal Revenue Service.

[25] See Spruill, Nancy L., "The Confidentiality and Analytic Usefulness of Masked Business Microdata," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*.

[26] Much of the material in this section was taken from Chapter 4, "Other Corporation Branch Studies," *Basic Operating Plan, Proposed Multi-year Operating Plan, FY 1986-92*, Volume I, Statistics of Income Division, Internal Revenue Service, unpublished report.

[27] Material in this section is abstracted from a draft paper by Nick Greenia, Corporation Statistics Branch, Statistics of Income Division.

[28] See footnote 21.

[29] See footnote 22.

[30] Data for 1956 for sole proprietorships and partnerships excluded agriculture, forestry, and fishing and were contained in a release entitled *Business Indicators—1956-57, Sole Proprietorships, Partnerships, Corporations*, U.S. Department of the Treasury, Internal Revenue Service, April 1958, unpublished.

[31] See Skelly, Daniel F., and Hobbs, James R., "Statistics of Income Studies of International Income and Taxes," *op. cit.*

[32] For this purpose, the Census Bureau subjects the data to additional testing and imputes for missing items by using prior-year data reported by the same taxpayer and current-year data reported by other taxpayers in the same industry and geographic area.

[33] For additional information on the employment linkage studies, see Moglen, Gail, Day, Charles, and Petska, Tom, "Record Linkage and Imputation Strategies in the 1982 Business Employment and Payroll Studies,"

Statistics of Income and Related Administrative Records Research: 1986-1987, U.S. Department of the Treasury, Internal Revenue Service. See also Greenia, Nick, "1979 Sole Proprietorship Employment and Payroll: Processing Methodology," *Record Linkage Techniques-1985*, U.S. Department of the Treasury, Internal Revenue Service.

[34] For the last published article see Greenia, Nick, "Partnership Employment and Payroll," *Statistics of Income Bulletin*, Spring 1984, Volume 3, Number 4.

[35] A limitation of the employment estimate is that employers are required to report the number of employees on the payroll for the week that includes March 12 of each calendar year, which then becomes the basis for the estimate for the year. The dollar payroll estimate, on the other hand, is based on the total amount reported for the entire year.

[36] See Greenia, Nick, "1979 Sole Proprietorship Employment and Payroll: Processing Methodology," *op. cit.*

[37] See Day, Charles, "Imputation of Employment and Payroll as an Alternative to Record Linkage," 1988 *Proceedings of the American Statistical Association, Section on Survey Research Methods* (in preparation as of August 1988).

[38] U.S. Department of the Treasury, Bureau of Internal Revenue, *Supplement to Statistics of Income for 1939, Part I, Compiled from Partnership Returns of Income*, 1945.

[39] U.S. Department of the Treasury press releases S-2253 and S-2645, dated February 16, 1950, and April 4, 1951, respectively.

[40] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income for 1953, Partnership Returns*, 1957.

[41] This series was originally styled *Statistics of Income-U.S. Business Tax Returns*. Starting with 1965, it was retitled *Statistics of Income-Business Income Tax Returns*. From 1957 through 1972, the series also included summary statistics on corporations.

[42] See U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income-Partnership Returns*, for these years.

[43] For the most recent article, see Zempel, Alan, "Partnership Returns, 1985," *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1.

[44] The first compendium was published as *Statistics of Income-1978-82, Partnership Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1985.

[45] Although balance sheet data are compiled annually, they continue to be incomplete. Currently, not all partnerships are required to file a balance sheet; in other cases, balance sheets are not included with the return as originally filed. No attempt is made to impute the missing data for the statistics. However, because partnerships which are exempt from filing balance sheets are small by definition, and those that fail to file them are thought to be generally small, the amount of data "lost" may not be significant.

[46] See footnote 24.

[47] More specifically, partnerships classified in real estate are divided into eight component industries. Only returns classified in the largest of the eight, real estate operators (except developers) and lessors of buildings, are sampled at the special set of rates.

[48] In general, in contrast to active partners or certain other investors, passive partners or investors do not materially participate in the activity of the business throughout the year. The Tax Reform Act of 1986 limited the amount of partnership and certain other losses that passive partners or investors could deduct.

[49] See *Statistics of Income from Returns of Net Income for 1921*, Bureau of Internal Revenue, U.S. Department of the Treasury, 1923.

[50] From 1934 through 1953, the statistics were included in *Statistics of Income-Part 1*, for each year. This report was retitled *Statistics of Income-Individual Income Tax Returns*, starting with 1954.

[51] Only totals were compiled for sole proprietorships for 1940 and, to a lesser extent, for 1944; there were no industry data.

[52] See footnote 30.

[53] See footnote 41.

[54] The sole proprietorship data for 1977 through 1981 were published in *Statistics of Income-Sole Proprietorship Returns*, for these years. Data for 1979 and 1980 were published in a single combined report.

[55] See footnote 49.

[56] In general, "net income" meant gross income from all sources as defined in the tax law, minus personal

deductions. It was before the deduction for taxpayer exemptions and before credits against income, such as those for dependents and "earned income". In contrast, "adjusted gross income" is gross income from all sources as defined in the tax law, minus certain exclusions and statutory adjustments, depending on the year. It is before subtraction of amounts for personal deductions and exemptions for the taxpayer(s) and his or her dependents.

[57] See *Statistics of Income—Part 1*, for these years.

[58] *Ibid.*

[59] *Ibid.*

[60] See Wolfe, Raymond M., "Sole Proprietorship Returns, 1986," *Statistics of Income Bulletin*, Summer 1988, Volume 8, Number 1 (in preparation as of August 1988).

[61] See *Statistics of Income—1959–60, U.S. Business Tax Returns*.

[62] Additional Information about these files can be obtained by writing to the Director, Statistics of Income Division TR:S, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224.

[63] *Ibid.*

[64] For a discussion of this relationship and its effect on the statistics, see Wolfe, Raymond M., "Methodological Changes in the Statistics of Income Sole Proprietorship Program—Dominant Business Processing," Statistics of Income Division, Internal Revenue Service, an unpublished paper. For a copy of this paper, write to the Director, Statistics of Income Division TR:S, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224.

[65] However, the SOI reports indicate that returns with net income under \$5,000 were included in the 100-percent sample class if they showed income characteristics similar to those found on returns with net income of \$5,000 or more, such as unusually large amounts of income from certain sources.

[66] The inadequacy of the SOI sample for sole proprietorship purposes is mentioned in *Statistics of Income for 1929*.

[67] The statistics for 1939 covered all sole proprietorships, including those reported on returns with net income under \$5,000. The SOI report for that year contains no explanation of how this became possible, since the previous sample design was unchanged and the percentage of returns sampled in the less-than-100 percent class had declined in comparison to the immediately preceding years. However, there were changes made in how the sample data for the late 1930's were weighted and this may be part of the explanation. For 1939, the sole proprietorship sample in the under-\$5,000 net income class was weighted to an estimated total number of sole proprietorship returns in this class, apparently for the first time. For 1938, sole proprietorship returns appear to have been weighted to the size class total which also included returns for other than sole proprietorships. (Prior to 1938, a different form of "weighting" was used, based on average amounts computed from sample returns in the under-\$5,000 net income sample class).

[68] The sample was similarly augmented for 1944, but no industry data were actually tabulated.

[69] See footnote 48.

[70] The "at risk" rules in the tax code limit the amount of losses that most investors can deduct to the amount they have "at risk", i.e., to the amount they have actually invested.

Corporation Income Tax Returns for 1985: An Initial Look

By Allison Clark *

Although corporate net income (less deficit) for 1985 was the highest ever recorded to date at \$240 billion, the rate of growth slowed significantly from the rate for the previous 2 years. The \$7 billion increase for 1985 over 1984 was considerably smaller than the \$44 billion increase recorded for 1983 and the \$34 billion increase recorded for 1984. Of the eight broad industrial groupings, only two—the construction division and the finance, insurance and real estate division—reported large increases in profits (52 percent and 85 percent, respectively), while the services division increased slightly. These increases however, were not large enough to offset the declines recorded for the remaining five industrial divisions, resulting in the small rise of profits for 1985 [1].

NUMBER OF RETURNS

For Income Year 1985, the estimated number of active corporation returns rose by 3.4 percent to 3,277,219. This percentage was notably lower than that for 1984, 5.7 percent. Returns with net income grew, but by only 2.4 percent, compared with 6 percent for the preceding year and 4.2 percent for 1983 (see Figure A). The number of consolidated returns declined slightly, from 80,256 to 79,598.

Figure A—Number and Growth Rate of Returns Filed, Income Years 1978–1985

Income Year	Number of active corporation returns	Percentage change from previous year	Number of active corporation returns with net income	Percentage change from previous year
1978.....	2,376,779	6.0%	1,523,648	3.2%
1979.....	2,556,794	7.6	1,586,485	4.0
1980.....	2,710,538	6.0	1,596,632	.6
1981.....	2,812,420	3.8	1,597,298	(¹)
1982.....	2,925,933	4.0	1,608,363	.6
1983.....	2,999,071	2.5	1,676,288	4.2
1984.....	3,170,743	5.7	1,777,770	6.0
1985.....	3,277,219	3.4	1,820,120	2.4

¹ Less than .05 percent.

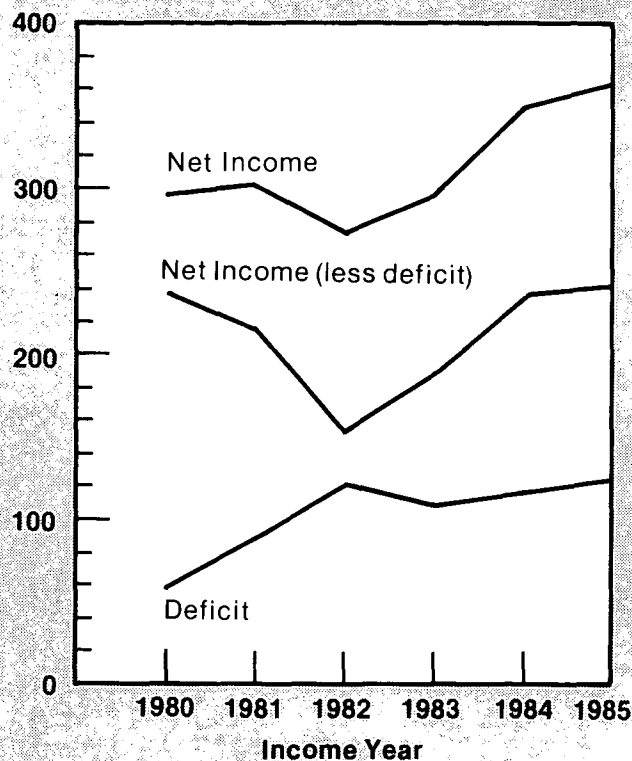
INCOME STATEMENT

The slowing of the economic expansion beginning during the second half of 1984, may have been a major cause of the decline in corporate net income (less deficit) for 1985 [2]. Whereas the deficit increased 7 percent for 1985 (from \$116 billion for 1984 to \$124 billion for 1985), net income increased only 4 percent (from \$349 billion to \$364 billion) (see Figure B). Although the number of returns filed for each industrial division rose, the number of returns with net income declined significantly in most industrial divisions.

Figure B

Net Income, Deficit, and Net Income (less deficit) Income Years 1980-1985

Billions of dollars



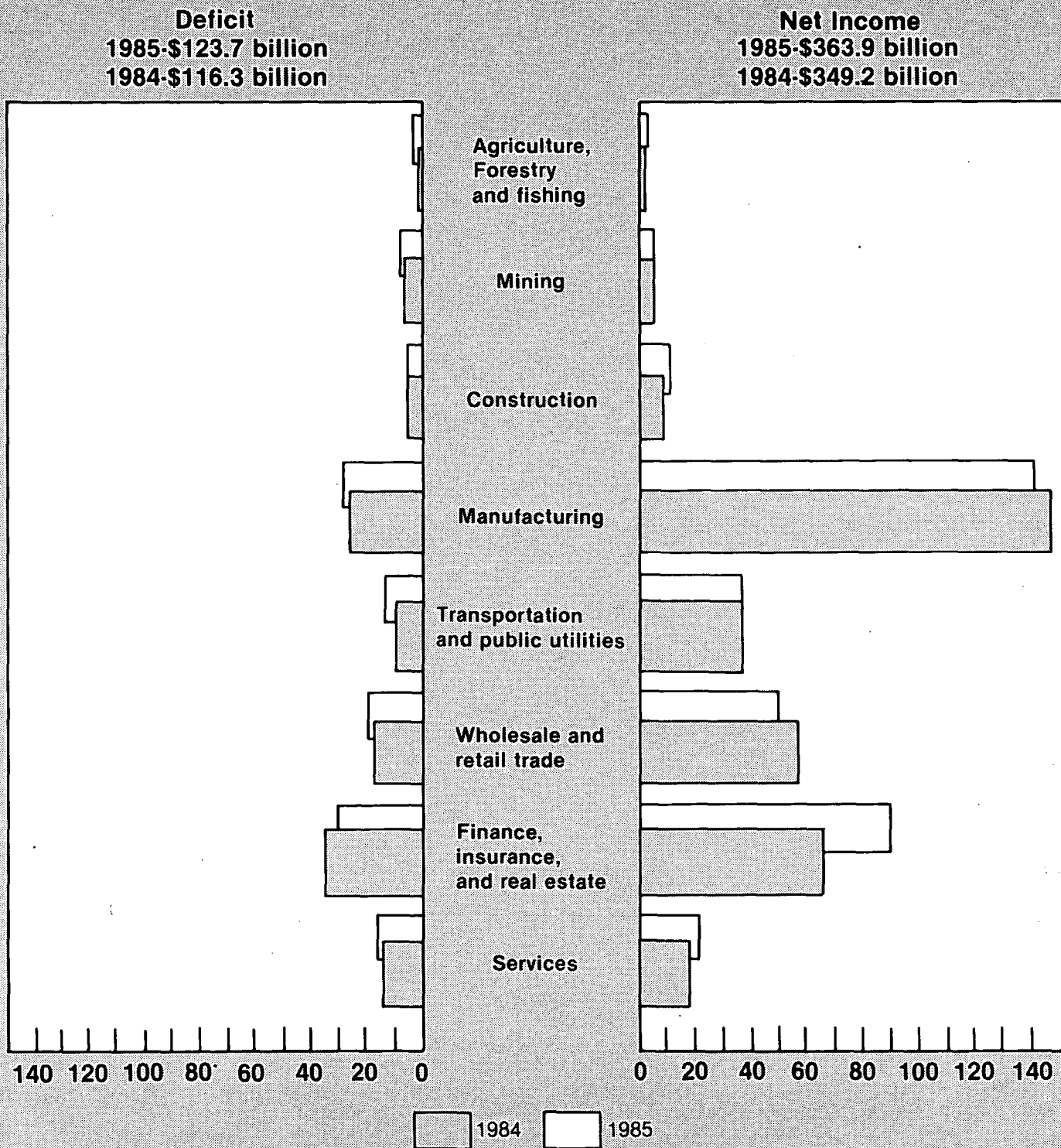
Despite significant declines in net income for the majority of industrial divisions, the construction division and the finance, insurance and real estate division reported large increases (see Figure C). In the finance division, security brokers and dealers accounted for much of the increase; in construction, both general building and heavy construction contractors reported large increases. Greater availability of financing helped the private nonresidential construction boom, and lower mortgage rates contributed to the strong growth of residential investment. Also, homeowners may have been trying to gain tax benefits before the new restrictions on interest deductions for second homes and changing marginal tax rates contained in the Revenue Act of 1986 became law [3].

The economic recovery enabled State and local Governments to finance more heavy construction in 1985 than in

Figure C

Net Income and Deficit by Industrial Division, Income Years 1984 and 1985

(Billions of dollars)



Note: Totals include returns not allocable by industrial division

Corporation Income Tax Returns for 1985: An Initial Look

previous years, and the rapid pace of commercial and industrial construction stimulated the building of more highways, bridges, and schools [4].

Although there were large increases in construction and finance, the growth in net income (less deficit) was restrained by the declines in the agriculture, forestry, and fishing division and in the mining division. Profits of the agriculture division (\$202 million for 1984), declined 137 percent for 1985.

In mining, profits were down 620 percent from 1984. Oil and gas field services accounted for much of this decline; this reflected the large drop in world oil prices, which severely curtailed petroleum exploration and well drilling [5].

Business receipts, as reported on corporation income tax returns, topped \$7 trillion in 1985 but grew less than earlier years. For the first time, dividends from foreign corporations—\$20.8 billion—surpassed dividends received from domestic corporations. One reason was that the 1984 Tax Reform Act abolished Domestic International Sales Corporations (DISC's) as of 1985; as a result, many DISC's became Foreign Sales Corporations (FSC's)[6]. The change meant that DISC dividends, a component of domestic dividends, were shown as FSC dividends in 1985; a component of foreign dividends [7].

Short-term capital gains also increased substantially for 1985 to \$7 billion (117 percent). Long-term capital gains increased too, but by a smaller percentage. Regulated investment companies were largely responsible for both the long-term and the short-term gains. These companies, which mainly deal in mutual funds, have grown substantially in recent years. Because their portfolios are diversified, they offer an attractive, and usually low risk, investment opportunity [8]. In anticipation of provisions of the 1986 Tax Reform Act eliminating the preferential tax treatment allowed capital gains, firms may have tried to take advantage of the preferences still allowed for 1985.

As in prior years, the largest deduction was for cost of sales and operations, which accounted for almost 60 percent of the \$8.2 trillion of total deductions (see Table 1). The largest increase was for deductions for bad debts, which rose 28 percent from 1984; \$13 million of the \$43 million increase was attributable to bank holding companies.

BALANCE SHEET

Corporate assets, in contrast to profits, grew by 15 percent in 1985 to a new high of \$12.8 trillion (see Table 1). Corporations held more cash and receivables than in prior years and increased their reserves for bad debts. Depreciable assets, at almost \$3.2 trillion, historically the largest asset account, was replaced for 1985 by trade notes and accounts receivable, which increased to \$3.3 trillion (15 percent), again largely attributable to bank holding companies. More sustainable economic growth, fiscal expansion, easier monetary policy, and the decline in interest rates helped the commercial banking industry [9]. Some components of stockholders' equity, paid-in surplus, and treasury stock also showed large increases from 1984; these were mostly attributable to regulated investment companies.

INCOME TAX

In conjunction with the slower growth in the profits reported by corporations, income subject to tax (\$266 billion), the base on which the tax was actually computed, increased only 3.5 percent for 1985 over 1984, and income tax rose only 5 percent [10]. Again, increases in both these areas were reported by the construction division; the finance, insurance and real estate division; and the services division (see Figure D).

Total tax credits grew by 8.6 percent for 1985, reaching almost \$48 billion [11]. As in previous years, foreign tax credit was the largest credit claimed, mostly reported by the petroleum extracting and refining companies. The general business credit increased by \$19 billion, or 1.8 percent for 1985. The investment credit, one of four components of the

Figure D—Income Tax and Credits by Industrial Division, Income Year 1985

[Money amounts are in thousands of dollars]

Item	Agriculture, forestry and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services
Income subject to tax	1,685,031	4,111,431	7,268,588	127,806,962	34,185,088	41,645,576	34,738,657	14,503,334
Income tax before credits ¹	540,671	1,810,559	2,312,846	56,687,476	15,214,129	16,392,896	13,598,201	4,742,347
Credits:								
Foreign tax credit	57,317	1,078,746	144,531	20,001,663	301,886	613,307	1,776,854	286,477
U.S. possessions tax credit	9,377	2,425	—	2,283,474	62,207	73,364	*8,887	9,472
Orphan drug credit	—	—	—	*204	—	—	—	—
Nonconventional source fuel credit	—	8,032	*779	17,820	14,199	800	1,637	—
Research activities credit	2,416	660	3,392	1,339,009	162,421	27,993	23,902	67,476
General business credit	126,935	163,177	501,581	7,662,847	6,240,492	2,280,877	1,593,044	1,035,092
Income tax after credits ¹	344,626	557,519	1,662,563	25,382,459	8,633,942	13,396,555	10,193,877	3,343,830

* Estimate should be used with caution because of the small number of sample returns on which it is based.

¹ Income tax before or after credits includes Personal Holding Company tax, tax from recomputing prior-year investment credit, additional tax for tax preferences, excessive net passive income tax (S Corporations) and tax on foreign corporations whose income was "effectively connected" with a U.S. business operation.

general business credit, accounted for most of the \$19 billion rise.

SUMMARY

Reflecting the apparent slowdown of economic expansion, corporate tax return data for 1985 show a decline in the rate of growth of profits and in income tax, although assets grew significantly. Favorable mortgage rates aided the construction boom, while the decline in oil prices caused mining profits to decrease.

The effects of tax changes may also be seen in this corporate data. The increases reported in capital gains and new construction were probably influenced by anticipated passage of the Tax Reform Act of 1986. In addition, the 1984 act changed DISC's to FSC's and thereby helped increase foreign dividends received relative to domestic dividends.

DATA SOURCES AND LIMITATIONS

The data for Income Year 1985 cited in this article are based on a sample of corporation income tax returns in the Form 1120 series with accounting periods ending July 1985 through June 1986. The returns represent domestic corporations filing Form 1120 or Form 1120-A (short form); foreign corporations with U.S. operations filing Form 1120F; life insurance corporations filing Form 1120L; mutual insurance companies filing Form 1120M; S Corporations filing Form 1120S; Interest-Charge Domestic International Sales Corporations filing Form 1120 IC-DISC, and Foreign Sales Corporations filing Form 1120-FSC.

The statistics were estimated based on a stratified probability sample of approximately 90,000 active corporation income tax returns selected after administrative processing and before audit examination. The returns were stratified on the basis of net income or deficit, total assets, and business receipts at rates ranging from 0.015 to 100 percent.

Because the data in this report are based on a sample, they are subject to sampling error. In order to use these statistics properly, the magnitude of the sampling error, measured by the coefficients of variation (CV's), should be known.

Figure E—Coefficients of Variation for Frequency Estimates, Income Year 1985

Estimated number of returns	Approximate coefficient of variation
1,250,000.....	.015
700,000.....	.020
110,000.....	.050
28,000.....	.100
7,500.....	.200
3,100.....	.300
2,300.....	.350
1,100.....	.500

The CV's for frequency estimates given below in Figure E are intended only as a general indication of the reliability of the data. For numbers of returns other than those shown below, the corresponding CV's can be estimated by interpolation.

NOTES AND REFERENCES

- [1] The figures in this report are estimates based on data from corporation income tax returns with accounting periods ending from July 1985 through June 1986. This span, in effect, defines the income year such that non-calendar-year accounting periods are centered on the calendar year ended December.
- [2] *Economic Report of the President*, February, 1986, p.23.
- [3] Mathieu, Renee, "Private Residential Construction" and MacAuley, Patrick, "Private Nonresidential Construction," 1986 *U.S. Industrial Outlook*, U.S. Department of Commerce, International Trade Administration.
- [4] MacAuley, Patrick, "Publicly Owned Construction," *op. cit.*
- [5] U.S. Department of Commerce, Bureau of Economic Analysis, "The Business Situation," *Survey of Current Business*, April 1986.
- [6] See *Statistics of Income—1984, Corporation Income Tax Returns*, for a discussion of the tax law change. Both DISC's and FSC's were designed to promote sales of U.S. exports.
- [7] Dividends received from foreign corporations include: dividends from wholly-owned foreign subsidiaries and from Foreign Sales Corporations subject to a 100-percent deduction (Internal Revenue Code section 245), certain dividends subject to an 85-percent deduction, and other dividends received from foreign corporations not eligible for a deduction. Dividends received from domestic corporations include those subject to an 85-percent deduction, dividends received on debt financed stock which were generally not deductible, dividends on certain preferred stock of public utilities subject to a 60-percent deduction, and intra-group dividends received by members of an affiliated group of corporations which were 100-percent deductible, plus certain dividends from IC-DISC's (or former DISC's) not eligible for the 85-percent deduction.
- [8] McAdam, M. Bruce, "Mutual Fund Industry," 1986

U.S. Industrial Outlook, U.S. Department of Commerce, International Trade Administration.

- [9] Candilis, Wray O., "Commercial Banking," *1986 U.S. Industrial Outlook*, U.S. Department of Commerce, International Trade Administration.
- [10] Income tax (total) includes regular and alternative tax reduced by credits (see footnote 8) plus additional tax for tax preferences, tax from recomputing prior-year investment credit, Personal Holding Company tax, and excessive net passive income tax (S corporations).
- [11] For these statistics, credits include foreign tax credit;

U.S. possessions tax credit; nonconventional source fuel credit; research activities credit; orphan drug credit; and general business credit consisting of investment, jobs, alcohol fuel and employees stock ownership credit. It is believed by some that the foreign tax credit should be included in the total tax liability amount to approximate a worldwide tax burden, since worldwide income is reported on corporate tax returns. However, for these statistics, foreign tax credit is included as a deduction amount from the tax, with all other relevant credits. For a discussion of the relationship between income tax and foreign tax credit in this context, see Lerman, Allen, "High-Income Returns, 1984," *Statistics of Income Bulletin*, Spring 1987, Vol. 6, No. 4.

Corporation Income Tax Returns for 1985: An Initial Look

Table 1—Selected Balance Sheet Income Statement and Tax Items by Asset Size

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	Total	Zero assets	\$1 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	3,277,219	141,720	1,691,731	593,156	338,200	221,125	215,730	29,622	20,920	10,354	6,200	4,391	4,052
Total assets	12,773,093,888	—	57,338,285	95,799,427	119,781,108	155,093,396	443,209,527	206,840,158	325,747,315	366,883,129	440,358,429	710,189,800	9,851,852,669
Cash	683,204,264	—	12,398,231	16,251,379	17,327,422	18,509,749	41,299,202	16,467,980	23,738,409	24,029,496	27,423,133	39,521,910	446,247,282
Notes and accounts receivable	3,317,635,191	—	6,739,199	14,989,792	22,205,284	32,071,753	99,742,327	48,549,070	87,936,719	113,817,078	131,049,445	178,544,581	2,581,989,555
Less: Allowance for bad debts	61,580,335	—	135,222	211,742	358,265	558,300	2,208,677	1,312,765	2,183,841	2,760,880	3,085,689	5,281,532	43,483,409
Inventories	714,722,928	—	6,996,498	15,257,471	20,480,439	30,247,770	96,781,458	39,903,185	46,246,487	34,362,930	30,228,626	43,718,233	350,499,833
Investments in government obligations	916,550,098	—	77,131	229,411	398,030	860,101	3,733,512	4,144,504	20,861,655	39,765,975	55,164,227	71,987,938	719,327,524
Loans to stockholders	516,571,232	—	4,350,772	5,066,432	4,247,731	3,728,497	6,522,626	1,857,371	2,018,596	1,473,753	1,440,231	1,812,268	24,242,955
Mortgage and real estate loans	1,258,672,577	—	434,448	1,220,856	1,924,085	2,150,049	5,933,275	3,678,853	8,796,617	21,381,501	46,131,323	111,980,982	1,055,040,589
Depreciable assets	3,174,193,649	—	47,464,951	58,728,443	66,793,984	80,897,745	201,330,199	85,453,172	110,145,824	93,187,735	89,211,726	139,965,809	2,201,014,257
Less: Accumulated depreciation	1,232,072,530	—	30,366,526	34,237,245	37,656,407	44,652,649	102,342,005	39,352,554	48,926,212	38,834,006	36,295,181	55,254,277	764,155,453
Depletable assets	42,505,245	—	201,356	239,193	470,931	362,994	2,426,995	1,870,956	3,397,701	3,675,846	2,963,695	7,794,577	88,935,145
Less: Accumulated depletion	37,203,920	—	92,127	75,821	182,239	103,302	909,738	681,445	1,269,634	1,411,395	1,077,673	3,224,990	28,175,556
Land	141,448,357	—	1,867,448	4,968,472	6,994,344	9,751,103	23,127,583	8,405,089	9,597,121	7,438,674	6,796,951	8,615,560	53,886,063
Intangible assets	145,290,625	—	1,349,476	1,688,355	1,721,976	1,870,376	5,078,228	2,668,295	3,454,239	4,270,468	5,000,176	7,919,155	110,269,880
Less: Accumulated amortization	42,505,245	—	684,004	691,583	676,699	691,641	1,667,730	820,318	1,100,755	1,149,499	1,189,188	1,759,473	32,074,313
Total liabilities	12,773,093,888	—	57,338,285	95,799,427	119,781,108	155,093,396	443,209,527	206,840,158	325,747,315	366,883,129	440,358,429	710,189,800	9,851,852,669
Accounts payable	891,571,443	—	8,157,598	12,431,633	17,633,287	23,435,467	70,834,202	29,839,918	36,266,796	29,477,701	42,580,574	72,182,053	594,270,063
Mortgages, notes, and bonds payable, less than 1 year	1,001,337,795	—	7,447,956	9,697,998	14,161,056	20,502,038	73,673,180	34,541,272	38,926,616	32,240,333	28,379,167	43,889,392	697,878,787
Loans from stockholders	174,317,253	—	16,652,290	12,778,164	11,871,589	10,499,510	18,602,799	5,158,915	5,138,977	3,464,342	3,702,379	5,998,039	80,450,249
Mortgages, notes, and bonds payable in 1 year or more	1,699,272,481	—	13,415,236	19,999,224	24,401,609	31,447,919	87,291,623	40,567,611	56,756,541	52,626,887	53,328,553	88,004,502	1,231,388,768
Capital stock	920,182,882	—	12,510,938	11,855,030	12,347,207	13,414,701	30,465,039	15,075,943	21,243,370	18,878,735	21,117,121	44,234,530	719,169,427
Paid-in or capital surplus	1,420,996,805	—	7,976,491	6,179,771	6,466,031	9,455,822	29,644,124	17,273,703	27,761,807	33,792,760	43,644,118	83,470,490	1,155,331,668
Retained earnings, appropriated	54,074,364	—	230,917	351,047	492,318	668,682	1,736,484	469,303	1,011,676	1,338,181	1,476,048	3,167,623	43,132,083
Retained earnings, unappropriated	1,311,512,589	—	15,436,405	15,033,236	23,257,603	33,294,917	83,884,925	32,887,784	50,560,657	39,298,074	41,121,600	61,886,450	945,723,743
Less: Cost of treasury stock	403,068,064	—	2,475,405	3,508,254	3,604,226	5,166,196	10,153,599	5,440,254	5,109,673	3,590,236	3,572,902	13,304,698	345,641,531
Total receipts	8,398,278,426	119,659,188	275,540,367	276,036,845	287,189,508	349,213,000	959,773,722	385,062,352	432,615,174	313,101,687	299,726,112	474,942,981	4,224,395,372
Business receipts	7,369,538,953	78,724,023	267,680,817	266,710,496	277,514,806	337,683,621	927,610,374	369,747,459	406,614,973	282,457,552	261,622,478	413,416,078	3,479,169,427
Interest	614,500,241	29,717,112	894,362	1,366,159	1,645,219	2,110,771	5,874,487	3,354,630	9,741,570	16,950,780	23,470,993	39,608,132	479,694,918
Interest on Government obligations	20,164,514	639,309	13,391	11,606	25,257	61,871	209,910	118,414	480,372	821,193	1,166,745	1,763,754	14,851,497
Rents	89,700,937	1,216,883	1,263,216	1,705,537	2,438,197	2,528,818	6,719,967	2,913,246	3,599,150	3,079,113	2,999,641	4,204,332	57,009,426
Royalties	15,237,421	187,371	268,619	171,470	284,534	258,412	452,468	314,134	414,681	375,454	296,638	674,123	11,539,747
Net short-term capital gain	7,032,062	123,264	39,523	35,545	31,004	34,251	159,681	147,063	107,087	210,159	253,382	456,794	5,434,310
Less net short-term loss	—	—	—	—	—	—	—	—	—	—	—	—	—
Net long-term capital gain	53,771,685	1,447,920	475,095	757,501	579,785	855,084	2,543,639	1,158,152	2,003,635	1,624,631	2,006,278	3,549,641	36,439,446
Less net long-term loss	33,537,842	3,800,393	916,884	731,517	1,119,277	1,083,351	2,926,875	1,173,858	1,507,460	1,258,972	1,141,508	1,877,589	15,999,150
Net gain, noncapital assets	16,967,379	190,153	40,182	102,996	115,507	159,673	565,039	302,483	506,495	422,635	588,050	1,035,694	12,838,428
Dividends, domestic corporations	20,770,361	425,379	38	101	3,229	11,204	85,269	20,712	77,887	102,058	209,942	760,949	19,073,691
Dividends, foreign corporations	8,158,144,128	116,960,775	276,175,011	273,643,908	283,756,072	345,743,289	947,565,490	380,158,100	424,087,787	306,557,047	291,847,186	459,445,781	4,051,511,226
Cost of sales	4,894,254,081	52,424,795	119,467,710	143,937,641	169,834,049	226,374,852	678,890,815	277,914,101	298,324,282	200,610,227	187,700,562	296,286,747	2,241,910,109
Compensation of officers	170,737,540	1,431,695	36,058,468	25,987,997	18,358,831	15,176,488	27,989,529	7,711,656	9,626,114	4,482,093	3,392,359	3,893,228	18,327,050
Repairs	81,495,784	583,093	2,248,871	2,148,126	2,186,833	2,320,693	5,074,578	1,742,930	2,007,229	1,649,914	1,805,556	2,835,806	57,088,599
Bad debts	43,333,558	1,017,238	588,785	723,007	837,291	1,155,719	3,181,857	1,306,219	2,039,562	2,157,571	2,121,108	2,902,255	25,301,406
Rent paid on business property	134,661,335	1,814,142	11,360,693	8,507,272	6,886,255	6,745,920	12,797,542	4,463,563	5,444,989	4,113,064	4,022,306	5,797,903	62,698,704
Taxes paid	200,977,161	2,072,291	8,388,233	7,789,404	7,451,313	8,483,501	18,995,922	6,838,006	8,140,747	9,565,481	5,810,424	8,598,396	112,443,220
Interest paid	568,645,475	29,418,122	2,592,354	3,588,375	4,338,811	5,743,580	15,390,223	7,371,711	12,844,027	16,398,122	20,631,909	35,226,647	414,507,582
Contributions or gifts	4,471,736	43,389	60,959	76,461	83,373	100,461	269,803	125,346	182,136	141,017	179,409	240,441	2,973,913
Amortization	6,133,737	139,163	192,738	181,120	177,347	176,153	391,977	203,607	254,638	229,867	269,367	335,161	3,582,431
Depreciation	304,380,703	2,420,411	6,693,356	7,232,771	7,712,168	8,996,472	21,219,543	8,863,050	11,281,168	9,557,094	8,843,749	14,258,555	197,272,440
Depletion	7,779,731	136,227	27,865	23,535	59,487	60,371	230,223	140,462	249,665	301,155	257,062	421,637	5,871,350
Advertising	91,922,667	1,491,224	2,386,111	2,366,177	2,561,967	3,508,779	7,913,623	3,134,433	4,034,279	3,350,338	3,528,591	5,594,306	52,047,370
Pension, profit sharing, stock bonus, and annuity plans	49,588,712	310,657	3,845,160	3,073,961	1,956,674	2,021,114	4,407,612	1,466,180	1,519,110	1,191,062	1,159,324	1,963,557	26,673,159
Employee benefit programs	71,601,577	714,914	1,568,106	1,489,684	1,365,721	1,911,399	5,012,847	2,400,008	2,941,961	2,634,254	2,414,340	3,892,057	45,255,196
Net loss, noncapital assets	7,893,175	417,502	317,418	125,015	166,083	213,609	566,103	292,130	353,075	413,540	346,333	546,249	4,135,938
Total receipts less total deductions	240,134,300	2,698,414	— 634,644	2,392,937	3,433,436	3,469,711	12,208,232	4,904,252	8,527,387	6,544,641	7,878,927	15,499,200	172,884,146
Constructive taxable income	20,299,335	294,256	14,499	—	196	4,821	42,264	10,195	43,436	71,193	142,055	476,971	19,199,449
from related foreign corporations	20,299,335	294,256	14,499	—	196	4,821	42,264	10,195	43,436	71,193	142,055	476,971	19,199,449
Net income (less deficit)	240,119,020	2,353,360	— 633,536	2,368,181	3,404,973	3,387,904	11,981,786	4,792,273	8,052,437	5,786,436	6,854,224	14,212,417	177,232,099
Net income	363,867,384	9,523,304	9,533,916	9,307,156	9,539,830	10,316,705	26,821,761	11,554,799	16,435,848	12,887,186	13,080,568	21,917,353	212,873,552
Deficit	123,748,365	7,169,944	10,167,452	6,668,975	6,13								

Table 2—Selected Corporation Income Tax Items, by Industrial Division and Asset Size

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

	Total	Zero Assets	\$1 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
AGRICULTURE, FORESTRY, AND FISHING													
Number of returns	103,156	3,260	37,974	21,115	17,821	16,263	8,875	483	236	75	33	16	5
Total assets	52,651,197	—	1,430,190	3,614,038	6,343,340	9,240,005	5,594,226	3,260,880	3,549,783	2,482,267	2,244,589	2,232,344	2,659,535
Total receipts	70,491,486	2,354,393	4,660,259	6,958,446	8,637,854	8,146,564	16,180,808	4,221,519	4,145,674	2,747,612	2,922,585	4,686,045	4,829,727
Business receipts	65,419,402	2,199,834	4,345,161	6,582,647	8,014,469	7,349,669	14,852,435	3,970,803	3,809,301	2,500,471	2,726,995	4,529,657	4,537,959
Depreciation	3,639,336	64,206	271,052	389,811	561,440	641,364	879,511	181,074	195,713	121,062	9,0912	145,987	97,202
Net income (less deficit)	- 74,270	1,458	- 123,029	- 30,337	61,397	- 51,444	- 240,384	- 10,028	- 26,070	- 12,050	5,291	53,841	297,085
Income tax, total	540,671	8,368	10,339	26,188	44,529	50,204	101,627	38,480	45,817	26,618	25,484	31,832	131,183
Net worth	15,406,222	—	- 587,950	1,149,520	2,154,789	3,411,709	4,390,529	780,815	878,402	762,530	434,276	697,772	1,333,830
MINING													
Number of returns	41,426	1,660	19,293	6,329	5,118	3,427	3,784	781	502	249	130	78	74
Total assets	240,815,996	—	606,292	1,011,684	1,861,146	2,451,313	7,897,333	54,48,389	7,657,957	8,841,180	9,152,999	13,898,675	182,007,029
Total receipts	142,038,595	2,745,519	2,191,895	1,292,346	2,767,575	3,170,816	7,916,916	4,851,118	5,312,696	6,037,564	4,974,596	9,463,965	91,316,589
Business receipts	126,710,610	2,320,366	1,955,953	1,153,344	2,536,442	2,883,867	7,042,391	4,314,057	4,747,640	5,207,822	4,335,608	8,517,670	81,695,449
Depreciation	9,019,510	212,442	69,550	105,326	205,052	265,856	590,040	435,906	471,244	633,559	381,860	790,705	4,857,969
Net income (less deficit)	- 2,543,487	- 375,261	- 44,854	- 117,905	- 82,838	- 59,782	- 323,819	- 213,694	- 401,350	- 369,900	- 153,293	26,175	- 426,964
Income tax, total	1,810,559	47,974	4,764	3,067	16,767	35,659	127,217	57,626	68,936	72,389	123,507	203,940	1,051,713
Net worth	104,772,798	—	- 677,050	- 570,658	378,377	564,270	2,175,550	1,167,651	2,397,832	2,799,583	3,503,279	5,110,473	87,923,493
CONSTRUCTION													
Number of returns	318,276	10,076	162,745	54,750	37,864	24,626	23,536	2,721	1,327	405	140	48	39
Total assets	215,297,771	—	5,428,610	8,879,541	13,447,496	17,312,547	47,584,316	19,119,631	19,749,673	13,751,058	10,867,924	7,253,966	51,903,011
Total receipts	387,232,953	2,800,204	34,899,097	29,008,961	3,517,1515	43,083,604	101,995,603	32,426,643	29,975,514	18,931,502	12,283,250	9,491,227	37,165,832
Business receipts	374,590,273	2,687,205	34,624,371	28,573,136	34,331,819	42,285,182	99,845,016	31,423,744	28,853,802	18,015,426	11,621,307	8,974,527	33,354,738
Depreciation	7,818,360	43,040	719,239	826,692	884,284	910,254	1,857,051	618,978	518,809	352,417	254,226	172,048	661,323
Net income (less deficit)	4,370,924	- 64,516	206,886	299,621	553,605	658,668	1,160,631	302,407	395,576	30,126	10,012	57,638	760,270
Income tax, total	2,312,846	15,364	73,960	108,656	184,268	238,549	599,686	193,636	251,055	104,797	79,981	47,234	415,660
Net worth	54,687,269	—	249,318	2,591,027	4,026,164	5,012,025	10,953,747	3,705,545	4,045,198	2,868,688	2,368,477	1,266,830	17,600,251
MANUFACTURING													
Number of returns	276,545	11,667	98,507	47,349	34,838	29,761	38,547	6,746	4,834	1,883	955	680	764
Total assets	2,644,393,424	—	3,486,430	7,966,240	12,377,708	21,400,236	83,802,444	47,120,301	74,373,143	65,754,499	70,386,570	116,531,394	2,141,194,458
Total receipts	2,831,062,496	26,957,911	14,502,679	23,197,562	31,814,829	51,866,862	185,627,923	93,687,650	129,340,036	101,600,429	101,520,897	153,096,787	1,917,260,867
Business receipts	2,656,345,750	23,079,730	14,247,156	22,656,627	31,265,900	51,036,709	182,432,070	91,710,910	126,076,321	98,712,632	97,979,210	147,391,303	1,769,182,675
Depreciation	122,957,247	389,474	391,775	743,101	986,441	1,559,537	5,257,629	2,543,397	3,777,999	3,308,012	3,353,078	5,484,284	95,145,116
Net income (less deficit)	113,758,645	3,781,714	- 333,700	19,665	239,914	481,634	3,395,721	2,360,321	4,032,744	3,384,749	3,495,227	6,207,647	86,704,941
Income tax, total	56,687,476	1,983,734	37,052	89,197	178,247	364,478	1,866,711	1,360,304	2,210,999	1,905,796	2,033,822	3,567,671	41,086,803
Net worth	1,099,645,876	—	- 409,290	2,065,595	4,158,139	7,739,926	33,424,859	19,896,095	31,802,473	30,052,418	32,427,083	53,197,765	885,290,811

Table 2—Selected Corporation Income Tax Items by Industrial Division and Asset Size—Continued

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

	Total	Zero Assets	\$1 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$5,000,000	\$5,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$50,000,000	\$50,000,000 under \$100,000,000	\$100,000,000 under \$250,000,000	\$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
TRANSPORTATION AND PUBLIC UTILITIES													
Number of returns	138,337	6,530	72,794	25,085	12,982	8,993	8,877	1,256	857	376	142	122	324
Total assets	1,246,426,899	—	2,453,137	3,993,232	4,548,803	6,348,285	18,569,471	8,702,139	13,456,585	13,148,755	10,124,249	25,378,802	1,139,703,441
Total receipts	772,358,188	11,942,825	11,893,943	13,488,735	117,082,98	15,181,078	33,907,163	11,410,533	17,630,236	14,672,742	10,898,247	20,876,072	598,748,316
Business receipts	733,943,970	11,159,016	11,630,523	13,136,333	11,387,156	14,748,635	32,709,504	10,609,071	16,758,577	13,880,764	10,197,286	18,972,906	568,754,199
Depreciation	70,304,523	608,814	444,735	544,158	647,286	806,071	1,938,018	757,734	1,219,084	1,066,530	774,390	1,647,102	59,850,601
Net income (less deficit)	25,087,629	-522,156	-175,106	24970	-23,086	108,102	207,942	-36,338	235,554	206,518	69,751	457,380	24,534,098
Income tax, total	15,214,129	154,793	19,512	34062	43453	90,757	321,915	160,077	250,227	273,470	161,822	314,323	13,389,719
Net worth	490,481,127	—	-337,127	960602	1279740	1829944	4,814,863	2,221,619	3,826,193	3,500,586	3,125,447	6,168,718	463,090,540
WHOLESALE AND RETAIL TRADE													
Number of returns	917,301	33,139	405,906	196,451	116,716	74,999	74,870	8,523	4,301	1,256	520	377	244
Total assets	1,009,965,739	—	15,709,139	31,878,815	4,145,5231	52,677,025	151,431,684	58,490,348	64,491,171	434,77,376	36,916,507	63,343,193	450,095,250
Total receipts	2,473,865,453	26,197,685	82,312,915	11,748,0271	137,298,288	172,438,177	513,579,643	197,136,892	184,735,303	111,800,302	95,723,703	162,273,000	672,889,274
Business receipts	2,408,174,953	25,177,783	80,910,894	115,805,889	135,145,275	169,734,125	505,009,414	193,444,620	180,408,806	109,123,268	93,144,516	158,291,759	641,978,584
Depreciation	36,279,699	201,181	1,410,727	1,819,850	1,407,575	1,174,456	5,047,229	2,245,803	2,532,960	1,738,924	1,414,748	2,540,426	12,393,505
Net income (less deficit)	33,126,702	70,282	-835,483	540,808	108,6273	144,852	5,818,802	2,173,439	2,739,009	1,562,794	1,508,835	2,675,085	14,338,407
Income tax, total	16,392,896	296,986	181,148	317,943	443,016	619,728	2,379,869	1,078,609	1,338,279	899,540	788,089	1,334,176	6,715,513
Net worth	286,260,274	—	-1,297,329	9,228,992	13,622,643	19,166,362	47,622,183	16,469,876	19,947,848	12,839,825	11,251,720	21,630,705	115,777,449
FINANCE, INSURANCE, AND REAL ESTATE													
Number of returns	518,432	35,042	237,493	91,724	54,501	35,981	34,928	6,511	7,306	5,546	4,017	2,885	2,495
Total assets	7,029,452,681	—	7,903,031	14,832,523	19,483,565	24,976,105	73,919,163	46,115,352	118,925,388	199,445,681	281,543,700	453,009,701	5,789,297,827
Total receipts	1,182,034,309	39,177,929	16,811,201	11,800,373	11,812,272	12,596,718	28,460,191	15,758,771	32,945,971	35,970,147	50,139,335	90,806,800	835,323,548
Business receipts	501,993,840	5,940,702	14,512,524	9,165,532	8,610,781	8,907,799	18,216,773	10,824,264	19,931,810	15,810,566	22,858,940	45,081,563	322,123,242
Depreciation	26,893,911	595,143	487,277	529,665	574,955	589,223	1,484,775	644,737	928,674	1,030,330	1,227,115	1,632,211	17,157,295
Net income (less deficit)	60,670,526	-590,947	363,432	563,715	736,199	631,506	1,427,361	203,786	857,807	707,661	1,610,127	4,408,648	49,412,835
Income tax, total	13,598,201	720,765	95,066	160,725	199,309	253,791	724,552	345,214	548,966	661,540	683,597	1,044,787	8,159,888
Net worth	1,161,968,009	—	1,573,306	572,5921	6,724,878	8,323,555	21,735,014	11,562,172	26,252,715	31,844,169	44,732,436	84,188,663	919,305,144
SERVICES													
Number of returns	939,390	35,879	642,312	147,017	57,280	29,613	22,067	2,581	1,529	557	264	185	107
Total assets	330,982,941	—	19,963,665	23,008,872	1,9901,067	20,378,644	43,885,060	18,435,899	23,131,091	19,622,908	19,121,892	28,541,724	94,992,118
Total receipts	534,587,609	7,326,054	107,474,505	71,978,569	47,567,344	42,362,115	71,217,796	25,406,638	2,796,854	20,909,131	21,263,499	24,249,085	66,864,219
Business receipts	497,980,990	6,034,579	104,681,350	68,854,378	45,836,249	40,402,942	66,632,726	23,291,339	25,501,433	18,788,107	18,758,616	21,656,693	57,542,580
Depreciation	27,354,083	301,414	2,869,551	2,253,841	1,761,480	1,948,040	3,558,932	1,431,007	1,629,592	1,297,584	1,347,420	1,845,793	7,109,428
Net income (less deficit)	5,883,782	63,951	328,508	1,093,228	835,936	162,579	548,385	15,523	298,882	291,086	308,272	326,004	1,611,427
Income tax, total	4,742,347	132,174	313,852	364,591	317,063	268,691	572,901	238,767	331,750	295,341	345,487	449,590	1,112,141
Net worth	89,852,365	—	4,260,688	8,638,900	6,514,755	5,531,604	10,378,569	4,442,420	6,151,030	5,033,962	4,442,266	7,193,470	27,264,697

Estimates of Personal Wealth, 1982: A Second Look

By Marvin Schwartz*

According to updated estimates of the personal wealth of individuals in 1982, approximately 4.5 million people had gross assets of \$325,000 or more that year. These individuals, the Nation's "top wealthholders," represented only 2.8 percent of the Nation's adult population [1]. Their net worth, estimated from estate tax returns using the "estate multiplier technique," exceeded \$2.7 trillion and accounted for approximately 29.6 percent of the personal wealth in the United States in 1982 [2].

In contrast, during 1976, fewer than 2 million people had gross assets of \$300,000 or more, the amount closest to the level at which data are available for 1982. The net worth of these top wealthholders in 1976 was approximately \$1.0 trillion.

Just as the total number of top wealthholders increased during this period, so did the millionaires among them. Approximately 475,000 individuals had a net worth of \$1 million or more in 1982, well over twice the number in 1976 (180,000). The sharp increase in the number of millionaires between 1976 and 1982, however, was largely due to inflation. On the basis of constant 1976 dollars, only 232,000 individuals—52,000 more than in 1976—had a net worth of \$1 million or more in 1982 [3].

ESTIMATING PERSONAL WEALTH FROM ESTATE TAX RETURNS

The measurement of personal wealth in the United States has attracted considerable attention in recent years. This interest has been stimulated by a number of factors, not the least of which is the public's fascination with the topic. Accurate and comprehensive estimates of wealth, however, are difficult to obtain, because individuals are not required to report information on wealth regularly on any tax return or other public document. Several alternative approaches, each with its own merits, have been developed. The estimates presented here are based on the "estate multiplier technique." This approach utilizes administrative records, in particular, estate tax returns filed for the deceased to estimate the wealth of the living population.

This procedure can be used to estimate wealth for all individuals whose assets exceed the estate filing requirement in effect that year. Estimates of wealth thus can be provided for the top 2 to 3 percent of the wealthholders—

those individuals or "top wealthholders" who control a large portion of the personal wealth in the United States. (The mechanics of the estimating technique are discussed later.)

The updated estimates of personal wealth in 1982 represent the first phase of an effort by the Internal Revenue Service to improve the accuracy of the data [4,5]. In the past, wealth estimates, such as the preliminary estimates for 1982 published earlier, were made from the Statistics of Income sample of estate tax returns filed in a given year for deaths that had occurred over several years [6]. Thus, the wealth estimates generated from a sample selected on a filing year basis actually reflected the value of wealth held during several years, unadjusted for the rates of inflation applicable to those years.

The final personal wealth estimates for 1982 presented here are based on estate tax returns filed from 1982 through 1984 for individuals who died in 1982 [7]. By sampling returns filed over this 3-year period, the returns filed for nearly all individuals who died in 1982 can be captured. The advantage of a "year-of-death" sample is it represents the wealth of a given year, rather than a series of years, and thus more accurately reflects wealth at a particular time.

As the level of gross estate (or gross assets) required for filing an estate tax return has increased, the definition of top wealthholders also has changed. The level of wealth to which the estimates apply rose from \$60,000 or more in 1972 to \$120,000 or more for 1976 and subsequently to \$325,000 or more for 1982. While summary estimates of wealth are provided for wealthholders with gross assets of \$325,000 or more, asset detail is presented only for individuals with gross assets exceeding \$500,000 because such detail was not required for the estates of decedents with smaller assets.

The gross estate criterion is a Federal estate tax concept of wealth that does not conform to the usual definitions of wealth, primarily because it includes the face value of life insurance in the wealth of the decedent. Therefore, three measures of wealth are used in this article: gross assets (or gross estate), total assets, and net worth.

Gross assets reflect the gross value of all assets, including the full face value of life insurance reduced by policy loans but excluding any reduction for other indebtedness. This measure defines the individuals included in the top

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Estimates of Personal Wealth, 1982: A Second Look

wealthholder group. The amount of total assets, a lower wealth value, is still essentially a gross measure. Total assets are obtained by using the cash value of life insurance, i.e., the value the insurance had immediately before the policyholder's death [8]. Net worth, the level of wealth after all debts have been removed, includes the cash value of life insurance.

PERSONAL WEALTH IN 1982

Female wealthholders accounted for 38.3 percent of the 4.5 million top wealthholders in 1982 (see Figure A) compared with 32.8 percent in 1976. But because women held 43.4 percent of the net worth of top wealthholders in 1982, they had an average net worth nearly 24 percent higher than that of their male counterparts.

Figure A.—Top Wealthholders With Gross Assets of \$325,000 or More, by Sex, 1982

[Number of wealthholders in thousands; amounts in billions, except as indicated]

Item	Total	Male	Female
Number of top wealthholders	4,479	2,763	1,715
Total assets	\$3,218	\$1,916	\$1,302
Net worth	2,714	1,536	1,178
Average net worth (dollars)	605,900	555,700	686,700

Composition of Assets

In 1982, real estate constituted the largest share of the assets held by all individuals with gross assets exceeding \$500,000 (see Figure B), continuing the trend first observed the previous year [9]. In contrast, estate multiplier estimates of wealth for 1976 and earlier years showed corporate stock to be the most commonly-held asset [10]. Real estate and corporate stock together accounted for more than 62 percent of the assets of these top wealthholders in 1982.

Figure B.—All Top Wealthholders With Gross Assets Exceeding \$500,000, by Type of Asset and Sex, 1982

Type of asset	Total	Males	Females
Total assets	100.0%	100.0%	100.0%
Real estate	32.5	32.7	32.2
Corporate stock	29.9	29.7	30.3
Cash	8.4	7.4	9.8
Noncorporate business assets	7.8	9.2	5.5
Bonds	7.0	5.5	9.4
Notes and mortgages	4.7	5.1	4.2
Life insurance	1.2	1.8	0.3
Other assets	8.5	8.6	8.3

Corporate stock, long the most prominent asset in the portfolio of top wealthholders, declined from more than 35 percent of the assets in 1976 to roughly 30 percent in 1982, probably because of the decline in the stock market, as well as the increase in the value of real estate during that period [11]. Between 1976 and 1982 the Dow-Jones Industrial Average fell 9.3 percent while the Consumer Price Index for

home purchases rose 67.2 percent [12, 13]. These measures of the market condition are reflected in the shift in the composition of the assets of the wealthy for these 2 years.

Bonds and noncorporate business assets also switched positions of importance [14]. The share of assets held as bonds declined from more than 9 percent in 1976 to 7 percent in 1982, and noncorporate business assets increased from 5 percent of the assets in 1976 to nearly 8 percent in 1982.

A look at the composition of assets by sex shows that the share of the wealth held in the form of real estate and corporate stock was similar for men and women. On the other hand, the difference in the proportion of the wealth held as bonds or as noncorporate business assets is noteworthy. Noncorporate business assets made up 9 percent of the assets of men in 1982, compared with 5.5 percent for women. Conversely, wealth held by women was typified by a greater concentration in bonds, over 9 percent, compared with only 5.5 percent for men. An examination of all other assets shows that notes and mortgages and life insurance constituted a more significant portion of the assets of men, while cash represented a greater share of the assets of women.

Although real estate constituted the greatest share of the assets in the portfolio of all top wealthholders, the proportions of wealth held as real estate and corporate stock were quite different for millionaires and submillionaires (see Figure C). Real estate made up just 25 percent of the assets of millionaires; they held more than 38 percent of their assets as corporate stock. In contrast, real estate accounted for almost 42 percent of the assets of submillionaires; 20 percent of their assets were in corporate stock.

Figure C.—All Top Wealthholders With Gross Assets Exceeding \$500,000, by Size of Net Worth and by Type of Asset, 1982

Type of asset	Size of net worth	
	Under \$1,000,000	\$1,000,000 or more
Total assets	100.0%	100.0%
Real estate	41.6	24.6
Corporate stock	20.1	38.5
Cash	10.5	6.5
Noncorporate business assets	7.1	8.3
Notes and mortgages	5.3	4.2
Bonds	4.8	9.0
Life insurance	2.0	0.6
Other assets	8.5	8.4

Cash and bonds together represented just over 15 percent of the assets of both groups of top wealthholders but were held in quite different proportions. Whereas bonds represented just under 5 percent of the assets of the less wealthy group, they were, at 9 percent of the assets, the third most common asset held by millionaires. Proportionately, millionaires held more corporate stock, bonds, and

noncorporate business assets and less real estate, cash, notes and mortgages, and life insurance than the submillionaires.

Geographic Distribution of Wealth

In 1982, nearly 700,000 of the top wealthholders in the United States lived in California. This was more than twice the number of top wealthholders in the "second wealthiest" State, Texas. New York, which had the most wealthy individuals in 1976, had dropped to third place by 1982. As a result of the effect of the recent decline in oil prices on the economy of Texas, coupled with Florida's rapid growth and attractive tax policy (no State income tax), Florida may become the "second wealthiest" State by the end of this decade.

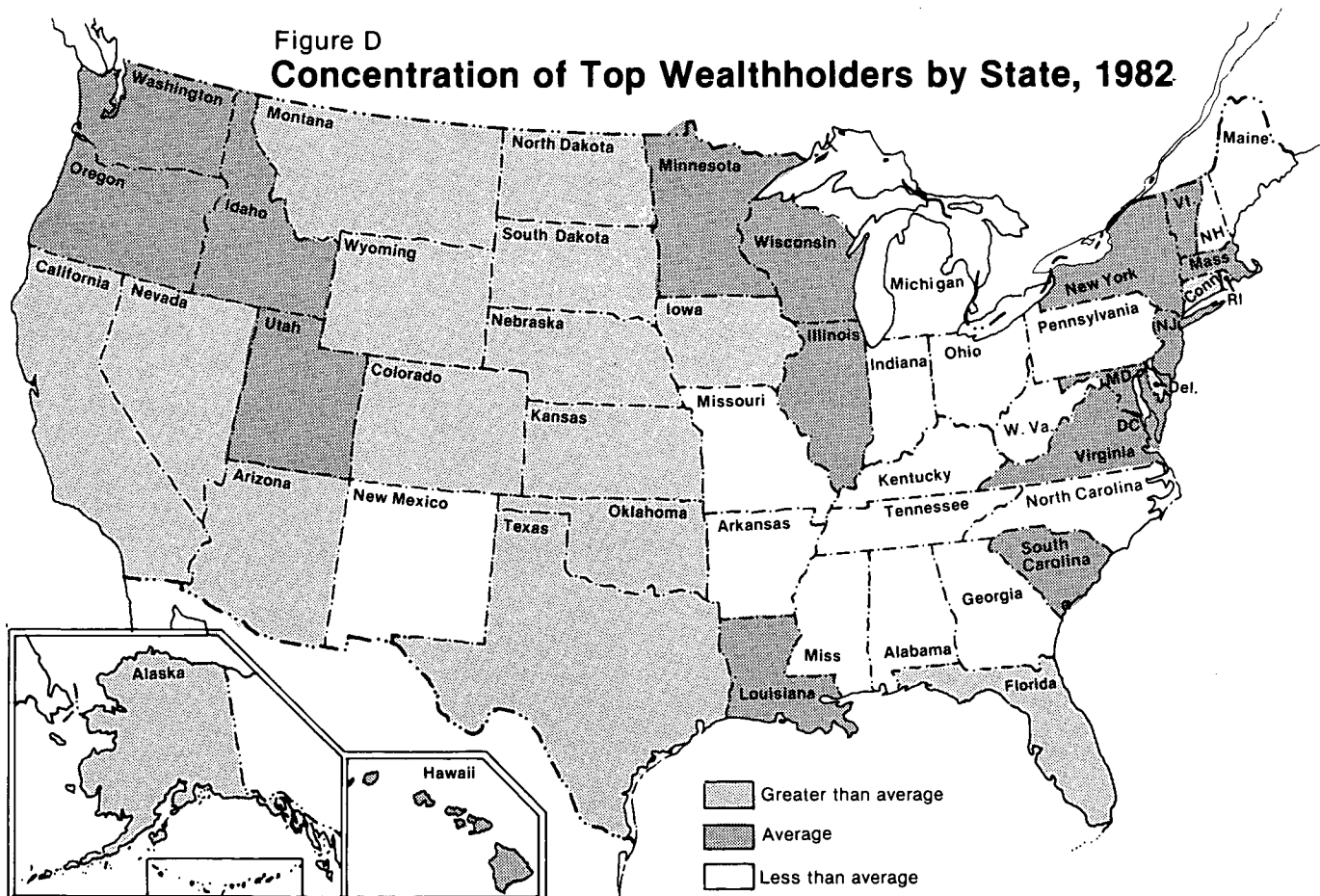
The ratio of wealthy individuals to the adult population illustrates the distribution of wealth, undistorted by the large populations of certain States. California, the most populous State, had an above-average concentration of wealth, with 15 percent of the top wealthholders but only 11 percent of the Nation's adult population. Although there were a large number of wealthholders in New York and Illinois, the proportion of top wealthholders in these States was only

average. As shown in Figure D, wealth appears to be more heavily concentrated in the more rural States west of the Mississippi River. Conversely, the southern States—with one of the principal exceptions being Florida—and the more heavily industrialized States of the Midwest had a lower-than-average proportion of wealthy individuals.

ESTATE MULTIPLIER TECHNIQUE

Researchers have been using the estate multiplier technique since the beginning of the 20th century (financial records were used as early as 1864 to estimate total personal wealth by a related technique) to draw conclusions about the wealth of the living population through knowledge of the wealth of the deceased [15, 16]. The technique assumes that estate tax returns taken as a whole represent a random sample, designated by death, of the living population. In fact, however, death is not a random event and therefore is not a simple representative sample of the living population under consideration.

The probability of "death's selection" of an individual, i.e., that a person will die in a given year, depends on the particulars of one's life. Age and sex are usually taken as "gross" indicators of these conditions. If one knows the



Note: The average concentration of top wealthholders by State was 2.2 to 3.0 percent of the State's adult (age 20 and above) population.

Estimates of Personal Wealth, 1982: A Second Look

mortality rate and the number of deaths for each age and sex group, one can derive the population of wealthholders by multiplying the inverse of the mortality rate by the number of deaths in each group [8].

Vital to the estimates of personal wealth is the use of a mortality rate appropriate to the top wealthholder population. This is essential to the estimates because there is much evidence that the wealthy have mortality rates lower than those of the population as a whole. In other words, social class also is a determinant in the "selection of the sample" [17]. Therefore, an adjustment to the general mortality rates is necessary.

The mortality rates assumed to approximate those of the wealthy are based on the mortality experience of the Metropolitan Life Insurance Company's preferred-risk policyholders [18]. Multipliers are then derived from the adjusted mortality rates for each decedent according to age and sex. These multipliers, applied to sampled estate tax return data, produce wealth estimates for the living population.

The multipliers used to develop the preliminary estimates for 1982 were based on Metropolitan Life mortality experience for a 4-year period. As part of the effort to improve the accuracy of these estimates, the Internal Revenue Service has developed new mortality differentials and multipliers based on data for a series of years between 1969 and 1982. Thus, the effect of the sampling variance of death has been reduced.

As mentioned earlier, the updated estimates of personal wealth in 1982 are based on a sample of estate tax returns filed between 1982 and 1984 for individuals dying in 1982. This approach, which is a departure from the year-of-filing approach used for the preliminary 1982 estimates and for the estimates for earlier studies, is designed primarily to reduce the effects of inflation. The preliminary estimates of personal wealth for 1982 were based on estate tax returns filed during 1983. Although the returns filed that year were primarily for decedents who died in the preceding year, they also reflected deaths that occurred in 1983 as well as deaths that occurred in 1981 and several earlier years. Therefore, the estimates for the 1 year were achieved by using values based on several.

In addition to reducing the effect of inflation, the use of a year-of-death file has improved the estimates by reducing the sampling error.

The strength of the estate multiplier technique, in part, lies in the large sample size. The sample of 19,000 returns selected in 1983, on which the preliminary estimates of wealth for 1982 were based, was considerably larger than the samples selected for other studies for comparable

levels of wealth [19, 20]. Yet, despite the large overall sample size, the limited number of returns filed each year for young (under 45 years of age) and very wealthy (gross assets of \$5 million or more) decedents can make results for these categories subject to considerable sampling error.

The achieved selection probabilities of "death's sample" of these relatively young and very wealthy decedents in a given year can distort estimates of the wealth of the living. Death samples at high and low rates which tend to average out over a period of years, but which can result in large short-term fluctuations, i.e., for a given year. When death "selects" a smaller sample, i.e., fewer deaths for a limited population during a sample year, wealth estimates will be lower than the true population values. Similarly, too large a sample produces estimates that overstate the wealth of the population.

The updated estimates of wealth for 1982 have incorporated two modifications from recent-year estimates designed to reduce the variability of death's annual sample selection. First, the sample of estate tax returns was redesigned so that it was stratified by age as well as by size of gross estate. Whereas all returns of the very wealthy (those with gross estates of \$5 million or more) were selected for past studies, before the 1982 study the returns of the relatively young were selected at rates dictated by the size of gross estate. Thus, the high sampling variance already present because of the limited number of returns for relatively young decedents was further increased by sampling those returns for less wealthy decedents at rates less than 100 percent. Starting with 1982, all estate tax returns, regardless of the size of gross estate, were selected for decedents under 45 years of age.

The sampling variability of the final estimates for wealthy and relatively young individuals is reduced further by basing the estimates on returns filed for the specific year of death (1982) during a 3-year period. Thus, this technique produces more accurate estimates of the type and amount of wealth of the young and very wealthy.

SUMMARY

For 1982, approximately 4.5 million people—2.8 percent of the adult population of the United States—held gross assets of \$325,000 or more. The net worth of these individuals exceeded \$2.7 trillion and accounted for almost 30 percent of the personal wealth in this country.

The top wealthholder in 1982 was typically a man under 50 years of age from California. Just over 60 percent of his wealth was held as real estate and corporate stock, with corporate stock becoming more prominent as wealth increased.

Estimates of Personal Wealth, 1982: A Second Look

Wealthy women, although still the minority of top wealth-holders, nevertheless increased their representation from less than 33 percent in 1976 to just over 38 percent in 1982. Of the total, approximately 38 percent were under 50 years of age, and over 36 percent were between 50 and 64 years of age.

DATA SOURCES AND LIMITATIONS

Although estimates of wealth are provided for all individuals with gross assets of \$325,000 or more, the composition of assets was examined only for wealthholders with gross assets exceeding \$500,000. This limitation is the result of a change in the reporting requirements for the estate tax returns on which the estimates are based. Detailed asset information is not required to be filed on the returns of persons who died after December 31, 1981 with a gross estate (gross assets) of \$500,000 or less. Nevertheless, 72 percent of the assets of the wealthholders derived from this group were reported on the returns. Because the decision to provide asset detail on the return may be a reflection of the asset composition of the estate, the inclusion of estimates of wealth based on this incomplete detail would have distorted the estimates and introduced a bias into the estimates.

The treatment of the assets included on the estate tax return as "lifetime transfers" was modified to provide more accurate data on the composition of the assets of top wealthholders. In the past, all assets reported as lifetime transfers were included in the statistics as "other assets". The redefinition of lifetime transfers under the Economic Recovery Tax Act (ERTA) of 1981 made it more appropriate to allocate lifetime transfers to the specific type of asset [21]. Figure E shows the effect of this change on the data for 1982.

Figure E.—Treatment of Lifetime Transfers Made by All Top Wealthholders With Gross Assets Exceeding \$500,000, by Type of Asset, 1982

Type of asset	Lifetime transfers	
	Allocated to specific asset type	Included in "Other assets"
Total	100.0%	100.0%
Real estate	32.5	30.7
Corporate stock	29.9	26.4
Cash	8.4	7.8
Noncorporate business assets	7.8	7.4
Bonds	7.0	5.9
Notes and mortgages	4.7	4.4
Life insurance	1.2	1.2
Other assets	8.5	16.2

Sample Selection Criteria

The 1982 estimates of personal wealth are based on data from a sample of estate tax returns, Form 706, processed by the Internal Revenue Service between 1982 and 1984. The sample was stratified according to the year of death

and age of the decedent, along with the size of the gross estate. The returns were selected during the 3-year period at annual rates that ranged from 10 percent—for decedents age 70 and older with gross estate under \$1 million—to 100 percent—for decedents under age 45 or with gross estate of \$1 million and above—with weights appropriate to each year maintained.

Of the returns filed during the 1982–1984 period, only those filed for individuals dying in 1982 were selected, with two exceptions. All returns for the very wealthy (those with gross estates of \$5 million or more) and individuals under 45 years of age were selected, regardless of the year of death. The estate multipliers for those returns were adjusted accordingly. Other returns filed during this period for individuals who died in years other than 1982 were not used for these estimates.

Limitations

Because the data in this article are estimated on the basis of a sample of estate tax returns filed with the Internal Revenue Service, they are subject to sampling as well as nonsampling error. For proper use of the statistical data, the magnitude of the potential sampling error must be known.

Figure F presents preliminary estimates of the coefficients of variation (CV's) for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than that shown, the corresponding CV's can be estimated by interpolation. The reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates are discussed in the Appendix.

Figure F.—Approximate Coefficients of Variation for Frequency Estimates, 1982

Number of wealthholders	Approximate coefficient of variation
02	2,600,000
03	540,000
05	124,000
10	18,500
15	3,900
20	1,900

NOTES AND REFERENCES

- [1] The adult population is defined as individuals 20 years of age and older.
- [2] Marley, Marcia, and Wolff, Edward N., "Long-term Trends in U.S. Wealth Inequality: Methodological Issues and Results," *1987 Proceedings of the Conference on Research on Income and Wealth*, National Bureau of Economic Research (in preparation as of June 1988).

- [3] Using the Personal Consumption Expenditures Implicit Price Deflator calculated by the U.S. Department of Commerce, Bureau of Economic Analysis, \$1 million in 1976 had the equivalent value of \$1,597,400 in 1982. For a discussion of the deflator, see U.S. Department of Commerce, *Survey of Current Business*, April 1987, Volume 66, Number 4.
- [4] McCubbin, Janet, "Improving Wealth Estimates Derived from Estate Tax Data," *Statistics of Income and Related Administrative Record Research: 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.
- [5] Scheuren, Fritz, and McCubbin, Janet, "Piecing Together Personal Wealth Distributions," *Statistics of Income and Related Administrative Record Research: 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.
- [6] Schwartz, Marvin, "Preliminary Estimates of Personal Wealth, 1982: Composition of Assets," *Statistics of Income Bulletin*, Winter 1984-1985, Volume 4, Number 3.
- [7] For estimates of the number of individuals with net worth of \$5 million or more based on estate tax returns filed in each of the 3 years, as well as those filed in 1985, see Skelly, Daniel F., and Koziolec, John A., "Statistics of Income Domestic Special Studies," *Statistics of Income Bulletin*, Fall 1987, Volume 7, Number 2. These estimates reflecting wealth in 1981 through 1984 were developed prior to the methodological improvements reflected in the estimates for 1982 included herein.
- [8] For a detailed explanation of the estate multiplier technique and the computation of the equity value of life insurance, see *Statistics of Income-1972, Personal Wealth Estimated from Estate Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1976.
- [9] Schwartz, Marvin, "Trends in Personal Wealth," *Statistics of Income Bulletin*, Summer 1983, Volume 3, Number 1.
- [10] The revised treatment for the 1982 estimates of the assets included on the estate tax return as "lifetime transfers" should be noted. This is described in the section on "Data Sources and Limitations." Although the revised treatment yields somewhat higher asset shares, the basic relationship described later remains largely unaffected.
- [11] Ruggles, Richard, and Ruggles, Nancy, D., "Integrated Economic Accounts for the United States, 1947-1980," *Survey of Current Business*, Volume 62, Number 5, U.S. Department of Commerce, Bureau of Economic Analysis, May 1982.
- [12] U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, various issues.
- [13] For information about the Consumer Price Index, see U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*, various issues.
- [14] Noncorporate business assets include the net value of sole proprietorships, farms, and interests in partnerships, except for the value of the real estate associated with the business or farm.
- [15] Lampman, Robert J., *The Share of Top Wealthholders in National Wealth, 1922-56*, Princeton University Press, 1962.
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- [17] Kitagawa, Evelyn M., and Hauser, Philip M., *Differential Mortality in the United States: A Study in Socioeconomic Epidemiology*, Harvard University Press, 1973.
- [18] The author is extremely grateful for the continued support received from the Metropolitan Life Insurance Company, beginning with the late Mortimer Spiegelman and continuing most recently with Frances Baffa, who provided the mortality data used in the computation of the estate multipliers.
- [19] Data on wealth are also available from the 1983 Survey of Consumer Finances. This study, jointly sponsored by the Board of Governors of the Federal Reserve System and six other Federal agencies, presents information on assets as well as other financial information based on a survey of approximately 3,800 families. The inclusion of data from interviews with an additional 438 high-income families allowed greater comparability with the estate multiplier estimates of the wealth of top wealthholders. For further information, see Avery, Robert B., Elliehausen, Gregory E., Canner, Glenn B., and Gustafson, Thomas A., "Survey of Consumer Finances, 1983," *Federal Reserve Bulletin*, September 1984; Avery, Robert B., Elliehausen, Gregory E., Canner, Glenn B., and Gustafson, Thomas A., "Survey of Consumer Finances, 1983: A Second Report," *Federal Reserve Bulletin*, December 1984;

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[20] Lamas, Enrique J., and McNeil, John M., "Year-Apart Estimates of Household Net Worth from the Survey of Income and Program Participation," *1987 Proceedings of the Conference on Research on Income and*

[21] Prior to 1982, all gifts within the 3 years preceding death were required to be included in the estate. Under ERTA, only certain transfers—primarily gifts in which the decedent had a reversionary interest and revocable trusts—were included in the estate.

Table 1A.—All Top Wealthholders With Gross Assets of \$325,000 or More, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	4,478.8	3,218,225	3,976.5	504,714	2,713,510
Under \$100,000 ¹	341.7	93,796	332.2	107,990	-14,193
\$100,000 under \$250,000	649.0	200,942	620.4	84,079	116,863
\$250,000 under \$500,000	2,032.3	868,468	1,744.4	118,996	749,472
\$500,000 under \$1,000,000	980.3	734,872	843.7	73,659	661,212
\$1,000,000 under \$5,000,000	437.3	874,391	399.1	87,402	786,989
\$5,000,000 or more	38.2	445,755	36.6	32,588	413,167

¹ Includes top wealthholders with negative net worth.

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

Table 1B.—All Top Wealthholders With Gross Assets Greater Than \$500,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—number of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	2,233.1	2,464,225	2,033.2	399,206	2,065,019
Under \$250,000 ¹	282.6	130,729	278.0	121,511	9,219
\$250,000 under \$500,000	494.7	278,478	475.8	84,045	194,433
\$500,000 under \$1,000,000	980.3	734,872	843.7	73,659	661,212
\$1,000,000 under \$5,000,000	437.3	874,391	399.1	87,402	786,989
\$5,000,000 or more	38.2	445,755	36.6	32,588	413,167

Size of net worth	Types of assets							
	Cash		Corporate stock		Bonds			
	Number	Amount	Number	Amount	Total		Corporate and foreign	
					Number	Amount	Number	Amount
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total	2,178.0	205,960	1,842.9	737,964	980.7	173,635	407.7	17,264
Under \$250,000 ¹	269.5	6,655	196.7	13,155	50.6	1,252	16.2	487
\$250,000 under \$500,000	478.0	21,392	387.4	44,114	143.7	5,688	56.1	1,262
\$500,000 under \$1,000,000	960.9	92,597	820.0	173,044	499.8	48,444	221.1	6,626
\$1,000,000 under \$5,000,000	431.7	64,936	401.5	298,522	259.4	75,739	102.2	5,746
\$5,000,000 or more	37.9	20,380	37.3	209,129	27.1	42,512	12.0	3,143

Size of net worth	Types of assets—Continued							
	Bonds—Continued						Life insurance equity	
	Government							
	Federal savings		Other Federal		State and local			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Total.....	244.4	6,609	324.5	55,871	559.9	93,891	1,622.4	30,610
Under \$250,000 ¹	21.0	31	8.2	157	14.8	576	269.9	6,467
\$250,000 under \$500,000.....	44.6	360	36.2	1,546	61.8	2,520	422.2	8,019
\$500,000 under \$1,000,000.....	125.4	3,377	175.8	16,834	278.6	21,606	624.2	8,247
\$1,000,000 under \$5,000,000.....	50.9	2,177	92.5	24,532	183.8	43,284	282.0	6,777
\$5,000,000 or more.....	2.6	664	11.8	12,801	20.9	25,904	24.0	1,100

Size of net worth	Types of assets—Continued							
	Notes and mortgages		Real estate		Noncorporate business assets		Other assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	975.9	116,005	2,074.3	800,391	971.8	191,128	2,139.0	208,533
Under \$250,000 ¹	82.0	6,357	264.7	67,621	127.8	17,449	270.8	11,774
\$250,000 under \$500,000	197.9	14,475	476.0	137,430	221.8	22,792	476.5	24,569
\$500,000 under \$1,000,000	432.4	39,662	893.4	270,544	373.2	41,371	932.0	60,964
\$1,000,000 under \$5,000,000	238.0	39,411	403.9	252,025	221.3	67,958	421.8	69,023
\$5,000,000 or more	25.7	16,101	36.4	72,772	27.7	41,559	37.8	42,203

¹ Includes top wealthholders with negative net worth.

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

Table 2A.—All Men: Top Wealthholders With Gross Assets of \$325,000 or More, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	2,763.4	1,915,893	2,478.6	380,392	1,535,501
Under \$100,000 ¹	304.7	84,376	296.1	95,421	- 11,046
\$100,000 under \$250,000	527.9	158,789	500.2	64,461	94,329
\$250,000 under \$500,000	1,136.1	494,675	974.7	79,694	414,981
\$500,000 under \$1,000,000	529.8	412,968	462.8	53,546	359,422
\$1,000,000 under \$5,000,000	243.5	503,067	224.5	62,056	441,010
\$5,000,000 or more	21.4	262,019	20.3	25,214	236,804

¹ Includes top wealthholders with negative net worth.

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

Table 2B.—All Men: Top Wealthholders With Gross Assets Greater Than \$500,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	1,408.7	1,495,612	1,299.0	307,794	1,187,818
Under \$250,000 ¹	248.5	114,829	243.8	105,463	9,366
\$250,000 under \$500,000	365.5	202,730	347.5	61,515	141,215
\$500,000 under \$1,000,000	529.8	412,968	462.8	53,546	359,422
\$1,000,000 under \$5,000,000	243.5	503,067	224.5	62,056	441,010
\$5,000,000 or more	21.4	262,019	20.3	25,214	236,804

Size of net worth	Types of assets							
	Cash		Corporate stock		Bonds			
	Number	Amount	Number	Amount	Total		Corporate and foreign	
					Number	Amount	Number	Amount
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total	1,371.4	110,648	1,167.1	444,251	543.8	82,332	215.7	7,654
Under \$250,000 ¹	238.1	5,322	172.7	11,665	45.0	957	**	**
\$250,000 under \$500,000	352.6	15,070	298.2	36,111	104.9	3,723	**51.6	**1,207
\$500,000 under \$1,000,000	518.3	45,777	447.4	99,502	244.3	20,977	105.6	2,698
\$1,000,000 under \$5,000,000	241.3	34,149	227.7	179,011	135.5	33,871	52.7	2,638
\$5,000,000 or more	21.1	10,330	21.0	117,962	14.0	22,804	5.7	1,111

Size of net worth	Types of assets—Continued							
	Bonds—Continued						Life insurance equity	
	Government							
	Federal savings		Other Federal		State and local			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Total.....	148.1	3,266	145.4	22,842	298.4	48,570	1,236.5	27,426
Under \$250,000 ¹	241.6	6,078
\$250,000 under \$500,000.....	**53.0	**283	**29.3	**1,047	**58.6	**2,142	343.2	7,201
\$500,000 under \$1,000,000.....	66.1	1,465	71.3	6,720	133.2	10,094	432.4	7,324
\$1,000,000 under \$5,000,000.....	27.4	965	38.8	7,793	95.6	22,475	201.3	5,850
\$5,000,000 or more.....	1.7	553	5.9	7,282	11.0	13,858	18.0	974

Size of net worth	Types of assets—Continued							
	Notes and mortgages		Real estate		Noncorporate business assets		Other assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	636.1	75,687	1,325.2	488,642	697.2	138,021	1,353.8	128,605
Under \$250,000 ¹	73.3	5,578	234.3	58,923	114.1	15,949	238.9	10,356
\$250,000 under \$500,000	146.1	9,997	352.5	91,990	182.3	19,540	355.1	19,098
\$500,000 under \$1,000,000	260.4	24,175	491.5	149,722	243.6	30,060	504.1	35,432
\$1,000,000 under \$5,000,000	141.5	24,765	226.4	142,153	141.1	44,030	234.6	39,239
\$5,000,000 or more	14.8	11,173	20.5	45,854	16.3	28,441	21.1	24,481

** Data combined to avoid disclosure of information for specific estate tax returns.

¹ Includes top wealthholders with negative net worth.

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

Table 3A.—All Women: Top Wealthholders With Gross Assets of \$325,000 or More, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	1,715.3	1,302,332	1,497.9	124,322	1,178,010
Under \$100,000 ¹	37.0	9,421	36.2	12,568	-3,147
\$100,000 under \$250,000	121.0	42,153	120.2	19,619	22,535
\$250,000 under \$500,000	896.2	373,793	769.8	39,302	334,491
\$500,000 under \$1,000,000	450.5	321,904	380.9	20,114	301,790
\$1,000,000 under \$5,000,000	193.8	371,325	174.6	25,346	345,979
\$5,000,000 or more	16.8	183,736	16.3	7,374	176,362

¹ Includes top wealthholders with negative net worth.

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

Table 3B.—All Women: Top Wealthholders With Gross Assets Greater Than \$500,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	824.5	968,614	734.2	91,413	877,201
Under \$250,000 ¹	34.2	15,901	34.2	16,048	-148
\$250,000 under \$500,000	129.2	75,748	128.3	22,531	53,217
\$500,000 under \$1,000,000	450.5	321,904	380.9	20,114	301,790
\$1,000,000 under \$5,000,000	193.8	371,325	174.6	25,346	345,979
\$5,000,000 or more	16.8	183,736	16.3	7,374	176,362

Size of net worth	Types of assets							
	Cash		Corporate stock		Bonds			
	Number	Amount	Number	Amount	Total		Corporate and foreign	
					Number	Amount	Number	Amount
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total	806.6	95,312	675.8	293,713	436.9	91,303	192.0	9,610
Under \$250,000 ¹	31.4	1,333	24.0	1,490	5.6	295	**	**
\$250,000 under \$500,000	125.5	6,322	89.2	8,004	38.8	1,965	**20.7	**542
\$500,000 under \$1,000,000	442.6	46,820	372.6	73,542	255.5	27,467	115.5	3,928
\$1,000,000 under \$5,000,000	190.4	30,787	173.8	119,510	123.9	41,868	49.6	3,108
\$5,000,000 or more	16.8	10,050	16.2	91,166	13.1	19,708	6.3	2,032

Size of net worth	Types of assets—Continued							
	Bonds—Continued						Life insurance equity	
	Government							
	Federal savings		Other Federal		State and local		Number	Amount
	Number	Amount	Number	Amount	Number	Amount		
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Total.....	96.2	3,343	179.1	33,029	261.5	45,321	385.8	3,184
Under \$250,000 ¹	**	**	**	**	**	**	28.3	388
\$250,000 under \$500,000.....	**12.5	**107	**15.1	**657	**18.1	**954	79.0	818
\$500,000 under \$1,000,000.....	59.4	1,912	104.5	10,114	145.4	11,512	191.8	924
\$1,000,000 under \$5,000,000.....	23.5	1,212	53.7	16,739	88.1	20,809	80.8	927
\$5,000,000 or more.....	0.9	111	5.9	5,519	9.9	12,046	6.0	126

Size of net worth	Types of assets—Continued							
	Notes and mortgages		Real estate		Noncorporate business assets		Other assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	339.8	40,317	749.2	311,750	274.5	53,107	785.2	79,928
Under \$250,000 ¹	8.7	777	30.4	8,698	13.7	1,500	32.0	1,418
\$250,000 under \$500,000	51.8	4,478	123.5	45,440	39.6	3,251	121.4	5,470
\$500,000 under \$1,000,000	171.9	15,487	401.9	120,822	129.6	11,311	428.0	25,532
\$1,000,000 under \$5,000,000	96.5	14,646	177.4	109,873	80.2	23,928	187.1	29,785
\$5,000,000 or more	10.9	4,928	15.9	26,917	11.4	13,117	16.8	17,722

* Estimate should be used with caution because of the small number of sample estate tax returns on which it is based.

** Data combined to avoid disclosure of information for specific estate tax returns.

¹ Includes top wealthholders with negative net worth.

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

Table 4A.—Top Wealthholders Under 50 Years of Age With Gross Assets of \$325,000 or More, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	1,702.4	1,040,871	1,590.4	290,518	750,353
Under \$100,000 ¹	313.7	78,846	304.6	85,970	- 7,125
\$100,000 under \$250,000	438.4	133,968	423.1	58,043	75,925
\$250,000 under \$500,000	599.7	275,637	546.0	63,445	212,192
\$500,000 under \$1,000,000	232.5	189,086	205.1	32,880	156,206
\$1,000,000 under \$5,000,000	105.8	234,179	99.5	39,387	194,792
\$5,000,000 or more	12.3	129,155	12.1	10,792	118,362

¹ Includes top wealthholders with negative net worth.

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

Table 4B.—Top Wealthholders Under 50 Years of Age With Gross Assets Greater Than \$500,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	833.7	798,190	790.0	225,555	572,635
Under \$250,000 ¹	232.2	101,248	228.4	92,147	9,102
\$250,000 under \$500,000	250.7	144,521	244.9	50,349	94,172
\$500,000 under \$1,000,000	232.5	189,086	205.1	32,880	156,206
\$1,000,000 under \$5,000,000	105.8	234,179	99.5	39,387	194,792
\$5,000,000 or more	12.3	129,155	12.1	10,792	118,362

Size of net worth	Types of assets							
	Cash		Corporate stock		Bonds			
	Number	Amount	Number	Amount	Total		Corporate and foreign	
					Number	Amount	Number	Amount
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total	806.1	48,492	639.2	223,877	231.8	36,970	87.6	3,871
Under \$250,000 ¹	222.0	5,414	158.4	10,562	40.5	673	12.8	391
\$250,000 under \$500,000	241.2	8,862	192.4	23,616	51.6	1,833	20.8	523
\$500,000 under \$1,000,000	226.8	17,434	181.5	43,641	85.4	8,603	37.1	1,335
\$1,000,000 under \$5,000,000	103.9	11,477	95.0	82,451	46.2	17,392	13.2	604
\$5,000,000 or more	12.1	5,306	12.0	63,607	8.1	8,469	3.8	1,019

Size of net worth	Types of assets—Continued							
	Bonds—Continued						Life insurance equity	
	Government							
	Federal savings		Other Federal		State and local			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Total	62.2	1,249	67.0	15,843	101.0	16,007	683.1	10,568
Under \$250,000 ¹	17.1	13	6.7	93	10.9	177	223.4	4,637
\$250,000 under \$500,000	16.3	59	12.4	239	18.4	1,012	216.2	2,873
\$500,000 under \$1,000,000	19.6	516	30.5	3,925	36.7	2,827	160.9	1,472
\$1,000,000 under \$5,000,000	8.9	226	13.9	8,739	29.0	7,822	74.6	1,358
\$5,000,000 or more	0.3	434	3.5	2,846	5.9	4,169	8.1	228

Size of net worth	Types of assets—Continued							
	Notes and mortgages		Real estate		Noncorporate business assets		Other assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	333.1	34,097	771.3	290,063	402.2	77,923	800.8	76,200
Under \$250,000 ¹	62.8	4,788	216.7	53,105	101.3	12,109	224.0	9,960
\$250,000 under \$500,000	95.1	6,913	242.6	75,592	116.2	12,253	242.2	12,580
\$500,000 under \$1,000,000	107.5	8,832	203.0	73,786	111.5	15,610	222.1	19,708
\$1,000,000 under \$5,000,000	59.2	9,227	97.2	66,805	63.3	25,105	100.4	20,365
\$5,000,000 or more	8.4	4,338	11.9	20,775	10.0	12,845	12.1	13,586

¹ Includes top wealthholders with negative net worth.

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

Estimates of Personal Wealth, 1982

Table 5A.—Top Wealthholders 50 to 64 Years of Age With Gross Assets of \$325,000 or More, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	1,631.3	1,217,460	1,431.4	166,300	1,051,160
Under \$100,000 ¹	27.3	14,291	26.8	21,008	-6,718
\$100,000 under \$250,000	200.5	62,253	187.2	23,337	38,916
\$250,000 under \$500,000	826.1	347,291	711.3	44,964	302,326
\$500,000 under \$1,000,000	384.9	292,162	331.3	31,172	260,990
\$1,000,000 under \$5,000,000	179.3	353,658	162.3	33,975	319,682
\$5,000,000 or more	13.3	147,807	12.6	11,844	135,963

¹ Includes top wealthholders with negative net worth.

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

Table 5B.—Top Wealthholders 50 to 64 Years of Age With Gross Assets Greater Than \$500,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	828.8	932,461	745.3	133,696	798,765
Under \$250,000 ¹	47.9	27,351	47.1	27,264	87
\$250,000 under \$500,000	203.4	111,483	192.0	29,440	82,043
\$500,000 under \$1,000,000	384.9	292,162	331.3	31,172	260,990
\$1,000,000 under \$5,000,000	179.3	353,658	162.3	33,975	319,682
\$5,000,000 or more	13.3	147,807	12.6	11,844	135,963

Size of net worth	Types of assets							
	Cash		Corporate stock		Bonds			
	Number	Amount	Number	Amount	Total		Corporate and foreign	
					Number	Amount	Number	Amount
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total	808.0	70,537	704.3	269,650	370.1	45,973	147.0	5,578
Under \$250,000 ¹	45.4	1,107	36.7	2,435	10.0	564	3.4	89
\$250,000 under \$500,000	196.8	8,994	161.0	16,754	73.3	2,646	27.6	528
\$500,000 under \$1,000,000	375.6	30,685	329.1	65,595	180.5	13,021	74.9	2,064
\$1,000,000 under \$5,000,000	176.9	23,724	164.5	116,079	97.8	19,206	37.4	2,033
\$5,000,000 or more	13.2	6,027	13.1	68,786	8.5	10,535	3.7	864

Size of net worth	Types of assets—Continued							
	Bonds—Continued						Life insurance equity	
	Government							
	Federal savings		Other Federal		State and local		Number	Amount
	Number	Amount	Number	Amount	Number	Amount		
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Total.....	87.4	1,549	102.3	11,697	219.3	27,149	639.2	14,283
Under \$250,000 ¹	3.7	15	*1.4	*62	4.0	399	44.7	1,775
\$250,000 under \$500,000.....	22.7	160	17.9	916	34.5	1,042	179.1	4,533
\$500,000 under \$1,000,000.....	43.3	722	50.6	3,216	105.1	7,020	277.0	4,185
\$1,000,000 under \$5,000,000.....	16.8	570	29.2	4,568	69.5	12,035	129.3	3,315
\$5,000,000 or more.....	1.0	82	3.1	2,936	6.2	6,653	9.1	474

Size of net worth	Types of assets—Continued							
	Notes and mortgages		Real estate		Noncorporate business assets		Other assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	385.4	46,310	798.0	323,751	396.5	79,609	797.4	82,349
Under \$250,000 ¹	17.8	1,440	45.6	13,163	24.9	5,158	44.8	1,708
\$250,000 under \$500,000	83.8	6,021	196.6	52,313	93.5	9,441	196.1	10,781
\$500,000 under \$1,000,000	175.3	17,183	371.3	116,630	166.0	19,150	369.3	25,712
\$1,000,000 under \$5,000,000	99.3	16,252	171.5	114,258	101.6	29,633	174.1	31,190
\$5,000,000 or more	9.2	5,414	12.9	27,387	10.5	16,227	13.2	12,957

* Estimate should be used with caution because of the small number of sample estate tax returns on which it is based.

¹ Includes top wealthholders with negative net worth.

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

Table 6A.—All Top Wealthholders 65 Years of Age or Older With Gross Assets Greater Than \$325,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	1,103.8	935,392	921.3	46,509	888,883
Under \$100,000 ¹	0.8	660	0.8	1,011	-351
\$100,000 under \$250,000	9.0	4,231	9.0	2,407	1,824
\$250,000 under \$500,000	578.1	233,913	464.0	9,941	223,972
\$500,000 under \$1,000,000	354.2	247,844	301.1	9,490	238,354
\$1,000,000 under \$5,000,000	149.3	281,381	134.7	13,715	267,666
\$5,000,000 or more	12.6	167,363	11.8	9,945	157,418

* Estimates should be used with caution because of the small number of sample estate tax returns on which it is based.

¹ Includes top wealthholders with negative net worth.

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

Table 6B.—All Top Wealthholders 65 Years of Age or Older With Gross Assets Greater Than \$500,000, by Size of Net Worth

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

Size of net worth	Number of top wealthholders	Total assets	Debts and mortgages		Net worth
			Number	Amount	
	(1)	(2)	(3)	(4)	(5)
Total	557.8	720,654	488.1	39,487	681,167
Under \$250,000 ¹	2.4	2,130	2.4	2,100	30
\$250,000 under \$500,000	39.4	21,936	38.1	4,236	17,700
\$500,000 under \$1,000,000	354.2	247,844	301.1	9,490	238,354
\$1,000,000 under \$5,000,000	149.3	281,381	134.7	13,715	267,666
\$5,000,000 or more	12.6	167,363	11.8	9,945	157,418

Size of net worth	Types of assets							
	Cash		Corporate stock		Bonds			
	Number	Amount	Number	Amount	Total		Corporate and foreign	
					Number	Amount	Number	Amount
	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total	551.2	84,834	489.8	241,173	372.9	89,073	170.9	7,739
Under \$250,000 ¹	2.1	135	1.7	158	0.1	13	**	**
\$250,000 under \$500,000	38.8	3,401	32.9	3,597	18.8	1,198	**7.8	**219
\$500,000 under \$1,000,000	349.7	43,262	303.6	62,687	229.9	26,388	107.4	3,208
\$1,000,000 under \$5,000,000	148.1	29,002	139.5	98,765	113.6	38,256	51.1	3,062
\$5,000,000 or more	12.5	9,033	12.1	75,966	10.4	23,217	4.5	1,250

Size of net worth	Types of assets—Continued							
	Bonds—Continued						Life insurance equity	
	Government							
	Federal savings		Other Federal		State and local			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Total.....	92.7	3,682	152.9	27,927	235.7	49,725	294.1	5,705
Under \$250,000 ¹	**	**	**	**	**	**	1.8	54
\$250,000 under \$500,000.....	**5.7	**143	**6.0	**390	**8.9	**460	25.9	594
\$500,000 under \$1,000,000.....	61.4	2,122	93.1	9,542	134.5	11,516	182.5	2,569
\$1,000,000 under \$5,000,000.....	24.2	1,269	48.6	10,975	83.7	22,950	77.1	2,090
\$5,000,000 or more.....	1.3	147	5.2	7,020	8.7	14,800	6.8	397

Size of net worth	Types of assets—Continued							
	Notes and mortgages		Real estate		Noncorporate business assets		Other assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	252.3	35,024	492.9	182,455	169.1	33,291	529.2	49,099
Under \$250,000 ¹	1.4	129	2.4	1,353	1.6	181	2.1	106
\$250,000 under \$500,000	18.6	1,518	35.5	9,354	12.1	1,098	37.1	1,176
\$500,000 under \$1,000,000	146.3	13,347	311.1	77,902	93.1	6,501	333.0	15,187
\$1,000,000 under \$5,000,000	78.0	13,682	132.4	69,286	55.1	13,024	144.6	17,276
\$5,000,000 or more	8.0	6,348	11.5	24,560	7.2	12,487	12.4	15,353

* Estimate should be used with caution because of the small number of estate tax returns on which it is based.

¹ Data combined to avoid disclosure of information for specific estate tax returns.¹ Includes top wealthholders with negative net worth.

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

Table 7A.—All Top Wealthholders With Gross Assets of \$325,000 or More, by State of Residence

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

State of residence	Number of top wealth-holders	Total assets	Debts and mortgages		Net worth	Men		Women		Millionaires as defined by:	
			Number	Amount		Number	Net worth	Number	Net worth	Net worth	
										Number	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States, total.....	4,478.8	3,218,225	3,976.5	504,714	2,713,510	2,763.4	1,535,501	1,715.3	1,178,010	475.5	1,200,157
Alabama.....	44.8	31,813	41.4	4,000	27,813	32.0	18,338	12.7	9,475	7.2	14,402
Alaska.....	18.0	11,121	17.3	2,571	8,550	13.7	6,266	4.3	2,284	1.8	3,448
Arizona.....	67.3	53,998	59.9	6,022	47,976	37.8	19,637	29.5	28,338	7.0	24,058
Arkansas.....	31.8	24,715	27.6	4,752	19,963	21.6	10,835	10.2	9,128	4.7	9,301
California.....	689.4	598,487	607.7	98,479	500,009	341.6	221,115	347.8	278,893	95.2	257,506
Colorado.....	83.3	70,049	73.4	16,015	54,033	49.7	34,215	33.6	19,819	8.2	26,382
Connecticut.....	75.1	54,720	68.0	4,535	50,185	44.1	23,955	31.0	26,231	9.7	24,362
Delaware.....	13.7	8,222	11.8	1,347	6,875	7.6	4,145	6.1	2,729	0.8	2,234
Florida.....	288.1	229,310	246.9	35,141	194,170	169.8	114,157	118.3	80,013	41.8	97,606
Georgia.....	86.3	57,153	75.6	9,421	47,731	62.4	31,697	23.9	16,034	7.9	20,432
Hawaii.....	20.3	14,767	18.4	3,523	11,244	13.1	7,309	7.2	3,935	1.4	4,813
Idaho.....	18.5	11,380	16.1	3,443	7,937	9.6	3,354	8.9	4,584	1.0	2,074
Illinois.....	230.7	154,487	209.4	27,745	126,743	150.5	81,571	80.2	45,172	20.8	47,403
Indiana.....	80.3	48,387	64.8	8,009	40,378	49.5	25,780	30.8	14,598	7.6	14,702
Iowa.....	105.6	58,303	92.3	12,658	45,645	73.9	30,125	31.7	15,520	4.7	10,528
Kansas.....	69.5	44,070	58.7	6,121	37,949	46.9	26,256	22.6	11,693	4.2	12,700
Kentucky.....	49.6	31,524	45.2	5,275	26,249	34.7	16,577	14.9	9,673	5.0	11,200
Louisiana.....	70.6	50,846	66.1	9,538	41,308	38.9	21,302	31.7	20,006	7.6	18,201
Maine.....	14.7	10,550	13.2	2,458	8,092	9.7	4,929	5.0	3,163	1.2	2,999
Maryland (includes District of Columbia).....	88.9	65,458	76.1	7,735	57,723	62.3	36,741	26.6	20,982	9.8	28,489
Massachusetts.....	102.3	61,078	99.0	6,334	54,744	61.2	30,527	41.1	24,217	8.8	20,739
Michigan.....	111.8	68,734	98.9	8,913	59,822	76.5	38,342	35.4	21,479	9.8	22,199
Minnesota.....	90.6	56,643	78.5	12,055	44,588	74.7	34,156	15.9	10,433	6.4	15,418
Mississippi.....	33.9	18,320	30.3	3,793	14,526	25.0	10,326	8.9	4,200	1.6	3,107
Missouri.....	77.0	55,610	62.3	7,206	48,404	55.2	31,313	21.8	17,091	8.1	19,855
Montana.....	25.5	16,539	22.2	4,600	11,939	16.7	7,714	8.8	4,226	1.9	4,385
Nebraska.....	57.0	36,002	48.3	7,550	28,452	39.6	17,864	17.4	10,588	4.1	8,016
Nevada.....	27.7	26,249	25.9	4,198	22,051	10.4	6,835	17.3	15,215	4.4	13,483
New Hampshire.....	13.6	9,387	13.0	1,677	7,710	9.9	5,610	3.7	2,100	1.3	3,547
New Jersey.....	141.7	89,787	128.0	11,902	77,885	97.3	49,331	44.4	28,554	11.6	29,223
New Mexico.....	14.6	11,530	13.0	3,168	8,362	9.2	4,736	5.4	3,626	1.6	3,602
New York.....	326.5	245,727	280.1	24,810	220,917	200.2	124,809	126.3	96,108	38.1	109,525
North Carolina.....	71.2	43,059	67.7	8,799	34,260	52.7	22,604	18.5	11,656	5.0	10,680
North Dakota.....	29.5	18,942	24.3	5,457	13,485	24.5	10,448	5.0	3,037	2.2	3,555
Ohio.....	141.5	86,605	130.0	12,498	74,106	88.0	43,199	53.5	30,907	13.0	27,143
Oklahoma.....	72.8	54,997	59.5	9,121	45,876	48.6	29,341	24.2	16,535	7.5	21,454
Oregon.....	51.5	28,866	41.3	3,922	24,943	32.2	14,056	19.3	10,887	2.6	5,259
Pennsylvania.....	144.6	95,247	133.0	13,051	82,196	92.7	45,620	51.9	36,576	13.8	33,475
Rhode Island.....	10.9	8,043	9.8	1,184	6,859	8.0	5,214	2.9	1,646	1.5	2,966
South Carolina.....	50.0	29,130	48.3	4,335	24,795	32.9	16,381	17.1	8,414	3.4	9,080
South Dakota.....	19.4	10,407	17.7	3,207	7,200	15.6	5,379	3.8	1,821	1.0	1,645
Tennessee.....	61.5	38,146	58.8	5,839	32,306	41.9	20,777	19.6	11,530	7.2	13,677
Texas.....	343.5	266,266	323.0	39,344	226,921	167.1	102,056	176.4	124,866	41.4	110,861
Utah.....	24.0	16,431	21.0	2,782	13,649	13.4	8,723	10.6	4,927	3.4	6,688
Vermont.....	10.3	8,844	7.8	710	8,134	6.6	5,858	3.6	2,276	1.4	4,242
Virginia.....	89.9	60,632	79.9	7,464	53,168	61.8	34,707	28.1	18,462	8.0	25,067
Washington.....	75.5	56,157	65.7	8,842	47,315	41.8	29,089	33.8	18,226	7.7	17,931
West Virginia.....	10.6	7,449	10.0	1,949	5,499	8.1	4,041	2.5	1,458	0.8	1,320
Wisconsin.....	77.6	45,672	69.2	8,954	36,718	63.7	27,781	13.9	8,937	5.5	11,381
Wyoming.....	14.1	10,716	12.1	1,811	8,904	11.1	6,264	3.0	2,641	2.5	4,590
Other Areas ¹	11.3	7,647	8.1	448	7,199	6.8	4,098	4.5	3,101	1.9	3,204

¹ U.S. citizens domiciled abroad. Persons who acquired U.S. citizenship solely by virtue of being a citizen of Puerto Rico or the Virgin Islands are not included.

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

Table 7B.—All Top Wealthholders With Gross Assets Greater Than \$500,000, by State of Residence

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands, money amounts are in millions of dollars]

State of residence	Number of top wealthholders	Total assets	Debts and mortgages		Net worth	Men		Women	
			Number	Amount		Number	Net worth	Number	Net worth
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
United States, total	2,233.1	2,464,225	2,033.2	399,206	2,065,019	1,408.7	1,187,818	824.5	877,201
Alabama	23.6	25,467	22.1	3,021	22,445	16.4	14,266	7.1	8,180
Alaska	8.8	8,118	8.7	1,788	6,330	6.5	4,707	*2.3	*1,623
Arizona	34.2	42,511	30.8	4,471	38,040	19.5	14,618	14.7	23,422
Arkansas	20.8	21,232	17.9	3,828	17,404	14.0	9,322	6.8	8,082
California	380.7	487,466	337.6	79,958	407,508	183.6	178,613	197.1	228,895
Colorado	44.5	56,727	38.6	13,663	43,064	26.9	28,989	17.6	14,075
Connecticut	40.6	43,536	38.9	3,844	39,693	22.6	18,177	18.1	21,516
Delaware	4.4	5,181	4.1	1,151	4,030	3.7	3,371	0.6	659
Florida	154.0	182,854	137.1	29,875	152,979	98.0	93,870	56.0	59,109
Georgia	42.0	43,633	37.3	7,309	36,324	31.2	24,746	10.8	11,578
Hawaii	8.7	10,864	8.0	2,919	7,946	6.0	5,655	2.7	2,290
Idaho	10.6	8,448	10.2	2,393	6,054	5.2	2,794	5.4	3,260
Illinois	116.8	116,416	107.2	22,642	93,775	83.3	64,286	33.5	29,488
Indiana	36.2	33,484	30.4	7,088	26,395	22.4	18,322	13.8	8,073
Iowa	41.7	36,373	38.6	9,404	26,969	32.0	18,360	9.7	8,609
Kansas	30.2	30,476	26.1	4,024	26,452	19.7	18,651	10.5	7,801
Kentucky	22.2	22,945	21.9	3,647	19,299	15.6	12,533	6.6	6,766
Louisiana	37.5	39,405	36.5	7,566	31,839	21.4	17,589	16.2	14,250
Maine	7.8	8,525	7.0	2,068	6,457	4.6	3,785	3.2	2,672
Maryland (includes District of Columbia)	45.5	51,609	41.5	6,400	45,209	32.7	29,278	12.8	15,931
Massachusetts	44.4	42,630	42.7	4,489	38,141	26.7	22,255	17.7	15,886
Michigan	50.7	48,945	46.4	5,409	43,535	36.9	29,192	13.8	14,343
Minnesota	41.1	40,631	38.5	9,134	31,497	34.4	24,303	6.7	7,194
Mississippi	14.5	11,705	13.2	2,437	9,268	12.1	7,243	2.4	2,025
Missouri	41.6	43,135	36.0	6,127	37,008	32.3	24,611	9.3	12,397
Montana	14.3	13,092	12.2	4,139	8,954	8.5	5,540	5.8	3,414
Nebraska	30.1	25,718	27.2	6,315	19,403	23.0	12,372	7.1	7,031
Nevada	12.6	20,459	12.0	2,849	17,610	6.3	6,088	6.2	11,522
New Hampshire	7.3	7,810	6.9	1,352	6,459	4.6	4,713	2.8	1,745
New Jersey	64.4	64,707	58.1	9,492	55,215	46.4	36,296	18.0	18,919
New Mexico	7.8	9,106	7.0	2,690	6,416	5.4	3,702	2.5	2,714
New York	151.3	187,963	136.6	18,802	169,161	98.5	97,467	52.8	71,693
North Carolina	37.0	31,777	35.5	7,067	24,710	28.0	16,640	9.0	8,070
North Dakota	16.9	14,284	14.8	4,862	9,421	15.2	7,397	*1.7	*2,024
Ohio	63.5	61,322	59.8	9,376	51,946	43.5	32,382	20.0	19,564
Oklahoma	36.8	43,270	30.0	7,727	35,543	25.4	23,870	11.4	11,673
Oregon	24.3	19,488	21.7	2,933	16,555	13.0	8,482	11.3	8,074
Pennsylvania	73.6	72,848	70.7	10,513	62,335	43.8	33,767	29.8	28,568
Rhode Island	5.5	6,287	5.4	1,014	5,273	4.3	4,307	1.2	966
South Carolina	20.0	20,329	19.5	3,105	17,224	13.3	12,258	6.7	4,965
South Dakota	8.7	6,711	8.2	2,430	4,281	6.7	3,126	1.9	1,155
Tennessee	27.4	27,277	25.8	4,524	22,753	17.9	14,730	9.5	8,022
Texas	175.9	209,965	168.0	30,965	179,000	91.5	82,461	84.4	96,539
Utah	11.0	12,033	9.4	1,853	10,180	7.1	7,266	3.9	2,914
Vermont	5.1	6,972	4.9	575	6,397	3.5	4,986	1.6	1,412
Virginia	41.5	45,503	37.7	5,039	40,464	30.2	27,321	11.3	13,143
Washington	37.7	41,904	32.4	6,738	35,166	21.9	23,082	15.8	12,084
West Virginia	7.2	6,312	6.7	1,600	4,713	5.4	3,475	1.8	1,238
Wisconsin	35.9	32,131	33.9	6,975	25,156	28.1	18,313	7.8	6,843
Wyoming	7.0	8,409	6.4	1,337	7,073	5.2	4,861	1.8	2,211
Other Areas ¹	7.3	6,232	5.2	281	5,951	4.2	3,376	3.1	2,575

Footnotes at end of table.

Table 7B—All Top Wealthholders With Gross Assets Greater Than \$500,000, by State of Residence—Continued

[All figures are estimates based on estate tax return samples—numbers of top wealthholders are in thousands; all money amounts are in millions of dollars]

State of residence	Selected assets									
	Cash		Corporate stock		Bonds		Real estate		Noncorporate business assets	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
United States, total	2,178.0	205,960	1,842.9	737,964	980.7	173,635	2,074.3	800,391	971.8	191,128
Alabama	23.1	1,687	19.9	6,767	11.2	1,381	23.0	8,302	10.8	1,845
Alaska	8.8	577	5.2	1,765	1.4	98	8.5	3,733	5.9	1,021
Arizona	32.9	2,470	28.1	18,172	13.6	1,954	32.4	11,999	16.7	2,735
Arkansas	20.3	2,452	16.4	4,193	8.5	3,375	19.3	6,504	9.8	1,247
California	370.3	33,905	301.2	123,506	146.6	23,706	363.4	202,568	174.6	45,124
Colorado	44.3	4,092	36.0	14,768	17.5	2,676	41.2	20,600	21.7	7,597
Connecticut	38.9	4,007	35.1	17,536	22.4	4,116	34.8	11,014	9.8	1,011
Delaware	4.2	570	3.9	1,712	1.9	387	4.2	1,352	1.8	545
Florida	149.8	15,824	125.5	52,078	77.1	21,148	143.4	57,377	49.7	10,049
Georgia	40.8	3,100	35.6	14,390	15.8	1,730	39.1	13,880	15.7	2,770
Hawaii	8.4	501	7.2	2,376	3.0	899	8.5	5,840	3.5	467
Idaho	9.6	662	6.6	1,081	2.7	328	10.0	3,819	7.8	1,048
Illinois	114.6	11,856	100.2	34,443	55.6	9,115	107.4	34,590	47.0	8,182
Indiana	35.5	2,834	27.4	10,818	14.3	2,430	35.0	11,722	13.9	1,776
Iowa	40.8	2,178	36.5	8,309	16.0	1,435	39.0	15,328	28.1	4,497
Kansas	29.4	2,933	24.9	9,045	13.9	2,282	28.5	9,832	18.8	2,790
Kentucky	21.8	2,120	19.9	9,293	13.2	1,790	21.1	6,611	10.2	800
Louisiana	36.6	3,197	33.9	11,425	18.8	2,414	35.9	14,440	15.2	2,202
Maine	7.8	719	7.5	3,723	3.4	449	7.2	1,564	2.1	657
Maryland (includes District of Columbia)	44.8	4,136	40.2	14,125	24.0	3,635	41.3	15,067	15.9	4,164
Massachusetts	44.1	4,253	36.9	16,696	24.8	4,764	39.8	9,443	10.3	1,368
Michigan	48.9	5,188	41.2	17,481	23.1	3,891	45.6	10,792	21.6	3,861
Minnesota	39.9	2,342	33.1	10,738	15.6	1,833	39.8	16,801	23.9	4,357
Mississippi	14.1	1,147	11.5	2,436	6.2	587	13.6	4,024	5.7	1,165
Missouri	40.0	2,993	33.7	16,766	17.9	3,769	36.8	10,761	20.0	2,495
Montana	14.2	1,064	9.4	2,312	5.1	357	13.7	5,695	7.6	1,232
Nebraska	28.9	1,830	22.3	4,701	10.8	1,207	29.6	11,514	22.4	3,569
Nevada	12.4	2,270	10.1	5,569	4.9	1,866	11.9	7,478	7.3	876
New Hampshire	7.3	943	5.7	3,104	3.4	703	6.0	1,793	1.3	100
New Jersey	62.6	6,280	55.8	24,661	36.8	7,282	60.3	15,794	19.6	3,157
New Mexico	7.7	656	5.5	2,066	2.9	273	7.8	2,820	3.9	346
New York	145.6	19,107	132.8	69,276	87.7	23,036	119.2	35,114	45.7	13,119
North Carolina	36.1	2,850	32.4	10,063	15.9	1,703	36.0	11,257	14.2	1,664
North Dakota	15.7	768	11.9	1,373	5.0	140	16.6	6,957	12.2	2,569
Ohio	62.1	5,875	56.2	23,705	26.6	3,542	57.2	15,528	22.8	3,060
Oklahoma	35.2	4,498	27.2	13,870	10.7	1,655	34.4	12,859	16.4	3,516
Oregon	24.1	1,875	17.5	4,271	7.8	1,104	23.2	6,800	11.9	1,828
Pennsylvania	73.3	6,753	66.5	28,220	41.3	7,224	67.1	16,861	21.6	3,818
Rhode Island	5.4	566	4.9	2,581	4.2	714	5.0	1,656	1.2	88
South Carolina	19.7	1,866	17.1	7,483	9.4	931	18.2	5,595	7.5	1,147
South Dakota	7.7	468	5.6	1,196	2.6	139	8.6	2,687	6.7	1,591
Tennessee	26.5	2,883	23.6	8,376	12.2	1,484	27.3	7,771	12.1	1,597
Texas	174.3	18,229	147.1	52,981	60.8	9,887	171.1	73,518	101.0	19,877
Utah	10.9	705	7.6	3,780	3.6	551	9.6	4,127	5.6	871
Vermont	5.1	398	4.9	3,721	3.2	783	4.9	1,226	3.0	134
Virginia	40.9	3,143	35.2	14,323	19.2	2,664	38.4	12,776	16.0	4,326
Washington	37.6	2,922	30.4	9,719	16.1	3,051	36.1	16,626	21.6	4,166
West Virginia	7.0	664	6.5	2,612	2.9	256	7.1	1,616	2.6	331
Wisconsin	34.2	2,023	28.4	10,339	14.0	1,705	34.7	10,170	20.6	3,208
Wyoming	7.0	1,019	5.1	1,731	1.9	399	6.7	3,168	3.8	572
Other Areas ¹	7.1	565	5.6	2,291	3.2	786	5.1	1,024	2.6	593

^{*} Estimate should be used with caution because of the small number of sample estate tax returns on which it is based.¹ U.S. citizens domiciled abroad. Persons who acquired U.S. citizenship solely by virtue of being a citizen of Puerto Rico or the Virgin Islands are not included.

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

Foreign Trusts, 1986

By James R. Hobbs*

U.S. "persons" transferred nearly \$17 million in money and property to trusts located in 17 foreign countries in 1986 [1]. There were 255 transfers made during the year, which brings the average transfer value to \$66,000.

A total of 411 foreign trusts had one or more U.S. beneficiaries during 1986 and had received transfers from U.S. persons during their existence. These foreign trusts had more than \$94 million in total assets and received nearly \$8 million in total income. Their \$2.6 million of net income were included in the taxable income of their U.S. grantors or transferors.

BACKGROUND

Trusts are fiduciary arrangements created by persons (the "grantors") who transfer their ownership of property to other persons (the "trustees") subject to an obligation to protect and use that property for the benefit of other persons (the "beneficiaries"). The property (or "corpus") can be real or personal, tangible or intangible. The arrangement can be an "inter vivos trust" created by a living grantor, or a "testamentary trust" created as the result of the grantor's will.

The fiduciary relationship of a trust requires substantial management by the trustee, including a duty to act solely in the interest of the beneficiary. The powers, duties, restrictions, and obligations of the trustee, as well as the rights of the beneficiary, are based on the provisions of the trust agreement and the laws of the jurisdiction in which the trust was created. The beneficiary has the right to benefit from the trust's property, usually through receipt of the income produced from investments made by the trustee, or from the distribution of the trust's property itself. Factors a grantor might consider in selecting a jurisdiction in which to create a trust include the political and economic stability of a country, available banking and trust facilities, applicable trust laws, and tax laws.

For a trust to exist, there must be a separation of its ownership interests by the trustee from its beneficial interests. As a result, one person cannot be the grantor, trustee, and sole beneficiary of a trust all at the same time. However, if this person is not a beneficiary or is only one of two or more beneficiaries, then there is a separation of interests between two parties and a valid trust arrangement exists.

(Trusts can have multiple grantors, trustees, and beneficiaries [2].) Similarly, a trust can exist if one of several trustees is also the sole beneficiary. Here again, there are at least two parties with separate interests.

The creation of a trust may result in U.S. income taxation of the grantor, the transferor, the trust, and the beneficiary. Domestic trusts are taxed as U.S. citizens or residents, whereas foreign trusts are taxed as nonresidents. The next section discusses foreign trusts in greater detail.

FOREIGN TRUSTS

Trusts are generally considered to be "foreign" if the fiduciary is a nonresident alien for U.S. tax purposes; if the property is transferred to the fiduciary, the property and records are maintained, and the trust instrument is executed outside the United States; and if the trust is created and governed under the laws of a foreign country. Foreign trusts that have U.S. persons as grantors, transferors, or beneficiaries are also subject to U.S. income taxation.

Section 1491 of the Internal Revenue Code imposes a 35 percent excise tax on certain transfers of property by a U.S. person to a foreign trust. The tax applies to transfers, including sales and exchanges, of appreciated property in which gain, under the tax code, is not realized by the transferor at the time of the transfer. To the extent that the U.S. person realizes a gain for income tax purposes at the time of the transfer (based on the excess of the "fair market value" of the property over its "adjusted basis"), the transfer is not subject to the excise tax.

When a U.S. person (grantor or transferor) directly or indirectly transfers property to a foreign trust with one or more U.S. beneficiaries, "grantor trust rules" apply. Under these rules, the person is treated for U.S. income tax purposes as the owner of the portion of the trust attributable to the transferred property. Furthermore, the person is currently taxed on all items of worldwide income (including capital gains) of the trust, whether distributed or accumulated, that are attributable to that property [3]. Section 679 of the Internal Revenue Code covers these grantor trust rules. That section, however, excludes: (1) testamentary trusts; (2) property transferred to a trust in a sale or exchange when the transferor realizes the gain for tax purposes; and (3) certain stock bonus, pension, or profit-sharing trusts.

The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 combined to make foreign

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persons (including foreign trusts) who sell or exchange U.S. real property liable for a U.S. income tax on the gain realized from the disposition. In general, after December 31, 1984, a transferee of such property is required to deduct from the seller's proceeds, and to withhold for tax purposes, 10 percent of the amount realized on the sale or exchange. This withholding tax may not necessarily equal the actual tax liability of the foreign person on the disposition of the property.

A U.S. beneficiary of a foreign trust is liable for U.S. tax on his or her share of the trust's distributions, subject to a ceiling called "distributable net income" (DNI). The beneficiary includes the distributions received in his or her gross income for the current taxable year. The DNI of a foreign trust is an amount calculated similarly to the way taxable (net) income is calculated, but with certain adjustments. Among these adjustments is the provision to include foreign source income [4].

A foreign trust that does not actually distribute to its beneficiaries all its DNI in a taxable year has "undistributed net income." If, in a subsequent year, a non-grantor foreign trust distributes to its U.S. beneficiaries amounts in excess of the DNI for that year, then the excess amount is treated as an "accumulation distribution" and is taxed to those beneficiaries under "throwback" rules, described in the next paragraph. In addition, interest is charged on the tax deferral resulting from the accumulation of income.

The throwback rules are designed to tax beneficiaries on accumulation distributions at a rate equal to the rate that would have been paid had the income been distributed in the year it was earned by the trust. Beneficiaries are taxed on accumulation distributions in the year they are received. The beneficiaries' tax liability for the prior taxable year(s) in which the trust had undistributed net income is not changed.

A 6-percent simple interest charge per year is imposed on the beneficiary's tax on accumulated distributions from foreign trusts computed under the throwback rules. (This interest charge is not tax deductible.) For purposes of this interest charge, the accumulated distributions do not include foreign trust income for which a grantor had paid U.S. tax on that income. The interest charge is based on the length of time the tax has been deferred because of the trust's accumulation of income. In effect, the interest charge increases the effective income tax rate placed on accumulated distributions of foreign trusts. The total tax and interest charge is limited by the amount of the actual accumulation distribution [5].

FILING CHARACTERISTICS OF FORMS 3520

Form 3520, Creation of or Transfers to Certain Foreign Trusts, is required to be filed by any U.S. grantor, transferor,

or fiduciary who created a foreign trust or transferred money or property into an existing foreign trust [6]. This form requires information about the trust and its beneficiaries. It is due within 90 days after the creation of, or transfer of any money or property to, the foreign trust.

During 1986, as already mentioned, U.S. persons transferred \$16.9 million in money and property to 255 foreign trusts, for an average transfer value per trust of \$66,000. By comparison, in 1982 (the most recent prior year for which data are available), the value of transfers was \$11.3 million, and the number of trusts receiving transfers was 342 [7]. As a result, the average transfer value doubled from \$33,000 during the 4-year period.

Most U.S. persons filing Forms 3520 have been grantors. In both 1982 and 1986, grantors accounted for about three-fourths of all filers. Transferors made up most of the remaining filers, with fiduciaries accounting for a very small percentage. Figure A shows the types of filers by percentage.

Figure A.—Forms 3520: Types of Filers, by Percentage, 1982 and 1986

Types of filers	1982	1986
All filers.....	100%	100%
Grantors.....	78	72
Transferors.....	19	27
Fiduciaries.....	2	1

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

Figure B shows the six countries where nearly 90 percent of the foreign trusts were located for 1986. These trusts, in turn, accounted for 60 percent of the total amount of transfers. A small number of trusts created in the Bahamas (not shown separately) accounted for most of the transfers for the "other countries."

Figure B.—Forms 3520: Number of Trusts, Total and Average Transfer Values, by Country Where the Trust was Created, 1986

(Money amounts are in thousands of U.S. dollars)

Country	Number of trusts	Total transfer value	Average transfer value per trust
	(1)	(2)	(3)
All countries.....	255	\$16,892	\$ 66
Canada.....	127	1,396	11
Cayman Islands.....	43	2,885	67
Channel Islands.....	23	3,195	139
Switzerland.....	13	445	34
Bermuda.....	12	1,733	144
Liechtenstein.....	9	506	56
Other countries.....	28	6,732	240

With the exception of Canada, all the countries listed in Figure B, plus the Bahamas, British Virgin Islands, Gibraltar, and Hong Kong which are included in "other countries," are considered to be "tax haven countries" (described in the next paragraph) [8]. Together these tax havens accounted

Foreign Trusts, 1986

for nearly \$15 million, or 89 percent, of the total transfers to foreign trusts by U.S. persons.

Tax haven countries generally have tax and secrecy laws favorable to foreign persons. They attract foreign investment by having no income tax or by offering low income tax rates. Some collect certain fees instead of income taxes. Tax havens also offer bank or commercial secrecy laws that prevent foreign governments from obtaining financial information about persons transacting business in their country.

Cash (\$12.9 million) and corporate stocks (\$1.2 million) made up nearly 84 percent of the total transfers to foreign trusts. Other types of transferred property reported on Forms 3520 included municipal bonds and partnership interests.

"Registered Retirement Savings Plans" received \$1.2 million of transfers by U.S. persons to foreign trusts. These 123 Canadian retirement plans were treated for Canadian income tax purposes in a manner similar to the "Individual Retirement Arrangements" used by U.S. taxpayers to defer taxation on current income set aside for retirement purposes. Although the Registered Retirement Savings Plans accounted for nearly half of the total foreign trusts, they had a low average transfer value (\$9,600). There were two fundamental reasons for this low average. First, these savings plans were generally set up by individuals who transferred funds for the purpose of deferring relatively small amounts of Canadian taxes. Secondly, Canada limited the amount of income on which tax could be deferred.

Most of the foreign trusts that received transfers from U.S. persons in 1986 were created recently. In fact, 230 of them had been created since 1980. Fifty-five were created in 1986 and 103 others in 1985. However, a few foreign trusts were created as far back as the early 1960's.

More than half (145) of the 255 foreign trusts reported on Forms 3520 that they had only one beneficiary; 73 other trusts had between two and four beneficiaries each. The remaining trusts either had five or more beneficiaries (18) or failed to report any information on their beneficiaries (19).

A total of 488 beneficiaries (who were the ultimate recipients of the trust funds) was reported on the Forms 3520, of which 254 were U.S. residents. Persons who resided in Canada (122) and the United Kingdom (45) also were frequent beneficiaries of trusts. Also reported were beneficiaries who resided in France, Israel, New Zealand, West Germany, and the Philippines.

FILING CHARACTERISTICS OF FORMS 3520-A

Any U.S. person who directly or indirectly transferred property to a foreign trust (other than an employee's trust or

an annuity plan) with one or more U.S. beneficiaries, was considered for U.S. tax purposes to be the owner of the part of the trust that was attributable to the transferred property. Once the transfer had been made, the person was thereafter required to file Form 3520-A, Annual Return of Foreign Trust with U.S. Beneficiaries, for as long as the trust had at least one U.S. beneficiary [9]. This return, which was required to be filed within 3 and one-half months after the end of the tax year of the grantor or transferor, contained balance sheet and profit-and-loss information for the trust.

Figure C shows income statement and end-of-year balance sheet data for the 411 foreign trusts reported on Forms 3520-A. (Tables 1 and 2, at the end of the article, show these data by selected countries in which the trusts were created.) Their total assets of \$94.5 million were more than double the \$45.2 million of assets reported for 393 foreign trusts for 1982. Average total assets per trust doubled, from \$115,000 for 1982 to \$230,000 for 1986.

Figure C.—Forms 3520-A: Income Statement and Balance Sheet Items, 1986

[Money amounts are in thousands of U.S. dollars]

Item	Number or amount
Number of returns	411
Total income	\$7,872
Dividends	1,526
Interest	3,195
Net gain (less loss), sales of capital assets	2,491
Other income (less loss)	661
Total expenses	5,264
Net income (less deficit)	2,608
Net income	4,273
Total assets	94,456
Cash	13,273
Government obligations	5,502
Non-government obligations	15,366
Corporate stock	27,334
Other investments	12,543
Depreciable assets (net)	13,471
Other assets	6,967
Total liabilities	37,339
Net worth	57,117

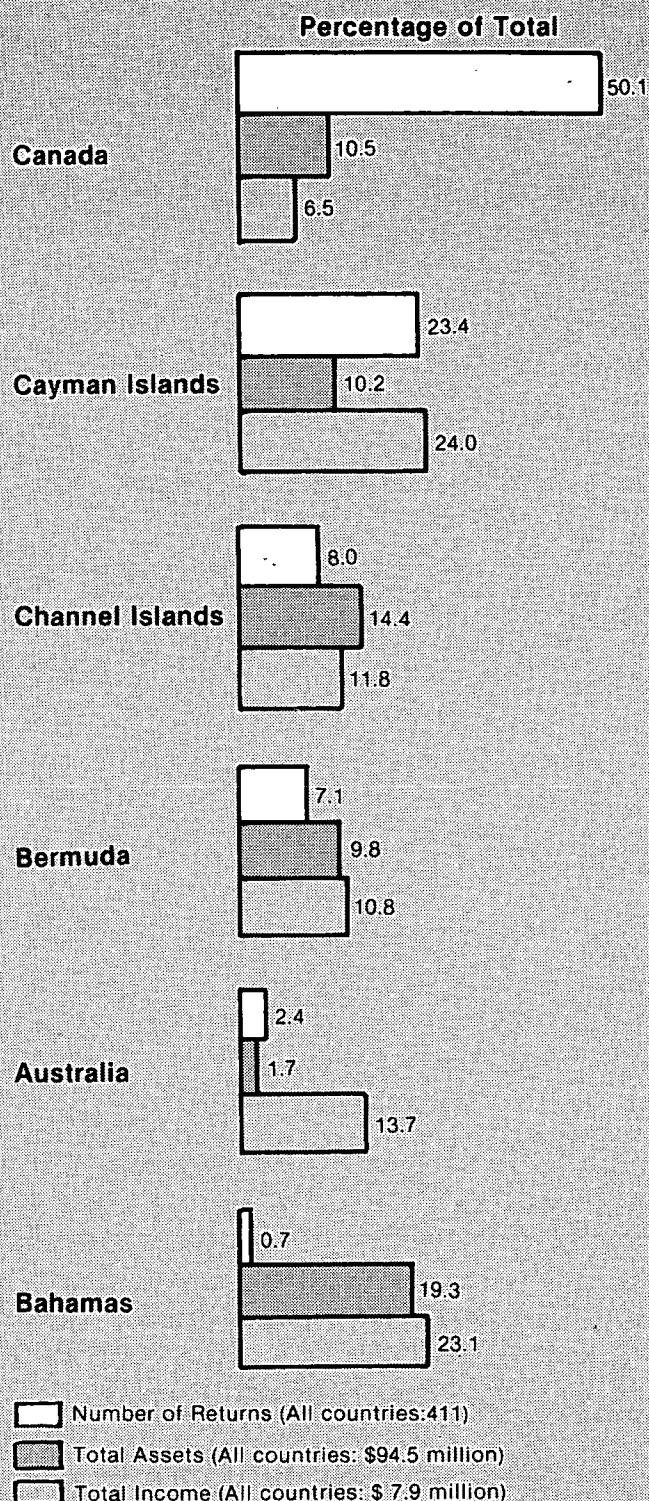
NOTE: Detail may not add to totals because of rounding.

The income statement data shown in Figure C generally represent the share attributable to the U.S. grantor or transferor of the foreign trust (see the Data Sources and Limitations section of this article). The allocable amount was based on the portion of the trust's assets attributable to property transferred by the U.S. person [10].

Most of the income allocable to U.S. grantors and transferors from foreign trusts was investment-related, including interest, dividends, and capital gains. After deducting expenses, net income (less deficit) of \$2.6 million was reported for all the trusts — an average of \$6,300 of net income per trust. These amounts of net income (and losses) were included in the taxable income of the U.S. grantors and transferors [11].

Figure D presents selected data items for trusts by selected foreign countries in which the trusts were created.

Figure D
Forms 3520-A: Selected Foreign
Trust Items, by Country Where
Trust was Created, 1986



Only those countries that had trusts accounting for 10 percent or more of the total for all trusts for at least one of the three items shown are included in this figure.

As was the case with Forms 3520, Canadian trusts accounted for half of all Forms 3520-A filed annually. These trusts had relatively small amounts of assets and income, in addition to their low transfer values previously discussed. Of the 206 Canadian trusts, 175 were Registered Retirement Savings Plans.

Trusts in tax haven countries accounted for most of the assets and income reported for all the trusts. In fact, trusts in these countries had 82 percent of the total assets and 84 percent of the total income reported for all the foreign trusts in 1986, while accounting for only 45 percent of the Forms 3520-A filed that year. In addition to the four tax haven countries shown in Figure D, trusts created in the following tax havens are also included in the totals for 1986: British Virgin Islands, Gibraltar, Liechtenstein, Netherlands Antilles, and Switzerland.

There were 15 large trusts in 1986, each having a net worth of \$1 million or more. (Net worth is the difference between total assets and total liabilities.) However, these few trusts accounted for 39 percent of the assets and 33 percent of the total income for all foreign trusts (see Figure E). All but one of these large trusts were created in the tax haven countries.

Figure E.—Forms 3520-A: Income Statement and Balance Sheet Items, for All Foreign Trusts and Trusts with Net Worth of \$1 Million or More, 1986

(Money amounts are in thousands of U.S. dollars)

Item	All trusts	Trusts with net worth of \$1 million or more	Percentage of total
	(1)	(2)	(3)
Number of returns	411	15	3.6%
Total income	\$ 7,872	\$ 2,606	33.1
Dividends	1,526	304	19.9
Interest	3,195	608	19.0
Net gain (less loss), sales of capital assets	2,491	1,694	68.0
Other income (less loss)	661	-	-
Total expenses	5,264	1,338	25.4
Net income (less deficit)	2,608	1,268	48.6
Net income	4,273	2,247	52.6
Total assets	94,456	36,763	38.9
Cash	13,273	4,712	35.5
Government obligations	5,502	2,472	44.9
Non-government obligations	15,366	1,518	9.9
Corporate stock	27,334	17,848	65.3
Other investments	12,543	4,919	39.2
Depreciable assets (net)	13,471	4,770	35.4
Other assets	6,967	524	7.5
Total liabilities	37,339	2,160	5.8
Net worth	57,117	34,603	60.6

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

Although 62 percent of the foreign trusts that filed annual returns for 1986 had been created since 1980, this was substantially less than the 90 percent (230 out of 255) figure

for those filing Forms 3520. The different filing requirements for the forms account for this difference. Forms 3520 were required to be filed within 90 days after a transfer to a foreign trust. Forms 3520-A were required to be filed annually after a transfer to a foreign trust, as long as the trust continued to have at least one U.S. beneficiary. Thus, these forms were often filed for many years. In fact, the 1986 study contained several Forms 3520-A for trusts created in the mid-1950's.

For 1986, grantors filed more than 90 percent of all Forms 3520-A, compared with 72 percent for Forms 3520 (see Figure A, presented earlier). Transferors made up the rest of the filers of the annual returns.

Most (246) of the foreign trusts reported on the annual returns for 1986 as having only one U.S. beneficiary. Another 110 trusts had between two and four U.S. beneficiaries each. The remaining trusts either had five or more U.S. beneficiaries (30) or failed to report any information on their beneficiaries (25). For the 386 foreign trusts which reported beneficiary information, there was a total of 753 U.S. beneficiaries.

SUMMARY

Tax haven countries played a large role in foreign trust activity for 1986. Trusts in these countries accounted for nearly \$15 million, or 89 percent, of the transfers by U.S. persons to all foreign trusts. Similarly, annual returns for trusts in these countries accounted for the majority of assets (82 percent) and total income (84 percent) reported for all the foreign trusts.

Canadian trusts, primarily Registered Retirement Savings Plans, made up approximately half of the total foreign trusts for which returns were filed for 1986. However, their aggregate financial values were comparatively small. They accounted for only 8 percent of the value of transfers, and on the annual returns, for only 10 and 7 percent of total assets and income, respectively, for all the foreign trusts.

DATA SOURCES AND LIMITATIONS

The statistics for 1986 presented in this article were based on all Forms 3520 and 3520-A filed at the Internal Revenue Service's Philadelphia Service Center between January 1 and December 31, 1986. Because all these returns were used for the statistics, the data are not subject to sampling error.

In the case of multiple transfers by the same U.S. person to the same foreign trust, a single Form 3520 could have been used to combine all the transfers made during a 90-day period. The form would have to include separate

information on each of the transfers. Subsequent transfers were reported on separate Forms 3520, subject to the same 90-day rule.

Because Forms 3520 and 3520-A are information returns, taxpayer reporting is occasionally incomplete. This problem occurred most frequently with Part I, Foreign Trust Income Statement, of Form 3520-A, which shows the income and expense items of the trust and the amount of each apportioned to the U.S. grantor or transferor. In most cases the grantor or transferor portion was used for these statistics. When only the income and expense information for the entire trust was reported, however, the full amounts were used for the statistics.

Because the filing requirements of Forms 3520 and 3520-A were somewhat different, an exact match of forms in the 1986 studies could not be expected. For instance, the filing requirements for Forms 3520-A included the condition of one or more U.S. beneficiaries, while Forms 3520 had no such requirement. On the other hand, Forms 3520 were required to be filed only when a transfer had been recently made, while part of the filing requirements for Forms 3520-A specified the occurrence of a transfer at any time since the trust had been created [12]. As a result of these filing requirement differences, only 76 of the 411 Forms 3520-A indicated that Forms 3520 were also filed for the given trust in 1986.

EXPLANATION OF SELECTED TERMS

Beneficiary. — For purposes of this article, a person who receives, will receive, or may receive money or property at any time from a foreign trust. This is the person for whose benefit a trust was created.

Fiduciary. — Any person who is a trustee, or a character similar to a trustee, and has the duty to act in good faith for the benefit of another person.

Grantor. — Any U.S. person who created, or was treated for tax purposes as the owner of, any portion of a foreign trust.

Transferor. — Any U.S. person other than the grantor or fiduciary who directly or indirectly transfers money or property to, or for the benefit of, a foreign trust. The term does not refer to a person who transfers money or property in accordance with a sale or exchange that was made for full compensation.

NOTES AND REFERENCES

- [1] The term "U.S. person" includes individuals, corporations, partnerships, trusts, and estates. Individuals include U.S. citizens and residents.

- [2] Except where otherwise specifically noted, this article uses the singular form of grantor, trustee, or beneficiary. However, for any given trust, any of these may actually be multiple entities.
- [3] A nonresident alien, i.e., a non-U.S. person, who establishes a foreign trust with a U.S. beneficiary and retains grantor trust powers, is subject to U.S. income tax only on U.S. source, fixed or determinable income (e.g., interest, dividends, rents, and royalties) and income "effectively connected" with the conduct of a U.S. trade or business.
- [4] Section 643 of the Internal Revenue Code specifies the computation of distributable net income.
- [5] The Tax Reform Act of 1986 contained several provisions specifically affecting U.S. income taxation of trusts and their related parties. First, in general, tax rates on U.S. taxable income of trusts, grantors and beneficiaries were reduced. Second, trusts were required to make estimated tax payments much as individuals were. The last major provision of the Act related to trusts was that they adopt the calendar year as their taxable year. In general, these provisions were effective for taxable years beginning in 1987.
- [6] Section 16.3-1(d)(4) of the Internal Revenue Regulations exempts from these filing requirements payments to foreign trusts for employees.
- [7] Foreign trust studies are currently conducted once every 4 years, i.e., 1982, 1986, 1990, etc.
- [8] For a complete list of tax haven countries, see Senate Report 99-130, *Crime and Secrecy: The Use of Offshore Banks and Companies*, Report by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, U.S. Senate, August 28, 1985.
- [9] The following types of transfers do not require the filing of a Form 3520-A: (1) transfers made as the result of the death of the transferor; (2) transfers made on or before May 21, 1974; and (3) any sale or exchange of property at fair market value in which the entire gain to the transferor is realized at the time of the sale, or is returned under the Internal Revenue Code section 453 installment method.
- [10] The balance sheet information shown in Table 2 represents the total amounts for foreign trusts. Unlike the income statement data, the amounts do not represent only the share attributable to U.S. grantors and transferors.
- [11] See the income reported from "estates and trusts" in *Statistics of Income — Individual Income Tax Returns*, Internal Revenue Service, U.S. Department of the Treasury.
- [12] Forms 3520-A were filed by U.S. persons who directly or indirectly transferred property to foreign trusts with one or more U.S. beneficiaries. In the case of two transferors or grantors who did not file joint U.S. income tax returns but did transfer property to the same trust, two Forms 3520-A would have been filed for that trust. To this extent, the 411 Forms 3520-A shown in the data would not actually represent 411 different foreign trusts.

Table 1.—Forms 3520-A: Income Statement Items, by Selected Country Where the Trust was Created

[Money amounts are in thousands of U.S. dollars]

Country where trust was created	Number of returns	Income					Total expenses	Net income (less deficit)
		Total	Dividends	Interest	Net gain (less loss), sales of capital assets	Other income (less loss)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All countries.....	411	7,872	1,526	3,195	2,491	661	5,264	2,608
Canada.....	206	515	8	95	3	408	496	18
Cayman Islands.....	96	1,888	(¹)	222	1,689	-22	380	1,509
Channel Islands.....	33	930	6	909	17	-3	638	292
Bermuda.....	29	846	117	169	520	41	42	805
Australia.....	10	1,078	1,027	46	7	-2	959	119
British Virgin Islands.....	8	(¹)	-	(¹)	-	-	407	-407
Liechtenstein.....	7	216	-	208	8	-	29	187
Gibraltar.....	5	517	330	187	-	-	67	450
Bahamas.....	3	1,821	-	1,335	247	240	1,245	576
Switzerland.....	3	16	3	13	-	(¹)	13	3
United Kingdom.....	3	35	35	1	-	-	982	-946

¹ Less than \$500.

NOTE: Detail may not add to totals because of rounding. Data for certain countries are not shown to avoid disclosure of information about specific trusts. The data shown in this table generally represent the share attributable to the U.S. grantors or transferors of the foreign trusts. (See the Data Sources and Limitations section of this article.)

Table 2.—Forms 3520-A: Balance Sheet Items, by Selected Country Where the Trust was Created

[Money amounts are in thousands of U.S. dollars]

Country where trust was created	Number of returns	Assets								Total liabilities	Net worth
		Total	Cash	Government obligations	Non-government obligations	Corporate stock	Other investments	Depreciable assets (net)	Other assets		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All countries.....	411	94,456	13,273	5,502	15,366	27,334	12,543	13,471	6,967	37,339	57,117
Canada.....	206	9,900	1,191	-	109	51	136	8,006	407	8,439	1,461
Cayman Islands.....	96	9,675	1,490	4	-	5,451	1,711	223	797	3,358	6,317
Channel Islands.....	33	13,580	3,718	1,343	-	1,373	2,885	453	3,808	4,265	9,315
Bermuda.....	29	9,239	1,134	1,862	-	1,864	4,269	-	110	403	8,837
Australia.....	10	1,585	254	-	-	271	275	19	766	766	819
British Virgin Islands.....	8	5,846	83	-	-	5,430	125	-	208	5,046	799
Liechtenstein.....	7	3,630	1,257	-	1,518	-	200	-	655	327	3,303
Gibraltar.....	5	3,687	2,425	1,261	-	1	-	-	-	-	3,687
Bahamas.....	3	18,239	1,642	1,000	13,682	-	1,705	-	209	14,584	3,655
Switzerland.....	3	926	2	-	56	-	866	-	2	52	874
United Kingdom.....	3	5,124	20	33	-	-	299	4,770	2	2	5,122

NOTE: Detail may not add to totals because of rounding. Data for certain countries are not shown to avoid disclosure of information about specific trusts.

U.S. Possessions Corporation Returns, 1983

By Jeff Hartzok*

For 1983, U.S. "possessions corporations" claimed nearly \$2 billion of possessions tax credit [1]. This offset 100 percent of their U.S. income tax liability on income from business operations and qualified investments in U.S. possessions. As a result, the total U.S. income tax liability of corporations claiming the credit amounted to only \$36.8 million (compared to nearly \$4.5 billion in net income), nearly all of which was attributable to income derived from sources outside the U.S. possession.

The estimated "net" revenue cost as a result of the possessions tax credit was more than \$1.7 billion in lost U.S. tax revenues for 1983. This was slightly less than the credit itself, since possessions corporations could not claim certain other tax benefits on possessions source income which would otherwise have been available if the possessions tax credit provisions did not exist [2].

Puerto Rico has been the primary beneficiary of the possessions system of taxation (described later in this article) [3]. For 1983, more than 98 percent of all U.S. possessions corporations conducted business in Puerto Rico (defined as a U.S. "possession" under section 936 of the Internal Revenue Code) and accounted for virtually all (99.8 percent) of the possessions tax credit claimed. For this reason, the discussion of 1983 data in this article concerns itself with operations in Puerto Rico unless otherwise stated.

BACKGROUND

The principal elements of beneficial tax treatment of income from U.S. possessions became part of U.S. tax law in 1921, primarily to aid U.S. corporations with subsidiaries in the Philippines (a possession of the United States from 1898 to 1946). Under provisions of the Revenue Act of 1921, U.S. corporations were exempt from U.S. taxation on all possession and other foreign source income if at least 80 percent of their gross income was derived from sources within a U.S. possession and at least 50 percent of their gross income was derived from the active conduct of a trade or business within a U.S. possession. These gross income tests had to be met in the year the exemption was taken and for the 2 immediately preceding years. A corporation that met these two gross income tests became known as a "possessions corporation." Such a corporation was

usually organized as a subsidiary of a U.S. parent company in order to ensure that the "80-50" percent income requirements were met.

Under certain conditions, it was possible to include these subsidiaries in the consolidated income tax returns of U.S. parent corporations and their affiliates, thus establishing a unique form of domestic tax treatment. In profitable years, the possessions subsidiaries and their income were excluded from the parent corporation's consolidated return; in loss years, parent corporations were allowed to offset their overall profits by including in their consolidated returns the possessions subsidiaries and their losses. These rules remained the basis for later provisions enacted by the Internal Revenue Code in 1954 which remained unchanged until 1976.

The Tax Reform Act of 1976 significantly modified the tax exemption for income derived by U.S. corporations from operations in a U.S. possession. While the 80 and 50 percent income tests remained intact, the Act provided for a credit against U.S. tax equal to that portion of the tax attributable to two kinds of income: (1) "possessions source business income," and (2) "qualified possessions source investment income." Each of these terms is explained in the Definitions section later in this article. Before 1976, a possessions corporation was exempt from U.S. tax on all income derived from sources outside the United States.

Under the 1976 Act, it was also necessary for a corporation to make an election to be treated as a possessions corporation. Once made, the election could not be revoked for 10 years without consent of the Department of the Treasury. During this 10-year period, possessions corporations could not be included with their parent corporations in filing consolidated returns, thus eliminating the benefits (described above) previously allowed parent corporations for years when the possessions corporation subsidiaries reported net losses. Figure A presents historical data on U.S. possessions corporations claiming a credit from 1976 (the initial year for which the credit was allowed) through 1983.

RECENT LEGISLATIVE CHANGES

Tax Equity and Fiscal Responsibility Act of 1982

Prior to 1982, there were no explicit guidelines regarding the allocation of income from intangible property (patents, trademarks, secret processes, and the like) between a

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U.S. Possessions Corporation Returns, 1983

Figure A.—Corporations Claiming a Possessions Tax Credit, Income Years 1976–1983

[Money amounts are in billions of dollars]

Income year	Number of returns	Net income	Income tax before credits	Possessions tax credit
	(1)	(2)	(3)	(4)
1976 ¹	384	\$1.5	n.a.	\$0.7
1977	519	1.8	n.a.	0.8
1978	598	2.5	n.a.	1.2
1979	597	3.1	n.a.	1.4
1980	589	3.5	1.6	1.6
1981	565	4.3	1.9	1.9
1982	544	4.6	2.1	2.1
1983	553	4.5	2.0	2.0

¹ The possessions tax credit provisions were effective for taxable years beginning after December 31, 1975; therefore some corporations for Income Year 1976 were subject to the provisions in effect prior to 1976.

n.a. — Not available.

NOTE: There are small differences between income tax before credits in column (3) and the possessions tax credit in column (4) that are not apparent due to rounding. For example, for 1983, the amount of income tax before credits was \$2.008 billion while the possessions tax credit was \$1.966 billion.

possessions corporation and its affiliated U.S. parent corporation. Some U.S. corporations took the position that they could make tax free transfers of intangible assets to a possession corporation. The possessions corporation would produce the product utilizing the intangible asset, such as a patented formula to manufacture pharmaceuticals, and claim all the income derived from the product as possessions source income eligible for the possessions tax credit. The U.S. parent corporation would, in turn, claim on its tax return all the expenses incurred in developing the patented formula that was transferred to the possessions corporation without reporting the income associated with it.

In order to "lessen the abuse caused by possessions corporations claiming a full tax exemption for income generated by the types of intangible property referred to above, developed outside Puerto Rico," new rules regarding the allocation of intangible property income were provided in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) [4]. The general rule provided by TEFRA was that income generated by intangible assets received from a U.S. parent corporation was not income to the possessions corporation. Instead, it was to be treated as taxable income of the U.S. parent corporation. However, other provisions in TEFRA allowed possessions corporations and their U.S. affiliates to "elect out" of this general rule under either a "cost sharing" option or a "50–50 profit split" option.

Under the cost sharing method, a possessions corporation made a cost sharing payment to its parent corporation with respect to each product or service covered by the election according to a prescribed formula. There were provisions in the Internal Revenue Code specifying that the cost sharing payment would reduce the U.S. parent corporation's allowable deductions instead of increasing its gross income. Under the 50–50 profit split method, 50 percent of the combined taxable income of the possessions corporation and its U.S. affiliates was allocated to the possessions corporation. This income was derived from the specified

sales of the possessions product or type of service rendered to foreign affiliates or "unrelated persons" (i.e. individuals, corporations, partnerships, trusts, and others not affiliated with the possession corporation). The remaining 50 percent was generally allocated to the U.S. parent corporation. To qualify to use either the cost sharing method or profit split method, a possessions corporation had to meet one of several business presence tests [5].

Figure B shows the number of returns, possessions sales, the cost sharing payment, qualified possessions taxable income (defined in the Definitions section), and the possessions tax credit determined under the applicable election method as reported by U.S. possessions corporations for 1983. Because the TEFRA provisions regarding possessions corporations were not effective until taxable years beginning in 1983, only a portion of the possessions corporations filing tax returns for the 1983 study were affected by them [6].

Figure B.—Returns of Possessions Corporations with One or More Election Methods Reported, Income Year 1983

[Money amounts are in thousands of dollars]

Election method	Number of returns	Total possessions sales	Cost sharing payment	Qualified possessions taxable income	Possessions tax credit
	(1)	(2)	(3)	(4)	(5)
All returns	218	\$8,783,679	\$204,467	\$2,560,229	\$1,176,934
Cost sharing method only	162	5,810,646	192,183	1,716,077	788,951
50-50 profit split method only	41	1,685,850	—	367,199	168,585
Both methods	15	1,287,184	12,284 ¹	476,953	219,398

¹ Possessions corporations manufacturing more than one product could elect the cost sharing method for one product and the 50–50 profit split method for a second product. The same rules also applied to income arising from services rendered in different product areas. This amount represents the cost sharing payment calculated under the cost sharing method for companies using both methods. The possessions corporations' share of the combined taxable income of the possessions corporations and their U.S. affiliates under the profit split method were not tabulated separately for 1983.

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

Of the 218 possessions corporations reporting at least one of the two election methods, over 80 percent elected the cost sharing method for one or more of their possessions products or services [7]. The TEFRA provisions affect, for the most part, only possessions corporations in the manufacturing industries, because nonmanufacturing corporations generally paid taxes to Puerto Rico that were equivalent to their U.S. income tax liability. Of the 218 possessions corporation returns shown in Figure B, 215 were engaged in manufacturing.

The complexity of the TEFRA provisions relating to this allocation of income from intangible assets and the fact that only a portion of the tax returns for 1983 were covered by the provisions make it difficult to determine what impact these provisions have had on the activities of possessions corporations and their U.S. affiliates [8].

Another provision in TEFRA reduced the amount of investment income that a possessions corporation could

earn and still qualify for the possessions tax credit. The 50 percent active trade or business test for gross income was increased to 55, 60, and 65 percent for taxable years beginning in 1983, 1984, and 1985 (and thereafter), respectively. Judging by the data for 1983, the impact of this provision appears to have been quite small because qualified gross income from the active conduct of a trade or business in a U.S. possession for all possessions corporations accounted for nearly 92 percent of the possessions corporations' total income, well above the applicable percentages covered by the 1983 statistics (accounting periods ended July 1983 through June 1984).

Tax Reform Act of 1986

The Tax Reform Act of 1986 made several changes in the possessions corporation provisions effective for taxable years beginning in 1987. First, the active trade or business test was further increased from 65 to 75 percent of gross income. Second, for possessions corporations that elected the cost sharing method, the cost sharing payment for research expenditures was increased by the larger of 10 percent or an amount equal to the royalty payment required if the sale of intangible assets was transferred or licensed to a related foreign corporation [9]. Third, for possessions corporations that elected the 50-50 profit split method, the deduction for research and development expenditures was increased by 20 percent. Fourth, the definition of qualified possessions source investment income was expanded to include income from funds invested in qualified Caribbean Basin countries (defined under section 212 of the Caribbean Basin Economic Recovery Act). Fifth, possessions corporations were allowed a credit for certain income received in the United States from "persons" unrelated to the possessions corporation. Finally, the definition of "possessions of the United States," for purposes of this credit, was expanded to include the U.S. Virgin Islands.

The first three changes were intended to further reduce the amount of qualified taxable income eligible for the possessions tax credit. The last three changes were to benefit possessions corporations and to encourage further investment and employment in Puerto Rico, the U.S. Virgin Islands, and other U.S. possessions.

INDUSTRY HIGHLIGHTS

As already indicated, U.S. corporations with manufacturing subsidiaries received most of the tax benefits under the possessions system of taxation. Figure C shows that corporations manufacturing chemicals and allied products (pharmaceuticals, in particular) or electrical and electronic equipment claimed over 70 percent of the total possessions tax credit. These companies, however, represented less than 37 percent of all possessions corporations.

Figure C
Percentage of Total Possessions Tax Credit by Industry, Income Year 1983

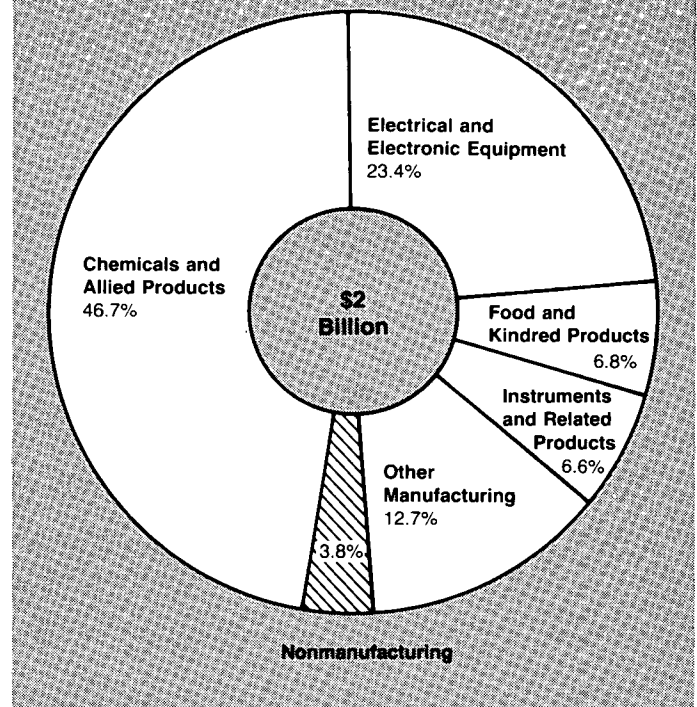


Table 1 shows complete balance sheets and income statements for the 625 possessions corporation returns processed for the 1983 study. Consistent with the credit, the industry with the largest amount of profits was chemicals and allied products, or more specifically, pharmaceuticals, with nearly \$2 billion in net income. This industry accounted for 46 percent of the total net income for all manufacturing possessions corporations. In contrast, nonmanufacturing possessions corporations accounted for only 4 percent of the total earnings (and credit claimed). A total of 53 possessions corporations reported losses for the year and thus, did not claim any credit [10]. Under prior law, these losses could have been utilized by the parent corporations to reduce their tax.

The predominance of manufacturing corporations in Puerto Rico reflects the incentives which the Government of Puerto Rico enacted to attract manufacturing firms. Under Puerto Rico's Industrial Incentive Act, most U.S. corporations establishing manufacturing subsidiaries on the island have been granted various exemptions, up to 100 percent, from Puerto Rican taxes. For 1983, these companies paid an average of 5 percent of their earnings in taxes to Puerto Rico [11].

EMPLOYMENT DATA

One of the major objectives in enacting the possessions tax credit provisions in 1976 was to expand employment opportunities in Puerto Rico through investment by U.S. corporations. An indication as to whether this objective has been realized can be obtained from Federal unemployment insurance tax returns which were available for statistical processing for 376 possessions corporations in manufacturing industries for 1983. Table 2 presents, by industry, the total tax benefits derived from the credit, employment in Puerto Rico, and compensation of employees [12] [13]. A total of 75,642 workers were employed by the 376 corporations in 1983 compared to 138,853 employed by all manufacturing firms in Puerto Rico [14]. The average wages per employee paid by possessions corporations amounted to \$14,887 compared to \$11,510 for all manufacturing firms [15].

Table 2 also shows that these 376 possessions corporations received an average estimated tax benefit of \$19,781 per employee while paying out an average of \$14,887 in wages per employee. For corporations manufacturing pharmaceuticals, the average tax benefits per employee amounted to \$65,318 which was nearly three times the average compensation paid. In contrast, possessions corporations manufacturing textile mill products had an average tax benefit of \$1,228 which was approximately one-eighth of the average employee compensation.

The distribution of tax benefits in relation to the number of employees can be obtained by examining columns 4 and 6 of Table 2. The only manufacturing industry in which the share of tax savings greatly exceeded the share of employment was chemicals and allied products. Possessions corporations manufacturing these products received more than one-half of the total tax benefits but accounted for only one-sixth of the employees.

Figure D presents employment data by size of tax benefits for the 376 manufacturing possessions corporations [16]. The largest 17 corporations accounted for 31 percent of the total tax benefits but less than 5 percent of total employment. A total of 24 possessions corporations received no tax benefits due to "net operating losses" for the year. These loss corporations accounted for 7 percent of total employment.

SUMMARY

Nearly \$2 billion in possessions tax credit was claimed for 1983. By claiming this credit, U.S. possessions corporations were able to offset all of their U.S. tax liability on qualified possession source business and investment income. Based on the employment data available for 1983, virtually all possessions corporations conducted business

Figure D.—Tax Benefits and Employment of Selected U.S. Possessions Corporations, by Size of Tax Benefits Per Employee, Income Year 1983¹

(Money amounts are in thousands of dollars)

Size of tax benefits	Number of returns	Tax benefits ²	Number of employees
	(1)	(2)	(3)
Total	376	\$1,496,296	75,642
No tax benefits	24	—	5,207
\$1 under \$500	15	446	1,256
\$500 under \$1,000	8	990	1,400
\$1,000 under \$5,000	88	54,683	18,681
\$5,000 under \$10,000	54	103,685	15,135
\$10,000 under \$50,000	145	594,202	26,345
\$50,000 under \$100,000	25	278,759	4,293
\$100,000 or more	17	463,531	3,325

¹ The data contained in this figure represent those U.S. possessions corporations for which Federal unemployment insurance tax return data were available for statistical processing for 1983.

² "Tax benefits" as used in this table are defined in footnote 16.

in Puerto Rico and may have benefited the Commonwealth by providing additional employment opportunities and higher than overall average wages. Possessions corporations in manufacturing industries, in particular those manufacturing pharmaceuticals, accounted for over 96 percent of the net income and credit claimed by all possessions corporations.

DEFINITIONS

Cost Sharing Payment.—A payment calculated by a possessions corporation under the TEFRA provisions equal to a fraction of the total amount of "product area research" expenditures of the possessions corporation and its affiliates. For 1983, the fraction was equal to the ratio of sales (by the possessions corporation and its affiliates to "unrelated persons") of the "possessions product" or services rendered to the sales of all products or services rendered in the "product area."

Qualified Possessions Source Business Income.—Qualified possessions source business income was the sum of the gross income (receipts minus cost of sales and operations) of a possessions corporation from the active conduct of a trade or business within a U.S. possession and the net gain (or loss) from the sale or exchange of assets used by a possessions corporation in the conduct of business within a U.S. possession. For 1983, qualified possessions source business income for possessions corporations' reporting this information on Form 5735 (Computation of Possessions Tax Credit Allowed Under Section 936) amounted to nearly \$7.2 billion. This amount is slightly understated because some corporations did not attach Form 5735 with their return as originally filed.

Qualified Possessions Source Investment Income.—For 1983, qualified possessions source investment income was non-business income derived from the possession in which the corporation had its trade or business and which was attributable to the investment of funds derived from such trade

or business. For 1983, qualified possessions source investment income for possessions corporations reporting this information on Form 5735 amounted to \$580 million or 7.5 percent of the total qualified possessions source gross (business plus investment) income of \$7.8 billion. This amount is slightly understated because some corporations did not attach Form 5735 with their return as originally filed.

Qualified Possessions Taxable Income.—Qualified possessions taxable income represented the difference between the amount of the possessions corporation's qualified gross income and the applicable deductions reduced by any loss adjustments (such as current year losses from nonqualified sources and net capital losses). For 1983, qualified possessions taxable income for corporations claiming the possessions tax credit amounted to \$4.2 billion or 95.1 percent of the possessions corporation's total net income of \$4.5 billion.

Total Possessions Sales.—Under the TEFRA provisions, total possessions sales was an amount equal to the aggregate sales or other dispositions of the possession product (less returns and allowances) and services rendered by the possessions corporation and its U.S. affiliates to "persons" who were not members of the same affiliated group (see Figure B.)

DATA SOURCES AND LIMITATIONS

The data in this article were tabulated from all returns filed through June 1985 by possessions corporations with accounting periods ending between July 1983 and June 1984. Whenever possible, a few outstanding returns were processed after the June 1985 cut-off date. Because 100 percent of the returns filed were prescribed for inclusion in the sample, the statistics are not subject to sampling error.

The estimates contained in this article are slightly understated because data are not included for 30 U.S. possessions corporations that filed tax returns for 1983 but were received too late for inclusion in the 1983 statistics [17]. However, the absence of these data should not be considered a major limitation of the statistics because the size of these corporations in terms of the totals for all possessions corporation returns was relatively small. General information regarding nonsampling error may be found in the Appendix of this report.

The statistics in this article may differ slightly from the data included in the U.S. Department of the Treasury report entitled *The Operation and Effect of the Possession Corporation System of Taxation, Sixth Report*. These differences are due to minor revisions made to the underlying data by the Office of Tax Analysis for the estimates contained in its report. Their report is part of the series of reports mandated by Congress by the Tax Reform Act of 1976 to evaluate the

effectiveness of the possessions corporation system of taxation.

NOTES AND REFERENCES

- [1] The estimates contained in this article do not include data for 30 U.S. possessions corporations that filed tax returns for 1983. These returns were not available for statistical processing prior to the final cutoff date for the receipt of returns for the 1983 study. These 30 companies reported \$212.0 million of total assets, \$18.2 million of net income, and claimed a possessions tax credit of \$8.3 million. A total of 22 of these companies were manufacturing firms located in Puerto Rico. No attempt was made to impute the missing data or substitute returns for prior years.
- [2] The estimated net revenue cost was arrived at by calculating a foreign tax credit, investment credit, and a depreciation deduction computed under the Accelerated Cost Recovery System rules that possessions corporations might have claimed if the possessions tax credit provisions did not exist. The estimated revenue cost is shown in Table 1 as "Revenue cost due to possessions tax credit provisions." The estimates for this item may differ from those included in the *The Operation and Effect of the Possessions Corporation System of Taxation, Sixth Report*, U.S. Department of the Treasury, 1988, because of minor adjustments made in computing the revenue cost for this Treasury report. For possessions corporations in nonmanufacturing industries the estimated revenue cost is zero because these corporations generally did not qualify for tax exemption grants in Puerto Rico. Consequently, the U.S. tax liability of most of these companies would probably have been offset by the foreign tax credit claimed for taxes paid to Puerto Rico if the possessions tax credit provisions did not exist. (Puerto Rico and other U.S. possessions were considered to be "foreign countries" for foreign tax credit purposes.)
- [3] The possessions system of taxation in 1983 also applied to corporations operating in American Samoa, Guam, the Northern Mariana Islands, and Wake and Midway Islands. However, a total of only eight U.S. possessions corporations claimed a possessions tax credit for operations in these possessions in 1983. The credit claimed by these corporations totaled to \$2.2 million, or 0.1 percent of the total possessions tax credit claimed by all possessions corporations.
- [4] Quotation from Joint Committee on Taxation, *General Explanation of the Revenue Provisions of the Tax Equity and Fiscal Responsibility Act of 1982*, December 1982.

- [5] The two basic "business presence tests" provided for by the Tax Equity and Fiscal Responsibility Act of 1982 were the "25 percent valued-added test" and the "65 percent labor test." For a discussion of the requirements of these tests see U.S. Department of the Treasury, *The Operation and Effect of the Possessions Corporation System of Taxation, Fifth Report*, 1985.
- [6] Income Year 1983 covered possessions corporation tax returns with accounting periods ending July 1983 through June 1984. Thus, possessions corporations with full-year accounting periods ending prior to December 31, 1983, were not affected by the TEFRA provisions because their accounting periods began before January 1, 1983. There was a "grandfather clause" provided for in TEFRA which allowed manufacturing possessions corporations meeting certain requirements to be permanently excluded from coverage under TEFRA.
- [7] Under the provisions of TEFRA, it was possible for a possessions corporation manufacturing more than one product to elect the cost sharing method for one product and the 50-50 profit split method for a second product. The same rules also applied to income arising from services rendered in different product areas.
- [8] For a further analysis of the TEFRA provisions, see U.S. Department of the Treasury, *The Operation and Effect of the Possessions Corporation System of Taxation, Sixth Report*, 1988.
- [9] For more information regarding the calculation of this royalty payment, see Griggs, Robert S., "Recent Changes in the Taxation of Section 936 Corporations," *Tax Notes*, Tax Analysts, Arlington, Va., December 15, 1986.
- [10] There were also an additional 19 possessions corporations that also did not claim a credit for 1983, because they were either "breakeven" companies (i.e., total receipts minus total deductions were equal to zero) or because their net income for the year was completely offset by a "net operating loss deduction" for losses incurred in prior years.
- [11] U.S. Department of the Treasury, Fifth Report, *op. cit.*
- [12] The statistics contained in Table 2 are different from those included in the *Operation and Effect of the Possessions Corporations System of Taxation, Sixth Report*, U.S. Department of the Treasury, 1988. This is because the statistics in the Treasury report are weighted, by industry, using the ratio of cost of goods sold reported by all manufacturing possessions corporations to the cost of goods sold of manufacturing possessions corporations for which employment data were available. For a few possessions corporations without sufficient data for cost of goods sold, total assets was used as a substitute.
- [13] The possessions corporations "tax benefits" in Table 2 was arrived at by calculating the hypothetical U.S. tax liability for possessions corporations if the possessions tax credit had not been available. This calculation is the same as the "revenue cost due to possessions tax credit provisions" shown in Table 1. See footnote 2 for a more detailed explanation.
- [14] U.S. Department of Commerce, Bureau of the Census, *County Business Patterns*, Annual.
- [15] *Ibid.*
- [16] The estimates in Figure D will differ from those to be published in the U.S. Department of the Treasury's *The Operation and Effect of the Possessions Corporation System of Taxation, Sixth Report*. See footnote 12 for a more detailed explanation.
- [17] See footnote 1.

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry

[Money amounts are in thousands of dollars]

Item	All industries	Construction	Manufacturing							Chemicals and allied products	
			Total	Food and kindred products	Textile mill products	Apparel and other textile products	Paper and allied products	Printing and publishing		Total	Drugs
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Number of returns	625	8	524	26	6	83	9	6	97	62	
Total assets	22,204,674	36,573	17,230,878	1,522,861	68,815	579,809	36,226	43,976	7,875,163	7,402,851	
Cash	3,343,079	934	3,126,866	630,733	4,993	123,534	2,603	6,064	980,499	834,280	
Notes and accounts receivable	4,025,798	9,469	3,128,938	336,558	10,938	201,114	6,555	2,959	1,153,543	1,048,829	
Less: Allowance for bad debts	32,317	—	22,759	12,539	17	135	106	35	2,696	2,023	
Inventories	1,686,131	130	1,605,561	168,538	3,406	73,479	3,054	1,996	415,782	370,037	
Investments in Government obligations	616,440	—	541,055	—	—	5,551	56	—	189,238	158,383	
Other current assets	1,254,684	2,538	1,216,979	13,905	694	8,874	717	11,137	711,085	688,977	
Loans to stockholders	133,924	424	127,035	33,386	—	7,083	—	—	10,499	10,484	
Mortgage and real estate loans	1,654,979	38	72,173	12,226	—	2,423	—	417	(^(c))	(^(c))	
Other investments	5,676,555	1,053	4,721,314	88,883	1,164	126,882	21,332	18,216	2,990,686	2,933,635	
Depreciable assets	4,117,926	5,925	2,893,462	289,622	3,963	57,858	3,334	5,734	1,213,203	1,129,070	
Less: Accumulated depreciation	1,388,479	2,446	1,014,854	98,293	2,824	30,743	1,564	2,604	359,154	330,148	
Depletable assets	18,893	—	1,799	—	—	—	—	—	1,457	1,457	
Less: Accumulated depletion	3,310	—	—	—	—	—	—	—	—	—	
Land	95,629	16,731	60,648	9,295	—	966	161	—	26,454	22,322	
Intangible assets	182,390	1	181,865	173	6	617	—	36	131,327	87,568	
Less: Accumulated amortization	111,738	1	111,377	128	4	435	—	5	78,402	37,850	
Other assets	934,089	1,776	702,174	50,502	46,495	2,741	83	62	491,640	487,830	
Total liabilities and stockholders' equity	22,204,674	36,573	17,230,878	1,522,861	68,815	579,809	36,226	43,976	7,875,163	7,402,851	
Accounts payable	1,680,184	4,380	927,138	245,453	381	49,721	821	1,353	227,291	187,298	
Mortgages, notes and bonds payable in less than 1 year	657,779	15,677	285,265	28,490	7	2,840	626	106	144,181	134,674	
Other current liabilities	2,403,976	4,104	362,221	40,698	306	19,470	1,609	1,465	156,150	149,279	
Loans from stockholders	202,601	—	197,003	121	15	121	—	—	40,766	39,615	
Mortgages, notes and bonds payable in 1 year or more	571,139	4,092	202,536	7,237	47	13,095	136	3,653	101,590	83,725	
Other liabilities	561,962	161	139,763	19,931	601	1,408	—	27	85,628	80,215	
Capital stock	307,772	881	290,407	29,638	371	16,020	305	92	121,078	69,548	
Paid-in or capital surplus	1,702,089	10	902,016	215,811	—	10,794	893	3,016	279,372	274,414	
Retained earnings, appropriated	238,429	—	191,878	13,149	—	—	1,689	—	2,857	2,266	
Retained earnings, unappropriated	13,895,650	7,865	13,740,446	924,976	67,085	467,409	30,148	34,264	6,716,264	6,381,818	
Less: Cost of treasury stock	16,909	597	7,794	2,644	—	1,071	—	—	13	—	
Total receipts¹	13,715,750	23,119	12,286,763	1,068,810	36,538	590,679	31,283	26,405	3,713,924	3,444,965	
Business receipts ¹	12,025,072	21,643	10,928,189	960,273	34,916	573,830	28,889	24,231	2,928,593	2,708,238	
Interest on State and local Government obligations ¹	18,284	—	16,244	—	98	203	—	—	9,988	8,566	
Other interest ¹	945,320	350	642,813	44,079	1,470	14,232	2,248	2,158	317,387	304,136	
Rents ¹	13,690	79	11,818	424	40	22	—	—	509	484	
Royalties ¹	4,157	—	4,131	—	—	57	—	—	2,309	2,309	
Net short-term capital gain reduced by net long-term capital loss ¹	9,919	—	9,919	—	—	—	—	—	9,091	9,091	
Net long-term capital gain reduced by net short-term capital loss ¹	13,506	—	13,344	3	—	26	—	—	7,799	7,799	
Net gain, noncapital assets ¹	8,152	904	1,029	37	—	52	—	3	17	17	
Dividends from domestic and foreign corporations ¹	74,203	—	72,182	8,244	—	25	—	—	30,394	29,957	
Other receipts (net) ¹	603,445	144	587,094	50,381	14	2,232	147	13	407,837	374,367	
Total deductions¹	9,303,260	23,022	8,037,994	763,405	28,429	463,051	23,126	15,896	1,639,772	1,477,136	
Cost of sales and operations ¹	6,853,254	14,090	6,355,902	642,001	23,765	412,311	20,105	12,702	948,241	841,877	
Compensation of officers ¹	23,931	174	13,147	1,715	—	2,808	—	144	2,682	2,560	
Repairs ¹	127,403	416	34,249	3,228	247	237	10	123	18,124	17,806	
Bad debts ¹	15,620	76	6,129	1,700	22	62	245	16	522	205	
Rents paid ¹	39,387	80	24,590	1,449	135	1,434	134	64	4,483	3,614	
Taxes paid ¹	205,233	669	176,912	12,230	536	11,559	451	392	16,297	14,712	
Interest paid ¹	247,627	461	25,377	3,721	17	308	64	23	12,713	11,924	
Contributions ¹	1,587	2	1,389	224	(^(c))	37	—	(^(c))	656	596	
Amortization ¹	56,814	—	56,499	—	—	29	—	—	1,419	1,383	
Depreciation ¹	223,988	1,157	139,251	11,473	413	3,201	324	398	46,369	44,071	
Depletion ¹	1,206	—	61	—	—	—	—	—	—	—	
Advertising ¹	57,380	58	51,613	17,946	8	101	9	107	24,434	19,651	
Pension, profit-sharing, stock bonus, and annuity plans ¹	20,813	131	14,901	2,478	11	1,195	19	47	4,816	4,689	
Employee benefit programs ¹	74,900	130	63,932	6,952	1,215	6,239	158	135	12,304	11,678	
Net loss, noncapital assets ¹	2,075	—	1,946	16	—	20	—	—	477	280	
Other deductions ¹	1,352,042	5,578	1,072,096	58,273	2,060	23,511	1,607	1,746	546,237	502,089	
Total receipts less total deductions	4,412,490	97	4,248,769	305,405	8,109	127,628	8,157	10,510	2,074,152	1,967,830	
Net income (less deficit)	4,396,091	97	4,232,621	305,405	8,011	127,425	8,157	10,510	2,064,260	1,959,359	
Net income	4,450,339	1,638	4,271,415	305,440	8,011	127,441	8,175	10,510	2,065,571	1,960,538	
Deficit	54,248	1,541	38,794	35	—	16	18	—	1,311	1,179	
Income subject to tax	4,375,760	1,638	4,210,100	297,187	7,735	127,169	8,175	10,510	2,040,375	1,935,732	
Income tax before credits	2,008,414	688	1,932,890	136,645	3,497	58,069	3,679	4,794	937,002	889,075	
U.S. possessions tax credit	1,966,168	668	1,892,215	133,511	2,913	56,293	3,679	4,668	919,736	871,902	
Foreign tax credit	3,619	—	2,500	—	—	17	—	—	2,421	2,379	
Investment credit	32	—	22	—	—	(^(c))	—	—	—	—	
Jobs credit	194	—	68	—	—	127	—	—	—	—	
Other credits	1,448	—	1,441	6	—	—	—	—	18	18	
Income tax after credits	36,787	20	36,352	3,060	584	1,632	—	127	14,827	14,612	
Revenue cost attributable to possessions tax credit provisions	1,745,195	—	1,745,195	125,398	2,853	54,931	3,271	4,584	857,298	813,341	
Distributions to stockholders except in own stock	3,054,278	—	2,934,068	136,015	600	30,985	2,097	1,021	1,152,094	1,083,029	

Footnotes at end of table.

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry—Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing									
	Petroleum (including integrated) and coal products	Rubber and miscellaneous plastics products	Leather and leather products	Stone, clay and glass products	Primary metals industries	Fabricated metal products	Machinery, except electrical	Electrical and electronic equipment	Transportation equipment	Instruments and related products
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Number of returns	5	12	15	9	4	29	12	134	6	42
Total assets	907,426	109,863	164,414	55,235	26,603	310,337	169,425	3,668,946	63,651	1,047,066
Cash	4,484	7,260	23,960	6,401	19,105	44,392	23,296	980,290	10,603	197,223
Notes and accounts receivable	154,948	24,528	64,000	30,106	2,980	62,951	53,437	628,298	39,797	151,978
Less: Allowance for bad debts	12	58	—	44	—	220	290	5,071	18	565
Inventories	151,351	11,534	30,703	2,637	1,791	35,948	26,203	477,633	5,273	84,012
Investments in Government obligations	—	—	2,955	—	—	7,414	3,030	91,975	—	223,521
Other current assets	52,227	1,405	419	175	62	4,003	824	338,807	56	44,476
Loans to stockholders	54,156	—	—	27	—	5,213	—	12,744	—	1,927
Mortgage and real estate loans	—	—	327	—	—	—	—	48,727	—	8,051
Other investments	294,128	31,282	26,885	11,247	—	60,698	37,289	742,375	4,093	179,922
Depreciable assets	347,275	44,535	19,023	8,559	4,265	95,461	19,749	495,298	6,030	178,963
Less: Accumulated depreciation	161,448	13,134	6,531	6,504	1,999	31,863	5,875	202,084	3,447	48,582
Depletable assets	341	—	—	—	—	—	—	—	—	—
Less: Accumulated depletion	—	—	—	—	—	—	—	—	—	—
Land	82	1,873	84	105	128	4,014	1,229	7,470	36	4,772
Intangible assets	24,754	—	—	—	—	—	—	2,992	1,252	18,708
Less: Accumulated amortization	14,920	—	—	—	—	—	—	1,320	113	16,008
Other assets	61	637	2,589	2,526	271	22,324	10,534	50,811	89	18,669
Total liabilities and stockholders' equity	907,426	109,863	164,414	55,235	26,603	310,337	169,425	3,668,946	63,651	1,047,066
Accounts payable	44,427	2,588	17,384	652	1,845	20,625	21,457	185,957	1,243	48,749
Mortgages, notes and bonds payable in less than 1 year	154	1,585	2,281	595	32	6,451	2,920	31,256	437	26,850
Other current liabilities	2,385	6,460	5,002	728	542	3,950	3,891	83,786	716	18,314
Loans from stockholders	28,240	478	—	1,001	—	—	1,109	124,869	—	257
Mortgages, notes and bonds payable in 1 year or more	—	2,219	3,243	2,500	897	8,020	172	51,250	116	5,107
Other liabilities	10	6	423	114	—	1,911	6	21,987	—	5,035
Capital stock	31,608	552	1,082	501	645	7,367	2,534	34,291	162	41,579
Paid-in or capital surplus	153,388	14,218	783	3,469	150	23,863	3,393	149,144	3,586	26,840
Retained earnings, appropriated	7,185	9,715	—	3,646	348	—	—	101,324	—	51,599
Retained earnings, unappropriated	640,029	72,095	134,255	45,529	22,145	238,579	133,943	2,885,131	57,392	822,736
Less: Cost of treasury stock	—	50	39	3,500	—	429	—	49	—	—
Total receipts¹	1,964,583	81,141	199,055	24,516	15,986	203,529	161,086	2,849,726	46,407	655,928
Business receipts ¹	1,912,262	66,889	196,168	21,447	14,675	190,738	154,841	2,618,531	43,536	581,919
Interest on State and local Government obligations ¹	—	—	411	—	—	355	—	1,743	192	2,867
Other interest ¹	29,905	2,263	1,736	949	1,311	7,506 ²	3,808	160,889	2,670	38,331
Rents ¹	2,239	—	108	170	—	3,740	47	71	—	4,385
Royalties ¹	—	—	—	—	—	—	—	—	—	36
Net short-term capital gain reduced by net long-term capital loss ¹	—	—	—	—	—	—	—	84	—	—
Net long-term capital gain reduced by net short-term capital loss ¹	—	—	—	158	—	(²)	40	4,418	—	865
Net gain, noncapital assets ¹	11	817	5	2	(²)	2	(²)	32	(²)	15
Dividends from domestic and foreign corporations ¹	20,000	—	—	—	—	193	—	2,794	—	4,987
Other receipts (net) ¹	165	11,171	627	1,791	—	995	2,349	61,164	7	22,525
Total deductions¹	1,844,298	52,604	165,734	22,983	10,956	150,523	120,232	1,831,457	32,914	370,849
Cost of sales and operations ¹	1,804,040	39,498	152,321	15,659	9,393	130,666	98,265	1,436,890	29,663	272,466
Compensation of officers ¹	319	211	309	174	—	250	505	2,003	—	1,361
Repairs ¹	1,229	293	110	205	151	364	351	8,102	25	785
Bad debts ¹	—	35	54	73	—	162	323	2,695	15	38
Rents paid ¹	5,818	93	545	100	64	527	334	6,178	200	2,576
Taxes paid ¹	1,195	2,262	3,646	811	497	1,274	1,107	29,683	384	5,297
Interest paid ¹	11	392	334	462	9	1,349	206	3,027	37	703
Contributions ¹	—	5	25	(²)	(²)	23	—	309	27	44
Amortization ¹	575	2	(²)	25	—	(²)	2	54,055	—	193
Depreciation ¹	16,227	1,627	1,778	396	235	6,318	1,419	33,138	488	10,727
Depletion ¹	—	—	—	61	—	—	—	—	—	—
Advertising ¹	345	449	(²)	24	—	58 ¹	34	849	8	377
Pension, profit-sharing, stock bonus, and annuity plans ¹	—	98	49	45	2	44	1	4,150	57	1,386
Employee benefit programs ¹	1,510	735	998	299	221	374	568	15,505	172	12,782
Net loss, noncapital assets ¹	4	—	—	99	—	2	4	872	2	139
Other deductions ¹	13,026	6,904	5,564	4,549	384	9,113	17,112	234,002	1,836	61,974
Total receipts less total deductions	120,284	28,537	33,321	1,534	5,030	53,006	40,854	1,018,269	13,493	285,079
Net income (less deficit)	120,284	28,537	32,910	1,534	5,030	52,651	40,854	1,016,526	13,301	282,212
Net income	120,874	28,735	33,429	4,246	5,061	52,665	40,891	1,040,014	13,301	291,499
Deficit	590	198	519	2,712	31	14	37	23,488	—	9,287
Income subject to tax	100,874	28,735	33,406	4,246	5,061	52,383	40,891	1,037,595	13,273	287,282
Income tax before credits	46,402	13,157	15,286	1,925	2,328	24,056	18,709	476,120	6,085	132,017
U.S. possessions tax credit	46,163	13,157	15,274	1,881	2,328	23,621	18,670	461,467	5,683	131,018
Foreign tax credit	—	—	—	—	—	34	17	10	—	(²)
Investment credit	—	—	(²)	—	—	1	—	—	—	20
Jobs credit	—	—	—	—	—	—	—	—	—	—
Other credits	—	—	—	—	—	—	—	1,320	—	95
Income tax after credits	240	—	12	44	—	400	21	13,321	402	884
Revenue cost attributable to possessions tax credit provisions	39,338	12,410	14,997	1,841	2,279	21,644	18,391	409,148	5,455	122,038
Distributions to stockholders except in own stock	86,075	12,760	1,798	1,587	166	21,962	2,120	1,266,310	3,808	161,812

Footnotes at end of table.

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry—Continued

(Money amounts are in thousands of dollars)

Item	Transportation and public utilities	Wholesale trade	Retail trade	Finance, insurance, and real estate			Services
				Total	Credit agencies other than banks	Other finance, insurance, and real estate	
	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Number of returns	5	26	7	23	13	10	30
Total assets	946,914	126,991	124,899	3,620,076	2,935,063	685,013	114,367
Cash	30,751	64,588	10,174	104,647	94,503	10,144	5,101
Notes and accounts receivable	64,227	18,288	11,126	741,252	249,226	492,026	49,488
Less: Allowance for bad debts	2,113	413	5	5,623	5,018	605	1,283
Inventories	22,565	10,760	23,833	17,756	—	17,756	5,077
Investments in Government obligations	—	—	—	75,385	33,657	41,728	—
Other current assets	3,982	1,959	18,526	9,184	5,610	3,575	1,515
Loans to stockholders	—	4,765	—	984	984	—	716
Mortgage and real estate loans	—	—	—	1,582,687	1,582,687	—	81
Other investments	18,145	7,408	18,292	879,220	761,474	117,746	30,991
Depreciable assets	1,084,292	14,710	57,537	33,296	30,767	2,529	28,541
Less: Accumulated depreciation	327,945	3,798	24,581	1,804	847	956	13,042
Depletable assets	—	10,294	6,096	200	200	—	181
Less: Accumulated depletion	—	3,201	—	—	—	—	109
Land	11,517	454	—	140	—	140	6,140
Intangible assets	—	32	—	—	—	—	493
Less: Accumulated amortization	—	16	—	—	—	—	344
Other assets	41,492	1,160	3,901	182,752	181,820	932	822
Total liabilities and stockholders' equity	946,914	126,991	124,899	3,620,076	2,935,063	685,013	114,367
Accounts payable	38,084	7,638	41,055	654,249	4,609	649,640	7,219
Mortgages, notes and bonds payable in less than 1 year	15,183	39,617	3,290	294,158	293,298	860	1,436
Other current liabilities	39,244	4,841	1,121	1,989,935	1,986,355	3,580	2,227
Loans from stockholders	—	—	—	5,009	5,009	—	—
Mortgages, notes and bonds payable in 1 year or more	100,002	27,726	28,846	205,131	205,131	—	2,806
Other liabilities	4,771	39	1,214	413,932	408,746	5,186	2,082
Capital stock	1,304	7,360	4,936	1,607	1,085	522	1,167
Paid-in or capital surplus	728,825	14,076	10,130	27,230	9,789	17,441	19,494
Retained earnings, appropriated	14,020	43	—	32,488	32,488	—	—
Retained earnings, unappropriated	5,481	25,852	35,174	-3,664	-11,448	7,784	85,385
Less: Cost of treasury stock	—	202	866	—	—	—	7,450
Total receipts¹	407,460	108,046	457,481	328,889	288,323	40,567	99,342
Business receipts ¹	399,769	105,959	455,883	20,161	18,916	1,245	89,338
Interest on State and local Government obligations ¹	—	—	—	2,040	198	1,843	—
Other interest ¹	4,301	1,741	299	293,293	261,487	31,805	2,330
Rents ¹	651	218	57	862	862	—	6
Royalties ¹	—	26	—	—	—	—	—
Net short-term capital gain reduced by net long-term capital loss ¹	—	—	—	—	—	—	—
Net long-term capital gain reduced by net short-term capital loss ¹	162	—	—	6,202	842	—	—
Net gain, noncapital assets ¹	14	—	—	—	—	5,360	2
Dividend from domestic and foreign corporations ¹	11	—	620	1,389	1,389	—	—
Other receipts (net) ¹	2,550	102	622	4,942	4,629	313	7,665
Total deductions¹	289,053	100,713	448,685	310,699	276,397	34,302	88,220
Cost of sales and operations ¹	4,167	74,148	351,645	124	—	124	49,486
Compensation of officers ¹	415	350	911	8,471	8,198	276	463
Repairs ¹	86,429	261	4,124	808	754	54	1,116
Bad debts ¹	6,372	306	53	1,667	1,667	—	1,017
Rents paid ¹	1,607	830	6,648	3,061	2,764	297	2,547
Taxes paid ¹	10,351	1,759	7,467	4,498	4,312	186	3,527
Interest paid ¹	10,581	7,407	3,016	199,805	171,896	27,909	647
Contributions ¹	48	4	68	68	33	35	14
Amortization ¹	—	9	1	245	245	—	59
Depreciation ¹	73,629	1,280	4,069	2,283	2,182	101	2,298
Depletion ¹	—	1,134	—	10	—	10	—
Advertising ¹	1,438	235	227	2,364	2,289	76	1,446
Pension, profit-sharing, stock bonus, and annuity plans ¹	4,282	46	281	859	850	9	315
Employee benefit programs ¹	6,856	781	98	1,715	1,682	32	1,389
Net loss, noncapital assets ¹	—	76	2	51	51	—	—
Other deductions ¹	82,879	12,088	70,080	84,670	79,475	5,194	23,898
Total receipts less total deductions	118,408	7,334	8,795	18,190	11,925	6,264	11,121
Net income (less deficit)	118,408	7,334	10,585	16,149	11,728	4,422	11,121
Net income	118,475	13,876	10,585	21,383	16,962	4,422	12,819
Deficit	68	6,542	—	5,234	5,234	—	1,698
Income subject to tax	118,475	13,764	10,058	9,044	4,622	4,422	12,681
Income tax before credits	54,409	6,160	4,566	4,019	2,045	1,973	5,683
U.S. possessions tax credit	54,405	6,160	3,322	3,766	1,980	1,786	5,631
Foreign tax credit	—	—	1,119	—	—	—	—
Investment credit	—	—	10	—	—	—	—
Jobs credit	—	—	—	—	—	—	—
Other credits	—	—	—	—	—	—	8
Income tax after credits	4	—	115	253	65	187	44
Revenue cost attributable to possessions tax credit provisions	—	—	—	—	—	—	—
Distributions to stockholders except in own stock	114,830	636	1,592	—	—	—	3,154

¹ These amounts were not required to be shown separately for 56 possessions corporations using the profit split method to allocate intangible property income. For corporations not showing these separately, the net amounts have been included in the amounts shown for "other receipts."

² Absolute value less than \$500.

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

Table 2.—Tax Benefits, Employment, and Compensation of Employees of Selected U.S. Possessions Corporations, By Selected Manufacturing Industry¹

[Money amounts are in thousands of dollars, except as indicated]

Selected manufacturing industry	Number of returns	Qualified possessions taxable income	Tax benefits		Employees		Total compensation of employees ²		Tax benefits per employee (dollars)	Average compensation per employee (dollars)	Tax benefits as a percentage of average compensation per employee
			Amount	Percentage of total	Number	Percentage of total	Amount	Percentage of total			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All manufacturing industries.....	376	3,515,565	1,496,296	100.0	75,642	100.0	1,126,047	100.0	19,781	14,887	132.9
Food and kindred products.....	16	227,223	99,011	6.6	7,486	9.9	114,015	10.1	13,226	15,230	86.8
Textile mill products.....	4	1,114	467	⁽³⁾	380	0.5	3,652	0.3	1,228	9,611	12.8
Apparel and other textile products.....	64	112,909	50,100	3.3	13,571	17.9	141,356	12.6	3,692	10,416	35.4
Men's and boy's clothing.....	11	27,157	11,908	0.8	3,254	4.3	36,383	3.2	3,659	11,181	32.7
Women's and children's clothing.....	27	48,554	21,829	1.5	5,996	7.9	60,378	5.4	3,641	10,070	36.2
Hats, caps, and other accessories.....	11	17,071	7,665	0.5	1,544	2.0	15,579	1.4	4,964	10,090	49.2
All other textile products.....	15	20,127	8,698	0.6	2,777	3.7	29,016	2.6	3,132	10,449	30.0
Paper and allied products.....	4	5,742	2,601	0.2	87	0.1	1,442	0.1	29,897	16,575	180.4
Printing and publishing.....	5	8,435	3,768	0.3	273	0.4	4,582	0.4	13,802	16,784	82.2
Chemicals and allied products.....	69	1,786,585	764,712	51.1	12,621	16.7	271,938	24.1	60,590	21,546	281.2
Industrial chemicals, plastics materials, and synthetics.....	6	20,938	8,742	0.6	394	0.5	9,293	0.8	22,188	23,586	94.1
Drugs.....	44	1,704,491	730,587	48.8	11,185	14.8	245,364	21.8	65,318	21,937	297.8
Soap, cleaners, and toilet goods.....	8	35,217	14,603	1.0	446	0.6	7,719	0.7	32,742	17,307	189.2
All other chemical and allied products.....	11	25,939	10,779	0.7	596	0.8	9,562	0.8	18,086	16,044	112.7
Rubber and miscellaneous plastics products.....	9	14,378	6,365	0.4	926	1.2	12,200	1.1	6,874	13,175	52.2
Leather and leather products.....	11	29,318	13,186	0.9	3,353	4.4	36,476	3.2	3,933	10,879	36.2
Footwear, except rubber.....	7	26,714	12,029	0.8	3,106	4.1	33,918	3.0	3,872	10,920	35.5
All other leather products.....	4	2,604	1,157	0.1	247	0.3	2,557	0.2	4,684	10,352	45.2
Stone, clay, and glass products.....	6	—398	999	0.1	303	0.4	5,049	0.4	3,297	16,663	19.8
Fabricated metal products.....	19	38,971	16,243	1.1	1,254	1.7	19,747	1.8	12,952	15,747	82.3
Machinery, except electrical.....	7	37,113	16,744	1.1	830	1.1	13,468	1.2	20,173	16,227	124.3
Electrical and electronic equipment.....	104	865,688	357,380	23.9	22,003	29.1	346,733	30.8	16,242	15,758	103.1
Radio, television, and communication equipment.....	14	80,560	31,428	2.1	3,683	4.9	50,725	4.5	8,533	13,773	62.0
Electronic components.....	30	341,842	153,265	10.2	8,354	11.0	131,489	11.7	18,346	15,740	116.6
All other electrical and electronic equipment.....	60	443,286	172,686	11.5	9,966	13.2	164,519	14.6	17,328	16,508	105.0
Transportation equipment.....	5	11,622	5,085	0.3	630	0.8	7,994	0.7	8,071	12,689	63.6
Instruments and related products.....	32	212,950	90,631	6.1	8,577	11.3	86,819	7.7	10,567	10,122	104.4

¹ The data contained in this table represent those U.S. possessions corporations for which Federal unemployment insurance tax return data were available for statistical processing for 1983.² Compensation of employees was computed by multiplying 1.241 times total wages. The 24.1 percent reflects employer paid non-payroll costs, such as social security payments, in 1983.³ Less than 0.05 percent.

Selected Historical Data

Table	Page
1 - Individual Income Tax Returns: Selected Income and Tax Items, for Selected Years, 1970-1986	67
2 - Individual Income and Tax Data, by State, Tax Year 1986	68
3 - Number of Individual Returns, Income, Tax and Average Tax, by Size of Adjusted Gross Income, Tax Years 1983-1986	71
4 - Reconciliation of Adjusted Gross Income (AGI) and Personal Income Used in the National Income and Product Accounts (NIPA), Selected Tax Years, 1970-1985	73
5 - Personal Income and Total Adjusted Gross Income, Based on Individual Income Tax Returns, Tax Years 1947-1986	73
6 - Total Adjusted Gross Income and Adjusted Gross Income Reported on Individual Income Tax Returns, Tax Years 1947-1986	74
7 - Standard and Itemized Deductions, Taxable and Nontaxable Individual Income Tax Returns, Tax Years 1944-1986	75
8 - Personal Income, Taxable Income and Individual Income Tax, Tax Years 1947-1986	76
9 - Number of Individual Income Tax Returns, by Type of Tax Settlement, Tax Years 1944-1986	77
10 - Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items, for Selected Tax Years, 1970-1986	78
11 - Partnership Returns: Selected Income Statement and Balance Sheet Items, for Selected Tax Years, 1970-1985	78
12 - Number of Business Income Tax Returns, by Size of Receipts and Assets, for Selected Income Years, 1970-1985	79
13 - Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items, for Selected Income Years, 1970-1985	80
14 - Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division, for Selected Income Years, 1970-1985	82
15 - Corporation Profits Before Taxes and Income Subject to Tax, Income Years, 1959-1985	84

Selected Historical Data (Continued)

Table	Page
16 - Gross Internal Revenue Collections: Amount Collected, by Quarter and Fiscal Year, 1983-1987	85
17 - Internal Revenue Refunds: Amount Refunded, by Quarter and Fiscal Year, 1983-1987	85
18 - Classes of Excise Taxes, by Selected Fiscal Year, 1970-1987	86
19 - Selected Returns and Forms Filed During Selected Calendar Years, 1970-1988	87
20 - Taxpayers Receiving Assistance, Paid and Unpaid, by Tax Year of Return, 1983-1986	87
Notes to Selected Historical Data Tables	88

NOTICE

The data on the following pages are the latest and most accurate available at time of publication. However, they are subject to continuous revision as more information becomes available. Data labeled as preliminary should be used with caution.

Table 1.—Individual Income Tax Returns: Selected Income and Tax Items for Selected Tax Years, 1970–1986

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

Item	1970	1975	1980	1984	1985	p1986
	(1)	(2)	(3)	(4)	(5)	(6)
All returns.....	74,279,831	82,229,332	93,902,469	99,438,708	101,660,287	103,299,601
Form 1040 returns.....	74,279,831	54,527,726	57,122,592	64,533,502	67,006,425	68,885,007
Form 1040A returns.....	N/A	27,701,606	36,779,877	18,431,641	18,124,702	17,705,607
Form 1040EZ returns.....	N/A	N/A	N/A	16,473,565	16,529,160	16,708,987
Adjusted gross income (AGI).....	631,692,540	947,784,873	1,613,731,497¹	2,139,904,356¹	2,305,951,483¹	2,522,516,770¹
Salaries and wages:						
Number of returns.....	66,965,659	73,520,046	83,802,109	85,925,617	87,198,001	88,587,358
Amount.....	531,883,892	795,399,462	1,349,842,802	1,807,137,587	1,928,200,978	2,046,135,285
Interest received:						
Number of returns.....	32,630,355	40,378,240	49,019,575	62,059,703	64,526,434	65,489,838
Amount.....	22,021,267	43,433,554	102,009,444	176,369,305	182,109,194	168,202,347
Dividends after exclusion:						
Number of returns.....	7,729,939	8,853,491	10,738,982	14,259,407	15,527,579	16,751,892
Amount.....	15,806,924	21,892,126	38,761,253	48,640,734	55,046,351	63,073,757
Business or profession net income less loss:						
Number of returns.....	6,159,985	7,242,542	8,881,119	11,237,218	11,900,341	12,431,364
Amount.....	30,554,201	39,421,478	55,129,154	70,766,610	78,772,577	90,367,239
Net capital gain less loss:						
Number of returns.....	7,962,663	7,574,823	9,970,921	12,558,688	11,125,595	12,936,506
Amount.....	9,006,683	14,071,893	30,029,074	54,519,368	67,694,001	135,005,278
Pensions and annuities in AGI:						
Number of returns.....	3,249,558	5,088,937	7,373,704	11,551,051	13,133,295	14,849,501
Amount.....	7,878,808	20,886,871	43,339,736	80,447,934	95,096,003	108,502,091
Rents and royalties net income less loss:						
Number of returns.....	6,557,498	7,143,812	8,208,132	9,100,525	9,970,604	9,620,244
Amount.....	3,232,817	5,202,078	4,105,381	9,482,800	12,963,727	13,023,962
Partnerships and S Corporations:						
Number of returns.....	n.a.	n.a.	n.a.	5,203,592	5,487,671	5,641,537
Amount.....	12,637,912	12,811,091	10,099,346	2,268,204	2,526,591	5,453,558
Farm net income less loss:						
Number of returns.....	3,026,530	2,755,041	2,608,430	2,694,420	2,620,861	2,532,815
Amount.....	2,788,713	3,563,325	1,792,466	13,095,506	12,005,483	6,907,476
Total statutory adjustments:						
Number of returns.....	6,370,552	9,024,255	13,148,919	37,025,796	37,763,418	38,231,054
Amount.....	7,665,251	15,101,999	28,614,061	89,745,075	95,082,299	99,246,133
Individual Retirement Arrangements:						
Number of returns.....	N/A	1,211,794	2,564,421	15,232,856	16,205,846	15,714,041
Amount.....	N/A	1,436,443	3,430,894	35,374,424	38,211,574	38,255,838
Self-employed retirement (Keogh):						
Number of returns.....	591,655	595,892	568,936	648,958	675,822	772,476
Amount.....	847,692	1,603,788	2,007,666	4,072,409	5,181,993	6,178,104
Married couple who both work:						
Number of returns.....	N/A	N/A	N/A	24,126,180	24,835,278	25,858,054
Amount.....	N/A	N/A	N/A	22,407,621	24,614,983	26,915,348
Exemptions:						
Number of exemptions.....	204,126,402	212,202,596	227,925,098	240,886,327	244,180,202	246,596,408
Number, age 65 or over.....	8,904,331	9,937,208	11,847,168	15,890,548	16,748,810	17,580,998
Total deductions:						
Number of returns.....	73,862,448	81,585,541	88,491,251	94,855,579	96,848,626	98,525,016
Amount.....	120,549,755	233,181,778	346,000,155	499,585,197 ²	554,733,523 ²	611,416,045 ²
Itemized deductions:						
Number of returns.....	35,430,047	26,074,061	28,950,282	38,203,092	39,848,184	40,838,502
Total ³	88,178,487	122,260,601	218,028,139	358,876,015	405,023,525	446,542,466
Medical and dental expense.....	10,585,749	11,422,312	14,972,082	21,450,276	22,926,214	25,062,523
Taxes paid.....	32,014,673	44,141,289	69,404,275	115,245,288	128,084,618	144,704,846
Interest paid.....	23,929,477	38,885,282	91,187,006	158,176,338	180,094,578	194,451,076
Contributions.....	12,892,732	15,393,331	25,809,608	42,119,812	47,962,848	54,454,472
Taxable income:						
Number of returns.....	59,593,598	65,852,602	88,104,696	94,178,183	96,124,046	97,742,435
Amount.....	401,154,285	595,492,866	1,279,985,360	1,701,365,731	1,820,740,833	1,976,811,955
Income tax before credits:						
Number of returns.....	59,596,755 ⁴	65,854,734	76,135,819	84,440,481	85,994,216	86,975,883
Amount.....	84,156,695	132,452,044	256,294,315	306,686,024	332,165,333	378,422,425
Total tax credits⁵.....	369,610	8,069,846	7,215,839	9,263,308	10,248,044	7,654,631
Child care credit.....	N/A	N/A	956,439	2,648,834	3,127,702	3,493,653
Credit for the elderly and disabled.....	167,656	128,968	134,993	107,002	108,642	174,003
Residential energy credit.....	N/A	N/A	562,141	645,093	811,675	N/A
Foreign tax credit.....	169,623	381,985	1,341,675	738,014	782,561	1,342,687
Investment credit.....	30,554	1,593,150	3,288,415	(⁶)	(⁶)	(⁶)
General business credit.....	N/A	N/A	N/A	4,183,101 ⁶	4,791,132 ⁶	1,035,205 ⁶
Income tax after credits.....	83,787,323	124,382,197	249,078,475	297,422,715	321,917,289	370,932,395
Total income tax:⁷						
Number of returns.....	59,317,371	61,490,737	73,906,244	81,639,509	82,846,420	84,324,468
Amount.....	83,909,311	124,526,297	250,341,440	301,923,057	325,710,254	377,050,937

See notes following Table 20.

Selected Historical Data

Table 2—Individual Income and Tax by State, Tax Year 1986

[Money amounts are in thousands of dollars, except as indicated]

State	Number of returns	Number of exemptions ¹	Adjusted gross income (AGI)	Salaries and wages		Dividends after exclusion	
				Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total²	103,633,570	246,191,989	2,472,559,803	87,807,445	2,012,988,154	16,582,775	58,806,712
Alabama	1,537,065	3,847,654	32,055,361	1,346,009	26,967,941	157,958	465,657
Alaska	230,883	534,843	6,496,459	201,311	5,855,266	58,557	76,054
Arizona	1,394,726	3,419,376	32,189,015	1,160,153	25,675,242	229,414	966,657
Arkansas	882,648	2,253,714	16,573,801	736,162	13,506,122	80,403	254,923
California	12,025,076	29,059,066	311,810,079	10,179,884	252,813,311	1,817,039	7,041,542
Colorado	1,431,107	3,307,373	34,123,277	1,221,838	28,642,676	255,654	707,693
Connecticut	1,592,585	3,470,065	47,914,355	1,362,992	38,330,784	349,358	1,386,237
Delaware	291,371	667,690	7,284,979	251,466	5,852,093	57,489	247,326
District of Columbia	325,256	660,561	8,277,611	279,821	6,231,360	47,337	278,076
Florida	5,300,996	12,412,785	123,771,406	4,212,686	86,085,972	1,002,261	5,447,144
Georgia	2,547,529	6,029,447	58,644,369	2,280,245	50,354,128	285,223	904,099
Hawaii	485,014	1,096,934	10,959,168	417,709	8,871,259	78,527	217,571
Idaho	365,805	981,909	6,976,504	300,963	5,766,423	50,961	136,644
Illinois	4,956,836	11,829,956	123,481,338	4,189,258	100,849,865	904,886	3,100,433
Indiana	2,308,198	5,590,219	51,454,068	1,961,212	42,754,720	315,385	825,160
Iowa	1,151,875	2,869,924	23,098,819	902,165	17,969,664	196,679	475,834
Kansas	1,029,405	2,535,614	23,141,841	848,072	18,674,353	169,596	459,759
Kentucky	1,382,471	3,383,047	27,961,310	1,166,565	22,904,413	152,702	523,210
Louisiana	1,606,074	4,147,948	32,810,721	1,382,750	27,518,645	173,817	558,088
Maine	512,336	1,189,180	10,633,419	438,252	8,327,608	74,779	279,172
Maryland	2,126,981	4,782,964	57,492,048	1,857,677	47,453,346	355,106	1,159,130
Massachusetts	2,801,179	6,022,344	74,561,622	2,408,927	59,830,878	508,025	1,901,212
Michigan	3,887,234	9,069,063	97,548,841	3,320,352	82,183,789	771,279	2,023,279
Minnesota	1,824,501	4,324,929	43,701,683	1,530,659	35,841,273	347,167	882,821
Mississippi	917,726	2,419,071	16,395,149	807,397	13,942,359	77,061	209,433
Missouri	2,125,569	5,079,879	48,181,438	1,775,934	38,874,763	344,268	1,137,566
Montana	331,153	820,597	5,745,837	259,399	4,607,327	58,740	151,340
Nebraska	668,844	1,653,023	13,552,160	539,548	10,727,060	109,686	267,720
Nevada	467,586	1,047,854	11,211,642	404,794	8,888,757	58,121	237,640
New Hampshire	504,826	1,129,373	13,079,734	441,042	10,413,220	83,920	306,350
New Jersey	3,809,056	8,733,854	108,177,409	3,289,813	88,361,136	796,579	2,590,356
New Mexico	594,610	1,507,536	11,588,975	507,897	9,647,864	79,086	237,964
New York	7,659,120	17,714,051	209,807,910	6,482,306	164,379,474	1,465,839	6,194,835
North Carolina	2,710,326	6,297,773	57,576,908	2,407,469	47,803,806	328,362	1,316,960
North Dakota	273,194	686,712	5,176,279	211,485	3,883,579	38,106	71,681
Ohio	4,579,516	10,787,793	105,307,256	3,891,705	87,381,936	764,663	2,512,694
Oklahoma	1,243,715	3,120,105	26,126,269	1,021,124	21,432,814	143,848	442,444
Oregon	1,139,392	2,734,830	24,358,381	926,394	19,196,582	184,956	624,276
Pennsylvania	5,142,034	11,883,176	116,983,029	4,265,919	93,268,723	931,099	3,176,718
Rhode Island	447,240	986,093	10,444,079	386,773	8,272,943	70,880	247,082
South Carolina	1,346,996	3,239,597	27,774,612	1,203,904	23,231,645	141,363	465,851
South Dakota	284,907	719,113	4,811,621	220,880	3,719,515	44,573	97,055
Tennessee	1,967,923	4,700,375	41,071,250	1,721,866	34,740,998	200,896	704,314
Texas	6,641,788	16,693,551	152,811,524	5,734,433	129,943,391	789,428	2,973,502
Utah	598,429	1,686,920	13,264,172	515,721	11,171,640	77,118	221,472
Vermont	237,156	542,870	5,072,812	201,814	3,994,882	44,123	167,792
Virginia	2,583,679	5,877,163	65,737,990	2,268,296	54,426,286	415,159	1,395,255
Washington	1,947,149	4,566,312	46,153,240	1,625,903	37,346,541	330,263	966,823
West Virginia	663,519	1,657,788	13,552,665	554,976	11,058,758	84,660	254,940
Wisconsin	2,034,831	4,817,360	44,928,005	1,719,146	37,284,719	350,245	985,668
Wyoming	195,820	494,959	4,272,634	166,732	3,626,691	31,367	99,754
Other areas ³	520,315	1,107,656	6,434,729	297,647	12,099,614	98,764	431,506

Table 2. (Continued)—Individual Income and Tax by State, Tax Year 1986

[Money amounts are in thousands of dollars, except as indicated]

State	Interest		Unemployment Compensation in AGI		Itemized deductions		
	Number of returns	Amount	Number of returns	Amount	Number of returns	Total deductions	Average amount (whole dollars)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States, total²	65,158,038	167,137,870	4,971,846	7,011,890	40,639,456	448,694,962	11,041
Alabama.....	781,959	1,643,153	83,920	73,874	547,379	4,997,741	9,130
Alaska.....	147,006	264,928	28,891	66,605	89,844	1,171,272	13,037
Arizona.....	849,024	2,605,656	45,332	49,207	635,917	7,051,260	11,088
Arkansas.....	461,444	1,294,034	43,142	48,012	263,788	2,434,579	9,229
California.....	7,412,186	21,639,047	603,323	822,812	5,258,264	74,070,718	14,087
Colorado.....	960,314	2,228,536	62,477	97,874	671,251	7,589,251	11,306
Connecticut.....	1,184,309	2,854,343	79,174	99,487	638,673	7,930,874	12,418
Delaware.....	180,200	385,870	14,536	26,033	116,821	1,195,983	10,238
District of Columbia.....	163,093	420,899	6,544	11,350	130,803	1,695,558	12,963
Florida.....	3,153,630	12,384,370	110,530	146,765	1,822,042	20,660,926	11,339
Georgia.....	1,272,215	2,871,629	103,437	89,746	954,319	10,589,127	11,096
Hawaii.....	358,642	690,703	17,107	24,777	200,457	2,234,375	11,146
Idaho.....	229,816	596,408	26,107	36,613	145,765	1,376,295	9,442
Illinois.....	3,334,214	8,838,159	238,605	396,122	1,904,175	19,404,541	10,191
Indiana.....	1,448,373	3,253,387	105,101	108,466	795,410	6,988,793	8,786
Iowa.....	845,001	2,414,250	53,462	70,892	437,035	3,761,853	8,608
Kansas.....	687,804	1,960,446	48,211	68,410	426,914	4,124,040	9,660
Kentucky.....	759,490	1,826,338	76,115	79,154	481,724	4,165,544	8,647
Louisiana.....	867,320	2,216,838	99,640	192,189	522,627	5,200,762	9,951
Maine.....	333,096	637,784	22,863	24,497	167,105	1,506,181	9,013
Maryland.....	1,384,767	2,966,091	71,815	102,483	1,028,374	12,207,897	11,871
Massachusetts.....	2,054,162	4,467,205	142,803	231,949	1,147,145	12,666,575	11,042
Michigan.....	2,614,822	5,340,793	312,491	417,860	1,776,484	16,938,129	9,535
Minnesota.....	1,328,622	3,015,101	97,256	182,353	866,237	9,178,651	10,596
Mississippi.....	399,304	979,986	37,493	39,370	261,814	2,423,805	9,258
Missouri.....	1,343,363	3,646,277	98,110	100,191	774,971	7,242,414	9,345
Montana.....	224,408	621,114	17,146	22,746	116,154	1,114,924	9,599
Nebraska.....	465,973	1,278,785	22,348	23,294	226,996	2,154,589	9,492
Nevada.....	256,011	805,903	24,613	31,864	168,013	1,983,480	11,806
New Hampshire.....	356,885	751,150	18,463	19,564	174,056	1,798,123	10,331
New Jersey.....	2,611,157	6,231,320	171,878	295,540	1,573,856	18,669,576	11,862
New Mexico.....	326,553	816,866	19,664	26,276	200,283	1,942,825	9,700
New York.....	5,298,715	14,244,503	317,747	494,199	3,674,359	45,939,826	12,503
North Carolina.....	1,458,578	2,925,537	119,786	99,445	1,011,017	9,786,413	9,680
North Dakota.....	194,710	541,652	13,199	21,711	76,352	666,325	8,727
Ohio.....	2,970,830	6,488,978	246,047	365,617	1,676,441	16,240,764	9,688
Oklahoma.....	712,540	2,059,291	56,809	82,730	491,260	5,193,924	10,573
Oregon.....	752,475	1,952,294	79,976	112,446	495,003	4,849,558	9,797
Pennsylvania.....	3,537,843	7,736,439	346,716	558,049	1,813,083	16,865,989	9,302
Rhode Island.....	299,269	658,864	30,168	39,212	164,228	1,638,675	9,978
South Carolina.....	674,431	1,354,838	51,275	42,918	512,208	4,997,353	9,756
South Dakota.....	189,333	533,684	6,693	6,478	70,700	592,561	8,381
Tennessee.....	1,016,828	2,335,788	82,190	73,766	550,236	5,372,242	9,764
Texas.....	3,558,488	11,238,670	257,940	459,753	2,124,256	24,661,542	11,609
Utah.....	391,434	700,744	29,475	45,261	286,443	3,139,368	10,960
Vermont.....	160,029	329,993	10,053	11,154	84,537	827,177	9,785
Virginia.....	1,551,683	3,417,854	80,527	76,355	1,076,357	12,204,453	11,339
Washington.....	1,304,446	3,330,132	124,117	189,085	754,259	7,698,174	10,206
West Virginia.....	399,594	835,300	45,046	69,799	180,111	1,539,876	8,550
Wisconsin.....	1,508,191	3,174,511	153,211	206,254	877,845	8,231,537	9,377
Wyoming.....	130,067	326,598	12,833	20,569	68,472	626,001	9,142
Other areas ³	253,391	1,004,831	5,441	10,714	127,593	1,152,543	9,033

Table 2 (Continued)—Individual Income and Tax by State, Tax Year 1986

[Money amounts are in thousands of dollars, except as indicated]

State	Tax liability			Earned income credit			
	Total tax		Average tax (whole dollars)	Number of returns	Total	In excess of tax liability	
	Number of returns	Amount				Number of returns	Amount
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
United States, total²	87,249,754	380,561,579	4,362	6,428,594	2,081,288	4,798,776	1,539,383
Alabama.....	1,252,656	4,421,503	3,530	168,623	56,041	130,143	42,528
Alaska.....	200,388	1,088,004	5,429	8,458	2,476	5,676	1,595
Arizona.....	1,176,984	4,599,719	3,908	87,332	28,321	66,395	21,586
Arkansas.....	714,523	2,205,280	3,086	95,831	31,553	70,457	22,867
California.....	10,107,230	47,689,905	4,718	833,769	276,762	671,225	221,766
Colorado.....	1,225,989	5,073,718	4,138	68,832	22,047	49,119	15,598
Connecticut.....	1,406,387	8,735,570	6,211	36,974	11,452	25,895	8,070
Delaware.....	251,192	1,111,557	4,425	15,741	5,006	11,553	3,682
District of Columbia.....	275,330	1,398,386	5,079	25,311	8,244	20,155	6,569
Florida.....	4,442,667	20,901,193	4,705	360,801	117,867	264,730	85,540
Georgia.....	2,131,940	8,596,520	4,032	220,789	72,460	167,703	54,422
Hawaii.....	413,710	1,517,040	3,667	17,780	5,332	11,673	3,496
Idaho.....	301,839	900,570	2,984	27,118	8,725	18,820	5,911
Illinois.....	4,168,172	20,193,692	4,845	265,298	85,162	204,111	65,285
Indiana.....	1,919,661	7,595,220	3,957	126,067	40,479	91,756	29,210
Iowa.....	959,964	3,229,279	3,364	56,065	17,513	36,852	11,134
Kansas.....	873,306	3,492,057	3,999	49,752	15,654	34,145	10,601
Kentucky.....	1,136,929	3,932,907	3,459	119,612	38,929	83,863	26,705
Louisiana.....	1,270,955	4,776,941	3,759	202,052	65,617	159,353	51,091
Maine.....	433,975	1,488,984	3,431	28,167	8,938	19,059	5,920
Maryland.....	1,850,643	8,709,935	4,706	94,841	30,106	69,754	22,061
Massachusetts.....	2,470,823	12,382,608	5,012	77,830	24,581	54,636	17,226
Michigan.....	3,284,233	14,920,589	4,543	159,952	50,568	117,464	36,731
Minnesota.....	1,565,900	6,308,508	4,029	69,033	21,480	45,325	13,477
Mississippi.....	706,696	2,100,578	2,972	155,269	51,735	125,909	41,092
Missouri.....	1,788,018	7,378,231	4,126	130,340	41,865	92,812	29,348
Montana.....	263,888	785,293	2,976	24,339	7,716	16,775	5,102
Nebraska.....	561,032	1,954,594	3,484	34,580	10,815	23,103	6,946
Nevada.....	399,866	1,855,190	4,640	23,421	7,459	17,174	5,461
New Hampshire.....	442,442	2,190,189	4,950	14,355	4,439	9,361	2,884
New Jersey.....	3,361,488	18,336,028	5,455	153,628	49,002	113,280	36,508
New Mexico.....	472,113	1,560,823	3,306	62,505	19,841	48,913	15,343
New York.....	6,633,319	34,044,488	5,132	439,923	142,984	329,548	106,212
North Carolina.....	2,264,416	7,932,772	3,503	212,369	67,953	151,290	48,212
North Dakota.....	228,549	744,188	3,256	15,581	4,818	9,695	2,861
Ohio.....	3,866,646	15,332,075	3,965	222,212	70,326	161,577	50,623
Oklahoma.....	1,019,651	3,738,325	3,666	99,787	32,862	71,893	23,057
Oregon.....	951,485	3,325,425	3,495	63,956	20,574	46,237	14,614
Pennsylvania.....	4,339,329	17,701,095	4,079	237,378	74,847	168,091	52,677
Rhode Island.....	385,784	1,579,594	4,095	19,048	6,060	13,972	4,424
South Carolina.....	1,108,678	3,650,940	3,293	124,819	40,994	94,261	30,688
South Dakota.....	228,808	678,663	2,966	20,351	6,360	13,210	3,872
Tennessee.....	1,619,886	6,072,049	3,748	178,018	58,182	132,559	42,487
Texas.....	5,461,504	25,078,319	4,592	578,350	189,736	443,861	144,508
Utah.....	494,064	1,632,674	3,305	31,379	9,910	22,638	7,062
Vermont.....	204,489	728,142	3,561	11,193	3,463	7,157	2,156
Virginia.....	2,228,026	9,851,527	4,422	126,421	40,421	89,803	28,708
Washington.....	1,659,563	7,012,270	4,225	85,475	27,040	62,145	19,377
West Virginia.....	549,907	1,845,691	3,356	53,188	16,886	38,129	12,086
Wisconsin.....	1,712,228	6,168,435	3,603	82,146	25,710	56,545	17,179
Wyoming.....	162,741	658,837	4,048	11,079	3,515	7,823	2,438
Other areas ³	299,742	1,355,459	4,522	1,456	462	1,153	387

See notes following Table 20.

Table 3.—Number of Individual Returns, Income, Tax, and Average Tax, By Size of Income, Tax Years 1983–1986

[All figures are estimates based on samples—money amounts are in thousands of dollars except as indicated]

Size of adjusted gross income	Number of returns for—		Adjusted gross income (AGI)		Taxable income	
	1983	1984	1983	1984 ¹	1983	1984
	(1)	(2)	(3)	(4)	(5)	(6)
Total	96,321,310	99,438,708	1,942,589,865	2,139,904,356	1,544,872,497	1,701,365,731
Less than \$1,000 ^{2,3}	3,415,113	3,329,148	-25,592,802	-31,984,443	75,549	63,799
\$1,000 under \$3,000	7,253,408	6,883,760	14,428,816	13,732,880	6,757,833	6,504,129
\$3,000 under \$5,000	7,167,924	7,030,537	28,679,137	28,151,199	17,374,119	17,251,761
\$5,000 under \$7,000	6,734,360	6,584,434	40,321,353	39,617,706	26,472,290	26,095,663
\$7,000 under \$9,000	6,879,931	6,792,931	55,039,361	54,388,545	39,153,168	38,888,493
\$9,000 under \$11,000	6,205,165	6,051,873	61,927,394	60,390,249	46,314,016	45,303,739
\$11,000 under \$13,000	5,724,798	5,877,979	68,522,507	70,439,379	52,529,347	54,708,664
\$13,000 under \$15,000	5,161,674	5,202,547	72,217,107	72,660,372	57,062,111	57,397,788
\$15,000 under \$17,000	4,593,795	4,893,833	73,350,227	78,195,614	58,956,588	62,489,602
\$17,000 under \$19,000	4,291,218	4,561,541	77,093,374	82,012,673	62,209,794	66,307,248
\$19,000 under \$22,000	5,617,176	5,645,759	115,071,603	115,466,828	93,320,322	93,889,175
\$22,000 under \$25,000	5,115,957	5,198,716	120,238,524	122,123,861	97,650,110	93,375,159
\$25,000 under \$30,000	7,357,487	7,635,404	201,763,983	209,274,643	163,111,031	168,006,165
\$30,000 under \$35,000	6,011,290	6,020,636	194,666,035	195,263,778	156,601,086	155,819,230
\$35,000 under \$40,000	4,409,645	5,054,470	164,664,066	188,944,011	131,804,272	149,423,027
\$40,000 under \$50,000	5,147,782	5,963,041	228,225,122	264,922,227	181,289,066	210,324,094
\$50,000 under \$75,000	3,591,188	4,657,702	211,838,450	275,046,849	166,095,719	214,921,141
\$75,000 under \$100,000	822,840	1,049,444	70,011,841	89,289,787	54,345,021	69,194,901
\$100,000 under \$150,000	469,391	581,498	56,206,333	69,273,546	43,403,109	53,604,014
\$150,000 under \$200,000	152,560	179,695	26,170,484	30,767,972	20,312,767	23,865,523
\$200,000 under \$300,000	108,379	132,306	26,016,239	31,729,787	20,642,936	24,405,339
\$300,000 under \$500,000	53,960	67,405	20,144,746	25,780,158	15,959,347	19,789,383
\$500,000 under \$1,000,000	25,469	29,215	17,173,250	19,729,296	13,706,293	15,798,723
\$1,000,000 or more	10,800	14,834	24,358,715	34,687,437	19,726,601	27,938,970

Size of adjusted gross income	Total income tax ⁴		Percentage of returns showing no total income tax		Returns showing total income tax			
					Average tax (whole dollars)		Tax as percentage of AGI	
	1983	1984	1983	1984	1983	1984	1983	1984
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Total	274,181,323	301,923,057	19.0	17.9	3,514	3,698	14.5	14.4
Less than \$1,000 ^{2,3}	127,789	419,790	99.7	99.2	13,249 ⁴	16,783 ⁴	—	—
\$1,000 under \$3,000	51,414	44,652	93.4	93.8	108	104	5.7	5.4
\$3,000 under \$5,000	409,533	430,167	42.0	40.8	99	103	2.4	2.5
\$5,000 under \$7,000	1,310,055	1,233,034	33.7	33.7	293	282	4.9	4.7
\$7,000 under \$9,000	2,603,057	2,483,282	21.2	21.3	480	465	6.0	5.8
\$9,000 under \$11,000	3,888,167	3,617,920	8.3	8.2	684	651	6.8	6.5
\$11,000 under \$13,000	5,012,113	5,013,506	4.2	5.2	914	899	7.6	7.5
\$13,000 under \$15,000	6,066,527	5,831,903	2.7	3.6	1,208	1,163	8.6	8.3
\$15,000 under \$17,000	6,809,411	6,785,324	2.4	2.0	1,518	1,415	9.5	8.9
\$17,000 under \$19,000	7,664,811	7,775,189	1.6	1.8	1,816	1,736	10.1	9.7
\$19,000 under \$22,000	12,163,958	11,677,768	1.2	1.5	2,192	2,100	10.7	10.3
\$22,000 under \$25,000	13,595,791	13,237,769	1.3	1.0	2,692	2,573	11.5	11.0
\$25,000 under \$30,000	24,354,551	23,793,004	.8	1.2	3,338	3,152	12.2	11.5
\$30,000 under \$35,000	25,156,554	23,926,881	.6	.7	4,208	4,004	13.0	12.3
\$35,000 under \$40,000	22,673,889	24,678,348	.8	.5	5,182	4,907	13.9	13.1
\$40,000 under \$50,000	34,798,186	38,675,241	.4	.3	6,787	6,504	15.3	14.6
\$50,000 under \$75,000	38,352,897	47,355,174	.4	.4	10,725	10,211	18.2	17.3
\$75,000 under \$100,000	15,392,973	18,759,377	.3	.4	18,770	17,944	22.1	21.1
\$100,000 under \$150,000	14,351,743	17,117,874	.4	.2	30,690	29,502	25.6	24.8
\$150,000 under \$200,000	7,662,455	8,644,645	.3	.2	50,365	48,205	29.4	28.2
\$200,000 under \$300,000	8,488,945	10,013,524	.2	.2	78,513	75,844	32.7	31.6
\$300,000 under \$500,000	7,124,258	8,761,557	.2	.2	132,313	130,272	35.4	34.1
\$500,000 under \$1,000,000	6,463,482	7,526,585	.2	.2	254,228	258,255	37.7	38.2
\$1,000,000 or more	9,658,764	14,120,545	.3	.2	896,655	954,091	39.8	40.8

See notes following Table 20.

Selected Historical Data

Table 3. (Continued)—Number of Individual Returns, Income, Tax, and Average Tax, By Size of Income, Tax Years 1983–1986

(All figures are estimates based on samples—money amounts are in thousands of dollars, except as indicated)

Size of adjusted gross income	Number of returns for —		Adjusted gross income (AGI)		Taxable income	
	1985	p1986	1985 ¹	p1986 ¹	r1985	p1986
	(1)	(2)	(3)	(4)	(5)	(6)
Total	101,660,287	103,299,601	2,305,951,483	2,522,516,770	1,820,740,833	1,976,811,955
Less than \$1,000 ^{2,3}	3,292,007	2,988,314	-36,740,956	-31,691,676	6,856	3,157
\$1,000 under \$3,000	6,771,487	6,947,866	13,581,245	14,072,326	5,947,953	6,092,873
\$3,000 under \$5,000	6,685,481	6,904,868	26,769,868	27,833,806	16,049,013	16,318,741
\$5,000 under \$7,000	6,570,968	6,480,298	39,356,896	38,969,981	25,680,025	24,634,678
\$7,000 under \$9,000	6,664,279	6,202,854	53,477,888	49,604,378	37,544,431	33,766,924
\$9,000 under \$11,000	6,235,044	6,165,734	62,125,340	61,414,973	46,036,142	44,047,681
\$11,000 under \$13,000	5,582,921	5,548,379	66,863,381	66,513,394	51,016,092	49,611,859
\$13,000 under \$15,000	5,386,772	5,303,387	75,352,290	74,088,939	58,884,575	57,158,044
\$15,000 under \$17,000	4,895,393	4,771,498	78,225,269	76,278,777	61,708,177	59,726,583
\$17,000 under \$19,000	4,542,598	4,513,805	81,675,266	81,217,307	65,462,334	64,575,441
\$19,000 under \$22,000	6,089,064	6,098,876	124,506,145	125,031,917	100,462,536	99,384,345
\$22,000 under \$25,000	5,051,210	5,209,825	118,539,622	122,220,314	95,256,056	98,353,626
\$25,000 under \$30,000	7,457,947	7,546,056	204,399,150	207,521,896	164,077,078	165,342,856
\$30,000 under \$35,000	6,451,040	6,451,040	209,135,063	209,135,063	164,077,078	165,342,856
\$35,000 under \$40,000	5,184,620	11,535,409	193,807,899	399,681,247r	320,091,716	315,275,595
\$40,000 under \$50,000	6,701,544	7,515,514	297,914,321	334,720,916	233,646,097	261,481,959
\$50,000 under \$75,000	5,628,639	6,472,320	333,710,362	384,276,545	259,467,072	297,565,471
\$75,000 under \$100,000	1,263,409	1,543,398	107,424,625	131,616,441	82,293,087	100,413,647
\$100,000 under \$150,000	706,248	1,152,431	84,315,947	152,495,909	90,834,865	117,868,659
\$150,000 under \$200,000	203,109	306,148	34,884,492	87,234,337	52,919,889	68,410,763
\$200,000 under \$300,000	152,523	56,746	36,457,244	37,140,292	21,269,595	30,526,547
\$300,000 under \$500,000	85,565	35,875	32,529,032	82,274,749	32,087,247	66,252,503
\$500,000 under \$1,000,000	41,107		27,541,427			
\$1,000,000 or more	17,312		40,099,667			

Size of adjusted gross income	Total income tax ⁴		Percentage of returns showing no total income tax		Returns showing total income tax			
	1985	p1986	1985	p1986	Average tax (whole dollars)		Tax as percentage of AGI	
	(7)	(8)	(9)	(10)	1985	p1986	1985	p1986
Total	325,710,254	377,050,937	18.5	18.4	3,931	4,471	14.4	15.2r
Less than \$1,000 ^{2,3}	185,922	211,733	99.7	99.5	16,964	15,137	—	—
\$1,000 under \$3,000	41,698	59,322	94.4	94.0	111	142	5.4	7.1r
\$3,000 under \$5,000	347,878	326,125	48.2	52.0	100	98	2.4	2.3r
\$5,000 under \$7,000	1,193,043	1,041,027	33.9	35.1	275	248	4.6r	4.1r
\$7,000 under \$9,000	2,259,763	1,962,638	26.3	29.0r	460	445	5.7	5.5r
\$9,000 under \$11,000	3,480,779r	3,221,722	11.8	13.3	633	603	6.3	6.0r
\$11,000 under \$13,000	4,548,843	4,333,337	5.9	6.3	865	833	7.2	6.9r
\$13,000 under \$15,000	5,789,495	5,466,711	3.9	3.9	1,119	1,073	8.0	7.7r
\$15,000 under \$17,000	6,534,361	6,334,407	2.9	2.4	1,375	1,361	8.6	8.5r
\$17,000 under \$19,000	7,482,062	7,303,995	2.3	1.6	1,686	1,645	9.4	9.1r
\$19,000 under \$22,000	12,203,165	11,990,139	2.0	1.2	2,044	1,991	10.0	9.7r
\$22,000 under \$25,000	12,275,305r	12,687,967	1.6	0.8	2,469	2,454	10.5	10.5r
\$25,000 under \$30,000	22,916,849r	22,808,328	1.0	0.6	3,103	3,042	11.3	11.1r
\$30,000 under \$35,000	25,080,332	48,781,218	.8	0.5	3,919	4,249	12.1	12.3r
\$35,000 under \$40,000	24,713,424	46,057,420	.8	0.1	4,803	6,215	12.8	14.0
\$40,000 under \$50,000	41,501,665	62,873,790	.4	0.2	6,215	9,984	14.0	16.4
\$50,000 under \$75,000	56,064,781	26,231,288	.2	0.2	9,984	17,297	16.8	20.0r
\$75,000 under \$100,000	21,794,656		.3	0.2	17,297		20.3	
\$100,000 under \$150,000	19,895,978		.4	0.2	28,296		23.7	
\$150,000 under \$200,000	9,760,959		.1	0.2	48,128	33,495	28.0	25.3
\$200,000 under \$300,000	11,362,146		.2	0.2	74,658		31.2	
\$300,000 under \$500,000	10,670,832		.2	0.1	124,947	94,001	32.9	33.0r
\$500,000 under \$1,000,000	9,878,188		.2	0.1	240,714	254,001	35.9	38.8
\$1,000,000 or more	15,728,128	33,693,869	.3	0.1	910,931	940,434	39.3	41.0

See notes following Table 20.

Table 4.—Reconciliation of Adjusted Gross Income (AGI) and Personal Income Used in the National Income and Product Accounts (NIPA), Selected Years, 1970–1985

[All figures are estimates—money amounts are in billions of dollars]

Income and adjustment items	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
1. Personal income (per NIPA)	831.8	1,313.4	2,258.5	2,838.6	3,108.7	3,327.0
2. Portion of personal income not included in AGI	181.2	350.5	608.5	887.2	936.2	1,015.4
Transfer payments (except taxable military pay and taxable Government pensions)	79.3	176.9	290.3	388.5	373.9	400.3
Other labor income (except fees)	31.9	65.0	136.5	171.7	180.0	189.1
Imputed income	25.5	33.4	45.1	54.4	49.4	59.1
Investment income received by nonprofit institutions or retained by fiduciaries	7.7	11.2	21.7	28.7	31.6	35.9
Investment income retained by life insurance carriers and noninsured pension funds ¹	12.5	23.5	59.9	86.8	98.4	106.3
Differences in accounting treatment (NIPA vs. IRS)	8.5	16.0	14.1	50.6	79.8	89.0
Other excluded or exempt income	15.8	24.4	41.0	106.5	123.0	135.7
3. Portion of AGI not included in personal income	47.7	85.1	157.8	224.9	252.7	300.0
Personal contributions for social insurance	27.9	50.4	88.6	120.1	132.7	148.9
Net capital gain from sales of property	8.9	14.2	29.7	50.6	56.2	68.4
Taxable private pensions	6.3	13.1	28.3	49.4	58.4	72.9
S Corporation income (taxed through shareholders)	1.7	2.1	.7	2.0	6.2	7.9
Other taxable income	2.9	5.4	10.5	2.9	- 8	1.9
4. Total net adjustment for conceptual differences (line 2 minus line 3)	133.5	265.4	450.7	662.3	683.5	715.4
5. Estimated total AGI (per NIPA) (line 1 minus line 4)	698.3	1,048.0	1,807.9	2,176.3	2,425.2	2,611.6
6. Adjusted gross income (AGI) (SOI)	631.7	947.8	1,613.7	1,942.6	2,139.9	p2,321.9²
7. Estimated difference in AGI (NIPA vs. SOI) (line 5 minus line 6)³	66.6	100.2	194.1	233.7	285.3	289.7

See notes following Table 20.

Table 5.—Personal Income and Total Adjusted Gross Income Based on Individual Income Tax Returns per National Income and Product Accounts (NIPA), Tax Years 1947–1986

[All figures are estimates—money amounts are in billions of dollars]

Tax year	Personal income (per NIPA) ¹	Total adjusted gross income (AGI) (per NIPA) ¹	Difference	
			Amount	Percentage of personal income
	(1)	(2)	(3)	(4)
1947	190.2	170.6	19.6	10.3
1948	209.2	184.6	24.6	11.8
1949	206.4	181.7	24.7	12.0
1950	228.1	201.4	26.7	11.7
1951	256.5	228.8	27.7	10.8
1952	273.8	241.8	32.0	11.7
1953	290.5	257.1	33.4	11.5
1954	293.0	256.4	36.6	12.5
1955	314.2	277.1	37.1	11.8
1956	337.2	297.9	39.3	11.7
1957	356.3	310.7	45.6	12.8
1958	367.1	316.0	51.1	13.9
1959	390.7	338.7	52.0	13.3
1960	409.4	352.5	56.9	13.9
1961	426.0	365.8	60.2	14.1
1962	453.2	387.8	65.4	14.4
1963	476.3	408.7	67.6	14.2
1964	510.2	442.0	68.2	13.4
1965	552.0	479.4	72.6	13.2
1966	600.8	520.0	80.8	13.4
1967	644.5	555.4	89.1	13.8
1968	707.2	610.0	97.2	13.7
1969	772.9	663.4	109.5	14.2
1970	831.8	698.3	133.5	16.0
1971	894.0	745.6	148.4	16.6
1972	981.6	824.7	156.9	16.0
1973	1,101.7	926.0	175.7	15.9
1974	1,210.1	1,004.0	206.1	17.0
1975	1,313.4	1,048.0	265.4	20.2
1976	1,451.4	1,166.7	284.7	19.6
1977	1,607.5	1,297.0	310.5	19.3
1978	1,812.4	1,466.9	345.5	19.1
1979	2,034.0	1,647.3	386.7	19.0
1980	2,258.5	1,807.9	450.6	20.0
1981	2,520.9	1,990.0	530.9	21.1
1982	2,670.8	2,059.4	611.4	22.9
1983	2,838.6	2,176.3	662.3	23.3
1984	3,108.7	2,425.2	683.5	22.0
p1985	3,327.0	2,611.6	715.4	21.5
p1986	3,534.3	n.a.	n.a.	n.a.

See notes following Table 20.

Selected Historical Data

Table 6.—Total Adjusted Gross Income Estimated from National Income and Product Accounts (NIPA) and Adjusted Gross Income Reported on Individual Income Tax Returns per SOI, Tax Years 1947–1986

[All figures are estimates—money amounts are in billions of dollars]

Tax year	Adjusted gross income (AGI)		Difference	
	Total (per NIPA) ¹	Reported on tax returns (per SOI)	Amount	Percentage of total
	(1)	(2)	(3)	(4)
1947.....	170.6	149.7	20.9	12.3
1948.....	184.6	163.6	21.0	11.4
1949.....	181.7	160.6	21.1	11.6
1950.....	201.4	179.1	22.3	11.1
1951.....	228.8	202.4	26.4	11.5
1952.....	241.8	215.3	26.5	11.0
1953.....	257.1	228.7	28.4	11.0
1954.....	256.4	229.2	27.2	10.6
1955.....	277.1	248.5	28.6	10.3
1956.....	279.9	267.8	30.1	10.1
1957.....	310.7	280.4	30.3	9.8
1958.....	316.0	281.2	34.8	11.0
1959.....	338.7	305.1	33.6	9.9
1960.....	352.5	315.5	37.0	10.5
1961.....	365.8	329.9	35.9	9.8
1962.....	387.8	348.7	39.1	10.1
1963.....	408.7	368.8	39.9	9.8
1964.....	442.0	396.7	45.3	10.2
1965.....	479.4	429.2	50.2	10.5
1966.....	520.0	468.5	51.5	9.9
1967.....	555.4	504.8	50.6	9.1
1968.....	610.0	554.4	55.6	9.1
1969.....	663.4	603.5	59.9	9.0
1970.....	698.3	631.7	66.6	9.5
1971.....	745.6	673.6	72.0	9.7
1972.....	824.7	746.0	78.7	9.5
1973.....	926.0	827.1	98.9	10.7
1974.....	1,004.0	905.5	98.5	9.8
1975.....	1,048.0	947.8	100.2	9.6
1976.....	1,166.7	1,053.9	112.8	9.7
1977.....	1,297.0	1,158.5	138.5	10.7
1978.....	1,466.9	1,302.4	164.5	11.2
1979.....	1,647.3	1,465.4	181.9	11.0
1980.....	1,807.9	1,613.7	194.2	10.7
1981.....	1,990.0	1,772.6	217.4	10.9
1982.....	2,059.4	1,852.1	207.3	10.1
1983.....	2,176.3	1,942.6	233.7	10.7
1984.....	2,425.2	2,139.9	285.3	11.8
1985.....	p2,611.6	2,306.0	(²)	(²)
p1986.....	3,534.3	2,522.5	(²)	(²)

See notes following Table 20.

Table 7.—Standard, Itemized, and Total Deductions Reported on Individual Income Tax Returns, Tax Years 1944–1986

[All figures are estimates based on samples—number of returns are in millions; money amounts are in billions of dollars]

Tax year	Total number of returns	Standard deduction ¹		Itemized deductions		Total deductions	
		Number of returns ²	Amount	Number of returns ²	Amount ³	Amount	Percentage of adjusted gross income (AGI)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1944.....	47.1	38.7	8.0	8.4	4.8	12.8	11.0
1945.....	49.9	41.5	8.1	8.5	5.5	13.6	11.3
1946.....	52.8	44.1	8.9	8.8	6.3	15.2	11.3
1947.....	55.1	44.7	9.8	10.4	7.8	17.6	11.8
1948.....	52.1	43.2	11.5	8.8	7.9	19.4	11.9
1949.....	51.8	42.1	11.1	9.7	8.8	19.9	12.4
1950.....	53.1	42.7	12.0	10.3	9.9	21.9	12.2
1951.....	55.4	43.9	13.3	11.6	11.9	25.2	12.5
1952.....	56.5	43.7	13.7	12.8	13.6	27.3	12.7
1953.....	57.8	43.4	14.2	14.4	15.6	29.8	13.0
1954.....	56.7	41.0	13.3	15.7	17.4	30.7	13.4
1955.....	58.3	41.4	13.6	16.9	20.0	33.6	13.5
1956.....	59.2	40.7	13.8	18.5	22.6	36.4	13.6
1957.....	59.8	39.7	13.8	20.2	25.7	39.5	14.1
1958.....	59.1	38.3	13.2	20.8	27.5	40.7	14.5
1959.....	60.3	37.8	13.4	22.5	32.0	45.4	14.9
1960.....	61.0	36.9	13.1	24.1	35.3	48.4	15.3
1961.....	61.5	36.2	12.9	25.3	38.4	51.3	15.6
1962.....	62.7	36.3	13.1	26.5	41.7	54.8	15.7
1963.....	63.9	35.8	13.1	28.2	46.1	59.2	16.1
1964.....	65.4	38.5	20.2	26.9	46.8	67.0	16.9
1965.....	67.6	39.7	20.6	27.9	50.7	71.4	16.6
1966.....	70.2	41.6	21.8	28.6	54.6	76.4	16.3
1967.....	71.7	41.9	22.1	29.8	59.6	81.7	16.2
1968.....	73.7	41.7	22.1	32.0	69.2	91.3	16.4
1969.....	75.8	40.9	21.6	34.9	80.2	101.8	16.8
1970.....	74.3	38.8	32.4	35.4	88.2	120.5	19.0
1971.....	74.6	43.9	48.1	30.7	91.9	139.9	20.7
1972.....	77.6	50.6	69.8	27.0	96.7	166.4	22.2
1973.....	80.7	52.6	73.6	28.0	107.0	180.6	21.8
1974.....	83.3	53.8	76.1	29.6	119.4	195.5	21.6
1975.....	82.2	56.1	100.9	26.1	122.3	r233.2	23.5
1976.....	84.7	58.7	113.8	26.0	133.9	247.6	23.5
1977.....	86.6	63.7	137.7	22.9	138.5	276.2	23.8
1978.....	89.8	64.0	139.8	25.8	164.4	r304.3	23.4
1979.....	92.7	66.2	148.8	26.5	184.2	333.0	22.7
1980.....	93.9	65.0	146.0	29.0	218.0	r346.0	22.6
1981.....	95.4	63.8	144.7	31.6	256.4	401.2	22.6
1982.....	95.3	61.9	140.2	33.4	284.5	425.2 ⁴	22.9
1983.....	96.3	61.1	138.5	35.2	309.6	448.7 ⁴	23.1
1984.....	99.4	61.2	139.5	38.2	358.9	499.6 ⁴	23.3
1985.....	101.7	61.8	145.0	39.8	405.0	554.7 ⁴	23.9
p1986.....	103.3	62.5	151.5	40.8	446.5	611.4 ⁴	23.7

See notes following Table 20.

Table 8.—Personal Income Per National Income and Product Accounts (NIPA) and Taxable Income, and Individual Income Tax Per SOI, Tax Years 1947–1986

[All figures are estimates—money amounts are in billions of dollars]

Tax year	Personal income (per NIPA) ¹	Taxable income (per SOI) ²		Total income tax (per SOI) ³		
		Amount	As a percentage of personal income	Total	As a percentage of—	
					Personal income	Taxable income
	(1)	(2)	(3)	(4)	(5)	(6)
1947.....	190.2	75.4	39.6	18.1	9.5	24.0
1948.....	209.2	74.8	35.8	15.4	7.4	20.6
1949.....	206.4	71.7	34.7	14.5	7.0	20.2
1950.....	228.1	84.3	37.0	18.4	8.1	21.8
1951.....	256.5	99.2	38.7	24.2	9.4	25.9
1952.....	273.8	107.2	39.2	27.8	10.2	25.9
1953.....	290.5	114.3	39.3	29.4	10.1	25.7
1954.....	293.0	115.3	39.4	26.7	9.1	23.2
1955.....	314.2	128.0	40.7	29.6	9.4	23.1
1956.....	337.2	141.5	42.0	32.7	9.7	23.1
1957.....	356.3	149.4	41.9	34.4	9.7	23.0
1958.....	367.1	149.3	40.7	34.3	9.3	23.0
1959.....	390.7	166.5	42.6	38.6	9.9	23.2
1960.....	409.4	171.6	41.9	39.5	9.6	23.0
1961.....	426.0	181.8	42.7	42.2	9.9	23.2
1962.....	453.2	195.3	43.1	44.9	9.9	23.0
1963.....	476.3	209.1	43.9	48.2	10.1	23.1
1964.....	510.2	229.9	45.1	47.2	9.3	20.5
1965.....	552.0	255.1	46.2	49.6	9.0	19.4
1966.....	600.8	286.3	47.7	56.1	9.3	19.6
1967.....	644.5	315.1	48.9	63.0	9.8	20.0
1968.....	707.2	352.8	49.9	76.7	10.8	21.7
1969.....	772.9	388.8	50.3	86.6	11.2	22.3
1970.....	831.8	401.2	48.2	83.9	10.1	20.9
1971.....	894.0	414.0	46.3	85.4	9.6	20.6
1972.....	981.6	447.6	45.6	93.6	9.5	20.9
1973.....	1,101.7	511.9	46.5	108.1	9.8	21.1
1974.....	1,210.1	573.6	47.4	123.6	10.2	21.5
1975.....	1,313.4	595.5	45.3	124.5	9.5	20.9
1976.....	1,451.4	674.9	46.5	141.8	9.8	21.0
1977.....	1,607.5	733.8	45.6	159.8	9.9	21.8
1978.....	1,812.4	846.4	46.7	188.2	10.4	22.2
1979.....	2,034.0	926.6	45.6	214.5	10.5	23.2
1980.....	2,258.5	1,045.2	46.3	250.3	11.1	24.0
1981.....	2,520.9	1,170.1	46.4	284.1	11.3	24.3
1982.....	2,670.8	1,231.9	46.1	277.6	10.4	22.6
1983.....	2,838.6	1,300.2	45.8	274.2	9.7	21.1
1984.....	3,108.7	1,447.0	46.5	301.9	9.7	20.9
1985.....	3,327.0	1,550.5	46.6	325.7	9.8	21.0
p1986.....	3,534.3	1,694.0	(⁴)	377.1	(⁴)	22.2

See notes following Table 20.

Table 9.—Number of Individual Income Tax Returns, by Type of Tax Settlement, Tax Years 1944–1986

[All figures are estimates based on samples—number of returns are in millions].

Tax year	Total number of returns	Returns with—		No overpayments or tax due at time of filing ¹
		Tax due at time of filing ¹	Overpayments ¹	
	(1)	(2)	(3)	(4)
1944.....	47.1	22.6	22.9	1.6
1945.....	49.9	14.5	33.5	1.9
1946.....	52.8	13.6	34.4	4.8
1947.....	55.1	15.3	33.0	6.7
1948.....	52.1	8.1	38.4	5.6
1949.....	51.8	13.8	30.2	7.9
1950.....	53.1	14.3	32.0	6.8
1951.....	55.4	18.6	31.0	.8
1952.....	56.5	19.3	32.1	5.1
1953.....	57.8	19.0	32.7	6.2
1954.....	56.7	16.6	35.2	5.0
1955.....	58.3	18.7	35.4	4.2
1956.....	59.2	19.4	36.1	3.7
1957.....	59.8	18.6	37.6	3.6
1958.....	59.1	18.1	37.4	3.6
1959.....	60.3	19.1	38.4	2.8
1960.....	61.0	18.1	39.4	3.5
1961.....	61.5	18.6	40.0	2.9
1962.....	62.7	18.7	40.9	3.1
1963.....	63.9	19.3	41.4	3.3
1964.....	65.4	22.5	39.3	3.5
1965.....	67.6	20.0	44.3	3.2
1966.....	70.2	17.8	49.4	3.0
1967.....	71.7	17.5	51.2	3.0
1968.....	73.7	20.3	50.6	2.8
1969.....	75.8	17.9	54.9	3.0
1970.....	74.3	16.5	55.3	2.5
1971.....	74.6	17.0	55.3	2.4
1972.....	77.6	11.9	63.3	2.3
1973.....	80.7	14.2	64.2	2.2
1974.....	83.3	15.4	65.8	2.1
1975.....	82.2	15.8	63.8	2.6
1976.....	84.7	16.9	65.0	2.8
1977.....	86.6	17.8	66.0	2.8
1978.....	89.8	21.6	65.5	2.7
1979.....	92.7	18.8	71.4	2.4
1980.....	93.9	21.8	69.9	2.3
1981.....	95.4	23.0	70.0	2.4
1982.....	95.3	20.3	72.4	2.6
1983.....	96.3	18.5	75.0	2.9
1984.....	99.4	21.2	75.6	2.7
1985.....	101.7	21.2	77.4	3.0
p1986.....	103.3	21.4	78.5	3.4

See notes following Table 20.

Table 10.—Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items for Selected Income Years, 1970–1986

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

Item	1970	1975	1980	1984	1985	1986
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	5,769,741	7,221,346	8,931,712	11,262,390	11,928,573	12,393,700
Number with net income.....	n.a.	n.a.	n.a.	8,002,865	8,640,701	9,247,806
Inventory, end of year	11,060,775	15,578,040	21,996,236	23,232,929	24,969,895	24,476,892
Business receipts, total	198,582,172	273,954,741	411,205,713	516,036,944	540,045,430	559,384,259
Income from sales and operations.....	n.a.	272,342,560	407,169,299	507,234,292	528,675,271	550,372,724
Total deductions	168,044,746	234,318,288	356,258,495	445,270,334	461,272,852	468,960,496
Cost of sales and operations.....	109,148,811	146,261,435	209,889,809	229,905,960	232,294,132	232,134,760
Purchases.....	88,585,913	117,722,352	168,301,517	n.a.	n.a.	n.a.
Cost of labor.....	7,704,285	8,791,083	10,922,221	13,008,803	14,504,201	17,317,871
Materials and supplies.....	6,216,057	9,090,638	12,909,222	n.a.	n.a.	n.a.
Commissions.....	1,274,016	2,225,830	3,333,345	n.a.	n.a.	5,461,118
Net salaries and wages.....	15,107,047	20,227,859	26,560,821	34,686,204	38,265,691	38,691,599
Car and truck expenses.....	n.a.	n.a.	13,378,289	17,523,807	17,044,421	16,380,826
Rent paid.....	4,636,528	6,676,314	9,636,290	14,278,260	15,258,690	15,653,599
Repairs.....	2,444,607	3,044,175	5,031,573	n.a.	n.a.	n.a.
Taxes paid.....	3,775,502	5,423,961	7,672,459	n.a.	n.a.	n.a.
Utilities.....	n.a.	n.a.	4,790,337	n.a.	n.a.	12,644,624
Insurance.....	2,309,608	3,503,812	6,003,126	n.a.	n.a.	10,783,481
Interest paid.....	1,784,276	3,390,845	7,190,257	11,025,276	11,913,982	11,504,437
Depreciation.....	5,451,525	7,958,143	13,952,703	23,900,034	26,291,389	26,418,043
Pension and profit sharing plans.....	72,741	125,296	141,463	258,070	311,323	638,262
Net income (less deficit)	30,537,426	39,636,453^r	54,947,219	70,766,610	78,772,578	90,423,763
Net income.....	33,735,732	45,624,890	68,010,051	89,849,570	98,775,563	110,496,952
Deficit.....	3,198,306	5,988,437	13,062,832	19,082,960	20,002,986	20,073,189

See notes following Table 20.

Table 11.—Partnership Returns: Balance Sheet Items and Selected Income Statement for Selected Income Years, 1970–1986

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

Item	1970	1975	1980	1984	1985	1986
	(1)	(2)	(3)	(4)	(5)	(6)
Total number of active partnerships	936,133	1,073,094	1,379,654	1,643,581	1,713,603	1,702,952
Number with net income.....	639,795	661,134	774,173	844,738	875,846	850,884
Number with balance sheets.....	555,741	783,271	1,194,236	1,201,320	1,227,498	1,202,737
Number of partners	3,697,818	4,950,634	8,419,899	12,426,721	13,244,824	15,301,345
Total assets¹	116,752,751	235,468,301	597,503,923	1,030,848,519	1,269,434,302	1,403,750,213
Depreciable assets (net).....	n.a.	113,124,969	239,139,823	581,643,219	695,878,822	779,936,070
Inventories, end of year.....	n.a.	11,985,431	33,218,272	39,446,014	27,279,234	27,463,816
Land.....	n.a.	36,731,958	70,241,248	122,036,819	152,179,314	179,141,689
Total liabilities¹	n.a.	193,875,629	488,734,023	1,030,848,464	1,269,434,367	1,403,750,220
Accounts payable.....	n.a.	12,302,055	33,899,048	32,780,197	40,871,755	43,621,862
Short-term debt ²	n.a.	22,709,476	48,001,839	68,625,844	102,760,363	92,456,724
Long-term debt ³	n.a.	136,296,764	178,044,406	322,327,016	93,319,855	429,195,599
Nonrecourse loans.....	n.a.	n.a.	118,910,380	260,167,109	327,558,208	365,044,180
Partners' capital accounts	n.a.	41,592,672	108,769,900	175,475,922	200,212,653	228,022,656
Total receipts⁴	93,348,080	148,417,529	291,998,115	375,192,511	367,117,316	397,302,544
Business receipts.....	90,208,834	142,505,781	271,108,832	318,342,380	302,733,374	327,428,647
Interest received.....	942,304	2,477,173	10,869,323	16,651,205	20,558,966	21,715,994
Total deductions⁴	83,557,684	140,679,959	283,749,460	378,692,535	376,000,991	192,397,999
Cost of sales and operations.....	46,040,874	64,672,843	113,885,668	180,857,822	146,315,315	164,167,707
Purchases.....	31,820,581	42,608,734	70,439,607	100,358,781	91,925,923	100,010,383
Cost of labor.....	4,146,927	4,585,836	7,015,547	7,826,231	8,845,106	9,789,253
Salaries and wages ⁴	8,129,233	12,489,039	22,336,337	28,522,626	33,884,204	36,304,654
Taxes paid.....	3,159,258	5,770,918	9,553,145	6,673,186	7,745,756	7,866,233
Interest paid ⁴	4,470,206	12,097,100	28,362,385	25,437,588	28,674,933	29,452,297
Depreciation ^{4,5}	4,578,820	10,108,834	21,576,189	46,939,395	53,650,790	25,446,371
Net income (less deficit)	9,790,396	7,737,570	8,248,655	-3,500,024	-8,883,674	-17,370,860
Net income.....	14,419,124	22,431,931	45,061,756	69,696,922	77,044,693	80,214,873
Deficit.....	4,628,728	14,694,361	36,813,100	73,196,946	85,928,367	97,585,733

See notes following Table 20.

Table 12.—Number of Business Income Tax Returns, by Size of Business, for Selected Income Years 1970–1986

[All figures are estimates based on samples—number of businesses are in thousands]

Size of business	Number of businesses for—					
	1970	1975	1980	1984	1985	1986
	(1)	(2)	(3)	(4)	(5)	(6)
CORPORATIONS						
Receipt size¹						
Under \$25,000 ²	451.9	468.9	557.0	686.1	710.8	n.a.
\$25,000 under \$50,000.....	170.7	186.4	207.7	212.5	236.6	n.a.
\$50,000 under \$100,000.....	219.8	260.7	322.7	338.7	330.2	n.a.
\$100,000 under \$250,000.....	558.4	615.2	620.5	n.a.		
\$250,000 under \$500,000.....	516.9	673.9	367.3	468.4	489.2	n.a.
\$500,000 under \$1,000,000.....	141.1	184.2	279.8	344.8	352.4	n.a.
\$1,000,000 or more.....	165.0	249.5	417.7	505.0	537.6	n.a.
Asset size						
Under \$100,000 ³	961.0	1,177.7	1,514.6	1,773.7	1,833.5	n.a.
\$100,000 under \$1 million.....	599.1	704.6	968.9	1,119.8	1,152.5	n.a.
\$1 million under \$10 million.....	87.0	116.4	191.8	232.9	245.4	n.a.
\$10 million under \$25 million.....	9.8	12.2	16.6	20.8	20.9	n.a.
\$25 million under \$50 million.....	3.9	5.6	7.8	10.1	10.4	n.a.
\$50 million under \$100 million.....	2.1	3.1	4.8	6.0	6.2	n.a.
\$100 million under \$250 million.....	1.4	2.1	3.2	3.8	4.4	n.a.
\$250 million and over.....	1.2	1.9	2.9	3.7	4.1	n.a.
PARTNERSHIPS						
Receipt size¹						
Under \$25,000 ²	501.7	549.7	638.0	r820.4 ⁴	840.1 ⁴	836.6 ⁴
\$25,000 under \$50,000.....	125.2	141.0	181.8	r197.3	195.5	182.9
\$50,000 under \$100,000.....	119.6	133.7	183.6	r200.5	199.5	204.5
\$100,000 under \$200,000.....	97.2	114.0	155.2	r162.8	190.1	184.0
\$200,000 under \$500,000.....	65.2	90.6	135.6	r149.9	165.5	165.1
\$500,000 under \$1,000,000.....	17.0	25.5	48.1	r60.6	66.9	69.1
\$1,000,000 or more.....	10.3	18.6	37.4	r52.1	56.0	60.7
Asset size⁵						
Under \$25,000 ³	635.7	611.0	541.9	773.8	794.1	774.9
\$25,000 under \$50,000.....	80.8	105.9	156.3	118.6	132.7	142.4
\$50,000 under \$1,000,000.....	73.5	106.8	180.2	170.5	165.8	140.4
\$100,000 under \$200,000.....	74.7	116.0	219.1	208.5	210.9	214.4
\$200,000 - \$500,000.....	33.8	56.9	117.9	129.0	142.8	147.4
\$500,000 - \$1,000,000.....	19.3	35.3	72.1	93.8	100.0	99.8
\$1,000,000 or more.....	18.3	41.2	92.2	149.4	167.2	183.3
NONFARM SOLE PROPRIETORSHIPS						
Receipt size						
Under \$2,500 ²	1,894.3	2,299.9	2,783.1	2,988.9	3,067.5	n.a.
\$2,500 under \$5,000.....	815.1	959.4	1,158.6	1,324.4	1,444.6	n.a.
\$5,000 under \$10,000.....	891.5	1,041.7	1,262.9	1,482.4	1,633.6	n.a.
\$10,000 under \$25,000.....	1,137.4	1,325.7	1,711.8	2,036.4	2,104.6	n.a.
\$25,000 under \$50,000.....	746.4	849.5	1,079.1	1,261.3	1,393.9	n.a.
\$50,000 under \$100,000.....	562.0	644.5	835.6	1,061.3	1,094.1	n.a.
\$100,000 under \$200,000.....	297.4	380.9	795.8	984.4	1,060.2	n.a.
\$200,000 under \$500,000.....	122.3	209.2				
\$500,000 under \$1,000,000.....	20.8	35.3	73.9	r86.4	89.3	n.a.
\$1,000,000 or more.....	6.6	13.5	29.2	36.8	40.7	n.a.

See notes following Table 20.

Selected Historical Data

Table 13.—Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items for Selected Income Years, 1970–1985

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

Items	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total.....	1,665,477	2,023,647	2,710,538	2,999,071	3,170,743	3,277,219
Number with net income.....	1,008,337	1,226,208	1,596,632	1,676,288	1,777,770	1,820,120
Consolidated returns ^{1,2}	19,871	38,307	57,890	73,645	80,256	79,598
S Corporation returns ^{2,3}	257,475	358,413	545,389	648,267	701,339	724,749
DISC returns ^{2,4}	N/A	6,431	8,665	9,898	12,480	1,383
FSC returns ^{2,5}	N/A	N/A	N/A	N/A	N/A	2,341
Total assets.....	2,634,706,564	4,286,556,273	7,617,238,403	10,201,084,144	11,106,701,948	12,773,093,888
Cash.....	176,924,573	290,426,439	528,914,747	590,386,817	595,773,262	683,204,264
Notes and accounts receivable.....	614,667,367	1,051,542,806	1,984,601,790	2,677,367,962	2,896,980,896	3,317,635,191
Less: Allowance for bad debts.....	20,030,327	31,032,998	50,057,307	51,162,613	54,341,671	61,580,335
Inventories.....	190,401,642	317,718,545	534,806,547	599,445,162	664,243,060	714,722,928
Investments in Government obligations.....	196,625,390	316,131,699	472,059,737	685,146,228	725,695,801	916,550,098
Other current assets.....	73,058,482	145,101,716	310,177,160	433,594,597	513,743,712	629,136,396
Loans to stockholders.....	4,774,082	9,355,636	29,873,250	47,836,294	58,430,009	56,761,232
Mortgage and real estate loans.....	327,593,354	548,054,483	894,323,489	982,415,018	1,126,962,114	1,258,672,577
Other investments.....	401,389,022	626,266,074	1,213,986,210	1,798,295,351	1,972,830,815	2,413,551,474
Depreciable assets.....	868,908,018	1,276,564,500	2,107,027,914	2,730,371,698	2,913,301,626	3,174,193,649
Less: Accumulated depreciation.....	334,646,086	483,798,526	767,841,763	1,024,756,282	1,116,171,771	1,232,072,530
Depletable assets.....	18,517,264	38,511,396	71,901,490	107,958,232	114,808,431	112,339,389
Less: Accumulated depletion.....	6,774,796	14,501,561	19,569,556	32,682,172	36,340,299	37,203,920
Land.....	46,626,157	66,819,206	92,931,935	119,350,378	128,269,064	141,448,357
Intangible assets (amortizable).....	12,818,168	12,823,183	45,480,694	87,852,590	117,467,829	145,290,625
Less: Accumulated amortization.....	5,984,184	4,491,990	18,393,037	25,062,592	36,190,604	42,505,240
Other assets.....	69,838,438	121,065,665	187,015,106	474,727,482	521,126,077	582,949,738
Total liabilities.....	2,634,706,564	4,286,556,273	7,617,238,403	10,201,084,144	11,106,701,948	12,773,093,888
Accounts payable.....	148,812,597	263,417,584	542,172,368	671,495,438	741,372,874	891,571,443
Mortgages, notes, and bonds payable in less than 1 year.....	170,884,261	272,123,551	504,802,288	759,536,076	866,546,604	1,001,337,795
Other current liabilities.....	892,218,397	1,577,425,991	2,706,796,360	3,513,512,199	3,760,174,725	4,234,983,432
Loans from stockholders.....	24,573,814	38,143,936	85,718,510	131,025,956	145,250,514	174,317,253
Mortgages, notes, and bonds payable in 1 year or more.....	362,700,303	586,703,526	986,663,932	1,323,209,421	1,494,350,573	1,699,272,481
Other liabilities.....	283,106,029	451,676,880	846,696,691	1,156,873,507	1,214,879,371	1,467,912,913
Capital stock.....	201,213,719	251,715,862	417,153,783	787,278,549	839,344,197	920,182,882
Paid-in or capital surplus.....	196,642,421	298,534,854	532,039,407	873,620,667	1,066,288,359	1,420,996,805
Retained earnings, appropriated.....	16,657,051	29,955,676	41,461,644	52,538,370	51,100,507	54,074,364
Retained earnings, unappropriated.....	349,225,750	537,631,026	1,027,902,049	1,221,793,087	1,256,771,201	1,311,512,589
Less: Cost of treasury stock.....	11,327,778	20,772,613	74,168,627	289,799,122	329,376,924	403,068,064
Total receipts.....	1,750,776,503	3,198,627,860	6,361,284,012	7,135,494,059	7,860,711,226⁶	8,398,278,426
Business receipts.....	1,620,886,576	2,961,729,640	5,731,616,337	6,334,602,711	6,948,481,893	7,369,538,953
Interest on State and local Government obligations.....	3,775,917	6,711,606	12,620,876	16,667,263	16,613,501	20,164,514
Other interest.....	67,794,508	136,587,304	354,243,674	496,648,009 ⁷	566,537,974 ⁷	617,622,425 ⁷
Dividends received from domestic corporations.....	5,238,421	8,818,282	18,654,800	19,696,776	21,185,391	16,967,379
Dividends received from foreign corporations.....	3,466,515	5,467,726	14,563,353	13,892,070	15,373,474	20,770,361
Rents.....	13,938,502	21,765,130	41,371,141	69,580,411	75,834,113	89,700,937
Royalties.....	2,586,387	5,167,141	12,450,250	13,876,095	14,535,929	15,237,421
Net short-term capital gain reduced by net long-term capital loss.....	190,439	301,601	2,013,510	5,048,854	3,233,999	7,032,062
Net long-term capital gain reduced by net short-term capital loss.....	5,481,580	8,364,523	24,910,957	33,924,549	38,518,792	53,771,685
Net gain, noncapital assets.....	5,315,562	7,757,287	20,117,615	26,134,711	26,506,096	33,537,842
Other receipts.....	22,102,096	35,957,620	128,721,498	105,422,613	133,948,728	153,934,848

Table 13.(Continued)—Corporation Income Tax Returns: Balance Sheet, Income Statement, and Tax Items for Selected Income Years, 1970–1985

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

Items	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
Total deductions	1,682,778,847	3,052,674,597	6,125,365,155	6,945,457,358	7,628,772,066	8,158,144,126
Cost of sales and operations.....	1,146,263,273	2,129,928,467	4,204,905,905	4,308,238,989	4,692,505,746	4,894,254,081
Compensation of officers.....	32,846,381	57,832,552	108,973,751	141,193,212	157,028,565	170,737,540
Repairs.....	13,986,819	23,422,171	42,407,967	74,652,495	76,367,591	81,495,784
Bad debts.....	6,479,814	13,781,147	18,769,771	30,543,184	33,803,267	43,333,588
Rent paid on business property.....	23,842,355	40,769,829	71,990,832	104,717,965	119,476,469	134,661,335
Taxes paid.....	49,523,243	81,530,302	163,003,622	173,420,116	191,748,629	200,977,161
Interest paid.....	62,055,010	129,307,921	344,612,542	475,060,444	535,814,101	568,645,475
Contributions or gifts.....	797,029	1,202,130	2,358,554	3,626,605	4,057,112	4,471,736
Amortization.....	745,005	717,398	1,374,658	4,309,952	5,170,089	6,133,737
Depreciation.....	52,941,266	86,295,664	157,345,828	241,491,819	264,882,261	304,380,703
Depletion.....	5,623,339	5,341,489	8,871,993	7,574,216	8,051,260	7,779,731
Advertising.....	18,089,097	26,605,786	52,266,004	72,393,870	82,023,440	91,922,667
Pension, profit-sharing, stock bonus, and annuity plans.....	12,225,912	26,526,129	51,529,310	54,355,062	52,555,188	49,588,712
Employee benefit programs.....	7,398,283	15,690,563	40,179,104	59,115,141	64,547,638	71,601,577
Net loss, noncapital assets.....	1,289,305	1,804,079	5,903,104	7,615,697	9,647,008	7,893,175
Other deductions.....	248,672,716	411,918,970	850,872,216	1,187,148,601	1,331,088,812	1,520,267,133
Total receipts less total deductions	67,997,656	145,953,263	235,918,858	190,036,702	231,939,061	240,134,300
Constructive taxable income from related foreign corporations.....	1,679,875	3,395,169	15,708,560	14,944,490	17,575,037	20,299,335
Net income (less deficit)	65,901,614	142,636,826	239,006,542	188,313,928	232,900,596⁸	240,119,020
Net income.....	83,710,924	169,483,336	296,787,201	296,932,146	349,179,415 ⁸	363,867,384
Deficit.....	17,809,310	26,846,510	57,780,659	108,618,218	116,278,819 ⁸	123,748,365
Income subject to tax⁸	72,374,437	146,589,287	246,598,486	218,685,396	257,054,060	266,060,609
Income tax, total.....	33,293,018 ⁹	66,144,308	105,142,436	92,218,567	107,968,407	111,340,839
Regular and alternative tax.....	32,949,937	65,769,822	103,831,172	90,461,858	106,013,271	109,106,358
Tax from recomputing prior- year investment credit.....	77,832	217,138	867,571	1,175,071	1,382,945	1,497,597
Tax from recomputing prior- year work incentive (WIN) credit.....	N/A	608	4,873	N/A	N/A	N/A
Additional tax for tax preferences.....	265,249	156,740	438,820	561,505	544,863	725,878
Foreign tax credit.....	4,548,986	19,987,724	24,879,737	19,951,165	21,075,296	24,263,487
U.S. possessions tax credit.....	N/A	N/A	1,572,734	1,966,168	1,978,578	2,450,583
Investment credit.....	865,954	6,459,746	15,102,812	16,145,173	(¹⁰)	(¹⁰)
Work incentive (WIN) credit.....	N/A	5,321	36,483	N/A	N/A	N/A
Jobs credit.....	N/A	N/A	601,444	449,224	(¹⁰)	(¹⁰)
Nonconventional source fuel credit.....	N/A	N/A	2	33,012	69,695	43,267
Alcohol fuel credit.....	N/A	N/A	4	7,178	(¹⁰)	(¹⁰)
Research activities credit.....	N/A	N/A	N/A	1,277,474	1,589,048	1,627,997
Employees stock ownership credit.....	N/A	N/A	N/A	909,880	(¹⁰)	(¹⁰)
Orphan drug credit.....	N/A	N/A	N/A	*236	*105	*204
General business credit.....	N/A	N/A	N/A	N/A	19,265,475	19,607,097
Distributions to stockholders:						
Cash and property except in own stock.....	32,012,677	45,224,392	97,378,617	128,298,545	144,871,643	n.a.
Corporation's own stock.....	1,922,810	2,066,559	3,525,549	4,810,283	5,889,191	n.a.

See notes following Table 20.

Table 14.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division, for Selected Income Years, 1970–1985

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

Industrial division and items	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
AGRICULTURE, FORESTRY AND FISHING						
Number of returns, total.....	37,283	56,280	80,883	92,125	98,361	103,156
Number with net income.....	19,843	33,328	43,827	47,636	50,037	52,776
Total assets.....	11,909,403	21,177,941	40,738,977	50,292,891	50,699,926	52,651,197
Net worth.....	4,012,068	6,844,949	11,460,935	13,559,332	14,310,555	15,406,221
Total receipts.....	14,277,707	28,118,514	52,089,915	59,208,642	66,645,119	70,491,486
Business receipts.....	13,591,763	26,624,149	48,850,056	55,114,507	62,093,338	65,419,402
Interest received.....	69,742	171,732	476,654	677,378 ¹	723,118 ¹	775,383 ¹
Total deductions.....	14,209,713	27,369,286	51,418,280	59,386,796	66,436,289	70,559,478
Cost of sales and operations.....	10,555,539	19,738,447	35,798,332	38,308,491	42,991,472	45,085,526
Interest paid.....	356,225	797,420	2,184,441	2,866,689	2,952,198	2,758,952
Net income (less deficit).....	65,295	746,908	673,158	-196,528	202,522	-74,270
Net income.....	493,400	1,493,168	2,464,381	2,499,829	2,874,899	2,930,905
Deficit.....	428,105	746,260	1,791,222	2,696,357	2,672,377	3,005,175
Income tax before credits.....	113,115 ²	351,059	533,768	430,119	509,081	540,671
Total income tax after credits.....	107,023 ²	294,584	422,356	313,537	373,115	344,626
Distributions to stockholders except in own stock.....	65,824	244,524	304,733	172,301	417,177	n.a.
MINING						
Number of returns, total.....	14,465	14,242	25,576	37,066	40,564	41,426
Number with net income.....	7,303	8,297	12,698	15,526	18,177	18,031
Total assets.....	23,972,812	64,505,341	126,947,880	194,417,434	209,036,474	240,815,996
Net worth.....	13,381,821	32,765,690	54,068,148	85,602,456	94,335,000	104,772,797
Total receipts.....	17,747,750	65,909,994	176,672,390	132,419,750	123,496,633	142,038,595
Business receipts.....	16,699,586	63,670,496	167,397,918	122,510,903	111,030,063	126,710,610
Interest received.....	176,728	522,757	1,301,266	2,529,873 ¹	3,089,562 ¹	3,584,890 ¹
Total deductions.....	15,927,348	42,348,765	169,051,624	134,305,739	124,627,966	145,389,514
Cost of sales and operations.....	9,955,600	30,171,612	116,989,880	85,540,564	74,213,000	87,972,035
Interest paid.....	388,032	1,166,182	3,440,080	6,763,864	7,077,300	7,789,995
Net income (less deficit).....	1,834,315	23,574,833	7,750,561	-1,586,098	-353,185	-2,543,487
Net income.....	2,399,507	24,347,893	10,133,685	5,929,343	6,991,815	6,166,623
Deficit.....	565,192	773,060	2,383,124	7,515,441	7,344,999	8,710,110
Income tax before credits.....	1,031,550 ²	11,361,037	3,947,569	3,203,406	2,811,154	2,810,559
Total income tax after credits ³	342,928 ²	1,051,138	1,674,566	1,282,044	1,014,361	557,519
Distributions to stockholders except in own stock.....	1,177,550	1,015,895	4,757,780	2,710,318	3,057,411	n.a.
CONSTRUCTION						
Number of returns, total.....	138,905	191,219	272,432	283,519	306,906	318,276
Number with net income.....	82,078	108,852	150,368	150,138	173,351	185,613
Total assets.....	42,719,792	76,691,947	132,939,026	161,365,795	195,272,738	215,297,771
Net worth.....	11,819,604	19,029,077	32,826,174	41,540,682	50,338,974	54,687,270
Total receipts.....	90,610,644	146,955,117	267,205,356	290,798,843	338,575,635	387,232,953
Business receipts.....	88,945,385	143,412,715	260,387,692	280,896,210	326,752,784	374,590,273
Interest received.....	219,698	614,583	2,073,650	2,762,556 ¹	3,540,430 ¹	3,851,628 ¹
Total deductions.....	89,070,022	144,717,309	262,116,275	288,574,577	335,696,154	382,823,113
Cost of sales and operations.....	73,434,969	116,845,554	208,064,925	221,189,268	257,057,538	295,803,244
Interest paid.....	711,496	1,973,244	4,278,502	4,861,075	5,990,178	6,407,652
Net income (less deficit).....	1,538,418	2,236,262	5,271,209	2,265,564	2,906,704	4,370,924
Net income.....	2,548,013	4,514,864	8,911,143	7,990,419	9,147,150	11,053,145
Deficit.....	1,009,595	2,278,602	3,639,934	5,724,855	6,240,445	6,682,220
Income tax before credits.....	776,979 ²	1,320,196	2,521,507	1,859,927	1,767,756	2,312,846
Total income tax after credits ³	756,637 ²	1,131,960	1,973,659	1,393,074	1,296,301	1,662,563
Distributions to stockholders except in own stock.....	299,204	464,553	793,764	846,579	738,873	n.a.
MANUFACTURING						
Number of returns, total.....	197,807	217,354	242,550	261,927	272,050	276,545
Number with net income.....	120,814	136,839	153,640	152,304	162,584	159,778
Total assets.....	612,912,516	944,581,970	1,709,471,700	2,232,987,922	2,417,631,605	2,644,393,424
Net worth.....	308,923,293	442,587,674	749,186,774	953,108,742	1,025,028,491	1,099,645,876
Total receipts.....	722,952,890	1,296,359,650	2,404,323,844	2,552,830,718	2,768,247,655	2,831,062,496
Business receipts.....	700,090,661	1,258,338,650	2,301,056,550	2,418,344,305	2,608,971,901	2,656,345,750
Interest received.....	4,748,499	8,691,092	28,315,784	37,958,034 ¹	42,749,996 ¹	47,753,626 ¹
Total deductions.....	692,455,462	1,230,689,496	2,290,593,808	2,469,257,725	2,661,153,853	2,733,105,346
Cost of sales and operations.....	495,879,549	925,111,030	1,707,143,900	1,678,378,729	1,796,313,155	1,797,852,805
Interest paid.....	12,570,242	22,055,903	54,177,356	73,973,082	85,039,616	90,452,072
Net income (less deficit).....	31,846,078	68,406,627	125,667,815	95,330,965	121,215,254	113,758,645
Net income.....	37,925,489	74,466,554	141,547,510	124,417,490	147,852,003	142,541,119
Deficit.....	6,079,411	6,059,927	15,879,695	29,086,525	26,636,749	28,782,474
Income tax before credits.....	16,744,905 ²	32,306,739	59,577,413	50,950,876	58,542,710	56,687,476
Total income tax after credits ³	13,242,226 ²	21,024,964	32,726,986	24,527,921	29,429,379	25,382,459
Distributions to stockholders except in own stock.....	14,616,282	19,973,061	37,306,509	43,295,901	45,630,537	n.a.

Table 14.(Continued)—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division, for Selected Income Years, 1970–1985

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

Industrial division and items	1970	1975	1980	1983	1984	1985
	(1)	(2)	(3)	(4)	(5)	(6)
TRANSPORTATION AND PUBLIC UTILITIES						
Number of returns, total.....	67,398	80,701	111,324	122,567	128,184	138,337
Number with net income.....	38,204	45,360	62,232	61,588	65,405	69,938
Total assets.....	287,740,207	443,236,797	758,364,400	998,870,785	1,084,873,718	1,246,426,899
Net worth.....	121,205,022	176,444,407	290,655,693	394,284,132	423,937,357	490,481,127
Total receipts.....	135,495,271	243,480,637	523,807,396	657,421,487	725,631,232	772,358,188
Business receipts.....	131,463,171	234,689,427	507,372,820	627,836,585	693,105,168	733,943,970
Interest received.....	930,266	1,520,913	5,760,072	r9,491,678 ¹	11,250,353 ¹	12,310,594 ¹
Total deductions.....	127,931,131	233,409,166	503,954,285	638,194,372	697,240,089	747,836,158
Cost of sales and operations.....	77,743,359	143,932,463	336,868,172	339,191,696	373,236,459	381,028,354
Interest paid.....	7,364,200	13,761,062	27,638,591	36,787,550	40,178,514	44,880,858
Net income (less deficit).....	7,543,718	10,099,571	20,046,155	19,492,314	28,851,644	25,087,629
Net income.....	9,471,595	12,088,189	24,917,293	28,040,349	37,897,899	37,880,144
Deficit.....	1,927,877	1,988,618	4,871,138	8,548,036	9,041,255	12,792,516
Income tax before credits.....	4,342,334 ²	5,107,158	10,532,722	11,621,625	15,579,597	15,214,129
Total income tax after credits ³	4,036,650 ²	2,836,470	5,322,655	r5,430,069	8,532,848	8,432,924
Distributions to stockholders except in own stock.....	5,837,565	8,900,353	17,329,807	24,540,824	27,505,378	n.a.
WHOLESALE AND RETAIL TRADE						
Number of returns, total.....	518,062	614,632	799,628	851,785	896,524	917,301
Number with net income.....	339,987	399,668	487,300	492,057	516,750	510,825
Total assets.....	192,181,800	323,496,726	646,901,005	804,242,963	899,032,645	1,009,965,739
Net worth.....	77,002,132	122,649,734	222,289,687	265,222,391	289,338,722	286,260,274
Total receipts.....	522,547,923	969,938,872	1,955,523,778	2,119,444,862	2,307,612,139	2,473,865,453
Business receipts.....	511,316,883	951,463,550	1,919,347,689	2,071,264,407	2,250,774,641	2,408,174,933
Interest received.....	1,291,906	3,857,318	10,503,989	r15,049,512 ¹	18,406,334 ¹	21,633,480 ¹
Total deductions.....	512,910,193	947,511,780	1,919,454,218	2,084,482,953	2,265,843,128	2,440,403,373
Cost of sales and operations.....	392,391,856	745,299,204	1,538,128,634	1,626,952,423	1,759,718,001	1,869,766,621
Interest paid.....	4,309,663	8,587,173	25,645,855	27,598,584	33,204,502	38,217,998
Net income (less deficit).....	9,671,044	22,489,430	38,309,671	35,292,870	42,010,706	33,126,702
Net income.....	12,395,411	27,681,721	49,426,500	50,844,081	58,584,558	51,434,500
Deficit.....	2,724,367	5,192,291	11,116,829	15,551,210	16,573,852	18,307,798
Income tax before credits.....	4,476,047 ²	8,103,316	13,515,653	12,910,870	15,082,817	16,392,896
Total income tax after credits ³	4,237,181 ²	7,348,619	r10,564,358	r10,698,145	12,414,978	13,396,555
Distributions to stockholders except in own stock.....	2,068,501	5,029,897	10,343,087	12,722,120	13,057,047	n.a.
FINANCE, INSURANCE, AND REAL ESTATE						
Number of returns, total.....	406,235	411,846	493,426	479,656	497,366	518,432
Number with net income.....	248,586	243,409	273,853	269,267	274,171	285,273
Total assets.....	1,401,153,520	2,321,965,956	4,022,206,073	5,487,225,439	5,938,984,929	7,029,452,681
Net worth.....	196,480,448	269,770,527	530,541,317	816,806,465	901,658,317	1,161,968,009
Total receipts.....	177,321,173	315,795,981	697,460,846	902,822,472	1,033,146,416	1,182,034,309
Business receipts.....	92,091,887	157,126,715	256,892,475	362,627,365	431,157,290	501,993,840
Interest received.....	63,694,046	127,040,303	315,146,115	r439,937,980 ¹	497,044,327 ¹	541,268,193 ¹
Total deductions.....	161,630,060	297,963,817	652,637,787	856,678,689	985,687,308	1,104,572,202
Cost of sales and operations.....	48,434,362	84,614,209	129,644,330	172,818,057	213,655,427	237,577,803
Interest paid.....	34,548,509	77,677,659	219,167,684	310,356,963	r347,164,947	363,009,417
Net income (less deficit).....	12,214,079	11,663,330	33,122,792	31,714,771	32,677,046	60,670,526
Net income.....	15,081,939	18,825,003	46,040,390	r60,113,503	66,225,666	90,546,934
Deficit.....	2,867,860	7,161,673	12,917,599	28,398,732	33,548,620	29,876,408
Income tax before credits.....	4,404,449 ²	5,558,647	9,680,755	8,540,701	9,619,055	13,598,201
Total income tax after credits ³	4,150,009 ²	4,673,705	7,699,628	r5,697,444	6,730,460	10,193,877
Distributions to stockholders except in own stock.....	7,387,211	8,729,977	24,692,146	41,592,101	51,315,346	n.a.
SERVICES						
Number of returns, total.....	281,218	435,672	671,338	848,394	899,370	939,390
Number with net income.....	150,525	249,641	408,716	481,888	508,336	529,337
Total assets.....	61,875,140	90,534,067	178,163,737	269,797,251	307,895,160	330,982,941
Net worth.....	19,529,062	26,855,374	52,865,513	74,710,659	84,773,772	89,852,365
Total receipts.....	69,572,626	131,377,364	279,883,187	416,462,427	490,332,811	534,587,609
Business receipts.....	66,459,515	125,747,462	266,088,619	392,064,594	458,038,533	497,980,990
Interest received.....	435,070	875,506	3,269,412	r4,880,958 ¹	6,277,591 ¹	6,561,301 ¹
Total deductions.....	68,384,452	127,996,443	271,792,974	410,486,562	484,990,160	528,685,613
Cost of sales and operations.....	37,733,747	63,724,869	129,352,692	143,277,759	170,889,613	176,070,808
Interest paid.....	1,802,802	3,279,438	8,033,612	11,798,141	14,068,343	15,027,259
Net income (less deficit).....	1,198,703	3,396,744	8,193,903	6,002,928	5,464,130	5,883,782
Net income.....	3,384,869	6,025,592	13,246,601	16,959,225	19,373,912	21,124,460
Deficit.....	2,186,166	2,628,848	5,052,698	10,956,298	13,909,782	15,240,678
Income tax before credits.....	1,058,264 ²	1,625,093	3,497,265	3,779,735	4,458,267	4,742,347
Total income tax after credits ³	1,003,130 ²	1,323,637	r2,603,370	r2,680,663	3,175,178	3,343,830
Distributions to stockholders except in own stock.....	558,452	855,402	1,841,945	2,407,362	3,126,700	n.a.

See notes following Table 20.

Table 15.—Corporation Profits Before Taxes Per National Income and Product Accounts (NIPA) and Per SOI, and Income Subject to Tax per SOI, Income Years, 1960–1985

[All figures are estimates—money amounts are in billion of dollars]

Income Year	Profits before taxes (per NIPA) ¹	Net income (less deficit) (per SOI)	Income subject to tax (per SOI) ²
	(1)	(2)	(3)
1960	49.9	43.5	47.2
1961	49.8	45.9	47.9
1962	55.1	49.6	51.7
1963	59.8	54.3	54.3
1964	66.7	61.6	60.4
1965	77.4	73.9	70.8
1966	83.3	80.5	77.1
1967	80.1	78.2	74.8
1968	89.1	86.0	81.4
1969	87.2	80.2	81.2
1970	76.0	65.9	72.4
1971	87.3	79.7	83.2
1972	101.5	96.8	95.1
1973	122.2	120.4	115.5
1974	138.9	148.2	144.0
1975	134.8	142.6	146.6
1976	170.3	185.4	183.5
1977	200.4	219.2	212.5
1978	233.5	246.9	239.6
1979	257.2	284.6	279.4
1980	237.1	239.0	246.6
1981	226.5	213.6	241.5
1982	169.6	154.3	205.2
1983	207.6	188.3	218.7
1984	240.0	232.9	257.1
1985	p224.8 ³	p240.1 ³	p266.1 ³

See notes following Table 20.

Table 16.—Gross Internal Revenue Collections: Amount Collected by Quarter and Fiscal Year, 1984–1988

[Money amounts are in millions of dollars]

Quarter and fiscal year	Amount collected by type of return					
	Total	Individual income taxes ¹	Corporation income taxes ²	Excise taxes ³	Employment taxes ⁴	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1984, TOTAL	680,475	362,892	74,179	38,017	199,210	6,177
October 1983 – December 1983	141,849	73,379	16,208	9,654	41,132	1,476
January 1984 – March 1984	164,681	89,316	14,337	8,862	50,545	1,622
April 1984 – June 1984	208,814	114,525	25,990	9,680	57,061	1,558
July 1984 – September 1984	165,131	85,672	17,644	9,822	50,472	1,521
FISCAL YEAR 1985, TOTAL	742,871	396,659	77,413	37,005	225,214	6,580
October 1984 – December 1984	155,919	79,775	17,546	9,732	47,286	1,580
January 1985 – March 1985	176,324	89,325	17,350	8,650	59,352	1,647
April 1985 – June 1985	233,946	136,141	24,843	9,013	62,313	1,636
July 1985 – September 1985	176,682	91,418	17,674	9,610	56,263	1,717
FISCAL YEAR 1986, TOTAL	782,252	416,965	80,442	33,672	243,978	7,195
October 1985 – December 1985	167,836	86,608	18,854	9,321	51,354	1,699
January 1986 – March 1986	186,178	97,804	16,243	8,175	62,309	1,647
April 1986 – June 1986	240,680	134,129	25,703	8,191	70,687	1,970
July 1986 – September 1986	187,558	98,424	19,642	7,985	59,628	1,879
FISCAL YEAR 1987, TOTAL	886,290	465,452	102,859	33,311	277,000	7,668
October 1986 – December 1986	180,580	92,346	22,466	8,281	55,615	1,872
January 1987 – March 1987	209,032	105,483	22,649	7,925	71,156	1,819
April 1987 – June 1987	285,477	164,008	29,748	8,493	81,139	2,089
July 1987 – September 1987	211,201	103,615	27,996	8,612	69,090	1,888
FISCAL YEAR 1988						
October 1987 – December 1987	197,095	97,479	24,828	6,475	66,500	1,813

See notes following Table 20.

Table 17.—Internal Revenue Refunds: Amount Refunded By Quarter and Fiscal Year, 1984–1988

[Money amounts are in millions of dollars]

Quarter and fiscal year	Amount refunded by type of return					
	Total	Individual income taxes ¹	Corporation income taxes ²	Excise taxes ³	Employment taxes ⁴	Estate and gift taxes
	(1)	(2)	(3)	(4)	(5)	(6)
FISCAL YEAR 1984, TOTAL	85,872	64,629	17,889	657	2,486	211
October 1983 – December 1983	7,201	2,064	4,548	195	325	69
January 1984 – March 1984	25,285	19,613	4,850	129	646	47
April 1984 – June 1984	44,859	38,161	5,452	230	968	47
July 1984 – September 1984	8,527	4,790	3,039	103	547	48
FISCAL YEAR 1985, TOTAL	86,322	66,908	16,725	892	1,606	191
October 1984 – December 1984	6,729	2,246	4,177	122	138	46
January 1985 – March 1985	17,664	12,808	4,286	91	439	40
April 1985 – June 1985	52,376	46,370	4,701	556	702	47
July 1985 – September 1985	9,551	5,484	3,561	123	326	57
FISCAL YEAR 1986, TOTAL	94,424	73,078	18,297	962	1,800	287
October 1985 – December 1985	7,948	3,003	4,268	128	488	61
January 1986 – March 1986	25,895	19,950	4,997	320	577	51
April 1986 – June 1986	50,200	44,375	5,058	232	435	100
July 1986 – September 1986	10,381	5,750	3,974	282	300	75
FISCAL YEAR 1987, TOTAL	96,969	73,583	19,891	1,381	1,900	214
October 1986 – December 1986	8,668	3,406	4,789	111	312	50
January 1987 – March 1987	28,422	22,198	5,296	479	393	56
April 1987 – June 1987	50,063	42,858	5,948	332	869	57
July 1987 – September 1987	9,816	5,121	3,858	459	326	52
FISCAL YEAR 1988						
October 1987 – December 1987	7,701	3,437	3,727	207	275	55

See notes following Table 20.

Table 18.—Classes of Excise Taxes by Selected Fiscal Years, 1970–1987

(Money amounts are in thousands of dollars)

Selected class of tax	Taxes collected by fiscal year					
	1970	1975	1980	1985	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)
ALCOHOL AND TOBACCO TAXES, TOTAL.....	6,840,594	7,665,948	8,151,184	9,881,293	10,233,303	11,097,677
Distilled spirits.....	3,501,538	3,865,162	3,945,377	3,520,697	3,731,368	n.a.
Wine.....	163,337	177,113	211,538	305,966	415,196	n.a.
Beer.....	1,081,507	1,308,583	1,547,853	1,571,436	1,500,921	n.a.
Cigarettes.....	2,036,101	2,261,116	2,402,857	4,448,916	4,566,338	n.a.
Cigars.....	56,834	51,226	39,500	24,294	30,418	n.a.
MANUFACTURERS EXCISE TAXES, TOTAL.....	6,683,061	5,516,611	6,487,421	10,020,574	9,927,742	10,221,574
Gasoline and lubricating oil.....	3,517,586	4,071,465	4,326,549	9,062,630	8,857,380	9,163,790
Tires, tubes and tread rubber ¹	614,795	697,660	682,624	242,923	285,728	296,408
Motor vehicles, bodies, parts ²	1,753,327	662,556	1,088,696	N/A	N/A	N/A
Recreational products.....	53,427	84,946	136,521	166,666	174,898	186,608
Black Lung taxes.....	N/A	N/A	251,288	548,356	561,158	574,769
SPECIAL FUELS, AND RETAILERS TAXES, TOTAL³.....	257,820	404,187	560,144	3,802,608	3,783,295	3,762,284
Diesel and special motor fuels.....	257,712	370,489	512,718	2,430,165	2,613,980	2,659,404
Trucks and buses.....	N/A	N/A	N/A	1,289,750	1,091,356	1,020,553
MISCELLANEOUS EXCISE TAXES, TOTAL.....	2,084,730	3,306,077	6,359,198	11,044,833	15,131,146	7,255,282
Telephone and teletype ⁴	1,469,562	2,023,744	1,117,834	2,307,607	2,339,153	2,522,062
Air transportation.....	250,802	850,567	1,748,837	2,589,818	2,707,534	2,913,249
Highway use tax.....	135,086	207,663	263,272	456,143	566,675	556,006
Foreign insurance.....	8,614	19,458	74,630	73,494	139,720	115,133
Exempt organization net investment income.....	N/A	63,828	65,280	136,153	217,191	218,102
Crude oil windfall profit.....	N/A	N/A	3,051,719	5,073,159	8,866,967	14,910
Environmental taxes (Superfund) ⁵	N/A	N/A	N/A	272,957	68,538	407,167

Selected class of tax	Fiscal year quarter ending					
	Sept. 1986	Dec. 1986	Mar. 1987	June 1987	Sept. 1987	Dec. 1987
	(7)	(8)	(9)	(10)	(11)	(12)
ALCOHOL AND TOBACCO TAXES, TOTAL.....	1,393,027	1,394,412	1,615,688	1,446,495	3,191,354	2,937,754
Distilled spirits.....	891,958	n.a.	n.a.	n.a.	n.a.	n.a.
Wine.....	110,298	n.a.	n.a.	n.a.	n.a.	n.a.
Beer.....	390,772	n.a.	n.a.	n.a.	n.a.	n.a.
Cigarettes.....	1,364,104	1,031,001	1,170,327	1,186,882	n.a.	n.a.
Cigars.....	10,608	9,063	7,268	13,102	n.a.	n.a.
MANUFACTURERS EXCISE TAXES, TOTAL.....	2,403,640	2,606,798	2,531,445	2,480,742	2,602,589	2,695,686
Gasoline and lubricating oil.....	2,086,087	2,341,860	2,270,070	2,222,664	2,329,196	2,415,076
Tires, tubes and tread rubber ¹	74,874	76,947	77,586	66,151	75,723	80,819
Recreational products.....	43,890	43,018	40,224	53,374	49,992	47,944
Black Lung taxes.....	150,211	144,974	143,564	138,552	147,679	151,849
SPECIAL FUELS AND RETAILERS TAXES, TOTAL³.....	965,381	915,477	937,409	882,798	1,026,600	981,117
Diesel and special motor fuels.....	654,053	672,119	646,030	637,857	703,399	682,194
Trucks and buses, chassis, bodies, etc.....	291,177	222,455	271,891	224,059	302,148	277,933
MISCELLANEOUS EXCISE TAXES, TOTAL.....	2,386,588	1,838,554	1,367,972	2,077,536	1,971,226	1,789,207
Telephone and teletype ⁴	559,726	679,150	583,799	679,331	579,782	741,777
Air transportation.....	700,839	770,929	747,811	636,949	757,560	783,855
Highway use tax.....	277,711	59,958	126,163	91,726	278,159	47,251
Foreign insurance.....	25,389	25,523	34,321	31,321	23,968	25,233
Exempt organization net investment income.....	63,984	22,318	43,256	121,962	30,567	19,385
Crude oil windfall profit ⁶	689,680	223,634	-230,799	250,915	-228,840	-122,710

See notes following Table 20.

Table 19.—Selected Returns and Forms Filed or to be Filed During Selected Calendar Years, 1970–1988

Type of return or form	Number Filed In Calendar Year —						
	1970	1975	1980	1985	1986	1987	1988 (Projected)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Individual income.....	77,281,384	84,026,785	93,196,076	99,704,246	101,925,850	103,462,011	106,686,600
Form 1040.....	77,143,251	61,450,279	55,360,030	64,010,068	66,359,095	68,545,023	70,269,000
Nonbusiness.....	68,129,351	51,377,153	43,957,141	49,873,300	51,733,688	53,736,837	54,929,200
Business.....	9,013,900	10,073,126	11,402,889	14,136,768	14,625,407	14,808,186	15,339,800
Schedule C.....	6,351,304	7,438,968	8,944,298	11,767,348	12,329,218	12,633,261	13,238,200
Schedule F.....	2,662,596	2,634,158	2,458,591	2,369,420	2,296,189	2,174,925	2,101,600
Form 1040A.....	N/A	22,462,776	37,692,282	18,779,084	18,408,426	17,870,312	17,793,800
Form 1040EZ.....	N/A	N/A	N/A	16,739,767	16,983,394	16,835,390	18,406,200
Other ¹	138,133	113,730	143,764	175,327	201,935	211,286	217,700
Corporation income.....	1,758,600	2,132,758	2,675,704	3,437,249	3,700,851	3,828,613	3,977,900
Forms 1120, L, and M.....	1,487,244	1,762,920	2,115,542	2,432,265	2,523,240	2,550,692	2,518,200
Form 1120A.....	N/A	N/A	N/A	199,665	285,134	300,760	296,900
Form 1120S.....	248,936	367,219	528,070	736,945	811,987	892,376	1,071,600
Other ²	1,414	2,619	32,092	68,374	80,490	84,785	91,100
Partnership, Form 1065.....	991,904	1,132,839	1,401,567	1,755,339	1,831,600	1,824,166	1,831,400
Fiduciary, Forms 1041 and 1041S.....	1,149,445 ³	1,558,570	1,876,392	2,124,969	2,276,245	2,335,805	2,541,500
Estate Tax, Forms 706 and 706NA.....	141,156	225,827	147,303	80,768	67,591	57,165	51,700
Gift Tax, Form 709.....	146,338	273,184	214,789	97,720	101,322	104,095	107,400
Exempt Organization.....	387,469	403,809	442,607	454,097	488,046	514,947	527,800
Form 990.....	377,030 ⁴	346,627	362,632	365,506	375,834	400,332	409,700
Form 990-PF.....	N/A	29,637	33,137	32,005	40,931	42,227	42,900
Form 990-T.....	5,046	19,683	23,455	26,181	32,731	33,156	34,900
Forms 990C, 4720, and 5227.....	5,393	7,862	23,383	30,405	r38,550	39,232	40,300

See notes on following Table 20.

Table 20.—Taxpayers Receiving Assistance, Paid and Unpaid, by Tax Year of Return, 1984–1987

(Some estimates based on samples—all amounts are in thousands)

Type of assistance	Tax Year			
	1984	1985	1986	1987
	(1)	(2)	(3)	(4)
Returns with paid preparer signature:¹				
All returns.....	45,220	46,685	48,049	50,899
1040EZ.....	728	740	655	916
1040A.....	4,470	4,389	4,135	4,577
1040, total.....	40,022	41,556	43,259	45,406
1040 Business, total.....	10,081	10,658	11,087	10,526
Nonfarm.....	8,288	8,924	9,385	9,004
Farm.....	1,793	1,734	1,702	1,522
1040 Nonbusiness, total.....	29,941	30,898	32,172	34,880
With itemized deductions.....	17,866	18,996	18,732	17,078
Without itemized deductions.....	12,075	11,902	12,627	17,802
Assistance provided by IRS:²				
Telephone inquiries.....	41,904	r37,863	r34,655	26,130
Recorded telephone information.....	8,307	7,850	r10,892	9,362
Office walk-ins, information.....	8,144	8,114	r7,090	5,273
Written inquiries.....	160	241	r169	90
Special programs:				
Community classes and seminars (taxpayers assisted).....	400	374	r903	869
Volunteer Income Tax Assistance (VITA) (returns prepared).....	295	302	r337	281
Tax Counseling for the Elderly (returns prepared).....	199	333	r331	251

See notes on following page.

General notations

N/A - Not applicable

n.a. - Not available

p - Preliminary

r - Revised

* - See Appendix, General Description of Statistics of Income Sample Procedures and Data Limitations.

Table 1

- [1] Includes unemployment compensation starting with 1979 and certain social security income starting with 1984.
- [2] Includes total itemized deductions before subtraction of zero bracket amount, and charitable contributions, and zero bracket amount on non-itemized deduction returns.
- [3] Includes deductions not shown separately below.
- [4] Includes surcharge of \$2,018,078,000.
- [5] Includes credits not shown separately below.
- [6] Investment credit was included in the more-inclusive general business tax credit beginning with 1984.
- [7] Includes income tax after credits and the additional tax for tax preferences, i.e., "minimum tax" (applicable for 1970-1982) and "alternative minimum tax" (applicable after 1979).

SOURCE: *Statistics of Income—Individual Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 2

- [1] Includes exemptions for age and blindness.
- [2] Totals in Table 2 do not agree with Tables 1 and 3 because they were obtained from a different source. For purposes of Table 2:
 - a. Number of returns by State include, in addition to Forms 1040, 1040A and 1040EZ filed by U.S.

citizens and residents, Forms 1040NR filed by non-resident aliens, as well as self-employment tax returns used in Puerto Rico and certain U.S. territories and possessions.

- b. "Total tax" liability includes total income tax plus tax from recomputing prior-year investment credit, tax applicable to Individual Retirement Arrangements (IRA's), self-employment tax, social security tax on tip income, and certain other income-related taxes. Total tax is before reduction by earned income credit (see also footnote (c), below).
- c. Earned income credit, available to certain low-income workers, could result in a refund (1) if there was no "total tax" (as defined in footnote 2(b), above), in which case the full amount was refundable, or (2) if the credit exceeded "total tax," in which case the excess was refundable. The difference between columns 19 and 21 is the refundable portion.

Total tax (column 16) minus earned income credit (column 21) is the amount most comparable to total tax in Tables 1 and 3. The total tax which results from this subtraction differs from Tables 1 and 3 because it includes additional taxes (see footnote 2(b), above) and because earned income credit used to offset tax (column 21) also includes amounts offset against these additional taxes.

- [3] Includes, for example, returns filed from Army Post Office and Fleet Post Office addresses by service men and women stationed overseas; returns filed by other U.S. citizens abroad; and returns filed by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. Government employees.

NOTE: This table presents aggregates of all returns filed and processed through the Individual Master File (IMF) system during Calendar Year 1987. Data have not been edited for Statistics of Income purposes.

SOURCE: Internal Revenue Service, Tax Processing Systems Division, IMF Returns Systems Branch.

Table 3

- [1] Social security income was included in adjusted gross income starting with Tax Year 1984.
- [2] Includes returns with adjusted gross deficit.
- [3] In addition to low income taxpayers, size class (and others) includes taxpayers with "tax preferences," not

reflected in AGI or taxable income, which are subject to the "alternative minimum tax" (included in "total income tax").

- [4] Includes income tax after credits and the additional tax for tax preferences, i.e., the "alternative minimum tax" (see footnote 3).

SOURCE: *Statistics of Income—Individual Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 4

- [1] Imputed interest received by persons from life insurance carriers and private non-insured pension plans.
- [2] Reconciliation is based on preliminary SOI data for AGI. For the revised AGI for 1985, see Table 1.
- [3] Represents income of low-income individuals not required to file individual income tax returns, unreported income, and statistical errors or omissions.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929–82: Statistical Tables, 1986*; for years after 1982, *Survey of Current Business*, various issues. Statistics of Income data are subject to sampling error; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 5

- [1] See Table 4 for an explanation of the differences between personal income and AGI.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929–82: Statistical Tables, 1986*; for years after 1982, *Survey of Current Business*, various issues. Statistics of Income data are subject to sampling error; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 6

- [1] See Table 4 for an explanation of the differences between personal income and AGI.

- [2] Not computed because preliminary estimates in columns 1 and 2 are not completely comparable.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929–82: Statistical Tables, 1986*; for years after 1982, *Survey of Current Business*, various issues; and *Statistics of Income—Individual Income Tax Returns*, appropriate years. Statistics of Income data are subject to sampling error; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 7

- [1] Amount of standard deduction for 1944–1957 estimated by Joseph A. Pechman, The Brookings Institution, on the basis of the distribution of the number of tax returns by income classes and marital status in *Statistics of Income—Individual Income Tax Returns*, and for 1958–1986 obtained directly from Statistics of Income tabulations for these years. Represents zero bracket amount for 1977–1986.
- [2] Returns with standard deduction, 1955–1986, include a small number with no adjusted gross income and no deductions. For 1944–1954, returns with no adjusted gross income are included in the number of returns with itemized deductions.
- [3] For 1977–1986, itemized deductions are before subtraction of "zero bracket amount."
- [4] Sum of standard and itemized deduction returns and amounts, plus charitable deduction reported on standard deduction returns for Tax Years 1982–1986.

SOURCE: Except as indicated in footnote 1, *Statistics of Income—Individual Income Tax Returns*, and unpublished tables, appropriate years. Data are subject to sampling error. Tax law and form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of changes mentioned above.

Table 8

- [1] See Table 4 for an explanation of the differences between personal income and AGI.
- [2] Taxable income excludes "zero bracket amount" for 1977–1986.
- [3] For the definition of total income tax, see footnote 7, Table 1.

[4] Percentage not computed because preliminary SOI data for taxable income and tax may not be altogether comparable with Department of Commerce estimate for personal income.

[5] After 1980, represents the more all-inclusive amounts reported in depreciation computation schedules rather than the amounts reported as the depreciation deduction (plus depreciation identified in cost of sales and operations schedules).

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929-82: Statistical Tables, 1986*; for years after 1982, *Survey of Current Business*, various issues; and *Statistics of Income—Individual Income Tax Returns*, appropriate years. Statistics of Income data are subject to sampling errors; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

SOURCE: *Statistics of Income—Partnership Returns*, appropriate years, and *SOI Bulletin*, Summer issues. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 9

[1] Excludes returns with refundable crude oil windfall profit tax overpayment only, starting with 1980.

SOURCE: *Statistics of Income—Individual Income Tax Returns*, and unpublished tables, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 10

SOURCE: *Statistics of Income—Sole Proprietorship Returns*, appropriate years, and *SOI Bulletin*, Summer issues. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 11

[1] Total assets, total liabilities and partners' capital account are somewhat understated because not all partnership returns included a complete balance sheet.

[2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year.

[3] Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more. In addition, for Tax Year 1975, long-term debt included nonrecourse loans.

[4] See footnote 4, Table 12, for changes in the comparability of the statistics for receipts and deductions after 1980. Also, statistics for interest received are combined with dividends beginning with 1982.

Table 12

[1] Size classes are based on business receipts, i.e., gross amounts from sales and operations, for industries except those in finance, insurance and real estate. For the latter industries, total receipts, which is the sum of business receipts and investment income, was used. For partnerships, see also footnote 4, below.

[2] Includes returns with no receipts as defined in footnote 1.

[3] Includes corporations with zero assets and liabilities. In addition, for partnerships, includes partnerships without balance sheet information (see also footnote 5, below).

[4] After 1980, "total receipts" in Table 11 includes, in part, only the net income or loss from farming and rentals. Previously, "total receipts" included the gross receipts from farming and rentals and, if rental receipts were the principal source of total receipts, they were treated as "business receipts" for the statistics. To help minimize the break in comparability caused by this change in statistical treatment of farm and rental income, an effort was made starting with 1981 to include rental (though not farm) gross receipts in the receipts used for the size distribution in Table 12. In Table 11, since only the net income or loss from farming and rentals was included starting with 1981, the deductions reported in computing these net incomes are excluded from the deduction statistics. For previous years, these deductions are reflected in the deduction statistics.

[5] Prior to 1979, partnerships that had liquidated were assumed to have zero assets and liabilities, even if their balance sheets showed otherwise, and were included in the "under \$25,000" asset size class. Beginning with 1980, balance sheet data reported for liquidated partnerships were tabulated as reported and were included in the appropriate asset size classes.

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years, *Statistics of Income—Partner-*

Notes to Selected Historical Data Tables

ship Returns, appropriate years, *Statistics of Income—Sole Proprietorship Returns*, appropriate years, and *SOI Bulletin*, Summer issues. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of the changes mentioned above

Table 13

- [*] Estimate should be used with caution because of the small number of sample returns on which it is based.
- [1] Consolidated returns were filed on an elective basis for affiliated groups of corporations (with exceptions), in general, if 80 percent or more of the stock of the affiliates was owned within the group and a common parent corporation owned at least 80 percent of the stock of at least one of the affiliates.
- [2] Included in "Number of returns, total" and "Number with net income."
- [3] Generally, small corporations with no more than 35 shareholders (10 prior to 1983), most of them individuals, electing to be taxed at the shareholder level.
- [4] Domestic International Sales Corporations (DISC's) were designed to promote U.S. exports. They were taxed through parent corporations, but only when profits were distributed or deemed distributed to them. This system of tax deferral was generally replaced after 1984 with a new system of Foreign Sales Corporations (FSC's); see footnote 5. Tax benefits of DISC's remaining after 1984 were limited and an interest charge for tax deferred amounts imposed on the parent corporations.
- [5] Foreign Sales Corporations (FSC's) generally replaced DISC's as a means of promoting U.S. exports (see footnote 4). Under the FSC provisions, a portion of these subsidiaries' "foreign trade income" was exempt from U.S. income tax.
- [6] For 1984, net long-term for capital gain reduced by net short-term capital loss from Forms 1120S, are not included in computed total receipts nor net income. Therefore, the components of total receipts do not equal the computed total receipts for that year.
- [7] Includes dividends reported in combination with interest on Form 1120-S by S Corporations, i.e., certain corporations that elect to be taxed through shareholders (see footnote 3). Based on prior years, when Form 1120-S required each to be reported separately, nearly all of the combined amount represents interest.

- [8] For most years, "income subject to tax" (the corporate tax base) exceeds "net income less deficit" chiefly because of the deficits reported on returns without net income. Moreover, it is the sum of the several tax bases applicable over time to different classes of corporations, not all of which were directly related to net income. Income subject to tax thus includes the "taxable income" base used by most companies (and defined as net income minus certain statutory special deductions); a variation of this base in combination with net long-term capital gains in certain situations when the lower capital gains tax applied; the special tax bases applicable to S Corporations and insurance businesses; and the amounts taxable to certain investment companies. Profits of Domestic International Sales Corporations were tax-deferred; most of those of qualifying Foreign Sales Corporations were tax-exempt and those of S Corporations were taxed (with few exceptions) through their individual shareholders, so that the net income of neither is reflected in income subject to tax.

- [9] Includes surcharge of \$784,437,000.

- [10] General business credit includes alcohol fuel, investment, jobs, and employee stock ownership plan (ESOP) credits which were shown separately for previous years.

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

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 14

- [1] See footnote 5, Table 13.
- [2] See footnote 7, Table 13.
- [3] Also includes additional tax for tax preferences ("minimum tax"), tax from recomputing prior-year investment credit and Personal Holding Company tax.

SOURCE: *Statistics of Income—Corporation Income Tax Returns*, appropriate years. Data are subject to sampling error. Tax law and tax form changes affect the year-to-year comparability of the data. See the appropriate Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Table 15

- [1] Profits shown are without inventory valuation and capital-consumption adjustment.

[2] See footnote 8, Table 13 for an explanation of "income subject to tax."

[3] Preliminary estimates in columns 2 and 3 are not completely comparable with Department of Commerce preliminary estimate in column 1.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *The National Income and Product Accounts of the United States, 1929-82: Statistical Tables, 1986*; for years after 1982, *Survey of Current Business*, various issues; and *Statistics of Income—Corporation Income Tax Returns*, appropriate years. Statistics of Income data are subject to sampling error; tax law and tax form changes affect the year-to-year comparability of the data. See the specific Statistics of Income reports for a description of sampling error and of the changes mentioned above.

Tables 16 and 17

[1] Individual income tax collected includes that portion which was designated for the presidential election campaign fund by taxpayers on their returns. Also included is the fiduciary income tax collected (from estates and trusts). Fiduciary income tax collected was \$8.4 billion in 1987, \$4.5 billion in 1986, \$4.1 billion in 1985, and \$2.9 billion in 1984. Presidential election campaign designations amounted to \$33.2 million in 1987, \$35.9 million in 1986, and \$34.8 million in 1985 and 1984.

[2] Corporation income tax collected includes various taxes applicable to tax-exempt organizations, including the tax on "unrelated business income." Total taxes collected from tax-exempt organizations were \$119.9 billion (1987), \$30.2 million (1986), \$54.9 million (1985), and \$50.0 million (1984).

[3] Excise taxes are imposed on selected products, services and activities, such as those on alcohol and tobacco products and the windfall profit tax on domestically-produced crude oil.

[4] Employment taxes include payroll taxes levied on salaries and wages, such as social security, railroad retirement, and unemployment taxes; plus the self-employment tax imposed on "self-employment income."

NOTES: Collections (or refunds) are those made during the time periods indicated, regardless of the year or other period during which the tax liability was incurred (or to which the refund applied). Collections represent the gross amounts before refunds and include amounts paid with the return; prior to filing the return (as applicable, income tax

withheld by employers and estimated tax payments); and subsequent to filing the return (chiefly the result of initial return processing or of audit examination and enforcement activities). Collections also include interest and penalties. Refunds result chiefly from tax overpayments determined at time of filing a return. Included are amounts subsequently determined as due the taxpayer as a result of an amended return or a claim for refund (including those produced by "net operating loss" and other carryback adjustments from future taxable years); or as a result of initial return processing or of examination and other activities. Individual income tax refunds are net of offsets under laws which require IRS to act as collection agent for delinquent payments owed various U.S. agencies under specific programs. All refund data include interest paid by IRS. Detail may not add to totals because of rounding.

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Accounting Branch.

Table 18

[1] Effective January 1, 1984, taxes on tubes and tread rubber were repealed, and dealers holding taxable tires were assessed a one-time floor stock tax.

[2] Effective January 7, 1983, the excise taxes on parts and accessories for trucks and buses, which are included in this classification, were repealed. Beginning with the quarter ending December 1983, motor vehicles are excluded.

[3] Special fuels, total, includes diesel and special motor fuels which were classified as miscellaneous excise taxes in 1970. Beginning with the quarter ending December 1983, motor vehicles are included.

[4] Effective January 1, 1983, the excise tax increased from 1 percent to 3 percent.

[5] Expired September 30, 1985 (P.L. 96-510); reimposed in January 1987 (P.L. 99-499).

[6] Negative amounts primarily reflect credits and adjustments applied to current period liabilities to correct for the net income limitation and overwithholding in previous periods.

NOTES: For 1970 and 1975, the fiscal year was defined as July of the previous calendar year through June of the year noted. For 1980-1986, the fiscal year was defined as October of the previous calendar year through September of the year noted. Additional detail is published in the *Annual Report of the Commissioner and Chief Counsel, Internal Revenue Service*.

SOURCE: U.S. Department of the Treasury, Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch; and Financial Management Service.

Table 19

[1] Includes Forms 1040C, 1040NR, 1040PR, and 1040SS; excludes amended returns (Form 1040X).

[2] Includes Forms 1120F, 1120 POL, and 1120H; excludes Forms 1120-DISC/FSC and amended returns (Form 1120X).

[3] Includes Form 1041A.

[4] Includes Form 990A.

SOURCE: Internal Revenue Service, Research Division, Projections and Forecasting Group.

Table 20

[1] Estimates of returns with paid assistance for 1985 and earlier years are based on the full-year sample of returns used for Statistics of Income—Individual Income Tax Returns. 1986 and 1987 projections are based on converting 1986 and 1987 Taxpayer Usage Study sample (TPUS) to the equivalent of the Statistics of

Income (SOI) sample. This was done because the TPUS sample represents returns filed through April, while the SOI sample represents all individual income tax returns filed in a calendar year. For additional information about the TPUS sample, see the Summer 1987 issue of the SOI Bulletin.

[2] Data on IRS Taxpayer Service Programs are collected on a fiscal-year basis. In general, assistance rendered in a given fiscal year may be related to returns due on April 15th during that fiscal year and are for the tax year ending with the previous December. Therefore, data in Table 21, which are presented on a tax year basis, are actually for a fiscal year, e.g., data shown as for Tax Year 1986 are actually for Fiscal Year 1987. However, data shown as for Tax Year 1986 in previous issues of the *SOI Bulletin* were actually for the first 7 months of Fiscal Year 1987; the revised data represent the entire Fiscal Year 1987.

NOTE: Data on IRS assistance represent taxpayer contacts. Some taxpayers make more than one contact. The number of taxpayers assisted (in contrast to the number of contacts made) is not known.

SOURCE: Data on paid preparers were obtained from Statistics of Income and Taxpayer Usage Study samples. Data on IRS assistance were compiled by the Taxpayer Service Division.

Appendix*

General Description of Statistics of Income Sample Procedures and Data Limitations

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see the References at the end of this Appendix). More technical information is available, upon request, by writing to the Director, Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. As returns are filed and processed for tax purposes, they are assigned to sampling classes (strata) based on criteria such as: industry, presence or absence of a tax form or schedule, accounting period, State from which filed, and various income factors or other measures of economic size (total assets, for example, is used for the corporation and partnership statistics). The samples are selected from each stratum over the appropriate filing periods. Thus, sample selection can continue for a given study for several calendar years, 3 for corporations because of the prevalence of fiscal (non-calendar) year reporting. Because sampling must take place before the population size is known precisely, the rates of sample selection within each stratum are fixed. This means in practice, that both the population and the sample size can differ from that planned. However, these factors do not compromise the validity of the estimates.

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum,

and interest in the stratum as a separate subject of study. All this is subject to constraints based on the estimated cost or the target size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master File based on the taxpayer identification number (TIN) which is either the social security number (SSN) or the employer identification number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise it is counted (for estimation purposes) but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TIN's designed from one year's sample are for the most part selected for the next year's, so that a very high proportion of the returns selected in the current sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from 1 year to the next.

METHOD OF ESTIMATION

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. Weights are, in general, computed by dividing the count of returns filed for a given stratum by the count of sample returns for that same stratum. "Weights" are used to adjust for the various sampling rates used—the lower the rate, the larger the weight. For some studies, it is possible to improve the estimates by subdividing the original sampling classes into "post-strata," based on additional criteria or refinements of those used in the original stratification. Weights were then computed for these post-strata using additional population counts. The data on each return in a stratum are multiplied by that weight. To produce the tabulated estimates, these weighted data are summed to produce the published statistical totals.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples usually vary. The stan-

*Compiled by Bettye Jamerson, Coordination and Publications Staff, under the direction of Robert Wilson, Team Leader. Major contributions were made by Paul McMahon, Corporation Statistics Branch, Operations Section.

dard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68 percent confidence interval estimate:

$$\begin{array}{ll}
 150,000 & \text{(sample estimate)} \\
 \times 0.02 & \text{(coefficient of variation)} \\
 = 3,000 & \text{(standard error of estimate)} \\
 \\
 150,000 & \text{(sample estimate)} \\
 + \text{ or } - 3,000 & \text{(standard error)} \\
 = 147,000\text{-}153,000 & \text{(68 percent confidence interval)}
 \end{array}$$

Based on these data, the interval estimate is from 147 to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95 percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Generally in the *SOI Bulletin* only conservative upper limit CV's are provided for frequency estimates. These do, however, provide a rough guide to the order of magnitude of the sampling error.

Further details concerning confidence intervals, including the approximation of CV's for combined sample estimates, may be obtained on request by writing the Director, Statistics of Income Division.

NONSAMPLING ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling

error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors, and effects of an early cut-off of sampling. More extensive information on nonsampling error is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during statistical "editing" in order both to improve data consistency from return to return and to achieve definitions of the data items that are more in keeping with the needs of major users. In some cases not all of the data are available from the tax return as originally filed. Sometimes the missing data can be obtained through field followup. More often though, they are obtained through imputation methods. As examples, other information in the return or in accompanying schedules may be sufficient to enable an estimate to be made; prior-year data for the same taxpayer may be used for the same purpose; or data from another return for the same year that has similar characteristics may be substituted. Research to improve methods of imputing data that are missing from returns continues to be an ongoing process [1].

Quality of the basic data abstracted from the returns is subjected to a number of quality control steps including 100-percent key verification. The data are then subjected to many tests based on the structure of the tax law and the improbability of various data combinations. Records failing these tests are then subjected to further review and any necessary corrections are made. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically-processed returns as a further check [2].

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing and estimating.

TABULAR CONVENTIONS

Estimates of frequencies and money amounts that are considered unreliable due to the small sample size on which they are based are noted in SOI tables by an asterisk (*) to the left of the data item(s). The presence of an asterisk indicates that the sample rate is less than 100 percent of the population and that there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash

in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100-percent rate.

Whenever a weighted frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses [3]. These combinations and deletions are indicated by a double asterisk (**).

NOTES

- [1] See, for example, Hinkins, Susan M., "Matrix Sampling and the Effects of Using Hot Deck Imputation," in *1984 Proceedings: American Statistical Association, Section on Survey Research Methods*. Other research efforts are included in *Statistical Uses of Administrative Records: Recent Research and Present Prospects*, Volume 1, Internal Revenue Service, March 1984.
- [2] Quality control activities for all SOI studies will be published in a series of forthcoming reports. These reports will provide detailed information relating to quality in all phases of SOI processing.

- [3] For geographic statistics, these same steps are taken when a weighted frequency is less than 10.

REFERENCES

For information about the samples used for specific SOI programs see:

Statistics of Income—1985, Individual Income Tax Returns, 1984, (see especially pages 4-7).

Statistics of Income—1984, Corporation Income Tax Returns (see especially pages 7-12).

Statistics of Income—1978-82, Partnership Returns (see especially pages 237-244).

Statistics of Income—1979-83, Compendium of Studies of International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see information about the samples used at the end of each chapter).

SOI Bulletin (see each issue).

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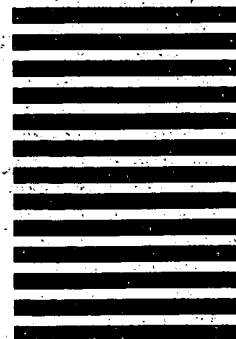
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INDEX OF PREVIOUSLY PUBLISHED SOI BULLETIN ARTICLES (Issue, Volume and Number)

Corporation income tax returns:
(See also Foreign income and taxes)

Domestic International Sales Corporations
1980, Fall 1983 (3-2)

Employee benefit plans:
1977, Spring 1982 (1-4)

Estate tax returns
1983, Fall 1984 (4-2)
1916-31 Revisited, Spring 1987 (6-4)

Excise taxes:
Environmental:
1981-85, Spring 1987 (6-4)

Exempt organizations:
Nonprofit Charitable Organizations:
1982, Winter 1985-86 (5-3)
1983, Spring 1987 (6-4)
Other than private foundations:
1975-1978, Fall 1981 (1-2)
Private foundations:
1982, Fall 1985 (5-2)
1983, Winter 1986-1987 (6-3)

Fiduciary income tax returns:
1982, Spring 1985 (4-4)

Foreign income and taxes:
Controlled Foreign Corporations:
1982, Summer 1986 (6-1)
1982, Winter 1986-1987 (6-3)
Corporation foreign tax credit:
1982, Fall 1986 (6-2)
Foreign corporate investment and activity in the U.S.:
1983, Summer 1987 (7-1)
Individual foreign income and taxes:
1983, Summer 1987 (7-1)
International boycotts:
1976-1982, Summer 1985 (5-1)
Possessions corporations tax credit:
1980, Spring 1983 (2-4)

Foreign Recipients of U.S. Income:
1982, Fall 1984 (4-2)
1983, Fall 1985 (5-2)
1984, Fall 1986 (6-2)
1985, Fall 1987 (7-2)

Individual income tax returns:
(See also Foreign income and taxes)
Age and tax filing:
1981, Fall 1985 (5-2)

Demographic characteristics of taxpayers:
1983, Summer 1986 (6-1)
High-income Returns:
1983, Spring 1986 (5-4)
1984, Spring 1987 (6-4)
High-income taxpayers and the growth of partnerships:
1983, Fall 1985 (5-2)
Historical summary of income and taxes:
1913-1982, Winter 1983-84 (3-3)
Income by ZIP code areas:
1969-1979, Spring 1983 (2-4)
1979 & 1982, Summer 1985 (5-1)
Interest Income and Deductions:
1968-1984, Fall 1986 (6-2)
Legally-blind tax filers:
1983, Fall 1987 (7-2)
Life cycle of individual tax returns:
Spring 1984 (3-4)
Marginal and average tax rates:
1981, Fall 1983 (3-2)
1982, Spring 1985 (4-4)
1983, Winter 1985-86 (5-3)
1984, Winter 1986-87 (6-3)
Sales of capital assets:
1981-82, Winter 1985-86 (5-3)
Taxation of social security and railroad retirement benefits:
1985-1990, Fall 1987 (7-2)
Taxpayer by sex:
1969-1979, Spring 1985 (4-4)
Taxpayer usage of Forms 1040:
1986, Summer 1987 (7-1)

Partnership returns:
Analysis of Partnership Activity:
1981-1983, Spring 1986 (5-4)
Employment and payroll:
1979, Spring 1984 (3-4)
High-income taxpayers and the growth of partnerships:
1983, Fall 1985 (5-2)
Income statements by industry:
1983, Summer 1985 (5-1)
1984, Summer 1986 (6-1)
1985, Summer 1987 (7-1)

Personal wealth:
Composition of assets, 1982:
Winter 1984-85 (4-3)
Realized income and personal wealth:
Spring 1983 (2-4)

Trends, 1976-1981:
Summer 1983 (3-1)

Private activity tax-exempt bonds:
1983, Summer 1984 (4-1)
1984, Winter 1985-86 (5-3)
1985, Spring 1987 (6-4)

Projections of returns to be filed:
1988-1995, Fall 1987 (7-2)

Safe Harbor Leasing:
1981-1982, Fall 1983 (3-2)

Sales of capital assets
(See individual income tax returns)

SOI Statistical Services:
1985-86, Spring 1986 (5-4)
Studies of international income and taxes:
Fall 1986 (6-2)
Domestic special studies:
Fall 1987 (7-2)

Sole proprietorship returns:
Income statements by industry:
1983, Summer 1985 (5-1)
1984, Summer 1986 (6-1)
1985, Summer 1987 (7-1)
Nonfarm proprietorships and sex of owner:
1980, Spring 1983 (2-4)

Superfund for environmental taxes
(See Excise taxes)

Tax incentives for saving:
Spring 1984 (3-4)

Underground economy:
Informal suppliers:
Summer 1983 (3-1)
Tip income in eating places:
1982, Winter 1983-84 (3-3)

Windfall profit tax:
1982, year total,
Fall 1983 (3-2)
1983, year total,
Fall 1984 (4-2)
1984, year total,
Fall 1985 (5-2)
1985, year total,
Fall 1986 (6-2)