

Statistics of Income Domestic Special Studies

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The Statistics of Income Division regularly conducts more than 40 studies of tax return data [1]. While the basic studies of individual and corporation income tax returns are well known, the studies of international income and taxes and the various domestic special studies are generally less well known. To remedy this, an article on the international statistics program was published in 1986 [2]. The present article is a sequel to that article and takes a look at the many domestic special studies that are currently underway or in the planning stages. Many of these studies are conducted annually, whereas others are conducted less frequently or even on a one-time basis.

Statistics of Income (SOI) domestic special studies covered by this article can be classified into three groups:

- *Tax-Exempt Organizations Studies.*—This group includes annual studies of returns filed by private foundations, nonprofit charitable and other organizations exempt under Internal Revenue Code section 501(c), exempt organizations with “unrelated business income,” and tax-exempt private activity bonds. Also included are periodic studies of returns filed by nonexempt charitable and split-interest trusts and farmers’ cooperatives. A one-time study of private foundation grant-administrative expenses is also included in this category.
- *Estate Tax and Wealth Studies.*—Besides the basic annual study based on data from estate tax returns, studies are conducted periodically to estimate personal wealth and to look at the intergenerational transfers of wealth through inheritance. Occasional studies involving fiduciary and gift tax returns are also included in this category.
- *Excise Tax Studies.*—Currently this group includes studies of returns relating to the quarterly crude oil windfall profit tax and the environmental excise tax on certain hazardous substances (i.e., the so-called “Superfund Tax”).

As is true of most SOI studies, the main users of these statistical reports are the Office of Tax Analysis in the Office of the Secretary of Treasury and the Congressional Joint Committee on Taxation. In addition, detailed information is provided to other Government agencies— notably the Environmental Protection Agency, the Federal Reserve Board, and the Bureau of Economic Analysis in the Department of Commerce. Partial funding of the effort to compile statistics on tax-exempt organizations is provided by the Independent Sector, a nonprofit coalition of corporations, foundations, and voluntary organizations whose mission is to encourage giving, volunteering, and not-for-profit initiatives.

Exhibit 1 shows the estimated population and the size of statistical samples underlying the data, as well as the content and frequency of each of the studies. To meet the growing need for data, the Statistics of Income Division plans, in the near future, to initiate new statistical services in the personal wealth and tax-exempt areas that will provide university scholars, research organizations, and others with expanded access to the information.

TAX-EXEMPT ORGANIZATIONS STUDIES

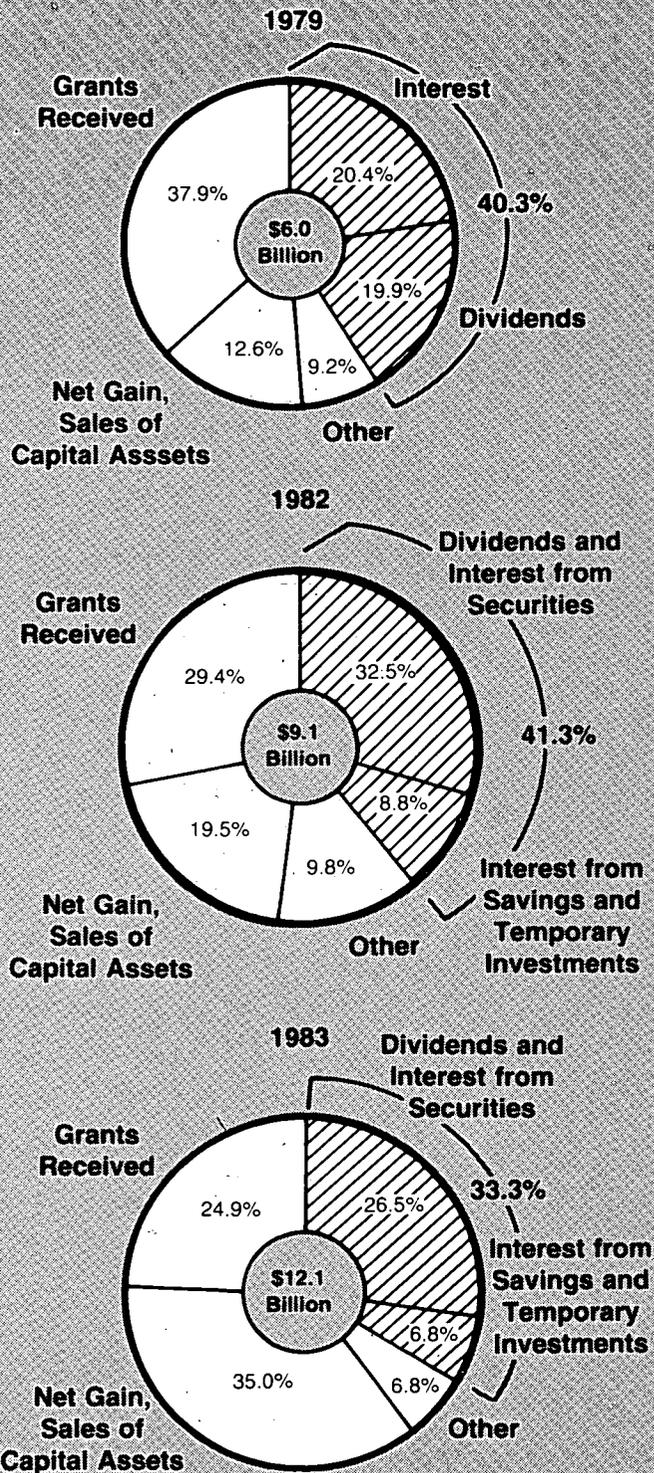
This broad area currently consists of those exempt studies mentioned previously. SOI data indicate that the growth of tax-exempt organizations has kept pace with the national economy as a whole, or even exceeded it, during the past decade. For example, while the real Gross National Product (GNP) nearly doubled in the period from 1974 to 1983 (increasing by 92 percent), the receipts of private foundations, adjusted for inflation, increased by 125 percent. The total revenue of other charitable organizations exempt from income tax under Code section 501(c)(3) also grew by 95 percent from 1975 (the first recent year for which statistics were produced) to 1983.

Private Foundations

A private foundation is a nonprofit corporation, association, or trust with a narrow source of funds which supports

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Figure A.
Sources of Private Foundation Revenue, 1979, 1982, and 1983



NOTE: For 1979, interest income from securities was combined and reported with other sources of interest income. Beginning with 1981, foundations were required to combine interest income from securities with stock dividends and report it separately from all other interest income.

social, educational, scientific, charitable, religious, or other programs dedicated to improving the general welfare of society. These organizations qualify for tax-exempt status under section 501(c)(3). The primary difference between private foundations and other tax-exempt charitable organizations is that foundations usually receive their funds from an individual, family, or corporation, while other nonprofit charitable organizations (described below) derive their funds from a large number of sources within the general public. In addition, private foundations generally do not operate their own charitable programs.

The first SOI studies of information returns filed by private foundations were published for 1974-1978 and 1979 [3,4]. Then in 1982 the study was redesigned as an annual series which will form a longitudinal data base (i.e., essentially the same organizations will be observed over time) [5,6]. Included in the annual samples are the returns of all private foundations with total assets (book value) of \$10 million or more (about 700 returns in 1983, the most recent year for which data are available) [7]. These 700 returns accounted for 70 percent of the total assets of all private foundations and formed approximately half of the 1,375 sampled returns used for the study. The returns in the other half of the sample were randomly selected at various rates, ranging from 0.7 percent to 10 percent, depending on the book value of total assets.

Private foundation revenue more than doubled between 1979 and 1983. Figure A illustrates the significant shifts in sources of foundation income which occurred during this period. By 1983, substantial increases in net gains from sales of capital assets established this component as the leading source of foundation revenue, displacing both dividend and interest income and grants received, which were traditionally the major revenue sources. A fast-paced securities investment environment and a 1981 tax law change (which eliminated the requirement that foundations pay out as charitable distributions all of their investment income) may have encouraged the restructuring of foundation investment portfolios and may have been primary contributors to these shifts.

Figure B shows selected financial data by size of total fair market value of assets for 1983. Nearly 30,000 foundations filed returns, 5.4 percent more than 1982, with total revenue of \$12.1 billion reported, a 33 percent increase.

Charitable and Split-Interest Trusts

Nonexempt trusts are legal instruments established by an individual or organization with either income or remainder interests (or both) devoted to charitable purposes. There are two types of nonexempt trusts: purely charitable trusts, which are intended exclusively for charitable purposes, and split-interest trusts, which have both charitable and noncharitable beneficiaries. Both types of trusts are

Figure B.—Private Foundations by Size of Total Assets, 1983

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

Item	Total	Size of total fair market value of assets				
		Under ¹ \$1,000,000	\$1,000,000 under \$10,000,000	\$10,000,000 under \$25,000,000	\$25,000,000 under \$100,000,000	\$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	29,863	24,717	4,237	543	273	93
Total fair market value of assets	\$71,935	\$4,163	\$14,054	\$8,207	\$12,897	\$32,614
Total book value of assets	56,768	3,769	11,874	6,484	10,541	24,099
Total revenue	12,132	1,159	2,602	1,125	2,006	5,240
Net gain (loss) from sales of capital assets	4,249	86	418	282	487	2,976
Interest and dividend income	4,034	281	846	487	761	1,659
Grants received	3,025	759	1,052	286	584	344
Total expenses	5,883	934	1,560	721	1,073	1,595
Total qualifying grants paid	4,363	822	1,092	550	756	1,143

¹ Includes foundations with zero assets and unreported assets.
NOTE: Detail may not add to total because of rounding.

nonexempt in the sense that they do not have to be formally recognized as tax-exempt under the Internal Revenue Code. Although they are exempt from income taxation, they are treated by Internal Revenue Service (IRS) as foundations and taxed on their income not distributed to charities.

The most recent data available for nonexempt charitable trusts and split-interest trusts are for 1979. As noted in Exhibit 1, a study in this area is planned for 1989 and every third year thereafter.

In 1979 there were 15,846 nonexempt trusts, including 2,103 charitable trusts with reported assets of \$894 million and 13,743 split-interest trusts with reported assets of \$2.5 billion. The charitable contributions of these trusts totaled \$118 million, including \$56 million given by charitable trusts and \$61 million by split-interest trusts [8]. Split-interest trusts contributed only 33 percent of their revenue to charities as compared to almost 58 percent for charitable trusts.

Nonprofit Charitable and Other Organizations Tax-Exempt under Code section 501(c)

The Statistics of Income Division's study of nonprofit charitable organizations includes all organizations exempt from Federal income tax under Code section 501(c)(3), except private foundations (discussed previously). These organizations are principally religious, educational, health-related, scientific, and literary organizations. As indicated previously, they differ from private foundations in that they derive their funds from the general public.

The most recent financial data available for nonprofit charitable organizations are for 1983 [9]. Of the approximately 280,000 organizations recognized by the IRS as

nonprofit charities in that year, an estimated 89,000 were required to file returns (Form 990). Organizations with gross receipts of \$25,000 or less, and churches, were not required to file. The sample returns used for the statistics for 1983 on nonprofit charitable organizations consisted of all organizations with total assets (book value) of \$10 million or more (approximately 4,500 for 1983), plus a random stratified sample of approximately 500 returns from the remaining population of 84,500 returns. Data were also published for these section 501(c)(3) organizations for 1982 [10].

Earlier data, however, for the period 1975-1978, included all section 501(c) organizations, charitable as well as other organizations [11]. The three major groups in terms of numbers of organizations in 1975 (excluding section 501(c)(3) organizations) were civic leagues, social welfare organizations, and local associations of employees—section 501(c)(4); labor, agricultural, and horticultural organizations—section 501(c)(5); and social and recreational clubs—section 501(c)(7).

Future plans call for annual studies beginning with 1985 which will grow larger in size and scope. Beginning with 1988, the study will be expanded to again include all 501(c) organizations. The sample returns used will be increased from 5,500 for 1985 to 35,000 for 1988.

One of the dominant characteristics of the nonprofit sector and, in particular, of charitable organizations has been the concentration of financial resources among a small number of large organizations (see Figure C). Organizations (other than private foundations) with assets of \$10 million or more filed only 5 percent of the returns for 1983, but accounted for 80 percent of total assets. In contrast, approximately 40 percent of the returns were filed by organizations with asset holdings under \$100,000. Yet these nearly 35,000 small organizations accounted for only 0.3 percent of the total assets of all nonprofit charitable organizations.

Figure C.—Nonprofit Charitable Organizations by Size of Total Assets, 1983

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

Size of total assets	Number of returns	Total assets
Total, all organizations	89,052	\$331,227
Under \$100,000 ¹	34,650	1,153
\$100,000 under \$500,000	23,625	4,651
\$500,000 under \$1,000,000	10,574	7,237
\$1,000,000 under \$10,000,000	15,433	53,027
\$10,000,000 under \$50,000,000	3,653	84,167
\$50,000,000 or more	1,113	180,992

¹ Includes returns with zero assets or assets not reported.
NOTE: Detail may not add to total because of rounding.

As shown in Figure D, program service revenue (fees collected to administer charitable programs) was the largest component of total revenue for 1983, accounting for nearly two-thirds (\$147.5 billion) of total revenue of all nonprofit charitable organizations. A look at the 1983 data by type of

charitable organization shows that program service revenue accounted for 90 percent (\$93.8 billion) of total receipts for hospitals and 60 percent (\$24.2 billion) of total receipts for educational institutions. Program service revenue includes a broad spectrum of revenue sources such as hospital charges for patient care (whether paid by the patient or through third-party reimbursement); tuition, fees, and day-care charges at educational institutions; admissions to museums, concerts, and other performing arts events; educational workshop fees; charges for athletic programs and housing facilities at YMCA's; and payments received for insurance and retirement coverage by pension and annuity fund companies.

However, while program service revenue was the major source of revenue for the large nonprofit charities, contributions (received directly from the public, or indirectly through fundraising campaigns and from Government grants) comprised the major portion of the revenues of the smaller organizations. For 1983, contributions represented 60 percent (\$13.1 billion) of the total revenues (\$21.8 billion) of organizations with assets of less than \$1 million. Contributions received by educational organizations accounted for 24.8 percent (\$10.2 billion) of total receipts and only 2.4 percent (\$2.5 billion) of total receipts for hospitals. The remainder of the revenue received by charities was in the form of dues and assessments, interest, dividends, and other investment income.

Figure D.—Nonprofit Charitable Organizations, 1975, 1982, and 1983

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

Item	1975	1982	1983
	(1)	(2)	(3)
Number of returns	82,048	75,738	89,052
Total assets	\$108.5	\$279.6	\$331.2
Total revenue	65.5	196.3	224.0
Contributions, gifts, and grants	17.1	41.3	46.4
Dues and assessments	1.5	2.5	3.1
Program service revenue	n.a.	124.4	147.5
Total expenses	62.6	181.3	207.5
Program service expenses	36.8	151.7	173.6
Fundraising expenses	1.4	1.7	1.8
Management and general expenses	n.a.	27.4	31.8

n.a. - Not available.

NOTE: Year-to-year comparability is affected by tax law changes.

Organizations receiving tax-exempt status under section 501(c)(3) represent the largest group of organizations with tax-exempt status. For 1975, when the minimum filing requirement was more than \$10,000 in gross receipts, they represented 37 percent of all returns filed and accounted for 68 percent of the total assets of all tax-exempt organizations. (Labor organizations and civic leagues followed in terms of the numbers of returns filed.) Since then, the filing requirement has been increased to more than \$25,000, so exact comparisons are not possible. However, the most recent data from the IRS Business Master File indicate that the organizations exempt under section 501(c)(3) still outnumber all other types of tax-exempt organizations. For 1986, returns filed by these charitable organizations represented

48 percent of the returns filed by all tax-exempt organizations and accounted for 63 percent of the total assets reported.

Exempt Organizations' Unrelated Business Income

In 1950, Congress imposed a tax on the income of tax-exempt organizations from a trade or business not substantially related to an organization's exempt purpose or function. The law's purpose was to restrict the potential for unfair competition between nonprofits and taxable, for-profit, businesses that provide the same services. The Tax Reform Act of 1969 revised and expanded this tax on "unrelated business income".

In more recent years, with Federal cutbacks in funding for social programs, there has been a major focus on the movement of exempt organizations into commercial activities and the resulting impact on for-profit businesses. In 1984, the Small Business Administration issued a report, "Unfair Competition for Nonprofit Organizations With Small Business: An Issue for the 1980's," that was critical of exempt organizations operating commercial activities [12]. In September 1986, the Ways and Means Committee of the House of Representatives began a comprehensive review of the Federal tax treatment of commercial and other income-producing activities of tax-exempt organizations. Hearings were held in the summer of 1987, with recommendations to follow [13]. It is anticipated that the Subcommittee on Oversight will call for expanded information to be reported on the Form 990 regarding taxable and nontaxable subsidiaries, as well as additional information on related and unrelated business activities of exempt organizations [14].

Against this backdrop of intensifying interest and concern regarding the possible conflict between the private sector and the income-producing activities of the nonprofit sector, the Statistics of Income Division is undertaking a major new annual study. This study, for 1987, is based on a sample of approximately 5,000 returns selected from an estimated population of 30,000 tax returns filed by exempt organizations with unrelated business income. Presently, data from the IRS Master File System for 1985 and 1986 are being analyzed for possible use in the study. Figure E shows the most recent information available from exempt organizations' business income tax returns (Form 990-T).

Figure E.—Exempt Organization Unrelated Business Income Tax Returns: Number of Returns and Unrelated Business Income Tax Collections, Fiscal Years 1985-1987

[Money amounts are in thousands of dollars]

Fiscal year	Number of returns	Unrelated business income tax
1985	24,103	30,208
1986	32,224	54,943
1987	33,286	119,875

NOTE: Fiscal Year 1984 covers returns filed in October 1983 through September 1984. Data for other years are similarly defined.
SOURCE: Business Master File Reports of Revenue Receipts, Internal Revenue Service. Unpublished annual reports.

Private Foundation Grant-Administrative Expenses

As part of the Tax Reform Act of 1984, Congress mandated a one-time study of the expenses of private foundations in administering grants. The purpose was to assess the impact of current provisions of the Internal Revenue Code governing the treatment of such expenses. This information collected by the Statistics of Income Division will enable the Office of Tax Analysis to report its findings and recommendations to Congress so that statutory or regulatory changes to the private foundation tax provisions of the Internal Revenue Code can be made if they are deemed necessary. A subsample of approximately 800 returns from the SOI 1985 private foundation study is being used in this study. The results will be provided to the Office of Tax Analysis for use in its report to Congress due in January 1990.

Farmers' Cooperatives

The Statistics of Income Division periodically publishes statistics on farmers' cooperatives. The last published study was for 1963 [15]. A more recent study on tax-exempt (under Code section 521) as well as nonexempt farmers' cooperatives, however, was conducted for 1977 with the assistance of the Department of Agriculture. Results will be published in an SOI compendium on exempt organizations scheduled for release in the fall of 1988. Figure F compares data for exempt and nonexempt cooperatives for 1963 and 1977. Although the number of exempt cooperatives dropped by almost half between 1963 and 1977, their total assets increased by approximately 44 percent. Total assets of nonexempt cooperatives, which were reported on Form 1120, the corporation income tax return, up until 1982, increased more than tenfold over the same period. Information for nonexempt cooperatives are now reported on Form 990-C, the same form filed by tax-exempt cooperatives.

Figure F.—Exempt and Nonexempt Farmers' Cooperatives, 1963 and 1977

[Figures for nonexempt cooperatives are based on samples—money amounts are in millions of dollars]

Item	1963		1977	
	Exempt cooperatives	Nonexempt cooperatives	Exempt cooperatives	Nonexempt cooperatives
	(1)	(2)	(3)	(4)
Number of returns	5,574	3,021	2,933	3,175
Total assets (book value)	\$4,065	\$1,927	\$ 5,854	\$20,377
Total receipts	8,940	4,937	15,340	34,471
Total deductions	8,919	4,908	15,330	34,298
Net income (less deficit)	21	29	12	172
Net income	42	40	54	201
Income subject to tax	7	36	25	177
Income tax after credits	2 ¹	13	6 ¹	61

¹ Exempt farmers' cooperatives are not exempt from income tax but are taxed at the same corporate rates (as are nonexempt cooperatives). However, exempt cooperatives are allowed to deduct from earnings dividends paid on capital stock and distributions of any net margins from nonpatronage business (which includes income from investments, sales of capital assets and the like). Nonexempt cooperatives may not deduct these two items, which in the case of exempt farmers' cooperatives totaled \$31 million for 1963 and \$23 million for 1977.

NOTE: Detail may not add to totals because of rounding. Year-to-year comparability is affected by tax law changes.

cide with the 1992 quinquennial economic census. Plans are to obtain most of the data from information already transcribed for tax administration purposes and included in the IRS Master File system. These data will be augmented by data abstracted from the returns processed for statistical purposes only. The Department of Agriculture is expected to help with the 1992 study as it did for the 1977 study.

Tax-Exempt Private Activity Bonds

Private activity tax-exempt bonds are issued by State and local Governments or their authorized agents for the direct benefit of private businesses, organizations, and individuals. The original intent of the Federal income tax exemption for interest earned on State and local bonds was to provide a subsidy for Government projects (such as highways) by making it possible to obtain funding at lower interest costs. However, there was nothing to prevent State and local Governments from also issuing private-purpose bonds to promote economic development and housing within their jurisdictions, while incurring little or no costs themselves. As a result, investment dollars were shifted away from other taxable, interest-producing alternatives which could lead to a significant loss in Federal tax receipts. The shifting of bonds toward these non-Government uses recently prompted the Federal Government to reexamine its policies in this area. The dollar volume of these bonds accounted for 54 percent of the \$119.4 billion of total long-term tax-exempt bond volume for 1985 [16].

The Tax Equity and Fiscal Responsibility Act of 1982 required State or local Government issuers of private-purpose tax-exempt bonds to file information returns with the IRS describing the nature and uses of the bonds. Data obtained from these returns (Form 8038) for bonds issued in 1983 through 1985 have been published annually [17].

While the number of bond issues reported each year has remained steady at just under 15,000, the dollar volume of new issuances shot up from \$49.9 billion in 1983 to \$99.4 billion in 1985 (see Figure G). Figure G shows the massive growth in this 3-year period of private exempt entity bonds, in particular.

Figure G.—New Issue Private Activity Bond Volume, by Type of Bond, 1983–85

[Billions of dollars]

Selected type of bond	New issue volume			Percentage change 1983 to 1985
	1983	1984	1985	
Total	\$49.9	\$65.8	\$99.4	99.2%
Student loan bonds	3.1	1.4	2.8	- 8.5
Private exempt entity bonds	8.2	9.0	26.1	218.0
Mortgage bonds ¹	10.8	13.9	13.4	24.5
Industrial development bonds	27.8	41.5	57.1	105.1

¹ Data for 1983 and 1984 are based on information compiled by the Department of Housing and Urban Development; for 1985, the data were compiled by IRS, based on Form 8038, Information Return for Private Activity Bond Issues.

NOTE: Year-to-year comparability is affected by tax law changes.

The next farmers' cooperative study is planned to coin-

Future Plans in the Tax-Exempt Area

Although exempt organizations received little direct attention in the Tax Reform Act of 1986, several of the provisions dealing with individuals and taxable corporations will have a major impact on the operation and well-being of exempt organizations.

Basically, the 1986 Act increases the after-tax cost of charitable giving for several reasons. First, taxpayers whose marginal tax rates are decreased under the 1986 Act will realize a smaller tax benefit from their deductions for charitable contributions, while taxpayers subject to a higher marginal tax rate (due to changes in provisions dealing with tax shelters and the alternative minimum tax) will find the Government subsidizing a larger portion of their charitable giving. However, since the majority of taxpayers will have lower marginal tax rates, overall charitable giving is projected to decline. In addition, a provision enacted in 1981 permitting individuals who did not itemize their deductions to deduct part or all of their charitable contributions expired after 1986 and was not reinstated by the Tax Reform Act of 1986. Thus, these nonitemizers must again bear the entire cost of charitable contributions they make after 1986 (the same as they did before 1981) [18]. Finally, a number of other changes are expected to reduce the number of itemizers, further reducing the tax incentive to make charitable donations. This expected fall in donations may force nonprofit organizations to increasingly move into commercial activities in which they typically compete with for-profit firms in order to finance their programs.

There seems to be a general agreement among the users of SOI data on exempt organizations that there is a strong need to expand the data bases available so that policymakers can make more informed decisions in this area. Thus, if reimbursement can be obtained, the Statistics of Income Division will greatly expand its data on exempt organizations. Already, SOI studies of private foundations and nonprofit charitable organizations are being resumed on an annual basis, beginning with Tax Year 1985. Second, SOI plans to substantially increase the sample sizes for both the private foundation and nonprofit charitable organization studies beginning with 1987. Third, beginning with Income Year 1988, the exempt organization study will be expanded to include all section 501(c) organizations (rather than just 501(c)(3) organizations) and the sample will be increased from approximately 5,500 to 35,000 exempt organizations. Fourth, the study of the exempt organization unrelated business income tax, which is being conducted for the first time for 1987, will be done on an annual basis. Fifth, periodic studies (at least every 3 years) will be conducted on farmers' cooperatives, charitable and split-interest trusts, and also on excise taxes paid by private foundations and public charities.

SOI also is working on a compendium of exempt studies which will be available in the fall of 1988. The one-volume compendium will be comprised chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association*, along with facsimiles of tax forms and instructions. Also included will be other research papers and previously unpublished articles and tables. This material will serve as a reference source for statisticians, economists, and researchers. However, the compendium represents only a sampling of the available statistical information that might be of value to interested parties. Some microdata files are already available for public use, and efforts are underway to determine whether additional microdata files can be provided while protecting the identity of individual organizations wherever required under the law. Unpublished or special tabulations are also available on a cost-reimbursable basis [19].

ESTATE TAX AND WEALTH STUDIES

The Statistics of Income Division conducts five studies relating to estate taxes and its direct and indirect effects on transfers of wealth. To look at the direct effects, SOI analyzes estate and fiduciary taxation. Studies which focus on the indirect effects include those of personal wealth estimated from estate data (described in the Personal Wealth Estimates Section, below), intergenerational wealth transfers, and the relationship between income and wealth.

Perhaps the most important change in this area in recent years was the increase in the filing requirement for estate tax returns. From 1942 to 1976, the floor for the estate filing requirement was \$60,000 in gross estate. The Tax Recovery Act of 1976 and the Economic Recovery Tax Act of 1981 (ERTA) mandated a series of increases in the filing requirement which doubled this floor for 1977 decedents and then further increased it for each of the next 10 years (see below). The filing requirement is scheduled, at least for now, to remain constant at \$600,000 beginning with estates of taxpayers who died in 1987 and thereafter. Not surprisingly, the filing requirement changes have resulted in a dramatic decline in the number of returns. Just 68,000 returns were filed in 1985, 66 percent less than the nearly 201,000 returns filed in 1977 [20].

Year of death	Size of gross estate filing requirement
1976	\$ 60,000
1977	120,000
1978	134,000
1979	147,000
1980	161,000
1981	175,000
1982	225,000

1983	275,000
1984	325,000
1985	400,000
1986	500,000
1987 and later	600,000

The rapid rise in the estate tax filing requirement has also narrowed the group of individuals whose personal wealth can be estimated from estate data. Nonetheless, estimates can still be generated for the richest 1 or 2 percent of the population, which still includes a significant portion of the Nation's wealth. For example, estimates of personal wealth in 1982 showed that there were approximately 4.5 million Americans with gross assets of \$325,000 or more. Although these individuals represented only 2.8 percent of the Nation's adult population, their net worth (the value of their assets after reduction for debts) made up approximately 30 percent of the wealth in the United States held by U.S. households [21].

Each of the studies in the estate tax/wealth area is described in greater detail in the sections that follow. SOI plans for a major expansion of studies in this area are also highlighted.

Estate Tax

Statistics from estate tax returns are periodically published in the *Statistics of Income Bulletin*; the most recently published data were for 1983 [22]. (Limited data for returns filed in 1984 and 1985 are available directly from the Statistics of Income Division.)

Despite major changes in the estate tax law in recent years, taxation of estates continues to be based primarily on the total value of the decedent's property and not upon the shares received by the individual beneficiaries (although the liberalization of the marital deduction, described below, is an important change here). When a citizen or resident of the United States dies, a Form 706 must be filed by the executor or administrator of the estate if the value of the decedent's gross estate exceeds the filing threshold [23]. As noted already, the filing threshold which stood at \$60,000 in 1976 has now increased to \$600,000.

Estate tax return data available for 1982 through 1985 for decedents with gross estates of at least \$300,000 show the impact of ERTA on estate taxation, exclusive of the changes in the filing requirement [20]. The liberalization of the marital deduction that was enacted as part of ERTA resulted in a significant decrease in the estate tax liability, even though the number of estate tax returns filed and particularly the size of total gross estate each increased. The total estate tax liability dropped by nearly 25 percent, from \$6.2 billion in 1982 to \$4.7 billion in 1984, before increasing to \$5.0 billion

in 1985. (The 1985 increase would have been more substantial if it were not for the aforementioned increases in the filing requirement for 1984 and 1985 decedents.) The liberalization of the marital deduction resulted from eliminating the monetary ceiling on the deduction for estates of decedents dying after 1981. Thus, unlimited amounts of property, except for certain terminable interests, could be transferred between spouses free of estate or gift taxes.

The number of estate tax returns with gross estate of \$300,000 or more increased between 1982 and 1985 from approximately 60,000 to 68,000, while total reported gross estate grew by almost 40 percent (see Figure H). The major reasons for these increases were the overall expansion in the economy, accompanied by lower interest rates, both of which contributed to an increase in the value of residential and commercial real estate, and investment portfolios. For these reasons and with the moderate increase in inflation over this time period, more and more estates grew in size to the point that they exceeded the increased filing threshold.

Figure H.—Gross Estates of \$300,000 or More, by Filing Year, 1982–1985

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

Filing Year	Number of returns	Gross estate	Total deductions	Taxable estate	Estate tax after credits
	(1)	(2)	(3)	(4)	(5)
1982	59,597	\$45,412	\$17,897	\$27,568	\$6,226
1983	63,251	50,390	24,322	26,235	5,170
1984	60,316	49,954	25,553	26,421	4,667
1985	67,961	62,805	31,364	31,645	5,035

NOTE: Returns were not required for decedents who died in 1984 or 1985 with gross estates under \$325,000 or \$400,000, respectively. Year-to-year comparability is also affected by other tax law changes. Returns filed each year primarily reflect deaths that occurred during the preceding year.

Personal Wealth Estimates

The estate tax return requires a great deal of information to be reported concerning the financial and demographic characteristics of the decedent. This includes data on assets and liabilities, as well as on age, sex, marital status, and State of residence. The extent and quality of these data are such that, since 1962, the personal wealth of the richest Americans has been estimated as a by-product of the SOI program generating estate tax return statistics [24,25].

The underlying assumption in making these estimates is that death draws a random sample of the living population. The technique used to derive the estimates, called the "estate multiplier," relies on the fact that for the general population the mortality rate is known for each age and sex group. Therefore, if the number that died in each age/sex group is known, and the mortality rate for each group is known, then the population is the inverse of the mortality rate times the number of deaths in each group. The estate multiplier technique for certain data sets may yield more accurate data than sample survey methods which suffer from problems of nonresponse and inexact responses.

The estate multiplier technique assumes that estate tax returns provide a representative sample of the living population for the purpose of estimating the personal wealth of that segment of the population which holds a substantial portion of the wealth of all individuals. The wealth of the living population can be estimated from those returns by using the mortality rates of wealthy individuals to develop multipliers to weight the data up to the living population [26].

In order to improve the accuracy of the personal wealth estimates, the SOI sample design was restructured beginning in 1982 to select returns based on the year of the taxpayer's death rather than on the year in which the estate tax return was filed. Returns filed during a 1-year period include returns for more than a single year of death. In addition, a core group of returns is selected without regard to the year of death. This enables estate tax return data to continue being produced on a filing-year basis (thus preserving the historical SOI time series) and, at the same time, allows for periodic estimates of wealth to be produced based on deaths in a specific year. Limited personal wealth data based on the returns filed each year are also prepared annually [27].

As shown in Figure I, the number of Americans with a net worth of \$5 million or more grew more than tenfold between 1962 and 1984. Between 1981 and 1984 alone, the number almost doubled. These are among the statistics derived from the estate returns using the technique described above.

Figure I.—Number of Individuals with Net Worth of \$5 Million or More, 1962–1984

[All figures are estimates based on samples]

Year	Number of individuals
1962	4,500
1969	9,300
1972	11,300
1981	24,100
1982	32,000
1983	40,200
1984	46,300

Figure J shows the contrast in composition of assets between the "very wealthy" (persons with net worth of \$5 million or more) and for the "moderately wealthy" (persons with net worth between \$250,000 and \$500,000). More than a third of the assets of the very wealthy were represented by corporate stock, compared to 14 percent for the moderately wealthy. For the moderately wealthy, real estate accounted for nearly 43 percent of total assets, compared to less than 14 percent of the assets of the very wealthy.

Revised personal wealth estimates for 1982 based on estate tax returns filed between 1982 and 1984 are published in the *1987 Proceedings of the American Statistical Association* and in more detail elsewhere [28, 29].

A number of efforts are underway to improve SOI personal wealth estimates. Comparisons are being made, for example, between pre- and post-audit values, by asset

type, from a sample of estate tax returns. This will allow the issue of undervaluation of assets reported on estate tax returns to be addressed. Second, comparisons are currently being made between certain published financial and demographic information from outside sources and SOI demographic data and wealth estimates [30]. Direct comparisons of information from outside sources with that reported on estate tax returns may provide information about the types of assets and amounts of wealth not captured by the estate multiplier technique.

Figure J.—Percentage of Estimated Personal Wealth, by Asset Type and by Selected Sizes of Net Worth, 1982

[All figures are estimates based on samples]

Type of asset	Size of net worth	
	\$250,000 under \$500,000	\$5 million or more
All asset types	100.0%	100.0%
Corporate stock	14.3	35.9
Real estate	42.8	13.6
Bonds	1.5	9.6
Noncorporate business assets	8.5	9.5
Cash	6.6	4.2
Notes and mortgages	4.0	4.2
Life insurance	2.7	0.2
Other assets	19.6	22.7

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

Other research relating to personal wealth being pursued includes an examination of mortality rates of estate tax decedents, compared with the general population, based on actual experience to see if revisions to the SOI multipliers are needed. The Statistics of Income Division is also working closely with representatives from the Federal Reserve Board (FRB) who have produced wealth estimates from survey data collected during the 1983 Survey of Consumer Finances [31]. By studying both IRS and FRB data, improvements in SOI wealth estimates can be made. Survey data also allow analyses to be made of the distribution of wealth for individuals with assets totaling less than the estate tax filing requirement.

Intergenerational Wealth Transfers

The Statistics of Income Division has begun a long-term research project involving all estate tax returns filed since the inception of the estate tax in 1916 [32]. This study will focus on the changes in the concentration of wealth and on the transfer of wealth from one generation to another. Emphasis will be placed on asset composition, demographic information available from the returns, and information about the beneficiaries of the estates.

Data have thus far been abstracted from all estate tax returns of decedents who died from 1916 through 1945. Information from estate tax returns will enable a match to be made between heirs of an estate and the estate tax returns that may eventually be filed for those heirs. For the estates of decedents who died after 1945, information will be obtained only for decedents with gross estates in excess of an annually increasing amount.

Detailed asset information has been obtained from estate tax returns for a sample of decedents for 1916 to 1920 and for 1928 to 1930. Similar data will also be picked up for returns filed for decedents who died in the following years: 1938 to 1940, 1944, 1948 to 1950, 1953, 1958 to 1960, 1968 to 1970, and 1978 to 1980. Groups of 3 years have been selected to center around years ending with a 9 (e.g., 1928 to 1930 centers on 1929) in order to coincide with years for which income data are available from the Bureau of the Census. The single years 1944 and 1953 were included so that a comparison could be made between SOI wealth estimates based on weights applied to individual estate tax records and estimates produced by Horst Mendershausen for 1944 and Robert Lampman for 1953 [33].

Data from the intergenerational wealth study have been published for estate tax returns with years of death between 1916 and 1931 [34]. Additional data for 1932 through 1945 will be available in the spring of 1989. No data are yet available, however, on linking beneficiaries and heirs; this will be covered in a later phase of this project.

Estate Collation

This study is another by-product of the basic estate tax return statistics program. The purpose of the collation study is to generate data that will be useful for conducting research on the relationship between income and wealth. This is done by matching the estate tax return with the income tax returns for a given decedent and each beneficiary of the estate. For decedents, income tax returns for the year of death and the 2 preceding years, and for beneficiaries, the returns for the year prior to the decedent's death and 3 years after the decedent's death, are collated with the estate tax returns. This permits comparisons to be made of the wealth and income levels of decedents with the income levels of their beneficiaries, both before and after the year of death of the benefactor or at the point at which the transfer of wealth occurred.

Estate collation studies have been done for 1976 and for 1982. For the 1982 study, fiduciary income tax returns were included when a trust was listed as a beneficiary. Also included were gift tax returns filed by the decedent for the 2 years preceding death. This collation study will be repeated again for 1989.

Some significant results from these collation studies have been produced by Steuerle and Greenwood [35, 36]. In particular, Steuerle noted that for the very wealthy the rate of return on all financial assets was much less than if their funds had been invested in savings accounts. Steuerle also noted that the rate of return on all assets was found to be around 2 percent (see Figure K). Even when wage income was added to capital income, the amount of realized income was still less than 4 percent of the total value of assets.

Figure K also shows Steuerle's observation that the real-

ized rate of return varies inversely with the size of the estate. The realized rate of return differs from the economic rate by the amount of unrealized income or other capital income not reported on the tax return. Thus, without adjustments, realized income as shown on the Form 1040 individual income tax return is not a very reliable measure of wealth for the richest people.

Figure K.—Realized Rates of Return on Assets, 1982

Type of asset	Size of gross estate		
	\$60,000 under \$362,000	\$362,000 under \$840,000	\$840,000 or more
	(1)	(2)	(3)
Closely-held business (noncorporate)	2.22%	1.78%	0.47%
Corporate stock:			
Total	0.81	2.18	1.24
Closely-held	0.21	2.26	0.93
Non-closely-held	4.14	2.10	2.27
All assets (capital income only)	3.24	3.33	1.29
All assets (capital and wage income)	6.57	4.67	2.99

NOTE: The percentages represent weighted average rates of return (income divided by the value of assets). Estate classes were split so as to provide equal sample sizes in each class. SOURCE: See footnote 36 at the end of this article.

Greenwood noticed that realized rates of return on financial assets varied not only with the level of assets, but also with the taxpayer's age, and with the marginal tax rate on income. Both Steuerle and Greenwood have suggested using capitalization of income as another approach to estimating wealth. In this approach, wealth is derived by dividing realized income from a particular asset by an expected rate of return and adjusting for unrealized gains and losses.

Fiduciary Income

Fiduciary income tax returns are filed by the person or institution that has power and control over the property of an estate or trust to report its income and tax when gross income is \$600 or more. The most recent detailed statistics from fiduciary returns are for 1982 [37]. As shown in Figure L, over 1.6 million fiduciary income tax returns were filed for 1982, an increase of nearly 30 percent over 1974, the last previous year for which detailed data are available. Total income (less loss) almost tripled over the same period. In constant (1972) dollars, the increase was 60 percent using the GNP implicit price deflator developed by the Bureau of Economic Analysis.

Figure L.—Fiduciary Income Tax Returns for Estates and Trusts, Tax Years 1974 and 1982

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

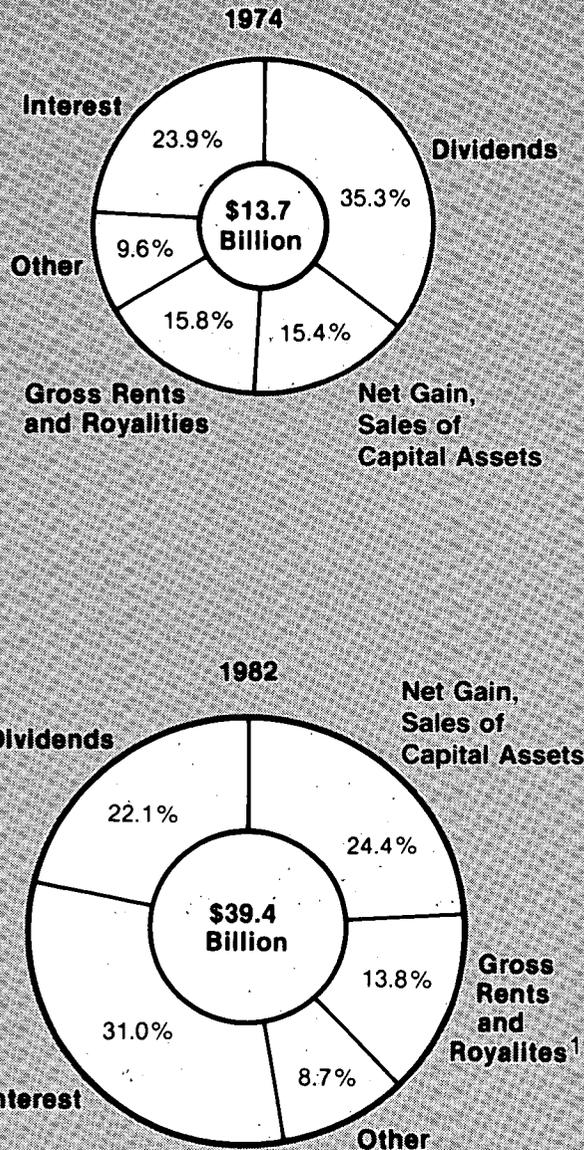
Item	1974	1982	Percentage increase
	(1)	(2)	
Number of estates and trusts, total	1,258,116	1,631,645	29.7%
Estates	336,475	422,734	25.6
Trusts	921,641	1,208,911	31.2
Number of taxable estates and trusts, total	403,886	597,100	47.8
Estates	139,963	168,441	20.3
Trusts	263,923	428,659	62.4
Total income (less loss)	\$13,737,886	\$39,410,572 ¹	186.9
Taxable income	2,403,040	7,353,461	206.0
Total tax	835,575	2,617,771	213.3

¹ Total income (less loss) from 1982 tax returns was \$36,677,858,000. This figure includes net (rather than gross) rent and royalty income. To facilitate comparison with 1974, when gross rents and royalties were included in total income (less loss), total income for 1982 has been adjusted to include the gross amounts. See also footnote 1, Figure M.

NOTE: Grantor trusts are not included in these statistics. Year-to-year comparability is affected by tax law changes.

Figure M.

Income Reported on Fiduciary Income Tax Returns, 1974 and 1982



¹To make data comparable between 1974 and 1982, depreciation, depletions and other expenses were added to the 1982 figures.

Figure M shows the changes in the major sources of estate or trust income for 1974 and 1982 as reported on fiduciary income tax returns (Forms 1041). Interest and net gains (less losses) from sales of capital assets increased sharply as percentages of total income, while dividends decreased correspondingly.

Future Plans in the Estate Tax and Personal Wealth Areas

The Statistics of Income Division is mounting a large research effort aimed at improving the quality and usefulness of estate tax data. Specific issues being addressed include the treatment of jointly-owned property, the special use valuation of certain business assets, the valuation of non-corporate business assets, and the timing of estate valuations. Projects which have already begun include a review of audited returns, among others.

Other plans will be implemented in the future. Consideration is being given to exploring the feasibility of retrieving a small sample of estate tax returns from years for which wealth estimates have been made so that valuation issues can be studied in detail. As a follow-up to the 1982 estate collation study, an extension of the tracking of the beneficiaries listed on the estate tax returns in the SOI sample is being considered. Beginning with 1986, the estate data file contains the name and social security number for each beneficiary. This will make it possible to trace individual income information for the beneficiaries over time. Additional analysis of matched income tax data and estate tax data is also planned in order to develop better estate tax multipliers (for use in wealth estimation techniques) that will be differentiated by wealth [38]. In addition, a study is needed to compare income and estate tax data for given individuals collected at several points in time in order to study and adjust for the decrease in wealth which often occurs around the time of death [39].

A cooperative effort of interested parties, including the IRS, Federal Reserve Board, Social Security Administration, and many academicians will, it is hoped, lead to significant advancements in the measurement of wealth and its distribution. The Statistics of Income Division, at the request of the Office of Tax Analysis, designed the high-income supplemental sample for the 1983 Survey of Consumer Finances used by the University of Michigan's Survey Research Center. Since then the Division has been closely involved with both the University of Michigan and the Federal Reserve Board in designing the methodologies employed in weighting the supplemental and the cross-sectional samples [40].

At this point in the evaluation of wealth data for 1982 based on estate tax returns and results of the 1983 Survey of Consumer Finances, it appears that the survey record and estate multiplier technique approaches to measuring

wealth have distinct advantages and disadvantages. The goal should be to combine both methodologies in order to arrive at the best possible way of measuring wealth for the Nation as a whole. The Statistics of Income Division would like to utilize both survey data and administrative records for conducting a wealth study for 1989. In particular, the Division may again be involved in the design of the high-income supplemental sample for the 1989 Survey of Consumer Finances. If possible, the objective would be to arrive at a sample size of perhaps as many as 2,500 high-income individuals. From estate tax returns, plans are to improve the capture of information on assets held by trusts and closely-held businesses.

In order to develop a complete picture of wealth, plans are to examine closely the gift and trust behavior of wealthy individuals in both the high-income supplemental sample and the estate/personal wealth sample. To carry out this study, the gift tax returns filed by decedents before death and the gift tax returns filed by individuals in the supplemental sample will be examined. This will provide an insight into the relationship between wealth transferred inter vivos (during life) and that transferred by bequest (will). A trust study based on fiduciary income tax returns is also planned in conjunction with the supplemental high-income and estate samples. Trusts will be identified on estate returns and in the supplemental sample; copies of the fiduciary and related estate and gift tax returns will then be obtained. The objective is to examine the role and importance of trusts and the distribution of trust income in the overall wealth generation process.

The most significant change mandated by the Tax Reform Act of 1986 to the unified Federal estate and gift transfer tax system may be the revival of the generation-skipping transfer tax. This tax was originally established in 1976 to tax trusts which provided for the distribution of benefits to beneficiaries assigned to more than one generation. The new tax, which applied to transfers occurring after October 22, 1986, also covered direct gifts and bequests made to recipients at least two generations younger than the donor. Since generation-skipping transfer tax returns are filed with the estate tax return, a review will be made of these returns as part of the regular SOI estate tax study. An assessment will then be made of the impact of the new tax and of plans for future studies of it.

Finally, a compendium on wealth and wealth-related studies will be published in the fall of 1989. This compendium will contain, in one volume, results of all recent SOI studies conducted in those areas. The material will be composed chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association*, along with facsimiles of the tax forms and instructions. Other research papers and previously unpublished articles and tables will also be included. In addition, efforts are underway to investigate how to release micro-data files in such a way that the identity of the taxpayers is

protected. Unpublished or special tabulations will continue to be available on a cost-reimbursable basis [41].

EXCISE TAX STUDIES

The Statistics of Income Division currently conducts two studies on excise taxes each year. One study is on the windfall profit tax, an excise tax on oil producers and royalty owners of crude oil. The other covers environmental taxes, which are imposed on crude oil and petroleum, certain chemicals, and hazardous wastes. The latter taxes are often referred to as the "Superfund taxes."

Total excise tax collections declined slightly from 1981 to 1985 as shown in Figure N. This fall was due primarily to the reduction in windfall profit tax revenue. Fiscal Year 1981 was the first full year that the windfall profit tax was collected. The revenues amounted to \$16.9 billion, almost 42 percent of the year's total excise tax revenue of \$40.4 billion. However, by Fiscal Year 1985, windfall profit tax revenues had fallen to approximately \$5.1 billion (14 percent of the year's total excise taxes) because of reduced tax rates and lower crude oil prices. In contrast, environmental tax payments averaged only about \$235 million annually from 1981 to 1985 [42].

Figure N.—Gross Excise Tax Collections By Type, Fiscal Years 1981 and 1985

(Billions of dollars)

Type of excise tax	Fiscal Year	
	1981	1985
Total	\$40.4	\$37.0
Alcohol taxes	5.7	5.4
Tobacco taxes	2.6	4.5
Gasoline taxes	4.0	9.1
Manufacturers' excise taxes (except gasoline)	2.1	0.9
Windfall profit tax	16.9	5.1
Environmental taxes	0.1	0.3
Retailers, special fuels and unclassified excise taxes	6.2	6.1
All other miscellaneous excise taxes	2.8	5.6

NOTE: Year-to-year comparability is affected by tax law changes.

SOURCE: U.S. Department of Treasury, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service*. See reports for Fiscal Years 1981 and 1985.

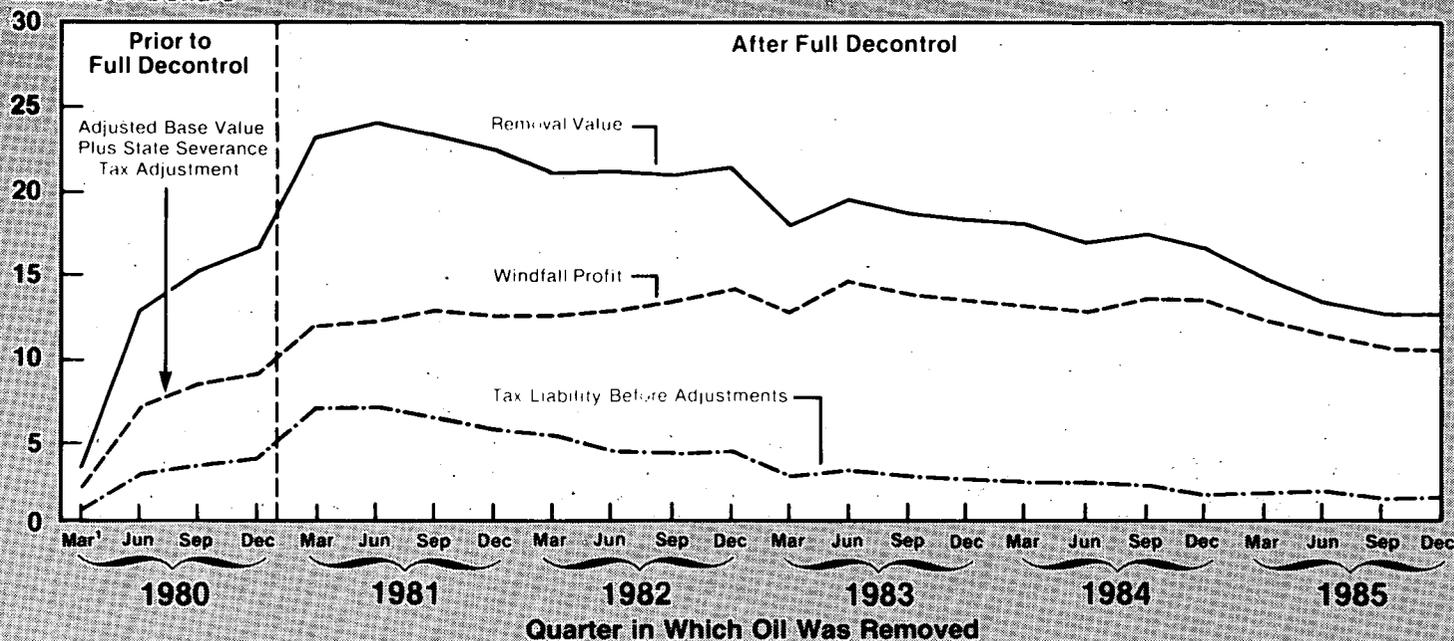
Windfall Profit Tax

The Crude Oil Windfall Profit Tax Act of 1980 imposed a Federal excise tax on domestic crude oil extracted on or after March 1, 1980. The tax was enacted in response to the planned phaseout of Federal price controls on domestic crude oil. Congress mandated that the tax be temporary, with a 33-month gradual phaseout. This phaseout was to begin in January 1988 if \$227.3 billion in net revenue had been realized by then; otherwise, it was to begin no later than January 1991.

The windfall profit tax is reported on the Quarterly Federal Excise Tax Return, Form 720, and Form 6047, Windfall Profit Tax, which is filed as an attachment to Form 720. SOI tabulations are based only on the population of Forms 6047 that show a tax liability. Therefore, since not all oil production is

Figure O.
Components of Windfall Profit Tax Liability Before Adjustments:
Aggregate Values by Quarter in Which Oil Was Removed, 1980-1985

Billions of Dollars



NOTE: Some returns report windfall profit tax liability only; therefore, data for removal value, adjusted base value and state severance tax adjustment have been adjusted to reflect totals as if all returns reported this detail.
 *One month only.

taxable, total domestic production is somewhat understated in the statistics. The sample includes all returns with a tax liability before adjustments of \$1 million or more and a 10-percent sample of returns with a tax liability less than \$1 million.

As shown in Figure O, windfall profit tax before adjustments declined from a high of \$7.2 billion for the quarter ending June 1981 to \$1.2 billion for the quarter ending December 1985. This decline was principally a result of a decrease in the price of oil. Almost \$84 billion in taxes before adjustments was reported during this period; the amount after adjustments was nearly \$78 billion [43]. The data in Figure O are not altogether comparable with the data on windfall profit tax collections in Figure N because of the difference between the year in which the tax liability was incurred and the year in which the returns were filed, processed, and recorded on the IRS Business Master File, and also because tax in Figure N is after adjustments while tax in Figure O is before adjustments [44].

Environmental Excise Tax

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) called for the

creation of a \$1.6 billion Hazardous Substance Response Fund, commonly referred to as the Superfund. The initial law, which took effect on April 1, 1981, and expired on September 30, 1985, imposed an excise tax on the sale or use of petroleum and 42 chemicals. (The law was reinstated for 1987.)

In addition to the Superfund, CERCLA established the Post-closure Liability Trust Fund. This Fund was financed by the Hazardous Waste Tax, an excise tax which took effect on October 1, 1983, and was based on the receipt of hazardous waste at a qualified hazardous waste disposal facility.

Figure P shows that for the period from June 1981 to September 1985, approximately \$1.2 billion in environmental taxes were reported to IRS. Two-thirds of the excise taxes were derived from the tax on petrochemicals, while 18 and 15 percent, respectively, were derived from the tax on inorganic chemicals and petroleum. Only 1.3 percent was derived from the tax on hazardous waste [45]. The tax rates for each chemical were formulated so that the tax liability would reflect the respective percentages in which the substances were found in the hazardous waste sites [46]. Again, the data in Figure P are not altogether comparable with the data in Figure N. Excise tax collections as reported on Form

720, are entered onto the IRS Business Master File (BMF) each quarter as the returns are received, regardless of tax period. Because the interval between the close of the tax period and the recording of the return onto the BMF often varies, the BMF totals may represent more than one taxable period.

Figure P.—Environmental Excise Taxes by Category, Tax Years 1981–1985

(Millions of dollars)

Tax year	Total ¹	Petrochemicals	Inorganic chemicals	Petroleum	Hazardous waste ²
	(1)	(2)	(3)	(4)	(5)
All years	\$1,181.8	\$780.6	\$208.3	\$176.2	\$15.6
1981 ³	198.8	131.4	36.2	31.2	—
1982	232.3	153.3	41.3	37.6	—
1983	258.8	173.3	44.8	38.7	1.8
1984	280.9	183.3	49.6	39.3	8.7
1985 ⁴	210.0	139.3	36.4	29.4	5.0

¹ Includes taxes not allocable to a specific category. For this reason, and also because of rounding, detail will not add to totals.

² The Post-closure Liability Trust Fund Tax was levied on hazardous waste received at a qualified hazardous waste disposal facility. This tax did not go into effect until October 1, 1983.

³ 1981 data are for quarters ending June through December 1981.

⁴ 1985 data are for quarters ending March through September 1985.

NOTE: Year-to-year comparability is affected by tax law changes.

Future Plans in the Excise Tax Area

There has been renewed interest in recent years in excise taxes as a source of expanded revenue to help alleviate the Nation's budget deficit. Current plans are to continue the two existing excise tax studies and to mount one or two major new efforts.

While the environmental excise taxes (as imposed by CERCLA) on petroleum, chemicals, and hazardous wastes expired on September 30, 1985, a new Superfund Amendments and Reauthorization Act of 1986 reinstated some of these taxes. Effective after 1986, taxes on crude oil received at a U.S. refinery and petroleum products were reimposed at increased rates. In addition, the tax on taxable chemicals sold by producers, manufacturers, or importers was reimposed at prior rates, except that the tax on xylene was increased. After 1988, a new tax on certain imported taxable substances manufactured or produced from taxable chemicals will be imposed. Finally, for tax years beginning after 1986 and before 1992, a corporation is liable for an environmental excise tax equal to 0.12 percent of "the modified alternative minimum taxable income" in excess of \$2 million.

Since the Tax Reform Act of 1986 did not affect the crude oil windfall profit tax, plans are to continue generating quarterly windfall profit tax statistics; however, the data will be published only once a year in the *Statistics of Income Bulletin*. The same will be true for statistical studies of environmental excise taxes. Plans are to continue producing quarterly tabulations which will be summarized once a year in the *Statistics of Income Bulletin*.

While current plans do not call for publishing a separate

compendium or providing a special statistical service for excise taxes, unpublished tables or special tabulations are available on a cost-reimbursable basis [47].

NOTES AND REFERENCES

- [1] These regularly conducted studies are listed and briefly described in Jamerson, Bettye, "New SOI Statistical Services, 1985–86," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 1–8.
- [2] 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, pp. 1–20.
- [3] Skelly, Daniel F., *Statistics of Income—1974–1978, Private Foundations*, U.S. Department of Treasury, Internal Revenue Service, Washington, DC, 1981.
- [4] See Petska, Thomas B., "An Examination of Private Foundations for 1979," *Statistics of Income Bulletin*, Fall 1982, Volume 2, Number 3, pp. 9–29.
- [5] For an analysis of the 1982 study data, see Riley, Margaret, "Private Foundation Information Returns, 1982," *Statistics of Income Bulletin*, Fall 1985, Volume 5, Number 2, pp. 1–27. For a further discussion of the 1982 study results, see Riley, Margaret, "A Survey of Private Foundations," *Working Papers*, Independent Sector and The United Way Institute, 1986. (Certain data published for 1982 have been revised and are available upon request from the Director, Statistics of Income Division TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.)
- [6] The Statistics of Income Division will carry out annual studies of private foundations provided sufficient resources are available. Resource limitations caused the 1984 study to be cancelled.
- [7] See Riley, Margaret, "A Private Foundation Profile for 1983," *Statistics of Income Bulletin*, Winter 1986–87, Volume 6, Number 3, pp. 11–24.
- [8] For more detail about charitable and split-interest trusts, see Petska, Thomas B., "Charitable Trusts: An IRS Examination of Nonexempt Philanthropic Organizations," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*.
- [9] Hilgert, Cecelia, "Nonprofit Charitable Organizations, 1983," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31–42.
- [10] Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," *Statistics of Income Bulletin*, Winter 1985–

- 86, Volume 5, Number 3, pp. 21-40.
- [11] Sullivan, John, and Coleman, Michael, "Nonprofit Organizations, 1975-1978," *Statistics of Income Bulletin*, Fall 1981, Volume 1, Number 2, pp. 6-38.
- [12] The Small Business Administration report concluded, among other things, that the traditional rationale for granting Federal tax-exempt status to nonprofit organizations was no longer applicable to many so-called "commercial" nonprofit groups established during the past 20 years. A commercial nonprofit organization was defined as one that receives little or no income from donations, but rather derives all or nearly all of its income from prices charged for the goods or services it produces. See U.S. Small Business Administration, Office of Advocacy, "Unfair Competition by Nonprofit Organizations with Small Business: An Issue for the 1980's," November 1983, pp. 1-16.
- [13] Broaddus, Will, "Crying Foul," *Foundation News*, July/August 1984, The Council on Foundations, pp. 56, 57, and 61.
- [14] See Statement of O. Donaldson Chapoton, former Deputy Assistant Secretary (Tax Policy), U.S. Department of the Treasury, before the Subcommittee on Oversight of the Committee on Ways and Means, U.S. House of Representatives, June 22, 1987.
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- [16] See Clark, Phillip, "Private Activity Tax-Exempt Bonds, 1985," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-43.
- [17] See Clark, Phillip, "Private Activity Tax-Exempt Bonds, 1985," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-43; "Private Activity Tax-Exempt Bonds, 1984," *Statistics of Income Bulletin*, Winter 1985-86, Volume 5, Number 3, pp. 55-64; and "Private Activity Tax-Exempt Bonds, 1983," *Statistics of Income Bulletin*, Summer 1984, Volume 4, Number 1, pp. 97-108.
- [18] Chiechi, Carolyn P., Atkinson, Robert E., Jr., and Galston, Marian, "Impact of the 1986 Tax Reform Act on Exempt Organizations," *Journal of Taxation*, June 1987, pp. 344-351.
- [19] Requests for these tabulations should be sent to the Director, Statistics of Income Division, TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.
- [20] Most returns filed in 1977 were for taxpayers who died in 1976, when a return had to be filed by the executor of an estate if the value of the gross estate at time of death exceeded \$60,000. Estimates for 1985 were for decedents with gross estate of \$300,000 or greater. Most returns filed in 1985 were for decedents who died the previous year when the filing requirement was \$325,000. A small number of returns filed in 1985 were for decedents who died in 1983 when the filing requirement was \$275,000. Thus, a small number of returns filed in 1985 for decedents with less than \$300,000 of gross estate are not included in estimates for that year.
- [21] Marley, Marcia, and Wolff, Edward N., "Long-term Trends in U.S. Wealth Inequality: Methodological Issues and Results," paper presented at the National Bureau of Economic Research Conference on Research on Income and Wealth, March 1987.
- [22] See Bentz, Mary F., "Estate Tax Returns, 1983," *Statistics of Income Bulletin*, Fall 1984, Volume 4, Number 2, pp. 1-12.
- [23] In addition, a U.S. estate tax return (Form 706 NA) must be filed by the personal representative of a nonresident alien's estate if the value of the decedent's gross estate located in the United States exceeded \$60,000 at the date of death. A nonresident alien decedent is an individual whose domicile at the time of death was not within the United States and who was not a U.S. citizen. Returns were filed on behalf of 169 nonresident aliens who died in 1982 whose estates exceeded \$60,000. For more detail, see Sutton, Bill, and Hobbs, James, "U.S. Estate Tax Returns of Nonresident Aliens, 1983" *Statistics of Income Compendium of Studies of International Income and Taxes, 1979-1983*, Washington, DC, 1985, pp. 437-442.
- [24] See Scheuren, Fritz, *Statistics of Income—1962, Personal Wealth Estimated from Estate Tax Returns*. This report includes detailed explanations of personal wealth terminology, as well as of the statistical technique (the "estate multiplier") used to derive estimates of personal wealth of certain segments of the living population based on estate tax return data. Other separate reports were also published on this topic. See Crossed, Charles, *Statistics of Income—1969, Personal Wealth Estimated from Estate Tax Returns* and Gilmour, Keith, *Statistics of Income—1972, Personal Wealth Estimated from Estate Tax Returns*.
- [25] See Gilmour, Keith, and Schwartz, Marvin, "Changes in the Composition and Concentration of Personal Wealth in the United States," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*, and Schwartz, Marvin, "Trends in

Personal Wealth, 1976–1981," *Statistics of Income Bulletin*, Summer 1983, Volume 3, Number 1, pp. 1–26. These two articles present an analysis of the 1976 and preliminary 1981 personal wealth data.

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[41] See footnote 19.

[42] For more detail on excise taxes reported, see U.S. Department of the Treasury, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service*, for each fiscal year, 1981-1985.

[43] Adjustments amounted to \$6.0 billion since the Crude Oil Windfall Profit Tax Act was enacted on March 1, 1980. These adjustments were corrections to the windfall profit tax liability for over- and under-withholding in previous quarters and corrections to the tax liability because the net income limitation (limits the windfall profit to 90 percent of the net income per barrel of oil).

[44] For more detail on the oil volume, removal value, adjustments, type of oil, tax liability, data sources and limitations, see Chung, Edward, "Crude Oil Windfall Profit Tax, 1985", *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2, pp. 88-89. Additional quarterly statistics on the windfall profit tax were shown in each issue of the *Statistics of Income Bulletin*, beginning with the Fall 1981 issue and ending with the Fall 1986 issue. Annual totals will continue to be published in the *Statistics of Income Bulletin*. Data for 1986 will be published in the Spring 1988 issue.

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[46] U.S. Senate, *Report of the Committee of Finance on S.51*, Report 99-73, May 23, 1985.

[47] See footnote 19.

EXHIBIT 1.—Programs for Selected Domestic Special Studies:
Current and Planned Studies

Project	Sample size and scope of study	Frequency and content
Part I - TAX-EXEMPT ORGANIZATIONS STUDIES		
Private Foundations	The sample for 1985 is approximately 1,800 returns selected from an estimated population of 30,000. The sample will increase in stages to about 5,000 returns for 1989 selected from an estimated population of about 36,000.	This study is to be conducted annually and includes tabulations of various data from the balance sheet and income statement. The last complete study was for 1983. The next study, for 1985, should be completed by the end of 1988.
Charitable and Split-Interest Trusts	The sample size for 1989 is expected to be approximately 6,000 returns selected from a population estimated at approximately 35,000 for both types of trusts.	This is a periodic study to be done at least every 3 years. The next study, planned for Tax Year 1989, will include primarily balance sheet and income statement information.
Nonprofit Charitable Organizations and "Other" Tax-Exempt Organizations (filing Form 990)	The stratified sample for 1985 will be approximately 5,500 returns selected from an estimated population of approximately 100,000. The sample will be increased to about 8,000 for 1987. For 1988 the sample will be expanded to about 35,000 returns and will represent all section 501(c) organizations (estimated at about 280,000 returns).	This study is to be conducted annually beginning with Tax Year 1985 data. It includes tabulations of balance sheets and income statements for only those organizations classified as tax-exempt under section 501(c)(3) of the Internal Revenue Code. However, for Tax Year 1988, the study will be expanded to include all 501(c) organizations. The next study, for 1985, should be completed in the spring of 1989.
Exempt Organizations' Unrelated Business Income	The sample size will be approximately 5,000 returns selected from a population estimated at 27,000.	This is planned as an annual study. The first study, for Tax Year 1987, will be published in 1989 and will include tabulations of exempt organizations' unrelated business income and deductions. Plans are to link this file with the Form 990 file of organizations tax-exempt under section 501(c).

Statistics of Income Domestic Special Studies

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
Part I - TAX-EXEMPT ORGANIZATIONS STUDIES (Continued)		
Private Foundation Grant-Administrative Expenses	The sample will include approximately 800 private foundation returns for Tax Year 1985 selected from a population of about 30,000 returns.	This is a one-time study mandated by Congress in the Tax Reform Act of 1984 to assess the impact of current provisions of the Internal Revenue Code. Results will be provided to the Office of Tax Analysis for its report to Congress in 1990.
Farmers' Cooperatives	The sample will include all of the approximately 6,000 exempt and nonexempt farmers' cooperative returns.	This is a periodic study planned for every 3 years. The next farmers' cooperative study is planned for 1992. The last complete study was for Tax Year 1977; results of the 1977 study will be published in the SOI- Exempt Organization Compendium in the fall, 1988.
Tax-Exempt Private Activity Bonds	The sample will include all of the approximately 7,000 information returns for private activity bond issues filed for 1986. The population is expected to increase in 1987 when information on public-purpose bonds will be required for the first time.	This is an annual study providing information on industrial development bonds, private exempt entity bonds, student loan bonds, and qualified mortgage bonds, by industry, type of property financed, size of face amount, and State. Starting in 1987, information on public-purpose bonds will also be available. The next study of private activity bonds, for Tax Year 1986, will be completed in the spring, 1988.

EXHIBIT 1.—Programs for Selected Domestic Special Studies:
Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
Part II - ESTATE TAX AND WEALTH STUDIES		
Estate Tax	<p>The 1989 estate study will include a sample of approximately 18,000 estate returns selected over a 3-year period. The sample for 1986 will be approximately 4,500 returns selected from an estimated population of 62,000; the sample for 1987 will be about 9,500 returns selected from an estimated population of 35,000 returns; and for 1988, a sample of 3,500 returns will be selected from an estimated population of about 35,000 returns.</p>	<p>Basic data from estate tax returns are produced annually by year in which returns are filed. This report includes tabulations of gross estate and its composition, deductions, and tax, as well as information on age, sex, and marital status of decedents. Other statistics will be available on a year-of-death basis (approximately every 3 years). The most recent estate tax data available are for returns filed in 1985. Final data for returns filed in 1986 will be available in the summer, 1988.</p>
Personal Wealth Estimates	<p>This study is a by-product of the estate study. The sample for the 1982 study includes estate tax returns of decedents with year of death 1982 filed in 1982–1984. The sample is augmented with returns filed in 1982–1984 for decedents with gross estates of \$5 million or more and decedents under 45 years of age regardless of year of death.</p>	<p>This is a periodic study done every 3 or 4 years. It includes estimates of personal wealth based on estate tax return data, using the “estate multiplier” technique and both the filing year and year-of-death estate data bases. The most recent data available are based on returns filed in 1983. Final personal wealth estimates based on individuals who died in 1982 will be available in the spring, 1988.</p>

Statistics of Income Domestic Special Studies

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
Part II - ESTATE TAX AND WEALTH STUDIES (Continued)		
Intergenerational Wealth Transfers	The sample includes all estate tax returns filed between 1916 and 1945. For the post-1945 studies, the sample will be based on an artificial filing threshold.	This is a one-time study focusing on the changes in the concentration of wealth and on the intergenerational transfer of wealth, as well as on the history of the estate tax. Asset composition, demographic information, and an analysis of the beneficiaries of the estates will be emphasized. Selected information about wealth concentration from the first phase of this study (1916-31) was published in the Spring 1987 issue of the <i>Statistics of Income Bulletin</i> . Results of the next phase (1932-45) are planned for publication in 1989.
Estate Collation	The sample includes estate returns with year of death 1982 filed in 1982 or 1983 with gross estate of \$1 million or more.	This periodic study provides a means of examining the relationship between personal income and wealth. Information from the estate tax return is associated with income tax return data. Realized rates of return are produced based on correlating information from the estate return with data from income tax returns. The most recent study was for 1982 decedents. The next study is planned for 1989 decedents.
Fiduciary Income Tax	The sample for the 1989 study of fiduciary income tax returns will be approximately 1,000 returns.	This study is periodic, covering data on estate and trust income, deductions, and taxes. The last complete study was for Tax Year 1982. The next study is planned for 1989, to coincide with the 1989 estate study.

EXHIBIT 1.—Programs for Selected Domestic Special Studies:
Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
Part III - EXCISE TAX STUDIES		
Gift Tax	The sample for the 1989 study of gift taxes will be approximately 3,000 returns.	This study is a periodic study covering data on the types of gifts, deductions, and taxes. The last complete study was for 1965. The next study is planned for 1989, to coincide with the 1989 estate study.
Windfall Profit Tax	The sample for Filing Year 1985 was approximately 75 returns per quarter, consisting of all returns with a tax liability of \$1 million or more and a 10-percent sample of all other returns.	Detailed information is published annually on numbers of barrels of oil, removal value, adjusted base value, and the tax, by type and oil "tier" for first purchasers of oil. The last complete study was for oil removed in 1985. The next complete study, for oil removed in 1986, will be available in the spring, 1988.
Environmental Excise Tax	The sample for Filing Year 1985 included all environmental tax forms filed, or approximately 400 each quarter.	This study is published annually and summarizes environmental excise tax data from the quarter ended June 1981, the first quarter the tax was in effect, to the present. It includes data on environmental taxes by source and by type of substance. The most recent study was for 1985. Another study is planned for taxes beginning with 1987 as authorized by the Superfund Amendments and Reauthorization Act of 1986. The next complete study, for Filing Year 1987 returns, will be available in the winter, 1988.