

Individual Income Tax Rates and Shares, 2001

by David Campbell and Michael Parisi

Taxpayers filed 130.3 million returns for Tax Year 2001, of which almost 94.8 million (or 72.8 percent) were classified as taxable returns. Adjusted gross income (AGI) on taxable returns fell 4.0 percent to \$5,847 billion for 2001. Total income tax fell 10.4 percent for 2001, a rate more than twice that of AGI. This decrease in total income tax was attributable to a decline in income being reported and to tax cuts implemented in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The average tax rate for taxable returns fell 0.9 percentage points to 15.2 percent. The last decline in average tax rates was in 1991 when the economy declined, and the last time the average tax rate fell by a similar magnitude was for 1987, the first year under the Tax Reform Act of 1986.

Using the 1979 Income Concept (see Appendix D for an explanation of the 1979 Income Concept), the income share for the top 1 percent of taxpayers fell from 21.6 percent from 2000 to 18.2 percent for 2001, while the share of income for the bottom 50 percent of taxpayers increased from 12.8 percent to 13.7 percent (Table 7). The resulting 4.5-percentage point gap for 2001 between the income shares of the top 1 percent and the bottom 50 percent of taxpayers contrasted with the 28.8-percentage point gap between the shares of income tax from the same two groups. The income tax share for the top 1 percent of taxpayers was 32.9 percent for 2001, while the corresponding share for the bottom 50 percent was 4.1 percent.

This article discusses the individual income tax rates and tax shares and the computation of “tax generated” for 2001. To put this discussion into perspective, the appendices to the article provide explanations of selected terms used in the article and describe the income tax structure, certain tax law changes, income and tax concepts (the “1979 Income Tax Concept,” “modified” taxable income, and marginal tax rates), the computation of “alternative minimum taxable income,” and the data sources and limitations.

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Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income. For the statistics in this article, the average tax rate is “tax generated” (see Appendix A: Explanation of Selected Terms) divided by AGI reported on returns showing some income tax liability. Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is the statutory rate at which the last dollar of taxable income is taxed. (See Appendix D for a more detailed explanation of marginal tax rates.) The following sections describe the measurement of the average and marginal tax rates in more detail, and discuss the statistics based on these rates for 2001.

Average Tax Rates

Figure A presents statistics for 1986 through 2001 on income (based on each year’s definition of AGI and on the common 1979 Income Concept) and taxes reported. (See Appendix D for an explanation of the 1979 Income Concept.) These tax years can be partitioned into seven distinct subperiods:

- (1) Tax Year 1986 was the last year under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under the Tax Reform Act of 1986 (TRA86). For 1987, a 1-year, transitional, five-rate tax bracket structure was established with a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.
- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure [1]. The phase-in of the provisions of TRA86 continued with a maximum tax rate of 33 percent.
- (4) Tax Years 1991 and 1992 brought a three-rate tax bracket structure (with a maximum tax rate

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Figure A

Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-2001

[Money amounts are in billions of dollars, except where indicated]

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns ¹	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) ^{2,3}	Average per return (whole dollars) ³			
							Current dollars		Constant dollars ⁴	
							Adjusted gross income (less deficit)	Total income tax	Adjusted gross income (less deficit)	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1986.....	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987.....	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988.....	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989.....	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990.....	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991.....	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992.....	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993.....	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994.....	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995.....	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
1996.....	120,351,208	90,929,350	75.6	4,342	658	15.2	47,750	7,239	30,433	4,614
1997.....	122,421,991	93,471,200	76.4	4,765	731	15.3	50,980	7,824	31,763	4,875
1998.....	124,770,662	93,047,898	74.6	5,160	789	15.3	55,458	8,475	33,836	5,171
1999.....	127,075,145	94,546,080	74.4	5,581	877	15.7	59,028	9,280	35,431	5,570
2000.....	129,373,500	96,817,603	74.8	6,083	981	16.1	62,832	10,129	36,488	5,882
2001.....	130,255,237	94,763,530	72.8	5,847	888	15.2	61,702	9,370	34,840	5,291
Using 1979 Income Concept ⁵										
1986.....	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987.....	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988.....	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989.....	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990.....	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991.....	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992.....	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993.....	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994.....	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995.....	118,218,327	89,252,989	75.5	4,075	588	14.4	45,655	6,593	29,957	4,326
1996.....	120,351,208	90,929,350	75.6	4,418	658	14.9	48,582	7,239	30,964	4,614
1997.....	122,421,991	93,471,200	76.4	4,849	731	15.1	51,875	7,824	32,321	4,875
1998.....	124,770,662	93,047,898	74.6	5,299	789	14.9	56,947	8,475	34,745	5,171
1999.....	127,075,145	94,546,080	74.4	5,736	877	15.3	60,666	9,280	36,414	5,570
2000.....	129,373,500	96,817,603	74.8	6,294	981	15.6	65,012	10,129	37,754	5,882
2001.....	130,255,237	94,763,530	72.8	5,943	888	14.9	62,716	9,370	35,413	5,291

¹ Number of taxable returns (column 2) divided by total number of returns (column 1).

² Average tax rate is "total income tax" (column 5) divided by adjusted gross income less deficit (AGI) (column 4).

³ The average adjusted gross income (less deficit), average total income tax, and average tax rate were calculated from unrounded data.

⁴ Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

⁵ These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see *Statistics of Income--Individual Income Tax Returns*, for 1986-2001. See Figure G for components of the 1979 Income Concept.

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of 31 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions.

- (5) Tax Years 1993 through 1996 had a five-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions.
- (6) Tax Years 1997 through 2000 were subject to the Taxpayer Relief Act of 1997 which added three new capital gain tax rates to the previous rate structure to form a new eight-rate tax bracket structure (with maximum statutory tax rate of 39.6 percent). See Appendix C for a more detailed description of the capital gain rates.
- (7) Tax Year 2001 was the first year affected by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). This law included a new 10-percent tax rate bracket, half percentage point reductions in marginal tax rates higher than the 15-percent rate, increases in the child tax credit, and an increase in alternative minimum tax exemptions. See the Changes in Law section for more details.

More than 94.8 million, or 72.8 percent, of the 130.3 million individual returns filed for 2001 were classified as taxable returns. This was a 2.1-percent reduction in the number of taxable returns from 2000. The last time the number of taxable returns fell by this magnitude was for 1992. Total AGI reported on taxable returns decreased 4.0 percent to \$5,847 billion. This was the first time that AGI for taxable returns has fallen since 1953 [2]. Total income on taxable returns fell using the 1979 Income Concept as well, dropping 5.6 percent to \$5,943 billion for 2001. Total income tax fell for the first time since 1983, declining by almost \$93 billion to \$888 billion for 2001. This 10.4-percent decline in income tax was more than double the rate of decline in AGI for 2001. The steeper drop in tax was partially attributable to both the disproportionately large reduction in income that occurred in the higher tax rate brackets (Figure B), as well as the tax cuts implemented in EGTRRA.

Average AGI and income tax, reported in current dollars, fell by a smaller percentage than total AGI and income tax due to the corresponding fall in tax-

able returns for 2001. Average AGI for taxable returns fell to \$61,702 for 2001, a 1.8-percent decline from 2000. Average AGI in constant 1982-84 dollars decreased 4.5 percent to \$34,840 [3]. Average income tax fell more than four times as fast as average AGI for 2001, slipping 7.5 percent to \$9,370. In constant dollars, income tax fell more than twice as fast as AGI, decreasing 10.0 percent to \$5,291. The relatively large reductions in average income tax, for both current and constant dollars, suggest that factors other than the falling level of income may have contributed to the decrease in tax generated.

In order to analyze the average tax rate over time, it is necessary to use an alternative measure to AGI because changes in the tax law alter AGI's definition from year to year. The 1979 Income Concept controls for much of this variation in tax law, and its use provides a more consistent estimate of the average tax rate across years. For 2001, the average tax rate fell to 14.9 percent from 15.6 percent for 2000. Though the 0.7-percent decline is the first fall in the average tax rate since 1998, the 14.9-percent rate is still higher than 10 of the 16 years for which data are reported. The average tax rate has not been less than 14 percent since 1993, the year the Omnibus Reconciliation Act of 1993 passed (OBRA93), which created new 36-percent and 39.6-percent tax brackets.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 15.2 percent for 2001. The average tax rate for the AGI-size classes ranged from 2.8 percent for the "\$1 under \$10,000" AGI-size class to 28.4 percent for the "\$1,000,000 or more" AGI-size class. This range of values highlights the progressive nature of the tax code, as the average tax rate increases in each successively higher AGI-size class. The average tax rate in each AGI-size classes, with the exception of the "\$1,000,000 or more" class, fell for 2001. The average tax rate on the "\$1,000,000 or more" AGI-size class increased 0.7 percentage points for 2001. This may have been attributable to the reduction of long-term capital gain income as a share of total income for returns in this class.

The average tax rate of 15.2 percent for 2001 for all income classes combined was a decrease of 0.9 percentage points from the all-time high of 16.1 percent reported for 2000. This reduction was at least partially attributable to the implementation of tax

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Figure B

Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 2000 and 2001

[Number of returns is in thousands--money amounts are in millions of dollars]

Tax year, items	Total	Size of adjusted gross income									
		Under \$1 ¹	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax Year 2001:											
Number of taxable returns.....	94,764	5	6,460	13,791	14,060	23,153	26,269	8,461	2,016	355	193
Adjusted gross income (less deficit).....	5,847,060	-1,817	42,914	209,345	351,885	908,461	1,826,558	1,113,189	577,874	240,493	578,159
Total income tax.....	887,974	92	1,219	11,999	27,184	82,926	212,798	185,264	134,591	67,781	164,120
Average tax rate (percent) ²	15.2	(³)	2.8	5.7	7.7	9.1	11.7	16.6	23.3	28.2	28.4
Tax Year 2000:											
Number of taxable returns.....	96,818	6	7,831	14,476	14,863	23,253	25,542	8,078	2,134	396	239
Adjusted gross income (less deficit).....	6,083,263	-5,646	49,981	219,038	370,902	910,893	1,774,029	1,065,629	613,255	268,765	816,418
Total income tax.....	980,645	124	2,231	14,408	29,533	85,969	215,549	184,035	146,454	76,022	226,320
Average tax rate (percent) ²	16.1	(³)	4.5	6.6	8.0	9.4	12.2	17.3	23.9	28.3	27.7
Change in:											
Number of taxable returns.....	-2,054	(Z)	-1,372	-685	-803	-99	728	383	-118	-41	-47
Percent.....	-2.1	-7.8	-17.5	-4.7	-5.4	-0.4	2.8	4.7	-5.5	-10.3	-19.5
Adjusted gross income (less deficit).....	-236,203	3,830	-7,067	-9,693	-19,017	-2,432	52,529	47,560	-35,381	-28,272	-238,259
Percent.....	-3.9	-67.8	-14.1	-4.4	-5.1	-0.3	3.0	4.5	-5.8	-10.5	-29.2
Total income tax.....	-92,671	-32	-1,012	-2,409	-2,349	-3,043	-2,751	1,229	-11,864	-8,240	-62,201
Percent.....	-9.5	-25.6	-45.3	-16.7	-8.0	-3.5	-1.3	0.7	-8.1	-10.8	-27.5
Average tax rate											
Percentage point change.....	-0.9	(⁴)	-1.6	-0.8	-0.2	-0.3	-0.5	-0.6	-0.6	-0.1	0.7

¹ Includes returns with adjusted gross deficit. Tax in these returns represents some combination of alternative minimum tax, Form 4972 tax on lump-sum distributions from qualified retirement plans, and Form 8814 tax on a child's interest and dividends not reflected in adjusted gross income or taxable income.

² Average tax rate is "total income tax" as a percentage of adjusted gross income less deficit (AGI). The average tax rate was calculated from unrounded data.

³ Percentage not computed.

⁴ Increase not computed.

Z--Less than 1,000.

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

rate reductions under EGTRRA. Also, many of the higher income tax returns of previous years shifted to lower income brackets for 2001 partially due to the very large reductions in realized capital gain (less loss). Specifically, the number of taxpayers in the top three AGI-size classes declined by: 19.5 percent for the "\$1 million or more" AGI-class; 10.3 percent for the "\$500,000 under \$1,000,000" AGI-class; and 5.5 percent for the "\$200,000 under \$500,000" AGI-class. The last decline in average tax rates was in 1991 when the economy was in a recession. The last time the average tax rate fell by a similar magnitude was for 1987, the first year under TRA86.

Marginal Tax Rate Classifications

A return's marginal tax rate is the highest statutory tax rate bracket applicable to that tax return. Marginal tax rate statistics are presented in Figure C and Table 1. These statistics are based on individual income tax returns showing a positive taxable income amount based on "tax generated" and items of income that were subject to the regular income tax, generally those included in AGI [4]. Tables 2 and 3 contain additional data based on marginal tax rates. These tables present statistics on the income and tax generated at each marginal tax rate by size of AGI (Table 2) and by filing status (Table 3). Appendix D

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explains the details of the determination of the marginal tax rate bracket into which a return is assumed to fall.

For 2001, the number of individual returns with modified taxable income fell 1.0 percent to 104.2 million. The amount of modified taxable income reported on these returns fell 6.1 percent to \$4,269.3 billion [5]. As a result of both the falling level of taxable income and the tax cuts implemented under EGTRRA, these returns generated \$926.6 billion in income taxes before credits for 2001, an 8.1-percent drop from the previous year. Figure C presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal tax rate categories (defined in Appendix D). The 2001 marginal tax rate categories for 2001 are different than those for 2000 due to changes in statutory tax rates resulting from EGTRRA. The tax rates for the four highest income brackets were each reduced by half a percentage point, and 8-percent and 10-percent rate brackets were created for in-

come from capital gains. A 10-percent tax bracket for ordinary income was introduced for dependents for 2001 (all others for 2002, see Changes in Law section for more detail).

The “15 percent” marginal tax rate bracket contained the largest share of returns for 2001, at 62.6 percent. These returns reported 24.7 percent of modified taxable income for 2001 and 17.0 percent of income tax before credits. Conversely, the 0.8 percent of returns in the “39.1 percent” marginal rate bracket reported 17.8 percent of the modified taxable income and 27.6 percent of the tax. The 26.1 percent of returns in the “27.5 percent” marginal rate bracket reported 36.4 percent of the modified taxable income and 32.0 percent of income tax before credits. Returns in the “30.5 percent” rate bracket reported 10.5 percent of the modified taxable income and 11.5 percent of the income tax. Returns in the “35.5 percent” rate bracket reported showed 7.7 percent of the modified taxable income and 9.6 percent of the income tax. The two new marginal tax rate brackets, “8 percent” and “10 percent (capi-

Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2001

[Money amounts are in thousands of dollars]

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
All rates.....	104,163,693	100.0	4,269,339,932	100.0	926,646,417	100.0
8 percent.....	187,240	0.2	1,410,668	(²)	112,850	(²)
10 percent (capital gains).....	554,064	0.5	2,645,170	0.1	257,111	(²)
10 percent.....	3,877,821	3.7	7,834,252	0.2	783,586	0.1
10 percent (Form 8814) ¹	8,324	(²)	10,580	(²)	1,058	(²)
15 percent.....	65,207,298	62.6	1,056,357,480	24.7	157,672,420	17.0
20 percent.....	685,760	0.7	95,447,222	2.2	17,160,764	1.9
25 percent.....	47,801	(²)	6,781,981	0.2	1,338,779	0.1
27.5 percent.....	27,219,888	26.1	1,554,572,661	36.4	296,370,247	32.0
28 percent (capital gains).....	49,296	(²)	3,897,093	0.1	793,800	0.1
30.5 percent.....	3,824,132	3.7	450,404,363	10.5	106,868,479	11.5
35.5 percent.....	1,453,822	1.4	328,972,332	7.7	89,323,624	9.6
39.1 percent.....	846,345	0.8	759,379,672	17.8	255,544,943	27.6
Form 8615 ³	201,902	0.2	1,626,456	(²)	418,758	(²)

¹ Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

² Less than 0.05 percent.

³ Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

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tal gains and ordinary income),” combined to account for approximately 0.9 percent of the modified taxable income and 0.4 percent of the tax generated for 2001.

As shown in Table 2, more tax was generated for 2001 at the 15-percent rate than at any other rate. The 54.4 percent of income taxed at this rate was reported by 95.3 percent of returns with taxable income, generating 37.6 percent of tax generated. The 27.5-percent rate generated the next largest amount of income tax liability. Tax in that bracket was reported on 32.1 percent of returns, and 19.4 percent of modified taxable income was taxed at this rate, to generate 24.6 percent of tax generated. Only 0.8 percent of returns with taxable income were taxed at the 39.1-percent rate. However, 9.7 percent of all income was taxed at this rate, generating 17.5 percent of the tax generated.

Components of Total Income Tax

Regular Tax

Regular tax is generally tax determined from a taxpayer’s taxable income based on statutory tax rates less any applicable tax credits. It does not include the “alternative minimum tax” (AMT). Figure D illustrates the derivation of aggregate tax generated for 2001 returns with modified taxable income. Table 1 includes two tax amounts: “tax generated” and “income tax after credits.” Tables 5 through 8 and Figures A and B include an additional measure of tax, “total income tax.”

As shown (Figure D and column 5 of Table 1), the tax generated by applying statutory income tax rates to modified taxable income was \$926.6 billion, an 8.1-percent decrease from 2000 [6]. For most taxpayers, tax generated was equal to income tax before credits. However, for some taxpayers, income tax before credits included the alternative minimum tax (AMT) and/or special taxes on lump-sum distributions from qualified retirement plans (when a 10-year averaging method was used) [7]. The AMT fell 29.6 percent to \$6.8 billion for 2001, partially as a result of the decline in income and partially the result of an expansion in AMT exemptions implemented under EGTRRA. The earned income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer because it

exceeds the taxpayer’s liability and any portion of the EIC used to reduce taxes other than income taxes are excluded from the computation of income tax after credits [8]. Income tax after credits (Figure D) totaled \$887.9 billion, a 9.4-percent decline from 2000. Total income tax, the sum of income tax after credits and tax on trusts accumulation distributions, totaled \$888.0 billion for 2001. This represented a 9.4-percent fall in total income tax, which was a larger percentage decline than for tax generated due to the 29.2-percent fall in AMT, as well as the 21.0-percent increase in tax credits.

Table 4 provides estimates by the type of tax computation for returns with modified taxable income. For 2001, the number of children under age 14 who filed Form 8615 for reporting investment

Figure D

Derivation of 2001 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

Tax generated from tax rate schedules or tax table.....	926.6
PLUS:	
Tax on lump-sum distributions from qualified retirement plans.....	0.2
Alternative minimum tax.....	6.8
EQUALS:	
Income tax before credits.....	933.6
LESS: Tax credits, total ¹	45.6
Child-care credit.....	2.7
Child tax credit ¹	22.4
Education credit.....	5.2
Foreign tax credit.....	6.3
General business credit.....	0.7
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	1.5
Credit for prior-year minimum tax.....	1.4
Rate reduction credit.....	5.1
Other credits ²	0.4
EQUALS:	
Income tax after credits.....	887.9
PLUS: Trusts accumulation distribution.....	0.04
EQUALS:	
Total income tax.....	888.0

¹ Does not include the additional child tax credit that for 2001 was \$4,994.7 million, which were refunded to taxpayers and not included in total income tax.

² Includes the elderly or disabled credit, empowerment zone employment credit, mortgage interest credit, adoption credit, nonconventional source fuel credit, and other credits.

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

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income over \$1,500 decreased 63.0 percent to 201,902. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children generated almost \$418.8 million (column 7) of tax revenue which is \$98.6 million (column 8) more than the \$320.2 million (column 6) of tax that would have been generated using ordinary tax computation.

For 2001, the 10.2 million returns which included the Schedule D capital gain tax computation generated \$245.4 billion in tax (column 7). If long-term capital gains had been taxed the same as ordinary income, the amount of income tax before credits (regular tax computation) for these same taxpayers would have been \$281.5 billion (column 6). Thus, use of the Schedule D tax computation resulted in \$36.1 billion (column 8) less tax for 2001, a fall by more than half from the \$72.6-billion reduction for 2000 (column 4) when 17.1 million taxpayers received some benefit from lower capital gain taxes (column 1). The average tax savings fell from \$4,248 per return for 2000 to \$3,537 for 2001. This reduction was attributable both to the reduction in capital gains realized and to the tax cuts implemented in EGTRRA which reduced the level of taxation that would have applied in the absence of the special capital gain tax rates.

Alternative Minimum Tax

The Revenue Act of 1978 established the alternative minimum tax to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise be able to legally reduce, or totally eliminate, their tax burden. The AMT provisions may recapture some of the tax reductions under the ordinary income tax. Form 6251, *Alternative Minimum Tax--Individuals*, is used to calculate AMT. (See Appendix E for an explanation of the computation of income for AMT purposes.)

Figure E presents statistics, by size of AGI, on the AMT reported by taxpayers filing Form 6251 with their returns. For 2001, AMT liability fell 29.6 percent from its 2000 high to \$6.8 billion. The fall in AMT coincided with a 19.3-percent decrease in Alternative Minimum Taxable Income (AMTI) for 2001. The AMT fell more than AMTI because of increases in the AMT exemption amounts for 2001.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2001. Much of the varia-

tion in the number of taxpayers affected by the AMT and in the amount of AMT liability during the mid-to-late 1980's and early 1990's was attributable to tax law changes such as TRA86, RRA90 (Revenue Reconciliation Act of 1990), and OBRA93, which were the source of regular and AMT tax rate changes. Since then, the impact of the AMT has increased partially because the AMT exemptions have not been indexed annually for the effects of inflation, whereas various parameters of the ordinary income tax (such as tax brackets, exemptions, etc.) have been indexed annually for inflation. In June 2001, the impact of the AMT declined as AMT exemption amounts were increased statutorily by EGTRRA.

Income and Tax Shares

Historical statistics on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year and tax or income item, by descending and ascending cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among years within the ERTA81 period (i.e., Tax Years 1982 through 1986), and among years within the post-TRA86 period (i.e., Tax Years 1987 through 2001). Since TRA86 redefined AGI, Tables 5 and 6 are not as useful for comparisons between pre- and post-TRA86 years. Thus, Tables 7 and 8, which are based on a consistent definition of income (i.e., the 1979 Income Concept), are included to facilitate such comparisons.

Tables 5 and 7, are based on percentiles of returns cumulated downward from the highest income returns. The data in Tables 5 and 7 are shown for the top 1, 5, 10, 25, and 50 percent of returns. Tables 6 and 8 are based on returns cumulated upward for the lowest income returns. Data are shown for the bottom 50, 75, 90, 95, and 99 percent of all returns.

Consider, for example, the data in Table 5 for the 128.8 million returns filed for 2001 with positive AGI [9]. The average tax rate for these returns was 14.2 percent, a 1.0-percentage point decrease from 2000. This was only the second time in the last 10 years that the average tax rate has fallen, the other being in 1998. The average tax rate on the top 1 percentile increased slightly for 2001, while the average tax rate on the 5, 10, 25 and 50 percentiles decreased

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Figure E

Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, by Size of Adjusted Gross Income, Tax Years 2000 and 2001

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences ¹		Alternative minimum taxable income		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Year 2001						
All returns.....	4,592,037	100,771,657	4,597,132	882,736,264	1,120,047	6,756,705
Under \$1 ²	106,190	1,889,581	106,544	-7,726,068	4,649	94,531
\$1 under \$10,000.....	309,982	1,046,724	310,030	1,122,367	341	4,225
\$10,000 under \$20,000.....	256,655	1,153,904	256,655	2,880,714	4,010	8,267
\$20,000 under \$30,000.....	210,848	1,163,511	210,871	4,399,782	1,472	6,680
\$30,000 under \$40,000.....	198,549	1,282,994	198,609	5,826,148	4,596	7,002
\$40,000 under \$50,000.....	207,675	1,664,953	207,795	8,045,248	20,688	17,702
\$50,000 under \$75,000.....	566,150	5,425,665	567,004	30,916,546	93,712	131,362
\$75,000 under \$100,000.....	537,308	7,012,547	538,453	41,370,355	143,871	277,858
\$100,000 under \$200,000.....	1,149,155	20,361,438	1,150,178	143,838,113	418,268	1,169,972
\$200,000 under \$500,000.....	775,973	23,668,224	776,911	209,328,128	352,603	2,332,675
\$500,000 under \$1,000,000.....	165,906	9,538,219	166,203	103,946,143	50,676	892,284
\$1,000,000 or more.....	107,647	26,563,897	107,878	338,788,788	25,159	1,814,144
Tax Year 2000						
All returns.....	4,668,843	116,693,913	4,674,927	1,093,505,463	1,304,197	9,600,840
Under \$1 ²	85,443	1,474,623	85,262	-4,680,793	3,823	100,636
\$1 under \$10,000.....	314,222	1,026,652	314,222	1,417,120	3,058	8,131
\$10,000 under \$20,000.....	241,475	1,248,547	241,475	3,121,189	5,724	5,760
\$20,000 under \$30,000.....	189,486	989,525	189,486	4,146,827	3,544	8,260
\$30,000 under \$40,000.....	209,270	1,418,881	209,270	6,624,480	12,493	14,323
\$40,000 under \$50,000.....	215,047	1,486,481	215,048	8,658,725	20,063	19,819
\$50,000 under \$75,000.....	594,332	5,638,126	594,528	33,107,110	121,906	168,366
\$75,000 under \$100,000.....	568,183	6,675,031	571,240	44,771,889	177,433	244,174
\$100,000 under \$200,000.....	1,097,292	20,063,494	1,099,350	141,514,523	437,004	1,531,783
\$200,000 under \$500,000.....	832,265	26,342,935	832,654	231,645,543	416,198	3,340,500
\$500,000 under \$1,000,000.....	187,674	12,198,541	187,992	122,178,405	66,860	1,438,572
\$1,000,000 or more.....	134,153	38,131,077	134,397	501,000,444	36,093	2,720,516

¹ See Figures I-1 and I-2 for the calculation of alternative minimum taxable income and the list of alternative minimum tax adjustments and preferences.

² Includes returns with adjusted gross deficit.

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

from 2000. The 1, 5, 10, 25, and 50 percentiles all recorded a larger share of the income tax burden than their respective shares of AGI. For 2001, the returns in the top 1 percentile reported 17.5 percent of total AGI and 33.9 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$292,913. For 2000, the returns in this percentile group (i.e., those with at least \$313,469 in AGI) reported 20.8 percent of total AGI and 37.4 percent of income tax generated. The fall in both the share of AGI and income tax for the top 1 percentile, and corresponding increase in the

average tax rate, was largely attributable to the reduction in net capital gains (less losses) for these taxpayers. This was the first time that the share of AGI and income tax for returns in the top 1 percentile fell since 1993 and 1994, respectively.

For 2001, the returns in the top 5-percentile group (returns reporting AGI of \$127,904 or more) reported 32.0 percent of total AGI and 53.3 percent of income tax, less than the 35.3 percent and 56.5 percent, respectively, for 2000 (when the AGI floor was \$128,336). For 2001, returns in the top 10-percentile group (returns with AGI of at least \$92,754) earned

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Figure F

Alternative Minimum Tax, Tax Years 1986-2001

[Tax rates are in percentages--money amounts are in thousands of dollars]

Tax year	Highest statutory alternative minimum tax rate	Alternative minimum tax	
		Number of returns	Amount
	(1)	(2)	(3)
1986.....	20	608,907	6,713,149
1987.....	21	139,779	1,674,898
1988.....	21	113,562	1,027,884
1989.....	21	117,483	831,012
1990.....	21	132,103	830,313
1991.....	24	243,672	1,213,426
1992.....	24	287,183	1,357,063
1993.....	28	334,615	2,052,790
1994.....	28	368,964	2,212,094
1995.....	28	414,106	2,290,576
1996.....	28	477,898	2,812,746
1997.....	28 ¹	618,072	4,005,101
1998.....	28 ¹	853,433	5,014,549
1999.....	28 ¹	1,018,063	6,477,697
2000.....	28 ¹	1,304,197	9,600,840
2001.....	28 ¹	1,120,047	6,756,705

¹ Top rate on most long term capital gains was 20 percent.

43.1 percent of AGI and paid 64.9 percent of income tax. For 2000, the returns in this percentile group (with AGI of \$92,144 or more) reported 46.0 percent of total AGI and 67.3 percent of income tax. The top 50-percentile group accounted for 86.2 percent of income and 96.0 percent of the income tax for 2001.

The statistics by percentile in Tables 5 and 6 for years prior to 1991 and in Tables 7 and 8 for years prior to 1994 were estimated, using a mathematical technique called “osculatory interpolation,” applied to aggregated data tabulated by income-size classes, in order to distribute the tax returns within each class [10]. For 1991 and later years, the statistics by percentiles in Tables 5 and 6 and Tables 7 and 8 for 1994 through 2001 were computed based on an actual ranking of the returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. The differences under the two methods were judged to be minor enough so that the pre-1991 and post-1990 data are believed to be comparable.

Appendix A: Explanation of Selected Terms

This appendix provides brief explanations of the major tax concepts discussed. For more extensive

definitions, see Individual Income Tax Returns 2001, Statistics of Income Division, Internal Revenue Service, Publication 1304.

Adjusted Gross Income.--Adjusted gross income is “total income,” as defined by the tax code, less “statutory adjustments” (primarily business, investment, or certain other deductions, such as payments to a Keogh self-employed retirement plan, certain deductible contributions to an Individual Retirement Arrangement (IRA), self-employed health insurance deductions, and one-half of Social Security taxes for the self-employed). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and net amounts from such sources as business income, rents and royalties, and sales of capital assets.

Difference Due to Special Tax Computation.--For this article, the tax difference is the amount of tax resulting from using provisions of one of the special tax computations (Form 8615 or Schedule D) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

Form 8615 Tax Computation.--Form 8615 was used to compute the tax on investment income of children under age 14 who had investment income of more than \$1,500. Generally, such income was taxed as the marginal income of the parents.

Income Tax Before Credits.--This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Schedule D Tax worksheet, Schedule J, or Form 8615, plus Form (s) 8814, and any additional taxes from Form 4972. Beginning for Tax Year 2001, this amount also includes the Alternative Minimum Tax.

Income Tax Before Credits (Regular Tax Computation).--This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate schedules, plus any additional tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child’s rate rather than at the rate of the parents. When the Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 8-percent, 10-percent, 20-percent, 25-percent, or 28-percent tax rate for capital gains. This is in

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contrast to the computation of Income Tax Before Credits (see above) in which special tax computations such as those involved on the Form 8615 and Schedule D are taken into account (see Table 4).

Marginal Tax Rate.--See Appendix D.

Modified Taxable Income.--See Appendix D.

Regular Tax Computation.--Depending on marital status and size of taxable income, the taxpayer used one of the four tax rate schedules (or an approximation from the tax table) to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

Schedule D Tax Computation.--Schedule D was used to compute the 8-percent, 10-percent, 20-percent, 25-percent, and 28-percent taxes on net long-term capital gains (in excess of net short-term capital losses), if such computations were beneficial to the taxpayer. Any investment interest allocated to long-term capital gains (on Form 4952) was excluded from this computation.

Taxable Income.--Taxable income is AGI less the sum of personal exemptions amounts and either the standard deduction for nonitemizers or total itemized deductions. The amounts for personal exemptions and total itemized deductions are net of any reductions because of taxpayers' income exceeding certain income thresholds.

Taxable Returns.--A return is classified as "taxable" based on the presence of "tax generated." The following additional taxes were not taken into account for this purpose: self-employment, household employment, Social Security, Railroad Retirement Tax Act (RRTA) taxes, tax from recomputing prior-year investment or low-income housing credits, penalty taxes on Individual Retirement Arrangements, section 72 penalty taxes, advance earned income credit payments, or "golden parachute" payments (made to key employees as compensation under certain circumstances).

Tax Generated.--This is the amount of tax computed on modified taxable income either from the tax rate schedules or the tax table. Tax generated does not take into account the alternative minimum tax or the effect of tax credits. For most returns (those without the special tax on lump-sum distributions from qualified retirement plans or alternative minimum tax), tax generated equals "income tax before credits."

Total Income Tax.--This is the sum of income tax after credits and tax on accumulated trusts distribution from Form 4970, less the portion of the EIC used to offset other taxes as well as the refundable portion of the EIC.

Appendix B: Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 2001 were generally based on the amount of "gross income," filing status, age, and, to a lesser extent, dependency and blindness [11]. Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file a return for Tax Year 2001 if they had net earnings from self-employment of at least \$400; liability for Social Security or Medicare tax on unreported tip income; Social Security, Medicare, or Railroad Retirement tax on reported tip income or group-term life insurance; "alternative minimum tax"; tax on qualified retirement plan distributions, including an Individual Retirement Arrangement (IRA) or a Medical Savings Account (MSA); tax on the recapture of investment credit or low-income housing credit; recapture tax on the disposition of a home purchased with a Federally-subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from Social Security taxes.

Gross income includes all income received as money, goods, property, or services that was not expressly exempt from tax [12]. Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses [13]. "Taxable income," the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: tax table or tax rate schedules, both of which vary with taxpayer filing status (single,

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married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children's investment income; Schedule D worksheet for net long-term capital gains; or some combination of the above [14]. For 2001, the tax rates for each filing status were 8 percent, 10 percent, 15 percent, 20 percent, 25 percent, 26 percent, 27.5 percent, 28 percent, 30.5 percent, 35.5 percent, and 39.1 percent [15]. The tax rates of 8 percent, 20 percent, 25 percent, and 28 percent were only for net long-term capital gains (in excess of net short-term capital losses). Income tax before credits includes any alternative minimum tax. (See Appendix C for further details on these rates.)

To calculate their Federal income tax liability for 2001, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax "brackets" up to \$50 wide [16]. The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar. As a result, the tax table and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax table could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax table with taxable income that was subject to the 35.5-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$9.25 [17]. However, for most taxpayers the actual difference in tax was smaller.

Appendix C: Changes in Law for 2001

Alternative Minimum Tax.--For Tax Year 2001, The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the AMT exemption amounts as follows:

Filing Status	2000	2001
Married filing jointly and surviving spouses	\$45,000	\$49,000
Married filing separately	\$22,500	\$24,500
Single	\$33,750	\$35,750

Capital Gain Tax Rate.--The rate at which net capital gain (less loss) that was held for at least 5 years was lowered to 8 percent for 2001 for those individuals who would otherwise have paid a 10-percent tax rate on these gains.

Child Tax Credit.--The amount of the child tax credit was increased from \$500 to \$600 for 2001. The refundable portion of the child tax credit was also extended to families with fewer than three children. It was refundable up to 10 percent of the amount by which a taxpayer's earned income exceeded \$10,000. Families with more than three children could choose the greater of this value, or the amount by which the taxpayer's Social Security taxes exceeded his or her earned income credit.

Earned Income Credit.--The maximum amount of the earned income credit (EIC) increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,450 from \$2,400. The maximum credit for taxpayers with no qualifying children increased to \$364. For these taxpayers, earned income and modified AGI had to be less than \$10,710 (up from \$10,380 for 2000). For taxpayers with one qualifying child, the maximum credit increased to \$2,428, and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,008. To be eligible for the credit, a taxpayer's earned income and modified AGI had to be less than \$28,281 for one qualifying child, or less than \$32,121 for two or more qualifying children.

Foreign Earned Income Exclusion.--For Tax Year 2001, the amount of foreign earned income that could have been excluded from income per taxpayer increased from \$76,000 to \$78,000.

Indexing.--The following items increased due to indexing for inflation: personal exemption amounts; the basic standard deduction amounts; and the tax bracket boundaries, the beginning income amounts for limiting certain itemized deductions and for phasing out personal exemptions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

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Individual Income Tax Rate Reductions.--For tax years beginning after December 31, 2000, a new 10-percent regular income tax rate schedule will be used for the first portion of taxable income that had been taxed at a 15-percent rate. However, for Tax Year 2001, the 10 percent applies to the first \$6,000 only for dependent individuals. Other taxpayers received benefits equivalent to the 10-percent rate bracket via an advanced payment based on their Tax Year 2000 returns or the rate reduction credit (see below). Also for 2001, there was a reduction of the marginal tax rates that are higher than the 15-percent bracket according to the following table:

2000	2001
—	10%
15%	15%
28%	27.5%
31%	30.5%
36%	35.5%
39.6%	39.1%

Rate Reduction Credit.--Individual taxpayers were eligible for a rate reduction credit equal to 5 percent of the first \$6,000 of taxable income for single or married filing separately taxpayers, \$10,000 for head of household taxpayers, and \$12,000 for married taxpayers filing jointly or qualified widowers. The rate reduction credit was, however, reduced by the amount of the advance rate reduction credit issued in the form of a check in the summer of 2001, which was based on information on the taxpayer's 2000 tax return.

Student Loan Interest Deduction.--For Tax Year 2001, eligible taxpayers were allowed to deduct up to \$2,500 of interest paid on qualified higher educational loans, up from \$2,000 for 2000. These loans must have been used for qualified educational expenses of either the taxpayer, taxpayer's spouse, or any dependent of the taxpayer at the time the debt was incurred. The taxpayer's modified AGI must have been less than: \$55,000 if single, head of household, or qualifying widow(er); or \$75,000 if married filing jointly.

Appendix D: Income and Tax Concepts

As discussed in Appendix B, gross income is all income received that is not specifically excluded. Total income is the net amount of gross income after

certain expenses (i.e., business or rent and royalty expenses) have been deducted. Adjusted gross income (AGI) is total income less statutory adjustments to income (i.e., deductible contributions to an IRA or Keogh plan).

1979 Income Concept

To analyze changes in income and taxes over a period of years, a consistent definition of income should be used. Because the components of AGI may vary from year to year as the law changes, the "1979 Income Concept" was developed to provide a more uniform measure of income across tax years. By including the same income and deduction items in each year's income calculation and using only items available on Federal individual income tax returns, the definition of the 1979 Income Concept is consistent throughout the base years and can be used for future years to compare income by including only income components common to all years. Tax Years 1979 through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 2001 includes many income and deduction items that are also components of AGI (Figure G). However, unlike AGI, the 1979 Income Concept also includes some nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax returns and disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept [18].

Modified Taxable Income

This concept is relevant only for "prior-year returns." For current-year returns, modified taxable income is identical to taxable income.

This is the term used for the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax year are being selected for the Statistics of Income sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year. The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable income reported on these prior-

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Figure G

Components of the 1979 Income Concept, Tax Year 2001

Income or Loss:

- Salaries and wages ¹
- Interest ¹
- Dividends ¹
- Taxable refunds ¹
- Alimony received ¹
- Capital gain distributions not reported on Schedule D ¹
- Capital gains reported on Schedule D minus allowable losses ¹
- Other gains and losses (Form 4797) ¹
- Business net income or loss ¹
- Farm net income or loss ¹
- Rent net income or loss ¹
- Royalty net income or loss ¹
- Partnership net income or loss ¹
- S corporation net income or loss ¹
- Farm rental net income or loss ¹
- Estate or trust net income or loss ¹
- Unemployment compensation ¹
- Depreciation in excess of straight-line depreciation ²
- Total pension income ^{3,4}
- Other net income or loss ⁵
- Net operating loss ¹

Deductions:

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

¹ Included in adjusted gross income (less deficit) (AGI) for Tax Year 2001.

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

³ Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

⁴ Not fully included in AGI for Tax Year 2001.

⁵ Includes an adjustment to add back amounts reported for the "foreign-earned income exclusion."

⁶ Not included in AGI for Tax Year 2001.

year returns is modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

Marginal Tax Rates

Under the progressive U.S. income tax rate structure, different portions of taxable income are taxed at different rates. Figure H illustrates how income tax is determined for a single taxpayer with AGI of \$310,000 who used the standard deduction. As shown in the example, five different tax rates were applied to the taxable income to arrive at total tax. The first \$27,050 of taxable income were taxed at the 15-percent rate; the next \$38,500 were taxed at the

27.5-percent rate; the next \$71,200 were taxed at the 30.5-percent rate; the next \$160,600 were taxed at the 35.5-percent rate; and the remaining \$8,100 were taxed at the 39.1-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. In the example, the marginal tax rate is 39.1 percent.

Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes which are not subject to the same treatment under tax laws, the marginal tax rate is not always apparent. For instance, investment income of a dependent under age 14 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,500 was taxed at the marginal tax rate of the parents, whereas the salaries and wages were taxed at the dependent's own rate.

Calculating marginal tax rates for a specific individual income tax return generally depends both on the types and amounts of income reported and the assumptions made about the order in which the income is taxed, in particular, which type of income is assumed to be received "last." Additional complexity is added by the presence of such items as the alternative minimum tax and various tax credits.

For this article, it is assumed that the income

Figure H

Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 2001

[Money amounts are in whole dollars]

Item	Amount
Adjusted gross income.....	310,000
Less: Exemption amount.....	0 ¹
Standard deduction amount.....	4,550
Equals: Taxable income.....	305,450
Tax based on tax rates for single taxpayers:	
First \$27,050 taxed at 15 percent.....	4,058
Next \$38,500 taxed at 27.5 percent.....	10,588
Next \$71,200 taxed at 30.5 percent.....	21,716
Next \$160,600 taxed at 35.5 percent.....	57,013
Next \$8,100 taxed at 39.1 percent.....	3,167
Total tax from tax rate schedule.....	96,541

¹ The exemption amount was phased out completely because AGI exceeded \$255,450.

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taxed at the marginal rate was the “last” income received. The alternative minimum tax and income tax credits, such as the earned income credit, are excluded in determining the marginal tax rates. The marginal tax rate is defined as follows:

- (1) If a return showed taxable income, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had no taxable income except for net long-term capital gains and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having an “8- or 10-percent rate” marginal tax rate. If the return had taxable income (from other than net long-term capital gains) to which only the 15-percent tax rate applied, as well as net long-term capital gains to which the 20-percent or 25-percent rate on the net gain applied, the return was defined as having a marginal tax rate equal to the maximum rate at which the net gains were taxed. If the return had taxable income (from other than net long-term capital gains) to which the 27.5-percent tax rate applied as the highest rate, as well as net long-term capital gains to which the maximum 28-percent rate on net gain applied, the return was defined as having a “28-percent (capital gains)” marginal tax rate. However, if the return had taxable income (from other than net long-term capital gains) above the maximum amount to which the 27.5-percent applied, as well as net long-term capital gains to which the 28-percent rate on the net gain applied, the return was classified as having the highest rate at which any amount of taxable income reported on the return was taxed.
- (3) For returns of dependents with a Form 8615 attached when the use of this form resulted in the taxation of some of the dependent’s income as if it were that of the parents, the return was classified as having a “Form 8615” marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest and dividend income of their dependents under

age 14 on their own (i.e., the parents’) return using Form 8814, when the dependent’s income generated the only tax liability on the parent’s return, the return was classified with a “Form 8814” marginal tax rate.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses), and presence of Form 8615 or Form 8814. Returns were classified into one of the following thirteen mutually exclusive marginal tax rate categories: (1) 8-percent rate; (2) 10-percent rate; (3) 10-percent (capital gains); (4) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent’s income); (5) 15-percent rate; (6) 20-percent rate; (7) 25-percent rate; (8) 27.5-percent rate; (9) 28-percent rate; (10) 30.5-percent rate; (11) 35.5-percent rate; (12) 39.1-percent rate; and (13) Form 8615 (with income taxed at any rate) [19].

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modified taxable income. For each marginal rate classification, modified taxable income and “income tax generated” were computed “at all rates” and “at marginal rate.” The “at all rates” computations (columns 3 and 5) show the total amount of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The “at marginal rate” computations (columns 4 and 6) report the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. The alternative minimum tax was not included in the statistics by marginal tax rate.

The alternative minimum tax was not included in the statistics by marginal tax rate. For example, consider returns in the “joint returns and returns of surviving spouses” filing status that were included in the “39.1-percent” marginal tax rate classification. The total modified taxable income for the 713,981 returns in this classification “at all rates” was \$638.1 billion (column 3), and the total tax generated was \$214.5 billion (column 5). Approximately \$346.5 billion (column 4) of the modified taxable income were

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subject to tax at the marginal tax rate of 39.1 percent. This modified taxable income generated \$135.5 billion (column 6) in tax at the 39.1-percent tax rate, with the remainder generated at some or all of the lower nine tax rates.

Table 2 provides statistics on the tax generated, in total and at each marginal tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI rather than by the marginal tax rate classifications used in Table 1. The tax generated at each marginal tax rate was computed based on the modified taxable income for each individual return.

For example, the 2.0 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$482.8 billion and generated total tax of \$134.0 billion. Of the \$482.8 billion of modified taxable income, \$0.6 billion were taxed at 8 percent, \$0.7 billion were taxed at 10 percent, \$84.8 billion were taxed at 15 percent, \$36.5 billion were taxed at 20 percent, \$2.1 billion were taxed at 25 percent, \$116.8 billion were taxed at 27.5 percent (ordinary income), \$103.8 billion were taxed at 30.5 percent, \$114.7 billion were taxed at 35.5 percent, and \$22.5 billion were taxed at 39.1 percent, with the remainder consisting of income related to special capital gain tax rates and the Forms 8814 and 8615. Approximately \$0.05 billion of the total tax generated were from the 8-percent rate, \$0.07 billion of the total tax generated were from the 10-percent rate, \$12.7 billion were from the 15-percent rate, \$7.3 billion were from the 20-percent rate, \$0.5 billion were from the 25-percent rate, \$32.1 billion were from the 27.5-percent rate, \$31.7 billion were from the 30.5-percent rate, \$40.7 billion were from the 35.5-percent rate, and \$8.8 billion were generated at the 39.1-percent rate, with the remainder from tax related to special capital gain tax rates and Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each marginal tax rate (as in Table 2, columns 5 through 43) by filing status, instead of size of AGI, for returns with modified taxable income. More than 0.7 million of the 45.2 million returns with modified taxable income filed jointly had some income taxed at the 39.1-percent tax rate. For these returns, the taxable income subject to this rate was \$346.5 billion, and the tax generated was \$135.5 billion.

Appendix E: Computation of Alternative Minimum Taxable Income (AMTI)

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions were taken for personal exemptions (Figures I-1 and I-2). Although itemized deductions for some taxpayers were limited for regular tax purposes, the full amounts of such itemized deductions were included as adjustments. (To compensate for this, the overall limitation on itemized deductions was then subtracted from taxable income for AMT purposes.) The “net operating loss deduction” was recomputed to allow for the exclusion of the “tax preference items” and “adjustments” used to reduce regular tax liability. The recomputed net operating loss deduction, termed the “alternative net operating loss deduction,” was limited to 90 percent of AMTI (with certain minor exceptions for 2000).

AMTI was reduced by an exemption amount which depended on the filing status of the individual and which was subject to phaseout at higher AMTI levels. The AMTI exemption for single filers (and heads of households) was \$35,750; for joint filers and surviving spouses, \$49,000; and for married persons filing separately, \$24,500. The exemption was reduced (but not below zero) by 25 percent of the amount by which the AMTI exceeded threshold levels of \$112,500 for single filers and heads of

Figure I-1

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2001

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction ¹
EQUALS:	Alternative minimum taxable income

¹ Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In this case, AMTI is recalculated, and the alternative tax net operating loss deduction is limited to 90 percent of the recomputed amount.

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Figure I-2

Alternative Minimum Tax Adjustments and Preferences, Tax Year 2001

- Standard deduction
- Medical and dental expenses from Schedule A (the lesser of deductible medical and dental expenses or 2.5 percent of AGI)
- Deductions for State and local income, real estate, personal property, and foreign taxes
- Deductions for interest on certain home mortgages not used to buy, build, or improve the taxpayer's main home or second home
- Miscellaneous itemized deductions subject to the 2-percent-of-AGI limitation
- Refunds of State and local income, real estate, personal property, and foreign taxes previously deducted (negative)
- Investment interest expense (the result could be negative)
- Excess of depreciation on property placed in service after 1986 over less liberal methods allowed for alternative minimum tax (AMT) purposes (straight-line or 150-percent declining balance method, depending on the type of property; the result could be negative)
- Adjustment of gain or loss on property, the basis of which was affected by accelerated depreciation or rapid amortization and which was reduced for AMT purposes (the result could be negative)
- Incentive stock options which were exercised after 1987 (the amount by which the value of the option when exercised exceeded the price paid by the taxpayer; the result could be negative)
- Passive activity gains and losses allowed for regular tax purposes for activities acquired before October 23, 1986, taking into account AMT adjustments and preference items and any AMT prior-year unallowed losses (the result could be negative)
- Difference between income distributions to beneficiaries of estates and trusts for regular tax purposes and the amounts refigured for AMT purposes (the result could be negative)
- Tax-exempt interest from private activity bonds issued after August 7, 1986
- Excess of circulation expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Excess of percentage depletion deduction for sections 611 and 613 property over the adjusted basis (the result could be negative)
- Excess of accelerated depreciation on property placed in service before 1987 over straight-line depreciation as refigured for AMT purposes
- Adjustment from disallowing the installment sales method of accounting for sales of inventory and stock in trade after March 1, 1986, with certain exceptions (the result could be negative)
- Amount by which excess intangible drilling costs deducted currently over allowable amortization (if these costs were capitalized) were more than 65 percent of the taxpayer's "net income" from oil, gas, and geothermal wells, with exceptions for independent oil producers and royalty owners
- Amount of net section 1231 gain or loss other than due to casualty or theft from large partnerships
- Deferred income from long-term contracts entered into after February 28, 1986, with certain exceptions and limitations (the result could be negative)
- Adjustment for refigured loss from activities in which allowable losses from partnerships or S corporations were limited by "at-risk" and other rules, taking into account AMT adjustments and preference items (the result could be negative)
- Excess of mining exploration and development costs paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Adjustment for taxable distributions received from a cooperative (total AMT patronage dividend and per-unit retain allocation adjustment)
- Excess of rapid amortization of pollution control facilities placed in service after 1986 over otherwise allowable depreciation (the result could be negative)
- Excess of research and experimental expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Excluded gain, under the section 1202 gain on qualified small business stock held more than 5 years, multiplied by 42 percent
- Adjustment for refigured tax shelter farm losses, taking into account AMT adjustments and preference items (the result could be negative)
- Related adjustments, refigured for AMT purposes, including section 179 expense deduction, expenses for business or rental use of the home, conservation expenses, taxable IRA distributions, self-employed health insurance deduction, Keogh retirement plan or self-employed SEP deduction, and IRA deductions (the result could be negative)

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households, \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single or head of household, married filing jointly, and married filing separately, at \$247,500, \$330,000, and \$165,000, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI were subject to tax at a 26-percent rate, with any excess taxed at a 28-percent rate. However, capital gains (recalculated for AMT purposes) that were taxed at lower rates (8 percent, 10 percent, 20 percent, and 25 percent) were tax at these same rates for the AMT, with the rest of AMTI being taxed at the rates mentioned above (26 percent or 28 percent). The resulting tax was reduced by the “alternative minimum tax foreign tax credit,” which produced a “tentative minimum tax.” Tentative minimum tax was further reduced by the individual’s regular tax before credits (excluding tax on lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 14 with investment income over a certain amount who filed their own returns were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have paid if the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$5,200 plus their “earned income.” The dependent’s AMT could be reduced if the parents had regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 14 of the same parents had regular tax greater than this dependent’s own tentative minimum tax.)

Appendix F: Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically-filed returns) filed during Calendar Year 2002. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for tax policy modeling purposes [20]. Returns were then selected at rates ranging from 0.05 percent to

100 percent. The 2001 data are based on a sample of 191,975 returns and an estimated final population of 130,571,421 returns. The corresponding sample and population for the 2000 data were 196,150 and 129,644,980 returns, respectively.

Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CV’s) are used to measure that magnitude. Figure J shows estimated CV’s for the numbers of returns and money amounts for selected income items. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in the appendix to this issue of the *Bulletin*.

Notes and References

- [1] For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to a 33-percent tax rate to phase out the benefit of the 15-percent tax bracket (as compared to the 28-percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.
- [2] *Individual Income Tax Returns*, Statistics of Income Division, Internal Revenue Service, Publication 1304, Years 1953 through 2001.
- [3] U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index (CPI-U) represents annual averages of monthly figures and reflects the buying of typical urban consumers (1982-84=100):

<u>Year</u>	<u>CPI-U</u>
2001	177.1
2000	172.2

- [4] Nontaxable (i.e., tax-exempt) forms of income, such as interest on State and local government obligations, were not included in AGI and generally did not affect the marginal tax rate. However, in some situations the receipt of some forms of tax-exempt income, such as tax-

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Figure J

Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2001

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated	Income tax after credits	Total income tax
	Number of returns	Amount			
	(1)	(2)	(3)	(4)	(5)
Total	0.17	0.15	0.17	0.19	0.19
Under \$2,000 ¹	5.53	6.64	6.93	6.74	6.74
\$2,000 under \$4,000.....	5.65	6.65	7.27	7.29	7.29
\$4,000 under \$6,000.....	3.63	4.78	5.70	5.72	5.72
\$6,000 under \$8,000.....	3.23	3.84	3.94	4.05	4.05
\$8,000 under \$10,000.....	2.49	3.07	2.95	3.38	3.38
\$10,000 under \$12,000.....	2.54	2.77	2.71	2.91	2.91
\$12,000 under \$14,000.....	2.37	2.63	2.61	2.81	2.81
\$14,000 under \$16,000.....	2.15	2.43	2.44	2.71	2.71
\$16,000 under \$18,000.....	2.05	2.35	2.36	2.73	2.73
\$18,000 under \$20,000.....	2.07	2.33	2.33	2.72	2.72
\$20,000 under \$25,000.....	1.29	1.43	1.43	1.70	1.70
\$25,000 under \$30,000.....	1.39	1.49	1.49	1.67	1.67
\$30,000 under \$40,000.....	1.05	1.11	1.12	1.20	1.20
\$40,000 under \$50,000.....	1.07	1.12	1.16	1.23	1.23
\$50,000 under \$75,000.....	0.79	0.83	0.87	0.91	0.91
\$75,000 under \$100,000.....	1.01	1.05	1.09	1.12	1.12
\$100,000 under \$200,000.....	1.00	0.93	0.93	0.93	0.93
\$200,000 under \$500,000.....	1.10	0.96	0.95	0.96	0.96
\$500,000 under \$1,000,000.....	1.08	0.97	0.98	0.98	0.98
\$1,000,000 under \$1,500,000.....	1.31	1.24	1.27	1.28	1.28
\$1,500,000 under \$2,000,000.....	1.18	1.20	1.22	1.23	1.23
\$2,000,000 under \$5,000,000.....	0.56	0.50	0.52	0.52	0.52
\$5,000,000 under \$10,000,000.....	0.61	0.50	0.52	0.53	0.53
\$10,000,000 or more.....	0.04	0.02	0.03	0.03	0.03

¹ Includes returns with adjusted gross deficit.

exempt interest, could have influenced the taxability of other income, in particular Social Security benefits. When this situation occurred, the income made taxable by the receipt of other forms of nontaxable income was included in AGI.

- [5] Campbell, David and Parisi, Michael, "Individual Income Tax Rates and Shares," *Statistics of Income Bulletin*, Winter 2002-2003, Volume 22, Number 3, pp. 6-46.
- [6] Tax generated does not include certain other taxes reported on the individual income tax return, such as self-employment tax (the Social Security tax on income from self-employment), the Social Security tax on certain tip income, tax from the recapture of prior-year investment or low-income housing credits, tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified

retirement plans, tax on trusts, accumulation and distributions, and household employment taxes. The statistics for "total tax liability," shown in Campbell and Parisi, "Individual Income Tax Returns: 2001," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2, include these taxes. For Tax Year 2001, total tax liability reported on 97.6 million returns was \$925.4 billion.

- [7] The income amounts on which these special computations for lump-sum distributions were based were not reflected in current-year AGI or current-year taxable income.
- [8] For 2001, the total earned income credit was \$33.4 billion. This amount includes the amount used to reduce the income tax (\$1.5 billion), the amount used to reduce other taxes reported on individual income tax returns (\$2.9 billion), and

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the amount refunded to taxpayers (\$29.0 billion). Table 4 in Campbell and Parisi, "Individual Income Tax Returns: 2001," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2, shows these amounts.

- [9] The percentile groupings of tax filers exclude returns with zero or negative AGI.
- [10] For an explanation of the osculatory interpolation technique, see Oh, H. Lock, "Osculatory Interpolation with a Monotonicity Constraint," *1977 Proceedings of the American Statistical Association, Section on Statistical Computing*, 1978.
- [11] Taxpayers fall into one of five filing statuses: single; married filing jointly; married filing separately; head of household; or surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on the general filing requirements, see Campbell and Parisi, "Individual Income Tax Returns: 2001," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2.
- [12] As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross income from sole proprietorships and farming, income from partnerships and S corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, *U.S. Individual Income Tax Return*, concept of "total income," which is a component of the adjusted gross income (AGI) calculation on Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from such items as business income and rents and royalties.
- [13] As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, moving expenses, or the health insurance deduction for certain self-employed taxpayers.
- [14] Income tax before credits includes tax on lump-sum distributions from qualified retirement plans.
- [15] The 26-percent tax rate is for AMT purposes only.
- [16] For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. Brackets for taxable income above \$3,000 were \$50 wide.
- [17] For example, assume a taxpayer filing as "married filing separately" reported taxable income of \$85,000. Using the tax table, the tax would be \$21,558, but, using the tax rate schedules, the tax would be \$21,548.75, a difference of \$9.25.
- [18] For more details on the income computation under the 1979 Income Concept for 2001, see *Individual Income Tax Returns, 2001*, Statistics of Income Division, Internal Revenue Service, Publication 1304.
- [19] For some taxpayers, the statutory marginal tax rate may differ from the effective marginal tax rate. For example, extra income received by certain taxpayers may result in the phaseout of their personal exemptions as well as some of their itemized deductions. Therefore, an extra \$1 of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 30.5 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.
- [20] Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Non-resident Alien Individual)*; Schedule C, *Profit or Loss from Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*.

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Table 1.--Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2001

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

Highest marginal rate at which tax was computed	Number of returns	Adjusted gross income (less deficit)	Modified taxable income		Tax generated		Income tax after credits		
			Taxed at all rates	Taxed at marginal rate	At all rates	At marginal rate	Total	As a percentage of--	
								Adjusted gross income (less deficit)	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All returns									
Total.....	104,163,693	6,050,309,334	4,269,339,932	2,181,469,158	926,646,417	518,687,805	887,249,293	14.7	20.8
8 percent.....	187,240	4,242,416	1,410,668	1,410,668	112,850	112,853	95,422	2.2	6.8
10 percent (capital gains).....	554,064	7,967,239	2,645,170	1,927,058	257,111	192,706	233,479	2.9	8.8
10 percent.....	3,877,821	22,928,193	7,834,252	7,834,252	783,586	783,425	782,761	3.4	10.0
10 percent (Form 8814) ¹	8,324	-157,822	10,580	10,580	1,058	1,058	6,666	(X)	63.0
15 percent.....	65,207,298	1,987,679,803	1,056,357,480	1,041,994,466	157,672,420	156,299,170	129,730,098	6.5	12.3
20 percent.....	685,760	123,534,163	95,447,222	69,299,574	17,160,764	13,859,915	17,884,958	14.5	18.7
25 percent.....	47,801	8,127,008	6,781,981	1,544,944	1,338,779	386,236	1,368,743	16.8	20.2
27.5 percent.....	27,219,888	2,094,075,310	1,554,572,661	487,535,342	296,370,247	134,072,219	288,472,945	13.8	18.6
28 percent (capital gains).....	49,296	4,928,994	3,897,093	160,845	793,800	45,037	787,259	16.0	20.2
30.5 percent.....	3,824,132	558,275,261	450,404,363	82,442,760	106,868,479	25,145,042	106,992,059	19.2	23.8
35.5 percent.....	1,453,822	388,065,125	328,972,332	71,430,390	89,323,624	25,357,788	89,304,233	23.0	27.1
39.1 percent.....	846,345	848,700,501	759,379,672	414,393,069	255,544,943	162,027,690	251,167,102	29.6	33.1
Form 8615 ²	201,902	1,943,144	1,626,456	1,485,208	418,758	404,666	423,566	21.8	26.0
Joint returns and returns of surviving spouses									
Total.....	45,184,133	4,041,688,868	2,908,857,140	1,403,696,034	657,562,444	357,451,989	631,890,993	15.6	21.7
8 percent.....	76,687	2,736,644	791,910	791,910	63,351	63,353	55,886	2.0	7.1
10 percent (capital gains).....	118,133	4,204,364	1,208,567	1,075,427	118,202	107,543	103,010	2.5	8.5
10 percent.....	--	--	--	--	--	--	--	(X)	(X)
10 percent (Form 8814) ¹	6,103	-151,339	8,332	8,332	833	833	6,390	4.2	76.7
15 percent.....	25,159,629	1,082,075,392	570,064,365	564,140,756	85,169,521	84,621,113	69,197,081	6.4	12.1
20 percent.....	405,045	88,103,648	68,101,887	49,738,438	12,286,316	9,947,688	12,770,750	14.5	18.8
25 percent.....	31,977	6,051,399	4,987,565	1,145,230	982,819	286,308	1,006,306	16.6	20.2
27.5 percent.....	15,380,292	1,457,259,036	1,064,064,336	337,218,938	203,429,641	92,735,208	196,457,231	13.5	18.5
28 percent (capital gains).....	33,692	3,829,249	3,024,938	125,475	615,454	35,133	610,791	16.0	20.2
30.5 percent.....	2,136,205	372,302,732	295,511,087	47,499,020	69,568,072	14,487,201	69,647,514	18.7	23.6
35.5 percent.....	1,122,391	312,221,095	263,028,560	55,439,490	70,851,803	19,681,019	70,860,233	22.7	26.9
39.1 percent.....	713,981	713,056,648	638,065,592	346,513,019	214,476,432	135,486,590	211,175,801	29.6	33.1
Form 8615 ²	--	--	--	--	--	--	--	(X)	(X)
Returns of married persons filing separately									
Total.....	2,181,354	104,906,702	77,060,005	41,093,721	18,117,232	10,984,489	17,582,905	16.8	22.8
8 percent.....	962	16,736	9,355	9,355	749	748	748	4.5	8.0
10 percent (capital gains).....	3,490	52,457	27,053	27,049	2,706	2,705	2,040	3.9	7.5
10 percent.....	9,975	55,745	20,774	20,774	2,079	2,077	2,080	3.7	10.0
10 percent (Form 8814) ¹	4	-23,041	3	3	--	--	226	1.0	7,533.3
15 percent.....	1,284,957	28,086,102	15,442,947	15,401,255	2,314,293	2,310,188	2,058,351	7.3	13.3
20 percent.....	12,649	2,729,679	1,986,809	1,701,247	377,282	340,249	411,885	15.1	20.7
25 percent.....	954	75,694	60,624	13,264	11,717	3,316	11,536	15.2	19.0
27.5 percent.....	700,348	32,454,704	23,999,901	7,625,704	4,581,538	2,097,069	4,497,329	13.9	18.7
28 percent (capital gains).....	940	48,750	34,596	3,173	6,796	888	4,696	9.6	13.6
30.5 percent.....	97,385	8,560,077	6,907,627	1,279,764	1,640,618	390,328	1,635,195	19.1	23.7
35.5 percent.....	37,328	5,461,892	4,617,998	911,737	1,225,420	323,667	1,235,085	22.6	26.7
39.1 percent.....	32,362	27,387,905	23,952,319	14,100,395	7,954,034	5,513,254	7,723,733	28.2	32.2
Form 8615 ²	--	--	--	--	--	--	--	(X)	(X)

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

**Table 1.--Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2001
--Continued**

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

Highest marginal rate at which tax was computed	Number of returns	Adjusted gross income (less deficit)	Modified taxable income		Tax generated		Income tax after credits		
			Taxed at all rates	Taxed at marginal rate	At all rates	At marginal rate	Total	As a percentage of--	
								Adjusted gross income (less deficit)	Modified taxable income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Returns of heads of households									
Total.....	12,506,639	435,885,573	239,770,006	169,950,716	42,671,676	30,238,711	33,754,090	7.7	14.1
8 percent.....	3,870	137,062	43,324	43,324	3,465	3,466	1,755	1.3	4.1
10 percent (capital gains).....	11,851	291,592	92,002	72,385	8,808	7,239	6,455	2.2	7.0
10 percent.....	--	--	--	--	--	--	--	(X)	(X)
10 percent (Form 8814) ¹	2,217	16,557	2,245	2,245	225	225	50	0.3	2.2
15 percent.....	11,023,032	304,173,231	139,118,382	138,861,767	20,853,959	20,829,265	12,587,793	4.1	9.0
20 percent.....	24,653	3,712,629	2,975,324	2,084,621	527,359	416,924	537,698	14.5	18.1
25 percent.....	3,877	480,552	392,940	65,444	74,859	16,361	75,666	15.7	19.3
27.5 percent.....	1,306,070	91,748,864	66,488,534	18,014,360	12,285,192	4,953,949	11,814,445	12.9	17.8
28 percent (capital gains).....	370	70,436	53,890	4,080	11,267	1,142	11,422	16.2	21.2
30.5 percent.....	80,186	11,855,555	9,799,278	1,647,416	2,333,092	502,462	2,335,231	19.7	23.8
35.5 percent.....	37,190	9,349,161	8,117,430	1,998,781	2,253,237	709,567	2,237,835	23.9	27.6
39.1 percent.....	13,321	14,049,934	12,686,657	7,156,294	4,320,212	2,798,111	4,145,741	29.5	32.7
Form 8615 ²	--	--	--	--	--	--	--	(X)	(X)
Returns of single persons									
Total.....	44,291,567	1,467,828,191	1,043,652,781	566,728,687	208,295,066	120,012,617	204,021,305	13.9	19.5
8 percent.....	105,721	1,351,974	566,079	566,079	45,286	45,286	37,033	2.7	6.5
10 percent (capital gains).....	420,591	3,418,826	1,317,548	752,197	127,396	75,220	121,974	3.6	9.3
10 percent.....	3,867,846	22,872,448	7,813,478	7,813,478	781,507	781,348	780,681	3.4	10.0
10 percent (Form 8814) ¹	--	--	--	--	--	--	--	(X)	(X)
15 percent.....	27,739,679	573,345,077	331,731,786	323,590,688	49,334,646	48,538,603	45,886,873	8.0	13.8
20 percent.....	243,413	28,988,206	22,383,203	15,775,269	3,969,806	3,155,054	4,164,625	14.4	18.6
25 percent.....	10,993	1,519,363	1,340,851	321,007	269,383	80,252	275,235	18.1	20.5
27.5 percent.....	9,833,179	512,612,705	400,019,891	124,676,340	76,073,876	34,285,994	75,703,940	14.8	18.9
28 percent (capital gains).....	14,294	980,559	783,669	28,117	160,283	7,873	160,349	16.4	20.5
30.5 percent.....	1,510,356	165,556,898	138,186,372	32,016,561	33,326,696	9,765,051	33,374,120	20.2	24.2
35.5 percent.....	256,912	61,032,977	53,208,345	13,080,382	14,993,164	4,643,536	14,971,081	24.5	28.1
39.1 percent.....	86,680	94,206,014	84,675,104	46,623,360	28,794,265	18,229,734	28,121,826	29.9	33.2
Form 8615 ²	201,902	1,943,144	1,626,456	1,485,208	418,758	404,666	423,566	21.8	26.0

¹ Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

² Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

(X) Percentage not computed.

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

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001

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

Size of adjusted gross income	Number of returns	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate					
					8 percent			10 percent (capital gains)		
					Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Total.....	104,163,693	4,268,506,370	4,269,339,932	926,646,417	2,735,436	10,786,662	862,919	4,175,781	12,315,868	1,231,798
Under \$2,000 ¹	519,666	251,530	251,796	26,789	73,611	13,711	1,099	78,300	22,398	2,240
\$2,000 under \$4,000.....	490,858	592,284	596,301	70,292	74,148	37,922	3,032	74,329	38,741	3,874
\$4,000 under \$6,000.....	1,398,125	1,349,691	1,353,132	151,023	46,080	31,057	2,484	65,105	54,374	5,434
\$6,000 under \$8,000.....	1,740,573	3,334,294	3,340,330	355,450	41,033	37,279	2,979	47,139	36,042	3,605
\$8,000 under \$10,000.....	2,865,446	6,111,479	6,113,013	777,835	55,672	35,112	2,806	87,611	68,950	6,898
\$10,000 under \$12,000.....	2,713,224	9,843,580	9,845,243	1,365,943	50,504	40,835	3,266	104,081	101,715	10,173
\$12,000 under \$14,000.....	3,144,800	14,747,878	14,748,241	2,131,858	69,614	101,515	8,123	116,046	138,075	13,809
\$14,000 under \$16,000.....	3,728,289	21,249,078	21,252,182	3,130,308	93,750	110,808	8,862	153,553	218,115	21,824
\$16,000 under \$18,000.....	4,089,586	26,657,834	26,665,422	3,950,516	110,684	206,888	16,549	176,317	230,694	23,082
\$18,000 under \$20,000.....	3,975,869	31,986,776	31,989,868	4,769,242	95,601	179,503	14,360	168,862	248,403	24,848
\$20,000 under \$25,000.....	9,489,758	102,334,332	102,353,587	15,269,866	226,730	496,969	39,753	379,660	614,502	61,469
\$25,000 under \$30,000.....	8,390,626	126,824,811	126,823,364	18,946,371	219,658	510,300	40,823	403,126	712,785	71,296
\$30,000 under \$40,000.....	13,662,459	288,448,815	288,490,074	43,882,869	403,143	1,229,246	98,339	696,932	1,527,174	152,767
\$40,000 under \$50,000.....	10,543,289	305,197,261	305,251,843	49,309,375	323,088	901,186	72,100	508,681	1,165,712	116,599
\$50,000 under \$75,000.....	17,507,070	731,935,622	732,054,569	123,298,530	575,962	2,914,111	233,125	835,591	3,146,511	314,688
\$75,000 under \$100,000.....	8,885,612	546,501,714	546,597,643	103,648,825	118,783	1,112,036	88,963	159,010	1,389,289	138,944
\$100,000 under \$200,000.....	8,457,558	843,411,444	843,597,907	187,160,993	114,645	1,891,805	151,346	82,141	1,533,902	153,396
\$200,000 under \$500,000.....	2,013,756	482,712,954	482,808,347	134,043,009	29,848	607,712	48,616	27,527	670,968	67,097
\$500,000 under \$1,000,000.....	354,618	211,318,031	211,341,365	68,194,292	7,177	174,307	13,945	6,126	190,120	19,012
\$1,000,000 under \$1,500,000.....	85,195	91,492,389	91,524,394	30,676,646	2,039	54,476	4,358	1,850	66,587	6,659
\$1,500,000 under \$2,000,000.....	36,329	55,760,182	55,770,061	18,741,216	1,050	27,650	2,212	979	34,366	3,437
\$2,000,000 under \$5,000,000.....	51,968	138,523,230	138,577,023	46,491,534	1,569	43,005	3,440	1,738	64,196	6,420
\$5,000,000 under \$10,000,000.....	12,206	74,551,405	74,572,534	24,484,509	537	15,020	1,202	547	21,199	2,120
\$10,000,000 or more.....	6,812	153,369,759	153,421,694	45,769,129	511	14,210	1,137	533	21,052	2,105

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	10 percent			10 percent (from Form 8814) ²			15 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
Total.....	5,226,657	13,879,743	1,387,974	144,897	119,730	12,178	99,228,958	2,323,780,421	348,567,063
Under \$2,000 ¹	445,293	197,788	19,779	756	612	62	10,796	8,350	1,253
\$2,000 under \$4,000.....	452,325	418,023	41,802	*961	*467	*47	*10,713	*16,826	*2,523
\$4,000 under \$6,000.....	1,365,233	1,136,167	113,617	*135	*174	*17	19,109	29,002	4,350
\$6,000 under \$8,000.....	1,212,213	2,959,443	295,944	*8	*6	*1	514,903	234,541	35,181
\$8,000 under \$10,000.....	663,921	2,851,863	285,186	*1,024	*1,471	*147	2,176,816	3,078,105	461,716
\$10,000 under \$12,000.....	373,094	2,164,656	216,466	*1,125	*1,565	*157	2,544,677	7,480,356	1,122,053
\$12,000 under \$14,000.....	259,699	1,510,244	151,024	*161	*211	*21	3,101,591	12,903,446	1,935,517
\$14,000 under \$16,000.....	172,595	1,003,493	100,349	*2,912	*2,915	*292	3,673,422	19,819,530	2,972,930
\$16,000 under \$18,000.....	92,147	541,597	54,160	*150	*163	*16	4,044,831	25,656,301	3,848,445
\$18,000 under \$20,000.....	47,488	265,121	26,512	*2,901	*2,897	*290	3,932,517	31,188,857	4,678,329
\$20,000 under \$25,000.....	78,427	464,874	46,487	7,748	8,682	868	9,435,280	100,729,443	15,109,416
\$25,000 under \$30,000.....	35,825	214,720	21,472	*1,713	*935	*94	8,363,608	125,316,347	18,797,452
\$30,000 under \$40,000.....	11,651	61,725	6,173	11,224	8,477	882	13,617,713	279,349,519	41,902,428
\$40,000 under \$50,000.....	*5,903	*33,421	*3,342	*12,014	*13,972	*1,396	10,521,240	273,525,085	41,028,763
\$50,000 under \$75,000.....	*5,810	*29,273	*2,927	22,762	16,249	1,711	17,455,208	612,752,765	91,912,915
\$75,000 under \$100,000.....	*12	*71	*7	23,380	17,462	1,749	8,866,341	367,234,272	55,085,141
\$100,000 under \$200,000.....	*3,694	*19,595	*1,960	29,806	22,800	2,286	8,415,576	357,177,288	53,576,593
\$200,000 under \$500,000.....	*897	*5,381	*538	18,479	14,073	1,451	1,992,745	84,801,786	12,720,268
\$500,000 under \$1,000,000.....	*219	*1,093	*109	4,407	3,784	393	347,518	14,711,338	2,206,701
\$1,000,000 under \$1,500,000.....	91	499	50	1,244	1,080	114	82,556	3,485,032	522,755
\$1,500,000 under \$2,000,000.....	*33	*197	*20	566	496	52	34,992	1,472,485	220,873
\$2,000,000 under \$5,000,000.....	63	361	36	1,009	842	89	49,479	2,085,773	312,866
\$5,000,000 under \$10,000,000.....	**26	**136	**14	248	240	25	11,356	475,593	71,339
\$10,000,000 or more.....	**	**	**	162	157	16	5,971	248,382	37,257

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	20 percent			25 percent			27.5 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
Total.....	6,113,219	256,974,356	51,394,849	359,461	7,290,505	1,822,673	33,393,442	827,472,040	227,554,811
Under \$2,000 ¹	--	--	--	--	--	--	--	--	--
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--
\$6,000 under \$8,000.....	--	--	--	--	--	--	--	--	--
\$8,000 under \$10,000.....	--	--	--	--	--	--	--	--	--
\$10,000 under \$12,000.....	--	--	--	--	--	--	--	--	--
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--
\$14,000 under \$16,000.....	--	--	--	--	--	--	--	--	--
\$16,000 under \$18,000.....	--	--	--	--	--	--	--	--	--
\$18,000 under \$20,000.....	--	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	--	--	--	--	--	--	*1,856	*2,470	*679
\$25,000 under \$30,000.....	*2,989	*4,236	*847	--	--	--	22,754	14,137	3,888
\$30,000 under \$40,000.....	196,143	191,025	38,203	*2,958	*1,683	*422	2,340,349	6,103,791	1,678,543
\$40,000 under \$50,000.....	377,259	772,159	154,434	*6,558	*15,375	*3,846	3,514,439	28,786,634	7,916,324
\$50,000 under \$75,000.....	1,194,496	4,049,840	809,943	37,092	66,887	16,729	8,671,690	108,924,313	29,954,186
\$75,000 under \$100,000.....	1,333,283	6,879,598	1,375,926	61,650	302,436	75,614	8,154,050	162,176,424	44,598,517
\$100,000 under \$200,000.....	2,017,223	27,648,470	5,529,691	145,417	1,933,291	483,342	8,211,349	373,402,668	102,685,734
\$200,000 under \$500,000.....	736,898	36,523,385	7,304,675	75,418	2,114,113	528,537	1,953,806	116,804,573	32,121,258
\$500,000 under \$1,000,000.....	153,570	26,721,685	5,344,338	17,987	1,074,723	268,683	341,115	20,403,792	5,611,043
\$1,000,000 under \$1,500,000.....	41,087	14,812,937	2,962,588	5,048	406,173	101,544	81,535	4,868,314	1,338,786
\$1,500,000 under \$2,000,000.....	19,100	10,906,486	2,181,297	2,248	275,437	68,860	34,470	2,054,283	564,928
\$2,000,000 under \$5,000,000.....	29,042	32,629,212	6,525,842	3,478	600,152	150,038	48,863	2,914,233	801,414
\$5,000,000 under \$10,000,000.....	7,410	22,569,237	4,513,847	947	231,169	57,792	11,241	666,585	183,311
\$10,000,000 or more.....	4,719	73,266,084	14,653,217	662	269,066	67,267	5,924	349,822	96,201

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	28 percent (capital gains)			30.5 percent			35.5 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	
Total.....	70,219	1,045,084	292,627	6,124,298	216,963,397	66,173,836	2,300,166	182,833,847	64,906,016
Under \$2,000 ¹	--	--	--	--	--	--	--	--	--
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--
\$6,000 under \$8,000.....	--	--	--	--	--	--	--	--	--
\$8,000 under \$10,000.....	--	--	--	--	--	--	--	--	--
\$10,000 under \$12,000.....	--	--	--	--	--	--	--	--	--
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--
\$14,000 under \$16,000.....	--	--	--	--	--	--	--	--	--
\$16,000 under \$18,000.....	--	--	--	--	--	--	--	--	--
\$18,000 under \$20,000.....	--	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	--	--	--	--	--	--	--	--	--
\$25,000 under \$30,000.....	--	--	--	--	--	--	--	--	--
\$30,000 under \$40,000.....	--	--	--	--	--	--	--	--	--
\$40,000 under \$50,000.....	*5,914	*969	*272	--	--	--	--	--	--
\$50,000 under \$75,000.....	*11,617	*3,997	*1,120	41,574	98,631	30,082	--	--	--
\$75,000 under \$100,000.....	15,567	13,927	3,901	800,289	7,453,272	2,273,248	6,184	18,254	6,480
\$100,000 under \$200,000.....	27,746	74,692	20,915	2,896,349	76,175,712	23,233,592	211,564	3,516,237	1,248,264
\$200,000 under \$500,000.....	6,584	71,143	19,920	1,875,493	103,824,987	31,666,621	1,584,109	114,716,505	40,724,359
\$500,000 under \$1,000,000.....	958	44,960	12,589	331,900	19,104,164	5,826,770	323,068	41,771,919	14,829,031
\$1,000,000 under \$1,500,000.....	690	123,837	34,674	79,889	4,608,118	1,405,476	78,092	10,144,734	3,601,381
\$1,500,000 under \$2,000,000.....	293	53,963	15,110	33,774	1,946,389	593,649	33,106	4,323,581	1,534,871
\$2,000,000 under \$5,000,000.....	555	297,122	83,194	48,031	2,773,029	845,774	47,214	6,151,168	2,183,665
\$5,000,000 under \$10,000,000.....	161	184,911	51,775	11,117	641,290	195,593	10,982	1,429,944	507,630
\$10,000,000 or more.....	135	175,564	49,158	5,881	337,806	103,031	5,847	761,507	270,335

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued					
	39.1 percent			Form 8615 ³		
	Number of returns (38)	Income taxed at rate (39)	Tax generated at rate (40)	Number of returns (41)	Income taxed at rate (42)	Tax generated at rate (43)
Total.....	846,345	414,393,069	162,027,690	201,902	1,485,208	404,666
Under \$2,000 ¹	--	--	--	34,874	8,936	2,339
\$2,000 under \$4,000.....	--	--	--	67,703	84,322	18,984
\$4,000 under \$6,000.....	--	--	--	35,009	102,357	25,058
\$6,000 under \$8,000.....	--	--	--	13,742	73,020	17,643
\$8,000 under \$10,000.....	--	--	--	10,564	77,512	21,028
\$10,000 under \$12,000.....	--	--	--	*6,718	*56,116	*13,778
\$12,000 under \$14,000.....	--	--	--	*8,666	*94,750	*23,240
\$14,000 under \$16,000.....	--	--	--	*7,769	*97,320	*25,995
\$16,000 under \$18,000.....	--	--	--	*1,923	*29,778	*8,195
\$18,000 under \$20,000.....	--	--	--	*6,596	*105,087	*24,841
\$20,000 under \$25,000.....	--	--	--	*1,923	*36,647	*10,902
\$25,000 under \$30,000.....	--	--	--	*1,923	*49,905	*10,161
\$30,000 under \$40,000.....	--	--	--	*929	*17,434	*2,577
\$40,000 under \$50,000.....	--	--	--	*931	*37,330	*11,082
\$50,000 under \$75,000.....	--	--	--	*931	*51,992	*19,900
\$75,000 under \$100,000.....	--	--	--	*8	*603	*235
\$100,000 under \$200,000.....	5,580	103,645	40,525	*801	*97,802	*32,560
\$200,000 under \$500,000.....	368,139	22,485,105	8,791,676	*642	*168,615	*47,814
\$500,000 under \$1,000,000.....	304,177	87,047,778	34,035,681	*141	*91,703	*25,968
\$1,000,000 under \$1,500,000.....	74,585	52,864,423	20,669,989	*78	*88,185	*28,261
\$1,500,000 under \$2,000,000.....	31,984	34,662,831	13,553,167	*8	*11,898	*2,741
\$2,000,000 under \$5,000,000.....	45,536	90,965,129	35,567,365	*15	*52,800	*11,384
\$5,000,000 under \$10,000,000.....	10,625	48,306,044	18,887,663	**7	**51,096	**19,978
\$10,000,000 or more.....	5,719	77,958,115	30,481,623	**	**	**

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

** Data combined to prevent disclosure of information for specific taxpayers.

¹ Includes returns with adjusted gross deficit.

² Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

³ Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

Individual Income Tax Rates and Shares, 2001

Table 3.--Returns with Modified Taxable Income: Taxable Income, and Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2001

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

Marginal tax rate classes	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All tax rates.....	104,163,693	4,269,339,932	926,638,876	45,184,133	2,908,857,140	657,561,712	2,181,354	77,060,005	18,117,200
8 percent.....	2,735,436	10,786,662	862,933	1,438,725	7,132,358	570,589	22,065	39,503	3,160
10 percent (capital gains).....	4,175,781	12,315,868	1,231,587	2,172,797	7,767,927	776,793	33,388	132,436	13,244
10 percent.....	5,226,657	13,879,743	1,387,974	--	--	--	11,988	32,852	3,285
10 percent (Form 8814) ¹	144,897	119,730	12,178	119,865	100,359	10,237	993	552	56
15 percent.....	99,228,958	2,323,780,421	348,567,063	44,927,396	1,453,103,165	217,965,475	2,164,520	35,227,456	5,284,118
20 percent.....	6,113,219	256,974,356	51,394,871	4,037,963	193,448,622	38,689,724	100,957	8,107,155	1,621,431
25 percent.....	359,461	7,290,505	1,822,626	257,563	5,892,866	1,473,216	2,893	99,018	24,755
27.5 percent.....	33,393,442	827,472,040	227,554,811	19,386,531	592,631,480	162,973,657	868,360	12,985,373	3,570,978
28 percent (capital gains).....	70,219	1,045,084	292,624	48,347	772,150	216,202	1,299	31,564	8,838
30.5 percent.....	6,124,298	216,963,397	66,173,836	3,972,576	152,631,314	46,552,551	167,075	3,274,649	998,768
35.5 percent.....	2,300,166	182,833,847	64,906,016	1,836,372	148,863,881	52,846,678	69,690	3,029,052	1,075,313
39.1 percent.....	846,345	414,393,069	162,027,690	713,981	346,513,019	135,486,591	32,362	14,100,395	5,513,255
Form 8615 ²	201,902	1,485,208	404,666	--	--	--	--	--	--

Marginal tax rate classes	Returns of heads of households			Returns of single persons		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(10)	(11)	(12)	(13)	(14)	(15)
All tax rates.....	12,506,639	239,770,006	42,671,372	44,291,567	1,043,652,781	208,288,592
8 percent.....	82,087	269,369	21,549	1,192,558	3,345,433	267,635
10 percent (capital gains).....	204,912	519,403	51,940	1,764,685	3,896,103	389,610
10 percent.....	--	--	--	5,214,670	13,846,891	1,384,689
10 percent (Form 8814) ¹	21,934	17,241	1,727	2,104	1,578	158
15 percent.....	12,485,917	191,582,975	28,737,446	39,651,125	643,866,826	96,580,024
20 percent.....	158,268	5,987,448	1,197,490	1,816,031	49,431,131	9,886,226
25 percent.....	11,925	186,533	46,633	87,081	1,112,088	278,022
27.5 percent.....	1,437,137	25,527,509	7,020,065	11,701,414	196,327,678	53,990,111
28 percent (capital gains).....	1,250	6,446	1,805	19,324	234,924	65,779
30.5 percent.....	130,698	4,577,096	1,396,014	1,853,949	56,480,338	17,226,503
35.5 percent.....	50,512	3,939,692	1,398,591	343,592	27,001,222	9,585,434
39.1 percent.....	13,321	7,156,294	2,798,111	86,680	46,623,360	18,229,734
Form 8615 ²	--	--	--	201,902	1,485,208	404,666

¹ Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

² Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

Individual Income Tax Rates and Shares, 2001

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2000 and 2001

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

Type of tax computation by size of adjusted gross income	Tax Year 2000				Tax Year 2001			
	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with regular tax computation only								
Total.....	86,253,365	551,085,194	550,958,257	--	93,152,594	671,189,255	671,077,406	--
Under \$5,000 ³	1,078,806	95,867	95,867	--	1,215,336	76,202	76,690	--
\$5,000 under \$10,000.....	5,376,121	1,572,648	1,572,648	--	5,189,271	1,131,398	1,132,780	--
\$10,000 under \$15,000.....	7,575,796	5,221,615	5,221,108	--	7,236,117	4,683,435	4,683,439	--
\$15,000 under \$20,000.....	9,835,992	10,481,502	10,481,502	--	9,522,535	9,914,889	9,915,938	--
\$20,000 under \$25,000.....	8,836,069	14,929,470	14,928,791	--	9,011,201	14,571,046	14,572,908	--
\$25,000 under \$30,000.....	7,503,322	17,441,990	17,441,823	--	7,898,393	17,957,705	17,957,002	--
\$30,000 under \$40,000.....	11,885,936	39,381,033	39,380,171	--	12,676,957	40,804,023	40,804,153	--
\$40,000 under \$50,000.....	8,838,458	42,319,879	42,314,453	--	9,575,407	44,816,573	44,817,422	--
\$50,000 under \$75,000.....	13,469,310	96,554,724	96,536,715	--	15,430,947	108,348,416	108,336,649	--
\$75,000 under \$100,000.....	6,080,232	72,951,937	72,929,417	--	7,440,554	86,777,825	86,766,038	--
\$100,000 under \$200,000.....	4,703,933	105,422,834	105,393,439	--	6,400,614	139,588,296	139,560,574	--
\$200,000 under \$500,000.....	877,224	61,161,992	61,139,844	--	1,265,642	85,780,631	85,744,602	--
\$500,000 under \$1,000,000.....	131,522	27,443,320	27,433,567	--	199,530	40,757,089	40,737,622	--
\$1,000,000 under \$1,500,000.....	27,993	11,336,138	11,332,472	--	43,536	17,074,614	17,072,667	--
\$1,500,000 under \$2,000,000.....	11,685	6,889,909	6,888,105	--	17,072	9,774,976	9,770,655	--
\$2,000,000 under \$5,000,000.....	15,735	16,419,725	16,412,973	--	22,648	22,802,314	22,799,337	--
\$5,000,000 under \$10,000,000.....	3,526	8,550,170	8,548,971	--	4,755	11,140,719	11,139,824	--
\$10,000,000 or more.....	1,704	12,910,441	12,906,392	--	2,079	15,189,105	15,189,105	--
Returns with Form 8615 tax computation								
Total.....	545,600	1,037,678	1,138,311	100,633	201,902	320,206	418,758	98,551
Under \$5,000 ³	315,664	97,763	130,992	33,229	127,771	25,420	46,783	21,362
\$5,000 under \$10,000.....	132,892	122,066	187,459	65,392	34,121	22,383	50,143	27,760
\$10,000 under \$15,000.....	36,860	65,912	100,217	34,305	20,214	27,024	52,428	25,405
\$15,000 under \$20,000.....	20,219	48,411	72,102	23,691	11,458	23,866	45,513	21,648
\$20,000 under \$25,000.....	9,517	30,035	54,409	24,374	*1,923	*5,025	*10,974	*5,949
\$25,000 under \$30,000.....	*9,602	*36,409	*55,511	*19,102	*1,923	*7,325	*10,291	*2,966
\$30,000 under \$40,000.....	*8,501	*47,765	*63,699	*15,935	*929	*2,338	*2,577	*240
\$40,000 under \$50,000.....	*1,850	*16,747	*22,133	*5,385	*931	*7,025	*11,138	*4,113
\$50,000 under \$75,000.....	*5,485	*59,777	*61,873	*2,096	*931	*10,967	*19,934	*8,967
\$75,000 under \$100,000.....	*1,341	*22,214	*22,027	*-187	*8	*138	*235	*98
\$100,000 under \$200,000.....	*2,330	*68,628	*73,398	*4,770	*801	*25,824	*32,563	*6,739
\$200,000 under \$500,000.....	*722	*67,214	*50,822	*-16,392	*642	*52,943	*47,814	*-5,130
\$500,000 under \$1,000,000.....	*358	*75,510	*65,694	*-9,815	*141	*32,600	*25,971	*-6,629
\$1,000,000 under \$1,500,000.....	122	52,312	33,308	-19,004	*78	*32,765	*28,290	*-4,475
\$1,500,000 under \$2,000,000.....	*49	*29,600	*20,083	*-9,518	*8	*4,463	*2,741	*-1,722
\$2,000,000 under \$5,000,000.....	64	67,628	45,092	-22,536	*15	*20,286	*11,384	*-8,901
\$5,000,000 under \$10,000,000.....	*13	*35,260	*30,116	*-5,143	**7	**19,816	**19,978	**163
\$10,000,000 or more.....	*9	*94,426	*49,376	*-45,051	**	**	**	**

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2000 and 2001--Continued

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

Type of tax computation by size of adjusted gross income	Tax Year 2000				Tax Year 2001			
	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with Schedule D tax computation								
Total.....	17,091,388	512,907,932	440,309,912	-72,598,019	10,207,370	281,489,962	245,382,758	-36,107,205
Under \$5,000 ³	352,329	90,427	71,582	-18,846	141,650	20,540	19,398	-1,142
\$5,000 under \$10,000.....	453,538	253,821	208,746	-45,075	155,992	43,780	41,108	-2,672
\$10,000 under \$15,000.....	454,214	396,705	346,607	-50,098	274,600	185,342	168,583	-16,759
\$15,000 under \$20,000.....	606,573	742,182	675,322	-66,860	419,142	455,412	423,163	-32,249
\$20,000 under \$25,000.....	653,902	1,149,155	1,061,668	-87,487	425,040	699,151	654,316	-44,834
\$25,000 under \$30,000.....	673,190	1,599,616	1,500,569	-99,047	466,176	1,012,066	955,369	-56,697
\$30,000 under \$40,000.....	1,451,698	5,017,390	4,758,088	-259,302	942,612	3,156,551	3,017,921	-138,630
\$40,000 under \$50,000.....	1,488,654	7,531,647	7,156,434	-375,213	946,764	4,603,587	4,445,393	-158,194
\$50,000 under \$75,000.....	3,506,337	27,987,392	26,643,396	-1,343,996	2,024,262	15,372,771	14,792,744	-580,027
\$75,000 under \$100,000.....	2,471,632	32,263,622	30,774,256	-1,489,366	1,425,787	17,390,529	16,760,688	-629,841
\$100,000 under \$200,000.....	3,325,589	84,065,248	78,973,737	-5,091,511	2,015,951	49,578,743	47,069,522	-2,509,221
\$200,000 under \$500,000.....	1,232,936	92,326,984	82,606,393	-9,720,591	727,104	52,459,517	47,535,632	-4,923,885
\$500,000 under \$1,000,000.....	254,211	55,040,976	47,198,832	-7,842,145	148,029	31,115,256	26,772,415	-4,342,841
\$1,000,000 under \$1,500,000.....	67,975	27,982,643	23,374,232	-4,608,410	39,011	15,538,348	13,119,807	-2,418,541
\$1,500,000 under \$2,000,000.....	30,902	18,512,565	15,227,396	-3,285,169	17,920	10,416,628	8,629,210	-1,787,418
\$2,000,000 under \$5,000,000.....	47,114	50,219,836	40,292,614	-9,927,223	26,834	27,700,646	22,495,270	-5,205,376
\$5,000,000 under \$10,000,000.....	12,553	31,171,166	24,308,683	-6,862,483	6,603	15,867,936	12,395,700	-3,472,236
\$10,000,000 or more.....	8,041	76,556,556	55,131,358	-21,425,198	3,892	35,873,158	26,086,517	-9,786,642

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

** Data combined to prevent disclosure of certain taxpayer information.

¹ Includes special tax not included in tax generated.

² The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

³ Includes returns with adjusted gross deficit.

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

Individual Income Tax Rates and Shares, 2001

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987.....	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988.....	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989.....	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990.....	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991.....	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992.....	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993.....	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994.....	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995.....	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
1996.....	119,441,767	1,194,418	5,972,088	11,944,177	29,860,442	59,720,884
1997.....	121,503,284	1,215,033	6,075,164	12,150,328	30,375,821	60,751,642
1998.....	123,775,831	1,237,758	6,188,792	12,377,583	30,943,958	61,887,915
1999.....	126,008,974	1,260,090	6,300,449	12,600,897	31,502,244	63,004,487
2000.....	128,227,143	1,282,271	6,411,357	12,822,714	32,056,786	64,113,572
2001.....	128,817,051	1,288,171	6,440,853	12,881,705	32,204,263	64,408,526
Adjusted gross income floor on percentiles (current dollars):						
1986.....	N/A	118,818	62,377	48,656	32,242	17,302
1987.....	N/A	139,289	68,414	52,921	33,983	17,768
1988.....	N/A	157,136	72,735	55,437	35,398	18,367
1989.....	N/A	163,869	76,933	58,263	36,839	18,993
1990.....	N/A	167,421	79,064	60,287	38,080	19,767
1991.....	N/A	170,139	81,720	61,944	38,929	20,097
1992.....	N/A	181,904	85,103	64,457	40,378	20,803
1993.....	N/A	185,715	87,386	66,077	41,210	21,179
1994.....	N/A	195,726	91,226	68,753	42,742	21,802
1995.....	N/A	209,406	96,221	72,094	44,207	22,344
1996.....	N/A	227,546	101,141	74,986	45,757	23,174
1997.....	N/A	250,736	108,048	79,212	48,173	24,393
1998.....	N/A	269,496	114,729	83,220	50,607	25,491
1999.....	N/A	293,415	120,846	87,682	52,965	26,415
2000.....	N/A	313,469	128,336	92,144	55,225	27,682
2001.....	N/A	292,913	127,904	92,754	56,085	28,528
Adjusted gross income floor on percentiles (constant dollars):						
1986.....	N/A	108,411	56,913	44,394	29,418	15,786
1987.....	N/A	122,614	60,224	46,585	29,915	15,641
1988.....	N/A	132,828	61,484	46,861	29,922	15,526
1989.....	N/A	132,152	62,043	46,986	29,709	15,317
1990.....	N/A	128,096	60,493	46,126	29,135	15,124
1991.....	N/A	124,919	60,000	45,480	28,582	14,756
1992.....	N/A	129,654	60,658	45,942	28,780	14,828
1993.....	N/A	128,522	60,475	45,728	28,519	14,657
1994.....	N/A	132,069	61,556	46,392	28,841	14,711
1995.....	N/A	137,406	63,137	47,306	29,007	14,661
1996.....	N/A	145,026	64,462	47,792	29,163	14,769
1997.....	N/A	156,222	67,320	49,353	30,014	15,198
1998.....	N/A	164,427	69,999	50,775	30,877	15,553
1999.....	N/A	176,119	72,537	52,630	31,792	15,855
2000.....	N/A	182,038	74,527	53,510	32,070	16,075
2001.....	N/A	165,394	72,221	52,374	31,669	16,108

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2001

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income (millions of dollars):						
1986.....	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987.....	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988.....	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989.....	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990.....	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991.....	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992.....	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993.....	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994.....	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995.....	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542
1996.....	4,590,527	736,545	1,393,805	1,909,149	2,952,637	3,944,383
1997.....	5,023,457	872,826	1,597,107	2,151,401	3,267,600	4,327,992
1998.....	5,469,211	1,010,245	1,796,647	2,393,716	3,589,600	4,721,430
1999.....	5,909,329	1,152,820	2,011,763	2,652,835	3,927,308	5,126,164
2000.....	6,423,977	1,336,773	2,267,403	2,955,386	4,313,786	5,589,755
2001.....	6,241,036	1,094,296	1,996,492	2,690,589	4,071,034	5,379,286
Total income tax (millions of dollars): ²						
1986.....	366,979	94,491	156,240	200,703	278,976	343,289
1987.....	369,046	91,559	159,642	205,230	283,857	346,655
1988.....	412,761	113,841	188,303	236,411	321,297	389,145
1989.....	432,838	109,259	190,188	241,458	334,258	407,599
1990.....	447,061	112,338	195,088	247,514	344,340	421,075
1991.....	448,349	111,267	194,480	250,282	346,511	423,759
1992.....	476,163	131,156	218,479	276,213	373,700	452,070
1993.....	502,720	145,836	238,083	297,808	398,516	478,563
1994.....	534,754	154,337	254,106	317,902	425,402	509,256
1995.....	588,331	178,035	287,741	357,402	472,808	561,225
1996.....	658,124	212,626	335,433	411,404	535,164	629,684
1997.....	727,303	241,239	377,241	459,639	594,007	696,161
1998.....	788,452	274,009	424,506	512,836	651,964	755,240
1999.....	877,292	317,419	486,464	583,002	732,890	842,168
2000.....	980,521	366,929	553,670	660,150	823,706	942,179
2001.....	887,882	300,898	472,823	576,163	736,053	852,642
Average tax rate (percentage): ³						
1986.....	14.54	33.13	25.68	22.64	18.72	16.32
1987.....	13.12	26.41	22.10	19.77	16.61	14.60
1988.....	13.21	24.04	21.14	19.18	16.47	14.64
1989.....	13.12	23.34	20.71	18.77	16.27	14.53
1990.....	12.95	23.25	20.46	18.50	16.06	14.36
1991.....	12.75	24.37	20.62	18.63	15.93	14.20
1992.....	12.94	25.05	21.19	19.13	16.25	14.44
1993.....	13.32	28.01	22.71	20.20	16.90	14.90
1994.....	13.50	28.23	23.04	20.48	17.15	15.11
1995.....	13.86	28.73	23.53	20.97	17.58	15.47
1996.....	14.34	28.87	24.07	21.55	18.12	15.96
1997.....	14.48	27.64	23.62	21.36	18.18	16.09
1998.....	14.42	27.12	23.63	21.42	18.16	16.00
1999.....	14.85	27.53	24.18	21.98	18.66	16.43
2000.....	15.26	27.45	24.42	22.34	19.09	16.86
2001.....	14.23	27.50	23.68	21.41	18.08	15.85

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2001

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986.....	100.00	11.30	24.11	35.12	59.04	83.34
1987.....	100.00	12.32	25.67	36.90	60.75	84.37
1988.....	100.00	15.16	28.51	39.45	62.44	85.07
1989.....	100.00	14.19	27.84	39.00	62.28	85.04
1990.....	100.00	14.00	27.62	38.77	62.13	84.97
1991.....	100.00	12.99	26.83	38.20	61.85	84.87
1992.....	100.00	14.23	28.01	39.23	62.47	85.08
1993.....	100.00	13.79	27.76	39.05	62.45	85.08
1994.....	100.00	13.80	27.85	39.19	62.64	85.11
1995.....	100.00	14.60	28.81	40.16	63.37	85.46
1996.....	100.00	16.04	30.36	41.59	64.32	85.92
1997.....	100.00	17.38	31.79	42.83	65.05	86.16
1998.....	100.00	18.47	32.85	43.77	65.63	86.33
1999.....	100.00	19.51	34.04	44.89	66.46	86.75
2000.....	100.00	20.81	35.30	46.01	67.15	87.01
2001.....	100.00	17.53	31.99	43.11	65.23	86.19
Total income tax share (percentage):						
1986.....	100.00	25.75	42.57	54.69	76.02	93.54
1987.....	100.00	24.81	43.26	55.61	76.92	93.93
1988.....	100.00	27.58	45.62	57.28	77.84	94.28
1989.....	100.00	25.24	43.94	55.78	77.22	94.17
1990.....	100.00	25.13	43.64	55.36	77.02	94.19
1991.....	100.00	24.82	43.38	55.82	77.29	94.52
1992.....	100.00	27.54	45.88	58.01	78.48	94.94
1993.....	100.00	29.01	47.36	59.24	79.27	95.19
1994.....	100.00	28.86	47.52	59.45	79.55	95.23
1995.....	100.00	30.26	48.91	60.75	80.36	95.39
1996.....	100.00	32.31	50.97	62.51	81.32	95.68
1997.....	100.00	33.17	51.87	63.20	81.67	95.72
1998.....	100.00	34.75	53.84	65.04	82.69	95.79
1999.....	100.00	36.18	55.45	66.45	83.54	96.00
2000.....	100.00	37.42	56.47	67.33	84.01	96.09
2001.....	100.00	33.89	53.25	64.89	82.90	96.03

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2001

Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987.....	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988.....	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989.....	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990.....	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991.....	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992.....	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993.....	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994.....	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995.....	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
1996.....	119,441,767	59,720,883	89,581,325	107,497,590	113,469,679	118,247,349
1997.....	121,503,284	60,751,642	91,127,463	109,352,956	115,428,120	120,288,251
1998.....	123,775,831	61,887,916	92,831,873	111,398,248	117,587,039	122,538,073
1999.....	126,008,974	63,004,487	94,506,731	113,408,077	119,708,525	124,748,884
2000.....	128,227,143	64,113,572	96,170,357	115,404,429	121,815,786	126,944,872
2001.....	128,817,051	64,408,526	96,612,788	115,935,346	122,376,198	127,528,880
Adjusted gross income (millions of dollars):						
1986.....	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987.....	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988.....	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989.....	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990.....	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991.....	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992.....	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993.....	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994.....	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995.....	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
1996.....	4,590,527	646,144	1,637,891	2,681,378	3,196,723	3,853,983
1997.....	5,023,457	695,465	1,755,857	2,872,056	3,426,350	4,150,631
1998.....	5,469,211	747,781	1,879,611	3,075,495	3,672,564	4,458,967
1999.....	5,909,329	783,164	1,982,021	3,256,494	3,897,565	4,756,509
2000.....	6,423,977	834,222	2,110,190	3,468,590	4,156,573	5,087,204
2001.....	6,241,036	861,750	2,170,001	3,550,447	4,244,543	5,146,740
Total income tax (millions of dollars): ²						
1986.....	366,979	23,690	88,002	166,276	210,739	272,488
1987.....	369,046	22,391	85,189	163,816	209,404	277,488
1988.....	412,761	23,616	91,464	176,350	224,459	298,920
1989.....	432,838	25,239	98,580	191,380	242,650	323,579
1990.....	447,061	25,986	102,721	199,547	251,973	334,723
1991.....	448,349	24,554	101,837	198,067	253,869	337,081
1992.....	476,163	24,093	102,463	199,950	257,683	345,007
1993.....	502,720	24,157	104,203	204,912	264,637	356,884
1994.....	534,754	25,499	109,353	216,852	280,648	380,418
1995.....	588,331	27,106	115,523	230,929	300,590	410,296
1996.....	658,124	28,440	122,960	246,720	322,691	445,498
1997.....	727,303	31,134	133,296	267,664	350,062	486,064
1998.....	788,452	33,212	136,488	275,615	363,946	514,442
1999.....	877,292	35,126	144,402	294,290	390,828	559,874
2000.....	980,521	38,343	156,816	320,371	426,851	613,592
2001.....	887,882	35,239	151,826	311,719	415,059	586,984

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Average tax rate (percentage): ³						
1986.....	14.54	5.63	8.51	10.15	11.00	12.17
1987.....	13.12	5.09	7.71	9.23	10.01	11.25
1988.....	13.21	5.06	7.80	9.32	10.05	11.28
1989.....	13.12	5.11	7.92	9.51	10.19	11.43
1990.....	12.95	5.01	7.86	9.44	10.09	11.28
1991.....	12.75	4.61	7.59	9.12	9.87	11.04
1992.....	12.94	4.39	7.42	8.94	9.73	10.93
1993.....	13.32	4.29	7.35	8.90	9.70	10.96
1994.....	13.50	4.32	7.39	9.00	9.82	11.14
1995.....	13.86	4.39	7.43	9.09	9.95	11.32
1996.....	14.34	4.40	7.51	9.20	10.09	11.56
1997.....	14.48	4.48	7.59	9.32	10.22	11.71
1998.....	14.42	4.44	7.26	8.96	9.91	11.54
1999.....	14.85	4.49	7.29	9.04	10.03	11.77
2000.....	15.26	4.60	7.43	9.24	10.27	12.06
2001.....	14.23	4.09	7.00	8.78	9.78	11.41
Adjusted gross income share (percentage):						
1986.....	100.00	16.66	40.96	64.88	75.89	88.70
1987.....	100.00	15.63	39.25	63.10	74.33	87.68
1988.....	100.00	14.93	37.56	60.55	71.49	84.84
1989.....	100.00	14.96	37.72	61.00	72.16	85.81
1990.....	100.00	15.03	37.87	61.23	72.38	86.00
1991.....	100.00	15.13	38.15	61.80	73.17	87.01
1992.....	100.00	14.92	37.53	60.77	71.99	85.77
1993.....	100.00	14.92	37.55	60.95	72.24	86.21
1994.....	100.00	14.89	37.36	60.81	72.15	86.20
1995.....	100.00	14.54	36.63	59.84	71.19	85.40
1996.....	100.00	14.08	35.68	58.41	69.64	83.96
1997.....	100.00	13.84	34.95	57.17	68.21	82.63
1998.....	100.00	13.67	34.37	56.23	67.15	81.53
1999.....	100.00	13.25	33.54	55.11	65.96	80.49
2000.....	100.00	12.99	32.85	53.99	64.70	79.19
2001.....	100.00	13.81	34.77	56.89	68.01	82.47
Total income tax share (percentage):						
1986.....	100.00	6.46	23.98	45.31	57.43	74.25
1987.....	100.00	6.07	23.08	44.39	56.74	75.19
1988.....	100.00	5.72	22.16	42.72	54.38	72.42
1989.....	100.00	5.83	22.78	44.22	56.06	74.76
1990.....	100.00	5.81	22.98	44.64	56.36	74.87
1991.....	100.00	5.48	22.71	44.18	56.62	75.18
1992.....	100.00	5.06	21.52	41.99	54.12	72.46
1993.....	100.00	4.81	20.73	40.76	52.64	70.99
1994.....	100.00	4.77	20.45	40.55	52.48	71.14
1995.....	100.00	4.61	19.64	39.25	51.09	69.74
1996.....	100.00	4.32	18.68	37.49	49.03	67.69
1997.....	100.00	4.28	18.33	36.80	48.13	66.83
1998.....	100.00	4.21	17.31	34.96	46.16	65.25
1999.....	100.00	4.00	16.46	33.55	44.55	63.82
2000.....	100.00	3.91	15.99	32.67	43.53	62.58
2001.....	100.00	3.97	17.10	35.11	46.75	66.11

¹ The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit were excluded from Tables 5 and 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2001, there were 5,267 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$94.5 million.

² Total income tax is the sum of income tax after credits and alternative minimum tax for 1999 and prior years reported on returns that showed a positive amount for adjusted gross income. (For 2000 and later years, alternative minimum tax is included in income tax before credits.) Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1 and Figure D.

³ The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2001

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns:						
1986.....	101,988,805	1,019,888	5,099,440	10,198,881	25,497,201	50,994,402
1987.....	106,191,624	1,061,916	5,309,581	10,619,162	26,547,906	53,095,812
1988.....	108,879,154	1,088,792	5,443,958	10,887,915	27,219,788	54,439,577
1989.....	111,328,835	1,113,288	5,566,442	11,132,884	27,832,209	55,664,418
1990.....	112,717,959	1,127,180	5,635,898	11,271,796	28,179,490	56,358,980
1991.....	113,823,123	1,138,231	5,691,156	11,382,312	28,455,781	56,911,562
1992.....	112,687,747	1,126,877	5,634,387	11,268,775	28,171,937	56,343,874
1993.....	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994.....	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995.....	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
1996.....	119,487,813	1,194,878	5,974,391	11,948,781	29,871,953	59,743,906
1997.....	121,555,156	1,215,552	6,077,758	12,155,516	30,388,789	60,777,578
1998.....	123,852,016	1,238,520	6,192,601	12,385,202	30,963,004	61,926,008
1999.....	126,107,596	1,261,076	6,305,380	12,610,760	31,526,899	63,053,798
2000.....	128,340,271	1,283,403	6,417,014	12,834,027	32,085,068	64,170,135
2001.....	128,863,007	1,288,630	6,443,150	12,886,301	32,215,752	64,431,504
Income floor on percentiles (current dollars):						
1986.....	N/A	147,863	68,362	52,035	33,623	17,909
1987.....	N/A	145,624	69,222	53,094	34,165	17,959
1988.....	N/A	161,774	73,451	55,532	35,432	18,534
1989.....	N/A	169,603	77,542	58,429	36,783	19,152
1990.....	N/A	174,813	80,400	60,623	38,026	19,947
1991.....	N/A	180,268	83,300	62,413	38,913	20,302
1992.....	N/A	197,031	87,370	65,283	40,423	21,041
1993.....	N/A	199,698	88,992	66,685	41,013	21,390
1994.....	N/A	210,742	93,186	69,118	42,480	22,000
1995.....	N/A	224,523	98,420	72,210	43,860	22,575
1996.....	N/A	246,268	103,489	75,574	45,508	23,378
1997.....	N/A	268,889	110,949	79,598	47,738	24,551
1998.....	N/A	301,513	120,262	84,904	50,232	25,612
1999.....	N/A	332,253	126,643	89,172	52,399	26,487
2000.....	N/A	353,945	134,128	93,715	54,592	27,647
2001.....	N/A	323,861	131,728	93,633	55,203	28,404
Income floor on percentiles (constant dollars): ¹						
1986.....	N/A	134,912	62,374	47,477	30,678	16,340
1987.....	N/A	128,190	60,935	46,738	30,075	15,809
1988.....	N/A	136,749	62,089	46,942	29,951	15,667
1989.....	N/A	136,777	62,534	47,120	29,664	15,445
1990.....	N/A	133,751	61,515	46,383	29,094	15,262
1991.....	N/A	132,355	61,160	45,825	28,571	14,906
1992.....	N/A	140,436	62,274	46,531	28,812	14,997
1993.....	N/A	138,199	61,586	46,149	28,383	14,803
1994.....	N/A	142,201	62,879	46,638	28,664	14,845
1995.....	N/A	147,325	64,580	47,382	28,780	14,813
1996.....	N/A	156,959	65,959	48,167	29,004	14,900
1997.....	N/A	167,532	69,127	49,594	29,743	15,297
1998.....	N/A	183,962	73,375	51,802	30,648	15,627
1999.....	N/A	199,432	76,016	53,525	31,452	15,899
2000.....	N/A	205,543	77,891	54,422	31,703	16,055
2001.....	N/A	182,869	74,381	52,870	31,171	16,038

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2001

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
		(1)	(2)	(3)	(4)	(5)
Income (millions of dollars):						
1986.....	2,804,691	427,513	796,935	1,097,550	1,732,231	2,368,620
1987.....	2,856,118	363,880	749,240	1,067,438	1,741,747	2,411,715
1988.....	3,153,639	484,675	911,170	1,255,108	1,973,061	2,683,524
1989.....	3,336,571	486,976	947,363	1,317,619	2,085,003	2,838,481
1990.....	3,497,118	504,687	987,582	1,376,162	2,182,091	2,973,847
1991.....	3,577,337	478,756	985,590	1,390,924	2,224,979	3,038,428
1992.....	3,763,002	556,421	1,090,019	1,509,728	2,369,701	3,206,490
1993.....	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994.....	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995.....	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267
1996.....	4,670,644	772,868	1,462,979	1,984,931	3,025,107	4,015,461
1997.....	5,112,706	918,007	1,679,877	2,242,353	3,353,245	4,409,075
1998.....	5,626,390	1,072,779	1,925,214	2,542,399	3,742,006	4,869,467
1999.....	6,082,931	1,236,081	2,166,370	2,825,789	4,099,929	5,290,805
2000.....	6,601,494	1,424,436	2,430,957	3,138,299	4,495,910	5,758,808
2001.....	6,361,523	1,159,037	2,121,055	2,828,677	4,202,776	5,491,703
Total income tax (millions of dollars): ²						
1986.....	366,763	93,128	155,553	198,862	277,578	342,296
1987.....	368,924	89,908	158,485	204,050	282,970	346,228
1988.....	412,549	112,208	186,793	235,121	320,152	388,631
1989.....	432,643	107,508	188,588	240,229	333,285	407,106
1990.....	446,906	110,530	192,991	245,856	342,926	420,345
1991.....	448,177	107,926	192,548	246,745	345,168	423,180
1992.....	476,067	127,361	216,303	272,361	372,352	451,494
1993.....	502,638	142,329	235,908	294,238	397,261	477,997
1994.....	534,693	150,133	250,770	314,909	423,743	508,540
1995.....	588,292	173,877	284,036	354,427	471,035	560,748
1996.....	658,059	208,071	331,404	407,726	532,750	628,918
1997.....	731,123	238,978	376,046	459,674	595,060	699,131
1998.....	783,437	262,464	413,303	503,577	644,182	749,547
1999.....	877,199	307,382	479,531	577,903	729,679	841,172
2000.....	980,459	355,911	546,102	654,155	819,937	941,304
2001.....	887,770	291,907	466,057	570,430	732,094	851,539
Average tax rate (percentage): ³						
1986.....	13.08	21.78	19.52	18.12	16.02	14.45
1987.....	12.92	24.71	21.15	19.12	16.25	14.36
1988.....	13.08	23.15	20.50	18.73	16.23	14.48
1989.....	12.97	22.08	19.91	18.23	15.98	14.34
1990.....	12.78	21.90	19.54	17.87	15.72	14.13
1991.....	12.53	22.54	19.54	17.74	15.51	13.93
1992.....	12.65	22.89	19.84	18.04	15.71	14.08
1993.....	13.06	25.69	21.35	19.14	16.40	14.58
1994.....	13.26	25.90	21.58	19.47	16.65	14.80
1995.....	13.63	26.60	22.11	19.99	17.10	15.19
1996.....	14.09	26.92	22.65	20.54	17.61	15.66
1997.....	14.30	26.03	22.39	20.50	17.75	15.86
1998.....	13.92	24.47	21.47	19.81	17.21	15.39
1999.....	14.42	24.87	22.14	20.45	17.80	15.90
2000.....	14.85	24.99	22.46	20.84	18.24	16.35
2001.....	13.96	25.19	21.97	20.17	17.42	15.51

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2001

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986.....	100.00	15.24	28.41	39.13	61.76	84.45
1987.....	100.00	12.74	26.23	37.37	60.98	84.44
1988.....	100.00	15.37	28.89	39.80	62.56	85.09
1989.....	100.00	14.60	28.39	39.49	62.49	85.07
1990.....	100.00	14.43	28.24	39.35	62.40	85.04
1991.....	100.00	13.38	27.55	38.88	62.20	84.94
1992.....	100.00	14.79	28.97	40.12	62.97	85.21
1993.....	100.00	14.39	28.71	39.93	62.93	85.18
1994.....	100.00	14.37	28.81	40.09	63.08	85.19
1995.....	100.00	15.14	29.76	41.06	63.81	85.52
1996.....	100.00	16.55	31.32	42.50	64.77	85.97
1997.....	100.00	17.96	32.86	43.86	65.59	86.24
1998.....	100.00	19.07	34.22	45.19	66.51	86.55
1999.....	100.00	20.32	35.61	46.45	67.40	86.98
2000.....	100.00	21.58	36.82	47.54	68.10	87.23
2001.....	100.00	18.22	33.34	44.47	66.07	86.33
Total income tax share (percentage):						
1986.....	100.00	25.39	42.41	54.22	75.68	93.33
1987.....	100.00	24.37	42.96	55.31	76.70	93.85
1988.....	100.00	27.20	45.28	56.99	77.60	94.20
1989.....	100.00	24.85	43.59	55.53	77.03	94.10
1990.....	100.00	24.73	43.18	55.01	76.73	94.06
1991.....	100.00	24.08	42.96	55.06	77.02	94.42
1992.....	100.00	26.75	45.44	57.21	78.21	94.84
1993.....	100.00	28.32	46.93	58.54	79.04	95.10
1994.....	100.00	28.08	46.90	58.90	79.25	95.11
1995.....	100.00	29.56	48.28	60.25	80.07	95.32
1996.....	100.00	31.62	50.36	61.96	80.96	95.57
1997.....	100.00	32.69	51.43	62.87	81.39	95.62
1998.....	100.00	33.50	52.76	64.28	82.23	95.67
1999.....	100.00	35.04	54.67	65.88	83.18	95.89
2000.....	100.00	36.30	55.70	66.72	83.63	96.01
2001.....	100.00	32.88	52.50	64.25	82.46	95.92

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2001

Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns:						
1986.....	101,988,805	50,994,402	76,491,604	91,789,924	96,889,365	100,968,917
1987.....	106,191,624	53,095,812	79,643,718	95,572,462	100,882,043	105,129,708
1988.....	108,879,154	54,439,577	81,659,366	97,991,239	103,435,196	107,790,362
1989.....	111,328,835	55,664,417	83,496,626	100,195,951	105,762,393	110,215,547
1990.....	112,717,959	56,358,980	84,538,469	101,446,163	107,082,061	111,590,779
1991.....	113,823,123	56,911,562	85,367,342	102,440,811	108,131,967	112,684,892
1992.....	112,687,747	56,343,874	84,515,810	101,418,972	107,053,360	111,560,870
1993.....	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994.....	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995.....	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
1996.....	119,487,813	59,743,907	89,615,860	107,539,032	113,513,422	118,292,935
1997.....	121,555,156	60,777,578	91,166,367	109,399,640	115,477,398	120,339,604
1998.....	123,852,016	61,926,008	92,889,012	111,466,814	117,659,415	122,613,496
1999.....	126,107,596	63,053,798	94,580,697	113,496,836	119,802,216	124,846,520
2000.....	128,340,271	64,170,135	96,255,203	115,506,243	121,923,257	127,056,868
2001.....	128,863,007	64,431,504	96,647,255	115,976,706	122,419,857	127,574,377
Income (millions of dollars):						
1986.....	2,804,691	436,071	1,072,460	1,707,142	2,007,756	2,377,178
1987.....	2,856,118	444,403	1,114,372	1,788,680	2,106,878	2,492,238
1988.....	3,153,639	470,115	1,180,578	1,898,531	2,242,469	2,668,964
1989.....	3,336,571	498,089	1,251,567	2,018,952	2,389,207	2,849,595
1990.....	3,497,118	523,271	1,315,027	2,120,956	2,509,535	2,992,431
1991.....	3,577,337	538,910	1,352,358	2,186,413	2,591,748	3,098,582
1992.....	3,763,002	556,512	1,393,300	2,253,273	2,672,983	3,206,581
1993.....	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994.....	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995.....	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
1996.....	4,670,644	655,183	1,645,537	2,685,713	3,207,665	3,897,777
1997.....	5,112,706	703,631	1,759,461	2,870,353	3,432,828	4,194,699
1998.....	5,626,390	756,923	1,884,384	3,083,991	3,701,176	4,553,611
1999.....	6,082,931	792,125	1,983,002	3,257,142	3,916,561	4,846,850
2000.....	6,601,494	842,686	2,105,584	3,463,195	4,170,537	5,177,058
2001.....	6,361,523	869,820	2,158,748	3,532,846	4,240,468	5,202,486
Total income tax (millions of dollars): ²						
1986.....	366,763	24,467	89,186	167,901	211,210	273,635
1987.....	368,924	22,696	85,954	164,874	210,439	279,016
1988.....	412,549	23,918	92,397	177,429	225,756	300,341
1989.....	432,643	25,537	99,358	192,414	244,055	325,135
1990.....	446,906	26,562	103,980	201,050	253,915	336,376
1991.....	448,177	24,997	103,009	201,432	255,629	340,251
1992.....	476,067	24,573	103,715	203,706	259,764	348,706
1993.....	502,638	24,641	105,377	208,400	266,730	360,309
1994.....	534,693	26,153	110,950	219,783	283,923	384,560
1995.....	588,292	27,544	117,257	233,864	304,256	414,415
1996.....	658,059	29,142	125,310	250,333	326,655	449,988
1997.....	731,123	31,992	136,063	271,450	355,078	492,146
1998.....	783,437	33,889	139,249	279,860	370,134	520,973
1999.....	877,199	36,027	147,520	299,294	397,669	569,817
2000.....	980,459	39,155	160,521	326,304	434,357	624,548
2001.....	887,770	36,230	155,676	317,341	421,713	595,863

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Average tax rate (percentage):³						
1986.....	13.08	5.61	8.32	9.84	10.52	11.51
1987.....	12.92	5.11	7.71	9.22	9.99	11.20
1988.....	13.08	5.09	7.83	9.35	10.07	11.25
1989.....	12.97	5.13	7.94	9.53	10.21	11.41
1990.....	12.78	5.08	7.91	9.48	10.12	11.24
1991.....	12.53	4.64	7.62	9.21	9.86	10.98
1992.....	12.65	4.42	7.44	9.04	9.72	10.87
1993.....	13.06	4.32	7.38	9.01	9.72	10.93
1994.....	13.26	4.38	7.45	9.10	9.89	11.13
1995.....	13.63	4.41	7.50	9.19	10.03	11.31
1996.....	14.09	4.45	7.62	9.32	10.18	11.54
1997.....	14.30	4.55	7.73	9.46	10.34	11.73
1998.....	13.92	4.48	7.39	9.07	10.00	11.44
1999.....	14.42	4.55	7.44	9.19	10.15	11.76
2000.....	14.85	4.65	7.62	9.42	10.41	12.06
2001.....	13.96	4.17	7.21	8.98	9.95	11.45
Income share (percentage):						
1986.....	100.00	15.55	38.24	60.87	71.59	84.76
1987.....	100.00	15.56	39.02	62.63	73.77	87.26
1988.....	100.00	14.91	37.44	60.20	71.11	84.63
1989.....	100.00	14.93	37.51	60.51	71.61	85.40
1990.....	100.00	14.96	37.60	60.65	71.76	85.57
1991.....	100.00	15.06	37.80	61.12	72.45	86.62
1992.....	100.00	14.79	37.03	59.88	71.03	85.21
1993.....	100.00	14.82	37.07	60.07	71.29	85.61
1994.....	100.00	14.81	36.92	59.91	71.19	85.63
1995.....	100.00	14.48	36.19	58.94	70.24	84.86
1996.....	100.00	14.03	35.23	57.50	68.68	83.45
1997.....	100.00	13.76	34.41	56.14	67.14	82.04
1998.....	100.00	13.45	33.49	54.81	65.78	80.93
1999.....	100.00	13.02	32.60	53.55	64.39	79.68
2000.....	100.00	12.77	31.90	52.46	63.18	78.42
2001.....	100.00	13.67	33.93	55.53	66.66	81.78
Total income tax share (percentage):						
1986.....	100.00	6.67	24.32	45.78	57.59	74.61
1987.....	100.00	6.15	23.30	44.69	57.04	75.63
1988.....	100.00	5.80	22.40	43.01	54.72	72.80
1989.....	100.00	5.90	22.97	44.47	56.41	75.15
1990.....	100.00	5.94	23.27	44.99	56.82	75.27
1991.....	100.00	5.58	22.98	44.94	57.04	75.92
1992.....	100.00	5.16	21.79	42.79	54.56	73.25
1993.....	100.00	4.90	20.96	41.46	53.07	71.68
1994.....	100.00	4.89	20.75	41.10	53.10	71.92
1995.....	100.00	4.68	19.93	39.75	51.72	70.44
1996.....	100.00	4.43	19.04	38.04	49.64	68.38
1997.....	100.00	4.38	18.61	37.13	48.57	67.31
1998.....	100.00	4.33	17.77	35.72	47.24	66.50
1999.....	100.00	4.11	16.82	34.12	45.33	64.96
2000.....	100.00	3.99	16.37	33.28	44.30	63.70
2001.....	100.00	4.08	17.54	35.75	47.50	67.12

¹ For Table 7, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

² Total income tax is the sum of income tax after credits and the alternative minimum tax for 1999 and prior years. For 2000 and 2001, alternative minimum tax is included in income tax before credits (see Figure D).

³ Average tax rate was computed by dividing total income tax by income, using the 1979 income concept (see text and Figure I).

Individual Income Tax Rates and Shares, 2001

by David Campbell and Michael Parisi

Taxpayers filed 130.3 million returns for Tax Year 2001, of which almost 94.8 million (or 72.8 percent) were classified as taxable returns. Adjusted gross income (AGI) on taxable returns fell 4.0 percent to \$5,847 billion for 2001. Total income tax fell 10.4 percent for 2001, a rate more than twice that of AGI. This decrease in total income tax was attributable to a decline in income being reported and to tax cuts implemented in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The average tax rate for taxable returns fell 0.9 percentage points to 15.2 percent. The last decline in average tax rates was in 1991 when the economy declined, and the last time the average tax rate fell by a similar magnitude was for 1987, the first year under the Tax Reform Act of 1986.

Using the 1979 Income Concept (see Appendix D for an explanation of the 1979 Income Concept), the income share for the top 1 percent of taxpayers fell from 21.6 percent from 2000 to 18.2 percent for 2001, while the share of income for the bottom 50 percent of taxpayers increased from 12.8 percent to 13.7 percent (Table 7). The resulting 4.5-percentage point gap for 2001 between the income shares of the top 1 percent and the bottom 50 percent of taxpayers contrasted with the 28.8-percentage point gap between the shares of income tax from the same two groups. The income tax share for the top 1 percent of taxpayers was 32.9 percent for 2001, while the corresponding share for the bottom 50 percent was 4.1 percent.

This article discusses the individual income tax rates and tax shares and the computation of “tax generated” for 2001. To put this discussion into perspective, the appendices to the article provide explanations of selected terms used in the article and describe the income tax structure, certain tax law changes, income and tax concepts (the “1979 Income Tax Concept,” “modified” taxable income, and marginal tax rates), the computation of “alternative minimum taxable income,” and the data sources and limitations.

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Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income. For the statistics in this article, the average tax rate is “tax generated” (see Appendix A: Explanation of Selected Terms) divided by AGI reported on returns showing some income tax liability. Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is the statutory rate at which the last dollar of taxable income is taxed. (See Appendix D for a more detailed explanation of marginal tax rates.) The following sections describe the measurement of the average and marginal tax rates in more detail, and discuss the statistics based on these rates for 2001.

Average Tax Rates

Figure A presents statistics for 1986 through 2001 on income (based on each year’s definition of AGI and on the common 1979 Income Concept) and taxes reported. (See Appendix D for an explanation of the 1979 Income Concept.) These tax years can be partitioned into seven distinct subperiods:

- (1) Tax Year 1986 was the last year under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under the Tax Reform Act of 1986 (TRA86). For 1987, a 1-year, transitional, five-rate tax bracket structure was established with a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.
- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure [1]. The phase-in of the provisions of TRA86 continued with a maximum tax rate of 33 percent.
- (4) Tax Years 1991 and 1992 brought a three-rate tax bracket structure (with a maximum tax rate

Individual Income Tax Rates and Shares, 2001

Figure A

Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-2001

[Money amounts are in billions of dollars, except where indicated]

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns ¹	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) ^{2,3}	Average per return (whole dollars) ³			
							Current dollars		Constant dollars ⁴	
							Adjusted gross income (less deficit)	Total income tax	Adjusted gross income (less deficit)	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1986.....	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987.....	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988.....	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989.....	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990.....	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991.....	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992.....	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993.....	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994.....	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995.....	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
1996.....	120,351,208	90,929,350	75.6	4,342	658	15.2	47,750	7,239	30,433	4,614
1997.....	122,421,991	93,471,200	76.4	4,765	731	15.3	50,980	7,824	31,763	4,875
1998.....	124,770,662	93,047,898	74.6	5,160	789	15.3	55,458	8,475	33,836	5,171
1999.....	127,075,145	94,546,080	74.4	5,581	877	15.7	59,028	9,280	35,431	5,570
2000.....	129,373,500	96,817,603	74.8	6,083	981	16.1	62,832	10,129	36,488	5,882
2001.....	130,255,237	94,763,530	72.8	5,847	888	15.2	61,702	9,370	34,840	5,291
Using 1979 Income Concept ⁵										
1986.....	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987.....	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988.....	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989.....	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990.....	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991.....	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992.....	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993.....	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994.....	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995.....	118,218,327	89,252,989	75.5	4,075	588	14.4	45,655	6,593	29,957	4,326
1996.....	120,351,208	90,929,350	75.6	4,418	658	14.9	48,582	7,239	30,964	4,614
1997.....	122,421,991	93,471,200	76.4	4,849	731	15.1	51,875	7,824	32,321	4,875
1998.....	124,770,662	93,047,898	74.6	5,299	789	14.9	56,947	8,475	34,745	5,171
1999.....	127,075,145	94,546,080	74.4	5,736	877	15.3	60,666	9,280	36,414	5,570
2000.....	129,373,500	96,817,603	74.8	6,294	981	15.6	65,012	10,129	37,754	5,882
2001.....	130,255,237	94,763,530	72.8	5,943	888	14.9	62,716	9,370	35,413	5,291

¹ Number of taxable returns (column 2) divided by total number of returns (column 1).

² Average tax rate is "total income tax" (column 5) divided by adjusted gross income less deficit (AGI) (column 4).

³ The average adjusted gross income (less deficit), average total income tax, and average tax rate were calculated from unrounded data.

⁴ Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

⁵ These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see *Statistics of Income--Individual Income Tax Returns*, for 1986-2001. See Figure G for components of the 1979 Income Concept.

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of 31 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions.

- (5) Tax Years 1993 through 1996 had a five-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions.
- (6) Tax Years 1997 through 2000 were subject to the Taxpayer Relief Act of 1997 which added three new capital gain tax rates to the previous rate structure to form a new eight-rate tax bracket structure (with maximum statutory tax rate of 39.6 percent). See Appendix C for a more detailed description of the capital gain rates.
- (7) Tax Year 2001 was the first year affected by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). This law included a new 10-percent tax rate bracket, half percentage point reductions in marginal tax rates higher than the 15-percent rate, increases in the child tax credit, and an increase in alternative minimum tax exemptions. See the Changes in Law section for more details.

More than 94.8 million, or 72.8 percent, of the 130.3 million individual returns filed for 2001 were classified as taxable returns. This was a 2.1-percent reduction in the number of taxable returns from 2000. The last time the number of taxable returns fell by this magnitude was for 1992. Total AGI reported on taxable returns decreased 4.0 percent to \$5,847 billion. This was the first time that AGI for taxable returns has fallen since 1953 [2]. Total income on taxable returns fell using the 1979 Income Concept as well, dropping 5.6 percent to \$5,943 billion for 2001. Total income tax fell for the first time since 1983, declining by almost \$93 billion to \$888 billion for 2001. This 10.4-percent decline in income tax was more than double the rate of decline in AGI for 2001. The steeper drop in tax was partially attributable to both the disproportionately large reduction in income that occurred in the higher tax rate brackets (Figure B), as well as the tax cuts implemented in EGTRRA.

Average AGI and income tax, reported in current dollars, fell by a smaller percentage than total AGI and income tax due to the corresponding fall in tax-

able returns for 2001. Average AGI for taxable returns fell to \$61,702 for 2001, a 1.8-percent decline from 2000. Average AGI in constant 1982-84 dollars decreased 4.5 percent to \$34,840 [3]. Average income tax fell more than four times as fast as average AGI for 2001, slipping 7.5 percent to \$9,370. In constant dollars, income tax fell more than twice as fast as AGI, decreasing 10.0 percent to \$5,291. The relatively large reductions in average income tax, for both current and constant dollars, suggest that factors other than the falling level of income may have contributed to the decrease in tax generated.

In order to analyze the average tax rate over time, it is necessary to use an alternative measure to AGI because changes in the tax law alter AGI's definition from year to year. The 1979 Income Concept controls for much of this variation in tax law, and its use provides a more consistent estimate of the average tax rate across years. For 2001, the average tax rate fell to 14.9 percent from 15.6 percent for 2000. Though the 0.7-percent decline is the first fall in the average tax rate since 1998, the 14.9-percent rate is still higher than 10 of the 16 years for which data are reported. The average tax rate has not been less than 14 percent since 1993, the year the Omnibus Reconciliation Act of 1993 passed (OBRA93), which created new 36-percent and 39.6-percent tax brackets.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 15.2 percent for 2001. The average tax rate for the AGI-size classes ranged from 2.8 percent for the "\$1 under \$10,000" AGI-size class to 28.4 percent for the "\$1,000,000 or more" AGI-size class. This range of values highlights the progressive nature of the tax code, as the average tax rate increases in each successively higher AGI-size class. The average tax rate in each AGI-size classes, with the exception of the "\$1,000,000 or more" class, fell for 2001. The average tax rate on the "\$1,000,000 or more" AGI-size class increased 0.7 percentage points for 2001. This may have been attributable to the reduction of long-term capital gain income as a share of total income for returns in this class.

The average tax rate of 15.2 percent for 2001 for all income classes combined was a decrease of 0.9 percentage points from the all-time high of 16.1 percent reported for 2000. This reduction was at least partially attributable to the implementation of tax

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Figure B

Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 2000 and 2001

[Number of returns is in thousands--money amounts are in millions of dollars]

Tax year, items	Total	Size of adjusted gross income									
		Under \$1 ¹	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax Year 2001:											
Number of taxable returns.....	94,764	5	6,460	13,791	14,060	23,153	26,269	8,461	2,016	355	193
Adjusted gross income (less deficit).....	5,847,060	-1,817	42,914	209,345	351,885	908,461	1,826,558	1,113,189	577,874	240,493	578,159
Total income tax.....	887,974	92	1,219	11,999	27,184	82,926	212,798	185,264	134,591	67,781	164,120
Average tax rate (percent) ²	15.2	(³)	2.8	5.7	7.7	9.1	11.7	16.6	23.3	28.2	28.4
Tax Year 2000:											
Number of taxable returns.....	96,818	6	7,831	14,476	14,863	23,253	25,542	8,078	2,134	396	239
Adjusted gross income (less deficit).....	6,083,263	-5,646	49,981	219,038	370,902	910,893	1,774,029	1,065,629	613,255	268,765	816,418
Total income tax.....	980,645	124	2,231	14,408	29,533	85,969	215,549	184,035	146,454	76,022	226,320
Average tax rate (percent) ²	16.1	(³)	4.5	6.6	8.0	9.4	12.2	17.3	23.9	28.3	27.7
Change in:											
Number of taxable returns.....	-2,054	(Z)	-1,372	-685	-803	-99	728	383	-118	-41	-47
Percent.....	-2.1	-7.8	-17.5	-4.7	-5.4	-0.4	2.8	4.7	-5.5	-10.3	-19.5
Adjusted gross income (less deficit).....	-236,203	3,830	-7,067	-9,693	-19,017	-2,432	52,529	47,560	-35,381	-28,272	-238,259
Percent.....	-3.9	-67.8	-14.1	-4.4	-5.1	-0.3	3.0	4.5	-5.8	-10.5	-29.2
Total income tax.....	-92,671	-32	-1,012	-2,409	-2,349	-3,043	-2,751	1,229	-11,864	-8,240	-62,201
Percent.....	-9.5	-25.6	-45.3	-16.7	-8.0	-3.5	-1.3	0.7	-8.1	-10.8	-27.5
Average tax rate											
Percentage point change.....	-0.9	(⁴)	-1.6	-0.8	-0.2	-0.3	-0.5	-0.6	-0.6	-0.1	0.7

¹ Includes returns with adjusted gross deficit. Tax in these returns represents some combination of alternative minimum tax, Form 4972 tax on lump-sum distributions from qualified retirement plans, and Form 8814 tax on a child's interest and dividends not reflected in adjusted gross income or taxable income.

² Average tax rate is "total income tax" as a percentage of adjusted gross income less deficit (AGI). The average tax rate was calculated from unrounded data.

³ Percentage not computed.

⁴ Increase not computed.

Z--Less than 1,000.

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

rate reductions under EGTRRA. Also, many of the higher income tax returns of previous years shifted to lower income brackets for 2001 partially due to the very large reductions in realized capital gain (less loss). Specifically, the number of taxpayers in the top three AGI-size classes declined by: 19.5 percent for the "\$1 million or more" AGI-class; 10.3 percent for the "\$500,000 under \$1,000,000" AGI-class; and 5.5 percent for the "\$200,000 under \$500,000" AGI-class. The last decline in average tax rates was in 1991 when the economy was in a recession. The last time the average tax rate fell by a similar magnitude was for 1987, the first year under TRA86.

Marginal Tax Rate Classifications

A return's marginal tax rate is the highest statutory tax rate bracket applicable to that tax return. Marginal tax rate statistics are presented in Figure C and Table 1. These statistics are based on individual income tax returns showing a positive taxable income amount based on "tax generated" and items of income that were subject to the regular income tax, generally those included in AGI [4]. Tables 2 and 3 contain additional data based on marginal tax rates. These tables present statistics on the income and tax generated at each marginal tax rate by size of AGI (Table 2) and by filing status (Table 3). Appendix D

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explains the details of the determination of the marginal tax rate bracket into which a return is assumed to fall.

For 2001, the number of individual returns with modified taxable income fell 1.0 percent to 104.2 million. The amount of modified taxable income reported on these returns fell 6.1 percent to \$4,269.3 billion [5]. As a result of both the falling level of taxable income and the tax cuts implemented under EGTRRA, these returns generated \$926.6 billion in income taxes before credits for 2001, an 8.1-percent drop from the previous year. Figure C presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal tax rate categories (defined in Appendix D). The 2001 marginal tax rate categories for 2001 are different than those for 2000 due to changes in statutory tax rates resulting from EGTRRA. The tax rates for the four highest income brackets were each reduced by half a percentage point, and 8-percent and 10-percent rate brackets were created for in-

come from capital gains. A 10-percent tax bracket for ordinary income was introduced for dependents for 2001 (all others for 2002, see Changes in Law section for more detail).

The “15 percent” marginal tax rate bracket contained the largest share of returns for 2001, at 62.6 percent. These returns reported 24.7 percent of modified taxable income for 2001 and 17.0 percent of income tax before credits. Conversely, the 0.8 percent of returns in the “39.1 percent” marginal rate bracket reported 17.8 percent of the modified taxable income and 27.6 percent of the tax. The 26.1 percent of returns in the “27.5 percent” marginal rate bracket reported 36.4 percent of the modified taxable income and 32.0 percent of income tax before credits. Returns in the “30.5 percent” rate bracket reported 10.5 percent of the modified taxable income and 11.5 percent of the income tax. Returns in the “35.5 percent” rate bracket reported showed 7.7 percent of the modified taxable income and 9.6 percent of the income tax. The two new marginal tax rate brackets, “8 percent” and “10 percent (capi-

Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2001

[Money amounts are in thousands of dollars]

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
All rates.....	104,163,693	100.0	4,269,339,932	100.0	926,646,417	100.0
8 percent.....	187,240	0.2	1,410,668	(²)	112,850	(²)
10 percent (capital gains).....	554,064	0.5	2,645,170	0.1	257,111	(²)
10 percent.....	3,877,821	3.7	7,834,252	0.2	783,586	0.1
10 percent (Form 8814) ¹	8,324	(²)	10,580	(²)	1,058	(²)
15 percent.....	65,207,298	62.6	1,056,357,480	24.7	157,672,420	17.0
20 percent.....	685,760	0.7	95,447,222	2.2	17,160,764	1.9
25 percent.....	47,801	(²)	6,781,981	0.2	1,338,779	0.1
27.5 percent.....	27,219,888	26.1	1,554,572,661	36.4	296,370,247	32.0
28 percent (capital gains).....	49,296	(²)	3,897,093	0.1	793,800	0.1
30.5 percent.....	3,824,132	3.7	450,404,363	10.5	106,868,479	11.5
35.5 percent.....	1,453,822	1.4	328,972,332	7.7	89,323,624	9.6
39.1 percent.....	846,345	0.8	759,379,672	17.8	255,544,943	27.6
Form 8615 ³	201,902	0.2	1,626,456	(²)	418,758	(²)

¹ Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

² Less than 0.05 percent.

³ Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

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tal gains and ordinary income),” combined to account for approximately 0.9 percent of the modified taxable income and 0.4 percent of the tax generated for 2001.

As shown in Table 2, more tax was generated for 2001 at the 15-percent rate than at any other rate. The 54.4 percent of income taxed at this rate was reported by 95.3 percent of returns with taxable income, generating 37.6 percent of tax generated. The 27.5-percent rate generated the next largest amount of income tax liability. Tax in that bracket was reported on 32.1 percent of returns, and 19.4 percent of modified taxable income was taxed at this rate, to generate 24.6 percent of tax generated. Only 0.8 percent of returns with taxable income were taxed at the 39.1-percent rate. However, 9.7 percent of all income was taxed at this rate, generating 17.5 percent of the tax generated.

Components of Total Income Tax

Regular Tax

Regular tax is generally tax determined from a taxpayer’s taxable income based on statutory tax rates less any applicable tax credits. It does not include the “alternative minimum tax” (AMT). Figure D illustrates the derivation of aggregate tax generated for 2001 returns with modified taxable income. Table 1 includes two tax amounts: “tax generated” and “income tax after credits.” Tables 5 through 8 and Figures A and B include an additional measure of tax, “total income tax.”

As shown (Figure D and column 5 of Table 1), the tax generated by applying statutory income tax rates to modified taxable income was \$926.6 billion, an 8.1-percent decrease from 2000 [6]. For most taxpayers, tax generated was equal to income tax before credits. However, for some taxpayers, income tax before credits included the alternative minimum tax (AMT) and/or special taxes on lump-sum distributions from qualified retirement plans (when a 10-year averaging method was used) [7]. The AMT fell 29.6 percent to \$6.8 billion for 2001, partially as a result of the decline in income and partially the result of an expansion in AMT exemptions implemented under EGTRRA. The earned income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer because it

exceeds the taxpayer’s liability and any portion of the EIC used to reduce taxes other than income taxes are excluded from the computation of income tax after credits [8]. Income tax after credits (Figure D) totaled \$887.9 billion, a 9.4-percent decline from 2000. Total income tax, the sum of income tax after credits and tax on trusts accumulation distributions, totaled \$888.0 billion for 2001. This represented a 9.4-percent fall in total income tax, which was a larger percentage decline than for tax generated due to the 29.2-percent fall in AMT, as well as the 21.0-percent increase in tax credits.

Table 4 provides estimates by the type of tax computation for returns with modified taxable income. For 2001, the number of children under age 14 who filed Form 8615 for reporting investment

Figure D

Derivation of 2001 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

Tax generated from tax rate schedules or tax table.....	926.6
PLUS:	
Tax on lump-sum distributions from qualified retirement plans.....	0.2
Alternative minimum tax.....	6.8
EQUALS:	
Income tax before credits.....	933.6
LESS: Tax credits, total ¹	45.6
Child-care credit.....	2.7
Child tax credit ¹	22.4
Education credit.....	5.2
Foreign tax credit.....	6.3
General business credit.....	0.7
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	1.5
Credit for prior-year minimum tax.....	1.4
Rate reduction credit.....	5.1
Other credits ²	0.4
EQUALS:	
Income tax after credits.....	887.9
PLUS: Trusts accumulation distribution.....	0.04
EQUALS:	
Total income tax.....	888.0

¹ Does not include the additional child tax credit that for 2001 was \$4,994.7 million, which were refunded to taxpayers and not included in total income tax.

² Includes the elderly or disabled credit, empowerment zone employment credit, mortgage interest credit, adoption credit, nonconventional source fuel credit, and other credits.

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

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income over \$1,500 decreased 63.0 percent to 201,902. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children generated almost \$418.8 million (column 7) of tax revenue which is \$98.6 million (column 8) more than the \$320.2 million (column 6) of tax that would have been generated using ordinary tax computation.

For 2001, the 10.2 million returns which included the Schedule D capital gain tax computation generated \$245.4 billion in tax (column 7). If long-term capital gains had been taxed the same as ordinary income, the amount of income tax before credits (regular tax computation) for these same taxpayers would have been \$281.5 billion (column 6). Thus, use of the Schedule D tax computation resulted in \$36.1 billion (column 8) less tax for 2001, a fall by more than half from the \$72.6-billion reduction for 2000 (column 4) when 17.1 million taxpayers received some benefit from lower capital gain taxes (column 1). The average tax savings fell from \$4,248 per return for 2000 to \$3,537 for 2001. This reduction was attributable both to the reduction in capital gains realized and to the tax cuts implemented in EGTRRA which reduced the level of taxation that would have applied in the absence of the special capital gain tax rates.

Alternative Minimum Tax

The Revenue Act of 1978 established the alternative minimum tax to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise be able to legally reduce, or totally eliminate, their tax burden. The AMT provisions may recapture some of the tax reductions under the ordinary income tax. Form 6251, *Alternative Minimum Tax--Individuals*, is used to calculate AMT. (See Appendix E for an explanation of the computation of income for AMT purposes.)

Figure E presents statistics, by size of AGI, on the AMT reported by taxpayers filing Form 6251 with their returns. For 2001, AMT liability fell 29.6 percent from its 2000 high to \$6.8 billion. The fall in AMT coincided with a 19.3-percent decrease in Alternative Minimum Taxable Income (AMTI) for 2001. The AMT fell more than AMTI because of increases in the AMT exemption amounts for 2001.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2001. Much of the varia-

tion in the number of taxpayers affected by the AMT and in the amount of AMT liability during the mid-to-late 1980's and early 1990's was attributable to tax law changes such as TRA86, RRA90 (Revenue Reconciliation Act of 1990), and OBRA93, which were the source of regular and AMT tax rate changes. Since then, the impact of the AMT has increased partially because the AMT exemptions have not been indexed annually for the effects of inflation, whereas various parameters of the ordinary income tax (such as tax brackets, exemptions, etc.) have been indexed annually for inflation. In June 2001, the impact of the AMT declined as AMT exemption amounts were increased statutorily by EGTRRA.

Income and Tax Shares

Historical statistics on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year and tax or income item, by descending and ascending cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among years within the ERTA81 period (i.e., Tax Years 1982 through 1986), and among years within the post-TRA86 period (i.e., Tax Years 1987 through 2001). Since TRA86 redefined AGI, Tables 5 and 6 are not as useful for comparisons between pre- and post-TRA86 years. Thus, Tables 7 and 8, which are based on a consistent definition of income (i.e., the 1979 Income Concept), are included to facilitate such comparisons.

Tables 5 and 7, are based on percentiles of returns cumulated downward from the highest income returns. The data in Tables 5 and 7 are shown for the top 1, 5, 10, 25, and 50 percent of returns. Tables 6 and 8 are based on returns cumulated upward for the lowest income returns. Data are shown for the bottom 50, 75, 90, 95, and 99 percent of all returns.

Consider, for example, the data in Table 5 for the 128.8 million returns filed for 2001 with positive AGI [9]. The average tax rate for these returns was 14.2 percent, a 1.0-percentage point decrease from 2000. This was only the second time in the last 10 years that the average tax rate has fallen, the other being in 1998. The average tax rate on the top 1 percentile increased slightly for 2001, while the average tax rate on the 5, 10, 25 and 50 percentiles decreased

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Figure E

Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, by Size of Adjusted Gross Income, Tax Years 2000 and 2001

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences ¹		Alternative minimum taxable income		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Year 2001						
All returns.....	4,592,037	100,771,657	4,597,132	882,736,264	1,120,047	6,756,705
Under \$1 ²	106,190	1,889,581	106,544	-7,726,068	4,649	94,531
\$1 under \$10,000.....	309,982	1,046,724	310,030	1,122,367	341	4,225
\$10,000 under \$20,000.....	256,655	1,153,904	256,655	2,880,714	4,010	8,267
\$20,000 under \$30,000.....	210,848	1,163,511	210,871	4,399,782	1,472	6,680
\$30,000 under \$40,000.....	198,549	1,282,994	198,609	5,826,148	4,596	7,002
\$40,000 under \$50,000.....	207,675	1,664,953	207,795	8,045,248	20,688	17,702
\$50,000 under \$75,000.....	566,150	5,425,665	567,004	30,916,546	93,712	131,362
\$75,000 under \$100,000.....	537,308	7,012,547	538,453	41,370,355	143,871	277,858
\$100,000 under \$200,000.....	1,149,155	20,361,438	1,150,178	143,838,113	418,268	1,169,972
\$200,000 under \$500,000.....	775,973	23,668,224	776,911	209,328,128	352,603	2,332,675
\$500,000 under \$1,000,000.....	165,906	9,538,219	166,203	103,946,143	50,676	892,284
\$1,000,000 or more.....	107,647	26,563,897	107,878	338,788,788	25,159	1,814,144
Tax Year 2000						
All returns.....	4,668,843	116,693,913	4,674,927	1,093,505,463	1,304,197	9,600,840
Under \$1 ²	85,443	1,474,623	85,262	-4,680,793	3,823	100,636
\$1 under \$10,000.....	314,222	1,026,652	314,222	1,417,120	3,058	8,131
\$10,000 under \$20,000.....	241,475	1,248,547	241,475	3,121,189	5,724	5,760
\$20,000 under \$30,000.....	189,486	989,525	189,486	4,146,827	3,544	8,260
\$30,000 under \$40,000.....	209,270	1,418,881	209,270	6,624,480	12,493	14,323
\$40,000 under \$50,000.....	215,047	1,486,481	215,048	8,658,725	20,063	19,819
\$50,000 under \$75,000.....	594,332	5,638,126	594,528	33,107,110	121,906	168,366
\$75,000 under \$100,000.....	568,183	6,675,031	571,240	44,771,889	177,433	244,174
\$100,000 under \$200,000.....	1,097,292	20,063,494	1,099,350	141,514,523	437,004	1,531,783
\$200,000 under \$500,000.....	832,265	26,342,935	832,654	231,645,543	416,198	3,340,500
\$500,000 under \$1,000,000.....	187,674	12,198,541	187,992	122,178,405	66,860	1,438,572
\$1,000,000 or more.....	134,153	38,131,077	134,397	501,000,444	36,093	2,720,516

¹ See Figures I-1 and I-2 for the calculation of alternative minimum taxable income and the list of alternative minimum tax adjustments and preferences.

² Includes returns with adjusted gross deficit.

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

from 2000. The 1, 5, 10, 25, and 50 percentiles all recorded a larger share of the income tax burden than their respective shares of AGI. For 2001, the returns in the top 1 percentile reported 17.5 percent of total AGI and 33.9 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$292,913. For 2000, the returns in this percentile group (i.e., those with at least \$313,469 in AGI) reported 20.8 percent of total AGI and 37.4 percent of income tax generated. The fall in both the share of AGI and income tax for the top 1 percentile, and corresponding increase in the

average tax rate, was largely attributable to the reduction in net capital gains (less losses) for these taxpayers. This was the first time that the share of AGI and income tax for returns in the top 1 percentile fell since 1993 and 1994, respectively.

For 2001, the returns in the top 5-percentile group (returns reporting AGI of \$127,904 or more) reported 32.0 percent of total AGI and 53.3 percent of income tax, less than the 35.3 percent and 56.5 percent, respectively, for 2000 (when the AGI floor was \$128,336). For 2001, returns in the top 10-percentile group (returns with AGI of at least \$92,754) earned

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Figure F

Alternative Minimum Tax, Tax Years 1986-2001

[Tax rates are in percentages--money amounts are in thousands of dollars]

Tax year	Highest statutory alternative minimum tax rate	Alternative minimum tax	
		Number of returns	Amount
	(1)	(2)	(3)
1986.....	20	608,907	6,713,149
1987.....	21	139,779	1,674,898
1988.....	21	113,562	1,027,884
1989.....	21	117,483	831,012
1990.....	21	132,103	830,313
1991.....	24	243,672	1,213,426
1992.....	24	287,183	1,357,063
1993.....	28	334,615	2,052,790
1994.....	28	368,964	2,212,094
1995.....	28	414,106	2,290,576
1996.....	28	477,898	2,812,746
1997.....	28 ¹	618,072	4,005,101
1998.....	28 ¹	853,433	5,014,549
1999.....	28 ¹	1,018,063	6,477,697
2000.....	28 ¹	1,304,197	9,600,840
2001.....	28 ¹	1,120,047	6,756,705

¹ Top rate on most long term capital gains was 20 percent.

43.1 percent of AGI and paid 64.9 percent of income tax. For 2000, the returns in this percentile group (with AGI of \$92,144 or more) reported 46.0 percent of total AGI and 67.3 percent of income tax. The top 50-percentile group accounted for 86.2 percent of income and 96.0 percent of the income tax for 2001.

The statistics by percentile in Tables 5 and 6 for years prior to 1991 and in Tables 7 and 8 for years prior to 1994 were estimated, using a mathematical technique called “osculatory interpolation,” applied to aggregated data tabulated by income-size classes, in order to distribute the tax returns within each class [10]. For 1991 and later years, the statistics by percentiles in Tables 5 and 6 and Tables 7 and 8 for 1994 through 2001 were computed based on an actual ranking of the returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. The differences under the two methods were judged to be minor enough so that the pre-1991 and post-1990 data are believed to be comparable.

Appendix A: Explanation of Selected Terms

This appendix provides brief explanations of the major tax concepts discussed. For more extensive

definitions, see Individual Income Tax Returns 2001, Statistics of Income Division, Internal Revenue Service, Publication 1304.

Adjusted Gross Income.--Adjusted gross income is “total income,” as defined by the tax code, less “statutory adjustments” (primarily business, investment, or certain other deductions, such as payments to a Keogh self-employed retirement plan, certain deductible contributions to an Individual Retirement Arrangement (IRA), self-employed health insurance deductions, and one-half of Social Security taxes for the self-employed). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and net amounts from such sources as business income, rents and royalties, and sales of capital assets.

Difference Due to Special Tax Computation.--For this article, the tax difference is the amount of tax resulting from using provisions of one of the special tax computations (Form 8615 or Schedule D) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

Form 8615 Tax Computation.--Form 8615 was used to compute the tax on investment income of children under age 14 who had investment income of more than \$1,500. Generally, such income was taxed as the marginal income of the parents.

Income Tax Before Credits.--This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Schedule D Tax worksheet, Schedule J, or Form 8615, plus Form (s) 8814, and any additional taxes from Form 4972. Beginning for Tax Year 2001, this amount also includes the Alternative Minimum Tax.

Income Tax Before Credits (Regular Tax Computation).--This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate schedules, plus any additional tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child’s rate rather than at the rate of the parents. When the Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 8-percent, 10-percent, 20-percent, 25-percent, or 28-percent tax rate for capital gains. This is in

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contrast to the computation of Income Tax Before Credits (see above) in which special tax computations such as those involved on the Form 8615 and Schedule D are taken into account (see Table 4).

Marginal Tax Rate.--See Appendix D.

Modified Taxable Income.--See Appendix D.

Regular Tax Computation.--Depending on marital status and size of taxable income, the taxpayer used one of the four tax rate schedules (or an approximation from the tax table) to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

Schedule D Tax Computation.--Schedule D was used to compute the 8-percent, 10-percent, 20-percent, 25-percent, and 28-percent taxes on net long-term capital gains (in excess of net short-term capital losses), if such computations were beneficial to the taxpayer. Any investment interest allocated to long-term capital gains (on Form 4952) was excluded from this computation.

Taxable Income.--Taxable income is AGI less the sum of personal exemptions amounts and either the standard deduction for nonitemizers or total itemized deductions. The amounts for personal exemptions and total itemized deductions are net of any reductions because of taxpayers' income exceeding certain income thresholds.

Taxable Returns.--A return is classified as "taxable" based on the presence of "tax generated." The following additional taxes were not taken into account for this purpose: self-employment, household employment, Social Security, Railroad Retirement Tax Act (RRTA) taxes, tax from recomputing prior-year investment or low-income housing credits, penalty taxes on Individual Retirement Arrangements, section 72 penalty taxes, advance earned income credit payments, or "golden parachute" payments (made to key employees as compensation under certain circumstances).

Tax Generated.--This is the amount of tax computed on modified taxable income either from the tax rate schedules or the tax table. Tax generated does not take into account the alternative minimum tax or the effect of tax credits. For most returns (those without the special tax on lump-sum distributions from qualified retirement plans or alternative minimum tax), tax generated equals "income tax before credits."

Total Income Tax.--This is the sum of income tax after credits and tax on accumulated trusts distribution from Form 4970, less the portion of the EIC used to offset other taxes as well as the refundable portion of the EIC.

Appendix B: Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 2001 were generally based on the amount of "gross income," filing status, age, and, to a lesser extent, dependency and blindness [11]. Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file a return for Tax Year 2001 if they had net earnings from self-employment of at least \$400; liability for Social Security or Medicare tax on unreported tip income; Social Security, Medicare, or Railroad Retirement tax on reported tip income or group-term life insurance; "alternative minimum tax"; tax on qualified retirement plan distributions, including an Individual Retirement Arrangement (IRA) or a Medical Savings Account (MSA); tax on the recapture of investment credit or low-income housing credit; recapture tax on the disposition of a home purchased with a Federally-subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from Social Security taxes.

Gross income includes all income received as money, goods, property, or services that was not expressly exempt from tax [12]. Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses [13]. "Taxable income," the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: tax table or tax rate schedules, both of which vary with taxpayer filing status (single,

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married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children's investment income; Schedule D worksheet for net long-term capital gains; or some combination of the above [14]. For 2001, the tax rates for each filing status were 8 percent, 10 percent, 15 percent, 20 percent, 25 percent, 26 percent, 27.5 percent, 28 percent, 30.5 percent, 35.5 percent, and 39.1 percent [15]. The tax rates of 8 percent, 20 percent, 25 percent, and 28 percent were only for net long-term capital gains (in excess of net short-term capital losses). Income tax before credits includes any alternative minimum tax. (See Appendix C for further details on these rates.)

To calculate their Federal income tax liability for 2001, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax "brackets" up to \$50 wide [16]. The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar. As a result, the tax table and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax table could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax table with taxable income that was subject to the 35.5-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$9.25 [17]. However, for most taxpayers the actual difference in tax was smaller.

Appendix C: Changes in Law for 2001

Alternative Minimum Tax.--For Tax Year 2001, The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased the AMT exemption amounts as follows:

Filing Status	2000	2001
Married filing jointly and surviving spouses	\$45,000	\$49,000
Married filing separately	\$22,500	\$24,500
Single	\$33,750	\$35,750

Capital Gain Tax Rate.--The rate at which net capital gain (less loss) that was held for at least 5 years was lowered to 8 percent for 2001 for those individuals who would otherwise have paid a 10-percent tax rate on these gains.

Child Tax Credit.--The amount of the child tax credit was increased from \$500 to \$600 for 2001. The refundable portion of the child tax credit was also extended to families with fewer than three children. It was refundable up to 10 percent of the amount by which a taxpayer's earned income exceeded \$10,000. Families with more than three children could choose the greater of this value, or the amount by which the taxpayer's Social Security taxes exceeded his or her earned income credit.

Earned Income Credit.--The maximum amount of the earned income credit (EIC) increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,450 from \$2,400. The maximum credit for taxpayers with no qualifying children increased to \$364. For these taxpayers, earned income and modified AGI had to be less than \$10,710 (up from \$10,380 for 2000). For taxpayers with one qualifying child, the maximum credit increased to \$2,428, and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,008. To be eligible for the credit, a taxpayer's earned income and modified AGI had to be less than \$28,281 for one qualifying child, or less than \$32,121 for two or more qualifying children.

Foreign Earned Income Exclusion.--For Tax Year 2001, the amount of foreign earned income that could have been excluded from income per taxpayer increased from \$76,000 to \$78,000.

Indexing.--The following items increased due to indexing for inflation: personal exemption amounts; the basic standard deduction amounts; and the tax bracket boundaries, the beginning income amounts for limiting certain itemized deductions and for phasing out personal exemptions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

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Individual Income Tax Rate Reductions.--For tax years beginning after December 31, 2000, a new 10-percent regular income tax rate schedule will be used for the first portion of taxable income that had been taxed at a 15-percent rate. However, for Tax Year 2001, the 10 percent applies to the first \$6,000 only for dependent individuals. Other taxpayers received benefits equivalent to the 10-percent rate bracket via an advanced payment based on their Tax Year 2000 returns or the rate reduction credit (see below). Also for 2001, there was a reduction of the marginal tax rates that are higher than the 15-percent bracket according to the following table:

2000	2001
—	10%
15%	15%
28%	27.5%
31%	30.5%
36%	35.5%
39.6%	39.1%

Rate Reduction Credit.--Individual taxpayers were eligible for a rate reduction credit equal to 5 percent of the first \$6,000 of taxable income for single or married filing separately taxpayers, \$10,000 for head of household taxpayers, and \$12,000 for married taxpayers filing jointly or qualified widowers. The rate reduction credit was, however, reduced by the amount of the advance rate reduction credit issued in the form of a check in the summer of 2001, which was based on information on the taxpayer's 2000 tax return.

Student Loan Interest Deduction.--For Tax Year 2001, eligible taxpayers were allowed to deduct up to \$2,500 of interest paid on qualified higher educational loans, up from \$2,000 for 2000. These loans must have been used for qualified educational expenses of either the taxpayer, taxpayer's spouse, or any dependent of the taxpayer at the time the debt was incurred. The taxpayer's modified AGI must have been less than: \$55,000 if single, head of household, or qualifying widow(er); or \$75,000 if married filing jointly.

Appendix D: Income and Tax Concepts

As discussed in Appendix B, gross income is all income received that is not specifically excluded. Total income is the net amount of gross income after

certain expenses (i.e., business or rent and royalty expenses) have been deducted. Adjusted gross income (AGI) is total income less statutory adjustments to income (i.e., deductible contributions to an IRA or Keogh plan).

1979 Income Concept

To analyze changes in income and taxes over a period of years, a consistent definition of income should be used. Because the components of AGI may vary from year to year as the law changes, the "1979 Income Concept" was developed to provide a more uniform measure of income across tax years. By including the same income and deduction items in each year's income calculation and using only items available on Federal individual income tax returns, the definition of the 1979 Income Concept is consistent throughout the base years and can be used for future years to compare income by including only income components common to all years. Tax Years 1979 through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 2001 includes many income and deduction items that are also components of AGI (Figure G). However, unlike AGI, the 1979 Income Concept also includes some nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax returns and disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept [18].

Modified Taxable Income

This concept is relevant only for "prior-year returns." For current-year returns, modified taxable income is identical to taxable income.

This is the term used for the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax year are being selected for the Statistics of Income sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year. The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable income reported on these prior-

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Figure G

Components of the 1979 Income Concept, Tax Year 2001

Income or Loss:

- Salaries and wages ¹
- Interest ¹
- Dividends ¹
- Taxable refunds ¹
- Alimony received ¹
- Capital gain distributions not reported on Schedule D ¹
- Capital gains reported on Schedule D minus allowable losses ¹
- Other gains and losses (Form 4797) ¹
- Business net income or loss ¹
- Farm net income or loss ¹
- Rent net income or loss ¹
- Royalty net income or loss ¹
- Partnership net income or loss ¹
- S corporation net income or loss ¹
- Farm rental net income or loss ¹
- Estate or trust net income or loss ¹
- Unemployment compensation ¹
- Depreciation in excess of straight-line depreciation ²
- Total pension income ^{3,4}
- Other net income or loss ⁵
- Net operating loss ¹

Deductions:

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

¹ Included in adjusted gross income (less deficit) (AGI) for Tax Year 2001.

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

³ Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

⁴ Not fully included in AGI for Tax Year 2001.

⁵ Includes an adjustment to add back amounts reported for the "foreign-earned income exclusion."

⁶ Not included in AGI for Tax Year 2001.

year returns is modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

Marginal Tax Rates

Under the progressive U.S. income tax rate structure, different portions of taxable income are taxed at different rates. Figure H illustrates how income tax is determined for a single taxpayer with AGI of \$310,000 who used the standard deduction. As shown in the example, five different tax rates were applied to the taxable income to arrive at total tax. The first \$27,050 of taxable income were taxed at the 15-percent rate; the next \$38,500 were taxed at the

27.5-percent rate; the next \$71,200 were taxed at the 30.5-percent rate; the next \$160,600 were taxed at the 35.5-percent rate; and the remaining \$8,100 were taxed at the 39.1-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. In the example, the marginal tax rate is 39.1 percent.

Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes which are not subject to the same treatment under tax laws, the marginal tax rate is not always apparent. For instance, investment income of a dependent under age 14 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,500 was taxed at the marginal tax rate of the parents, whereas the salaries and wages were taxed at the dependent's own rate.

Calculating marginal tax rates for a specific individual income tax return generally depends both on the types and amounts of income reported and the assumptions made about the order in which the income is taxed, in particular, which type of income is assumed to be received "last." Additional complexity is added by the presence of such items as the alternative minimum tax and various tax credits.

For this article, it is assumed that the income

Figure H

Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 2001

[Money amounts are in whole dollars]

Item	Amount
Adjusted gross income.....	310,000
Less: Exemption amount.....	0 ¹
Standard deduction amount.....	4,550
Equals: Taxable income.....	305,450
Tax based on tax rates for single taxpayers:	
First \$27,050 taxed at 15 percent.....	4,058
Next \$38,500 taxed at 27.5 percent.....	10,588
Next \$71,200 taxed at 30.5 percent.....	21,716
Next \$160,600 taxed at 35.5 percent.....	57,013
Next \$8,100 taxed at 39.1 percent.....	3,167
Total tax from tax rate schedule.....	96,541

¹ The exemption amount was phased out completely because AGI exceeded \$255,450.

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taxed at the marginal rate was the “last” income received. The alternative minimum tax and income tax credits, such as the earned income credit, are excluded in determining the marginal tax rates. The marginal tax rate is defined as follows:

- (1) If a return showed taxable income, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had no taxable income except for net long-term capital gains and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having an “8- or 10-percent rate” marginal tax rate. If the return had taxable income (from other than net long-term capital gains) to which only the 15-percent tax rate applied, as well as net long-term capital gains to which the 20-percent or 25-percent rate on the net gain applied, the return was defined as having a marginal tax rate equal to the maximum rate at which the net gains were taxed. If the return had taxable income (from other than net long-term capital gains) to which the 27.5-percent tax rate applied as the highest rate, as well as net long-term capital gains to which the maximum 28-percent rate on net gain applied, the return was defined as having a “28-percent (capital gains)” marginal tax rate. However, if the return had taxable income (from other than net long-term capital gains) above the maximum amount to which the 27.5-percent applied, as well as net long-term capital gains to which the 28-percent rate on the net gain applied, the return was classified as having the highest rate at which any amount of taxable income reported on the return was taxed.
- (3) For returns of dependents with a Form 8615 attached when the use of this form resulted in the taxation of some of the dependent’s income as if it were that of the parents, the return was classified as having a “Form 8615” marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest and dividend income of their dependents under

age 14 on their own (i.e., the parents’) return using Form 8814, when the dependent’s income generated the only tax liability on the parent’s return, the return was classified with a “Form 8814” marginal tax rate.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses), and presence of Form 8615 or Form 8814. Returns were classified into one of the following thirteen mutually exclusive marginal tax rate categories: (1) 8-percent rate; (2) 10-percent rate; (3) 10-percent (capital gains); (4) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent’s income); (5) 15-percent rate; (6) 20-percent rate; (7) 25-percent rate; (8) 27.5-percent rate; (9) 28-percent rate; (10) 30.5-percent rate; (11) 35.5-percent rate; (12) 39.1-percent rate; and (13) Form 8615 (with income taxed at any rate) [19].

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modified taxable income. For each marginal rate classification, modified taxable income and “income tax generated” were computed “at all rates” and “at marginal rate.” The “at all rates” computations (columns 3 and 5) show the total amount of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The “at marginal rate” computations (columns 4 and 6) report the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. The alternative minimum tax was not included in the statistics by marginal tax rate.

The alternative minimum tax was not included in the statistics by marginal tax rate. For example, consider returns in the “joint returns and returns of surviving spouses” filing status that were included in the “39.1-percent” marginal tax rate classification. The total modified taxable income for the 713,981 returns in this classification “at all rates” was \$638.1 billion (column 3), and the total tax generated was \$214.5 billion (column 5). Approximately \$346.5 billion (column 4) of the modified taxable income were

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subject to tax at the marginal tax rate of 39.1 percent. This modified taxable income generated \$135.5 billion (column 6) in tax at the 39.1-percent tax rate, with the remainder generated at some or all of the lower nine tax rates.

Table 2 provides statistics on the tax generated, in total and at each marginal tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI rather than by the marginal tax rate classifications used in Table 1. The tax generated at each marginal tax rate was computed based on the modified taxable income for each individual return.

For example, the 2.0 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$482.8 billion and generated total tax of \$134.0 billion. Of the \$482.8 billion of modified taxable income, \$0.6 billion were taxed at 8 percent, \$0.7 billion were taxed at 10 percent, \$84.8 billion were taxed at 15 percent, \$36.5 billion were taxed at 20 percent, \$2.1 billion were taxed at 25 percent, \$116.8 billion were taxed at 27.5 percent (ordinary income), \$103.8 billion were taxed at 30.5 percent, \$114.7 billion were taxed at 35.5 percent, and \$22.5 billion were taxed at 39.1 percent, with the remainder consisting of income related to special capital gain tax rates and the Forms 8814 and 8615. Approximately \$0.05 billion of the total tax generated were from the 8-percent rate, \$0.07 billion of the total tax generated were from the 10-percent rate, \$12.7 billion were from the 15-percent rate, \$7.3 billion were from the 20-percent rate, \$0.5 billion were from the 25-percent rate, \$32.1 billion were from the 27.5-percent rate, \$31.7 billion were from the 30.5-percent rate, \$40.7 billion were from the 35.5-percent rate, and \$8.8 billion were generated at the 39.1-percent rate, with the remainder from tax related to special capital gain tax rates and Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each marginal tax rate (as in Table 2, columns 5 through 43) by filing status, instead of size of AGI, for returns with modified taxable income. More than 0.7 million of the 45.2 million returns with modified taxable income filed jointly had some income taxed at the 39.1-percent tax rate. For these returns, the taxable income subject to this rate was \$346.5 billion, and the tax generated was \$135.5 billion.

Appendix E: Computation of Alternative Minimum Taxable Income (AMTI)

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions were taken for personal exemptions (Figures I-1 and I-2). Although itemized deductions for some taxpayers were limited for regular tax purposes, the full amounts of such itemized deductions were included as adjustments. (To compensate for this, the overall limitation on itemized deductions was then subtracted from taxable income for AMT purposes.) The “net operating loss deduction” was recomputed to allow for the exclusion of the “tax preference items” and “adjustments” used to reduce regular tax liability. The recomputed net operating loss deduction, termed the “alternative net operating loss deduction,” was limited to 90 percent of AMTI (with certain minor exceptions for 2000).

AMTI was reduced by an exemption amount which depended on the filing status of the individual and which was subject to phaseout at higher AMTI levels. The AMTI exemption for single filers (and heads of households) was \$35,750; for joint filers and surviving spouses, \$49,000; and for married persons filing separately, \$24,500. The exemption was reduced (but not below zero) by 25 percent of the amount by which the AMTI exceeded threshold levels of \$112,500 for single filers and heads of

Figure I-1

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2001

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction ¹
EQUALS:	Alternative minimum taxable income

¹ Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In this case, AMTI is recalculated, and the alternative tax net operating loss deduction is limited to 90 percent of the recomputed amount.

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Figure I-2

Alternative Minimum Tax Adjustments and Preferences, Tax Year 2001

- Standard deduction
- Medical and dental expenses from Schedule A (the lesser of deductible medical and dental expenses or 2.5 percent of AGI)
- Deductions for State and local income, real estate, personal property, and foreign taxes
- Deductions for interest on certain home mortgages not used to buy, build, or improve the taxpayer's main home or second home
- Miscellaneous itemized deductions subject to the 2-percent-of-AGI limitation
- Refunds of State and local income, real estate, personal property, and foreign taxes previously deducted (negative)
- Investment interest expense (the result could be negative)
- Excess of depreciation on property placed in service after 1986 over less liberal methods allowed for alternative minimum tax (AMT) purposes (straight-line or 150-percent declining balance method, depending on the type of property; the result could be negative)
- Adjustment of gain or loss on property, the basis of which was affected by accelerated depreciation or rapid amortization and which was reduced for AMT purposes (the result could be negative)
- Incentive stock options which were exercised after 1987 (the amount by which the value of the option when exercised exceeded the price paid by the taxpayer; the result could be negative)
- Passive activity gains and losses allowed for regular tax purposes for activities acquired before October 23, 1986, taking into account AMT adjustments and preference items and any AMT prior-year unallowed losses (the result could be negative)
- Difference between income distributions to beneficiaries of estates and trusts for regular tax purposes and the amounts refigured for AMT purposes (the result could be negative)
- Tax-exempt interest from private activity bonds issued after August 7, 1986
- Excess of circulation expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Excess of percentage depletion deduction for sections 611 and 613 property over the adjusted basis (the result could be negative)
- Excess of accelerated depreciation on property placed in service before 1987 over straight-line depreciation as refigured for AMT purposes
- Adjustment from disallowing the installment sales method of accounting for sales of inventory and stock in trade after March 1, 1986, with certain exceptions (the result could be negative)
- Amount by which excess intangible drilling costs deducted currently over allowable amortization (if these costs were capitalized) were more than 65 percent of the taxpayer's "net income" from oil, gas, and geothermal wells, with exceptions for independent oil producers and royalty owners
- Amount of net section 1231 gain or loss other than due to casualty or theft from large partnerships
- Deferred income from long-term contracts entered into after February 28, 1986, with certain exceptions and limitations (the result could be negative)
- Adjustment for refigured loss from activities in which allowable losses from partnerships or S corporations were limited by "at-risk" and other rules, taking into account AMT adjustments and preference items (the result could be negative)
- Excess of mining exploration and development costs paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Adjustment for taxable distributions received from a cooperative (total AMT patronage dividend and per-unit retain allocation adjustment)
- Excess of rapid amortization of pollution control facilities placed in service after 1986 over otherwise allowable depreciation (the result could be negative)
- Excess of research and experimental expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Excluded gain, under the section 1202 gain on qualified small business stock held more than 5 years, multiplied by 42 percent
- Adjustment for refigured tax shelter farm losses, taking into account AMT adjustments and preference items (the result could be negative)
- Related adjustments, refigured for AMT purposes, including section 179 expense deduction, expenses for business or rental use of the home, conservation expenses, taxable IRA distributions, self-employed health insurance deduction, Keogh retirement plan or self-employed SEP deduction, and IRA deductions (the result could be negative)

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households, \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single or head of household, married filing jointly, and married filing separately, at \$247,500, \$330,000, and \$165,000, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI were subject to tax at a 26-percent rate, with any excess taxed at a 28-percent rate. However, capital gains (recalculated for AMT purposes) that were taxed at lower rates (8 percent, 10 percent, 20 percent, and 25 percent) were tax at these same rates for the AMT, with the rest of AMTI being taxed at the rates mentioned above (26 percent or 28 percent). The resulting tax was reduced by the “alternative minimum tax foreign tax credit,” which produced a “tentative minimum tax.” Tentative minimum tax was further reduced by the individual’s regular tax before credits (excluding tax on lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 14 with investment income over a certain amount who filed their own returns were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have paid if the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$5,200 plus their “earned income.” The dependent’s AMT could be reduced if the parents had regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 14 of the same parents had regular tax greater than this dependent’s own tentative minimum tax.)

Appendix F: Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically-filed returns) filed during Calendar Year 2002. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for tax policy modeling purposes [20]. Returns were then selected at rates ranging from 0.05 percent to

100 percent. The 2001 data are based on a sample of 191,975 returns and an estimated final population of 130,571,421 returns. The corresponding sample and population for the 2000 data were 196,150 and 129,644,980 returns, respectively.

Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CV’s) are used to measure that magnitude. Figure J shows estimated CV’s for the numbers of returns and money amounts for selected income items. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in the appendix to this issue of the *Bulletin*.

Notes and References

- [1] For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to a 33-percent tax rate to phase out the benefit of the 15-percent tax bracket (as compared to the 28-percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.
- [2] *Individual Income Tax Returns*, Statistics of Income Division, Internal Revenue Service, Publication 1304, Years 1953 through 2001.
- [3] U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index (CPI-U) represents annual averages of monthly figures and reflects the buying of typical urban consumers (1982-84=100):

<u>Year</u>	<u>CPI-U</u>
2001	177.1
2000	172.2

- [4] Nontaxable (i.e., tax-exempt) forms of income, such as interest on State and local government obligations, were not included in AGI and generally did not affect the marginal tax rate. However, in some situations the receipt of some forms of tax-exempt income, such as tax-

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Figure J

Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2001

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated	Income tax after credits	Total income tax
	Number of returns	Amount			
	(1)	(2)	(3)	(4)	(5)
Total	0.17	0.15	0.17	0.19	0.19
Under \$2,000 ¹	5.53	6.64	6.93	6.74	6.74
\$2,000 under \$4,000.....	5.65	6.65	7.27	7.29	7.29
\$4,000 under \$6,000.....	3.63	4.78	5.70	5.72	5.72
\$6,000 under \$8,000.....	3.23	3.84	3.94	4.05	4.05
\$8,000 under \$10,000.....	2.49	3.07	2.95	3.38	3.38
\$10,000 under \$12,000.....	2.54	2.77	2.71	2.91	2.91
\$12,000 under \$14,000.....	2.37	2.63	2.61	2.81	2.81
\$14,000 under \$16,000.....	2.15	2.43	2.44	2.71	2.71
\$16,000 under \$18,000.....	2.05	2.35	2.36	2.73	2.73
\$18,000 under \$20,000.....	2.07	2.33	2.33	2.72	2.72
\$20,000 under \$25,000.....	1.29	1.43	1.43	1.70	1.70
\$25,000 under \$30,000.....	1.39	1.49	1.49	1.67	1.67
\$30,000 under \$40,000.....	1.05	1.11	1.12	1.20	1.20
\$40,000 under \$50,000.....	1.07	1.12	1.16	1.23	1.23
\$50,000 under \$75,000.....	0.79	0.83	0.87	0.91	0.91
\$75,000 under \$100,000.....	1.01	1.05	1.09	1.12	1.12
\$100,000 under \$200,000.....	1.00	0.93	0.93	0.93	0.93
\$200,000 under \$500,000.....	1.10	0.96	0.95	0.96	0.96
\$500,000 under \$1,000,000.....	1.08	0.97	0.98	0.98	0.98
\$1,000,000 under \$1,500,000.....	1.31	1.24	1.27	1.28	1.28
\$1,500,000 under \$2,000,000.....	1.18	1.20	1.22	1.23	1.23
\$2,000,000 under \$5,000,000.....	0.56	0.50	0.52	0.52	0.52
\$5,000,000 under \$10,000,000.....	0.61	0.50	0.52	0.53	0.53
\$10,000,000 or more.....	0.04	0.02	0.03	0.03	0.03

¹ Includes returns with adjusted gross deficit.

exempt interest, could have influenced the taxability of other income, in particular Social Security benefits. When this situation occurred, the income made taxable by the receipt of other forms of nontaxable income was included in AGI.

- [5] Campbell, David and Parisi, Michael, "Individual Income Tax Rates and Shares," *Statistics of Income Bulletin*, Winter 2002-2003, Volume 22, Number 3, pp. 6-46.
- [6] Tax generated does not include certain other taxes reported on the individual income tax return, such as self-employment tax (the Social Security tax on income from self-employment), the Social Security tax on certain tip income, tax from the recapture of prior-year investment or low-income housing credits, tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified

retirement plans, tax on trusts, accumulation and distributions, and household employment taxes. The statistics for "total tax liability," shown in Campbell and Parisi, "Individual Income Tax Returns: 2001," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2, include these taxes. For Tax Year 2001, total tax liability reported on 97.6 million returns was \$925.4 billion.

- [7] The income amounts on which these special computations for lump-sum distributions were based were not reflected in current-year AGI or current-year taxable income.
- [8] For 2001, the total earned income credit was \$33.4 billion. This amount includes the amount used to reduce the income tax (\$1.5 billion), the amount used to reduce other taxes reported on individual income tax returns (\$2.9 billion), and

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the amount refunded to taxpayers (\$29.0 billion). Table 4 in Campbell and Parisi, "Individual Income Tax Returns: 2001," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2, shows these amounts.

- [9] The percentile groupings of tax filers exclude returns with zero or negative AGI.
- [10] For an explanation of the osculatory interpolation technique, see Oh, H. Lock, "Osculatory Interpolation with a Monotonicity Constraint," *1977 Proceedings of the American Statistical Association, Section on Statistical Computing*, 1978.
- [11] Taxpayers fall into one of five filing statuses: single; married filing jointly; married filing separately; head of household; or surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on the general filing requirements, see Campbell and Parisi, "Individual Income Tax Returns: 2001," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2.
- [12] As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross income from sole proprietorships and farming, income from partnerships and S corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, *U.S. Individual Income Tax Return*, concept of "total income," which is a component of the adjusted gross income (AGI) calculation on Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from such items as business income and rents and royalties.
- [13] As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, moving expenses, or the health insurance deduction for certain self-employed taxpayers.
- [14] Income tax before credits includes tax on lump-sum distributions from qualified retirement plans.
- [15] The 26-percent tax rate is for AMT purposes only.
- [16] For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. Brackets for taxable income above \$3,000 were \$50 wide.
- [17] For example, assume a taxpayer filing as "married filing separately" reported taxable income of \$85,000. Using the tax table, the tax would be \$21,558, but, using the tax rate schedules, the tax would be \$21,548.75, a difference of \$9.25.
- [18] For more details on the income computation under the 1979 Income Concept for 2001, see *Individual Income Tax Returns, 2001*, Statistics of Income Division, Internal Revenue Service, Publication 1304.
- [19] For some taxpayers, the statutory marginal tax rate may differ from the effective marginal tax rate. For example, extra income received by certain taxpayers may result in the phaseout of their personal exemptions as well as some of their itemized deductions. Therefore, an extra \$1 of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 30.5 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.
- [20] Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Non-resident Alien Individual)*; Schedule C, *Profit or Loss from Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*.

Individual Income Tax Rates and Shares, 2001

Table 1.--Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2001

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

Highest marginal rate at which tax was computed	Number of returns	Adjusted gross income (less deficit)	Modified taxable income		Tax generated		Income tax after credits		
			Taxed at all rates	Taxed at marginal rate	At all rates	At marginal rate	Total	As a percentage of--	
								Adjusted gross income (less deficit)	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All returns									
Total.....	104,163,693	6,050,309,334	4,269,339,932	2,181,469,158	926,646,417	518,687,805	887,249,293	14.7	20.8
8 percent.....	187,240	4,242,416	1,410,668	1,410,668	112,850	112,853	95,422	2.2	6.8
10 percent (capital gains).....	554,064	7,967,239	2,645,170	1,927,058	257,111	192,706	233,479	2.9	8.8
10 percent.....	3,877,821	22,928,193	7,834,252	7,834,252	783,586	783,425	782,761	3.4	10.0
10 percent (Form 8814) ¹	8,324	-157,822	10,580	10,580	1,058	1,058	6,666	(X)	63.0
15 percent.....	65,207,298	1,987,679,803	1,056,357,480	1,041,994,466	157,672,420	156,299,170	129,730,098	6.5	12.3
20 percent.....	685,760	123,534,163	95,447,222	69,299,574	17,160,764	13,859,915	17,884,958	14.5	18.7
25 percent.....	47,801	8,127,008	6,781,981	1,544,944	1,338,779	386,236	1,368,743	16.8	20.2
27.5 percent.....	27,219,888	2,094,075,310	1,554,572,661	487,535,342	296,370,247	134,072,219	288,472,945	13.8	18.6
28 percent (capital gains).....	49,296	4,928,994	3,897,093	160,845	793,800	45,037	787,259	16.0	20.2
30.5 percent.....	3,824,132	558,275,261	450,404,363	82,442,760	106,868,479	25,145,042	106,992,059	19.2	23.8
35.5 percent.....	1,453,822	388,065,125	328,972,332	71,430,390	89,323,624	25,357,788	89,304,233	23.0	27.1
39.1 percent.....	846,345	848,700,501	759,379,672	414,393,069	255,544,943	162,027,690	251,167,102	29.6	33.1
Form 8615 ²	201,902	1,943,144	1,626,456	1,485,208	418,758	404,666	423,566	21.8	26.0
Joint returns and returns of surviving spouses									
Total.....	45,184,133	4,041,688,868	2,908,857,140	1,403,696,034	657,562,444	357,451,989	631,890,993	15.6	21.7
8 percent.....	76,687	2,736,644	791,910	791,910	63,351	63,353	55,886	2.0	7.1
10 percent (capital gains).....	118,133	4,204,364	1,208,567	1,075,427	118,202	107,543	103,010	2.5	8.5
10 percent.....	--	--	--	--	--	--	--	(X)	(X)
10 percent (Form 8814) ¹	6,103	-151,339	8,332	8,332	833	833	6,390	4.2	76.7
15 percent.....	25,159,629	1,082,075,392	570,064,365	564,140,756	85,169,521	84,621,113	69,197,081	6.4	12.1
20 percent.....	405,045	88,103,648	68,101,887	49,738,438	12,286,316	9,947,688	12,770,750	14.5	18.8
25 percent.....	31,977	6,051,399	4,987,565	1,145,230	982,819	286,308	1,006,306	16.6	20.2
27.5 percent.....	15,380,292	1,457,259,036	1,064,064,336	337,218,938	203,429,641	92,735,208	196,457,231	13.5	18.5
28 percent (capital gains).....	33,692	3,829,249	3,024,938	125,475	615,454	35,133	610,791	16.0	20.2
30.5 percent.....	2,136,205	372,302,732	295,511,087	47,499,020	69,568,072	14,487,201	69,647,514	18.7	23.6
35.5 percent.....	1,122,391	312,221,095	263,028,560	55,439,490	70,851,803	19,681,019	70,860,233	22.7	26.9
39.1 percent.....	713,981	713,056,648	638,065,592	346,513,019	214,476,432	135,486,590	211,175,801	29.6	33.1
Form 8615 ²	--	--	--	--	--	--	--	(X)	(X)
Returns of married persons filing separately									
Total.....	2,181,354	104,906,702	77,060,005	41,093,721	18,117,232	10,984,489	17,582,905	16.8	22.8
8 percent.....	962	16,736	9,355	9,355	749	748	748	4.5	8.0
10 percent (capital gains).....	3,490	52,457	27,053	27,049	2,706	2,705	2,040	3.9	7.5
10 percent.....	9,975	55,745	20,774	20,774	2,079	2,077	2,080	3.7	10.0
10 percent (Form 8814) ¹	4	-23,041	3	3	--	--	226	1.0	7,533.3
15 percent.....	1,284,957	28,086,102	15,442,947	15,401,255	2,314,293	2,310,188	2,058,351	7.3	13.3
20 percent.....	12,649	2,729,679	1,986,809	1,701,247	377,282	340,249	411,885	15.1	20.7
25 percent.....	954	75,694	60,624	13,264	11,717	3,316	11,536	15.2	19.0
27.5 percent.....	700,348	32,454,704	23,999,901	7,625,704	4,581,538	2,097,069	4,497,329	13.9	18.7
28 percent (capital gains).....	940	48,750	34,596	3,173	6,796	888	4,696	9.6	13.6
30.5 percent.....	97,385	8,560,077	6,907,627	1,279,764	1,640,618	390,328	1,635,195	19.1	23.7
35.5 percent.....	37,328	5,461,892	4,617,998	911,737	1,225,420	323,667	1,235,085	22.6	26.7
39.1 percent.....	32,362	27,387,905	23,952,319	14,100,395	7,954,034	5,513,254	7,723,733	28.2	32.2
Form 8615 ²	--	--	--	--	--	--	--	(X)	(X)

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

**Table 1.--Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2001
--Continued**

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

Highest marginal rate at which tax was computed	Number of returns	Adjusted gross income (less deficit)	Modified taxable income		Tax generated		Income tax after credits		
			Taxed at all rates	Taxed at marginal rate	At all rates	At marginal rate	Total	As a percentage of--	
								Adjusted gross income (less deficit)	Modified taxable income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Returns of heads of households									
Total.....	12,506,639	435,885,573	239,770,006	169,950,716	42,671,676	30,238,711	33,754,090	7.7	14.1
8 percent.....	3,870	137,062	43,324	43,324	3,465	3,466	1,755	1.3	4.1
10 percent (capital gains).....	11,851	291,592	92,002	72,385	8,808	7,239	6,455	2.2	7.0
10 percent.....	--	--	--	--	--	--	--	(X)	(X)
10 percent (Form 8814) ¹	2,217	16,557	2,245	2,245	225	225	50	0.3	2.2
15 percent.....	11,023,032	304,173,231	139,118,382	138,861,767	20,853,959	20,829,265	12,587,793	4.1	9.0
20 percent.....	24,653	3,712,629	2,975,324	2,084,621	527,359	416,924	537,698	14.5	18.1
25 percent.....	3,877	480,552	392,940	65,444	74,859	16,361	75,666	15.7	19.3
27.5 percent.....	1,306,070	91,748,864	66,488,534	18,014,360	12,285,192	4,953,949	11,814,445	12.9	17.8
28 percent (capital gains).....	370	70,436	53,890	4,080	11,267	1,142	11,422	16.2	21.2
30.5 percent.....	80,186	11,855,555	9,799,278	1,647,416	2,333,092	502,462	2,335,231	19.7	23.8
35.5 percent.....	37,190	9,349,161	8,117,430	1,998,781	2,253,237	709,567	2,237,835	23.9	27.6
39.1 percent.....	13,321	14,049,934	12,686,657	7,156,294	4,320,212	2,798,111	4,145,741	29.5	32.7
Form 8615 ²	--	--	--	--	--	--	--	(X)	(X)
Returns of single persons									
Total.....	44,291,567	1,467,828,191	1,043,652,781	566,728,687	208,295,066	120,012,617	204,021,305	13.9	19.5
8 percent.....	105,721	1,351,974	566,079	566,079	45,286	45,286	37,033	2.7	6.5
10 percent (capital gains).....	420,591	3,418,826	1,317,548	752,197	127,396	75,220	121,974	3.6	9.3
10 percent.....	3,867,846	22,872,448	7,813,478	7,813,478	781,507	781,348	780,681	3.4	10.0
10 percent (Form 8814) ¹	--	--	--	--	--	--	--	(X)	(X)
15 percent.....	27,739,679	573,345,077	331,731,786	323,590,688	49,334,646	48,538,603	45,886,873	8.0	13.8
20 percent.....	243,413	28,988,206	22,383,203	15,775,269	3,969,806	3,155,054	4,164,625	14.4	18.6
25 percent.....	10,993	1,519,363	1,340,851	321,007	269,383	80,252	275,235	18.1	20.5
27.5 percent.....	9,833,179	512,612,705	400,019,891	124,676,340	76,073,876	34,285,994	75,703,940	14.8	18.9
28 percent (capital gains).....	14,294	980,559	783,669	28,117	160,283	7,873	160,349	16.4	20.5
30.5 percent.....	1,510,356	165,556,898	138,186,372	32,016,561	33,326,696	9,765,051	33,374,120	20.2	24.2
35.5 percent.....	256,912	61,032,977	53,208,345	13,080,382	14,993,164	4,643,536	14,971,081	24.5	28.1
39.1 percent.....	86,680	94,206,014	84,675,104	46,623,360	28,794,265	18,229,734	28,121,826	29.9	33.2
Form 8615 ²	201,902	1,943,144	1,626,456	1,485,208	418,758	404,666	423,566	21.8	26.0

¹ Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

² Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

(X) Percentage not computed.

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

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Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001

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

Size of adjusted gross income	Number of returns	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate					
					8 percent			10 percent (capital gains)		
					Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Total.....	104,163,693	4,268,506,370	4,269,339,932	926,646,417	2,735,436	10,786,662	862,919	4,175,781	12,315,868	1,231,798
Under \$2,000 ¹	519,666	251,530	251,796	26,789	73,611	13,711	1,099	78,300	22,398	2,240
\$2,000 under \$4,000.....	490,858	592,284	596,301	70,292	74,148	37,922	3,032	74,329	38,741	3,874
\$4,000 under \$6,000.....	1,398,125	1,349,691	1,353,132	151,023	46,080	31,057	2,484	65,105	54,374	5,434
\$6,000 under \$8,000.....	1,740,573	3,334,294	3,340,330	355,450	41,033	37,279	2,979	47,139	36,042	3,605
\$8,000 under \$10,000.....	2,865,446	6,111,479	6,113,013	777,835	55,672	35,112	2,806	87,611	68,950	6,898
\$10,000 under \$12,000.....	2,713,224	9,843,580	9,845,243	1,365,943	50,504	40,835	3,266	104,081	101,715	10,173
\$12,000 under \$14,000.....	3,144,800	14,747,878	14,748,241	2,131,858	69,614	101,515	8,123	116,046	138,075	13,809
\$14,000 under \$16,000.....	3,728,289	21,249,078	21,252,182	3,130,308	93,750	110,808	8,862	153,553	218,115	21,824
\$16,000 under \$18,000.....	4,089,586	26,657,834	26,665,422	3,950,516	110,684	206,888	16,549	176,317	230,694	23,082
\$18,000 under \$20,000.....	3,975,869	31,986,776	31,989,868	4,769,242	95,601	179,503	14,360	168,862	248,403	24,848
\$20,000 under \$25,000.....	9,489,758	102,334,332	102,353,587	15,269,866	226,730	496,969	39,753	379,660	614,502	61,469
\$25,000 under \$30,000.....	8,390,626	126,824,811	126,823,364	18,946,371	219,658	510,300	40,823	403,126	712,785	71,296
\$30,000 under \$40,000.....	13,662,459	288,448,815	288,490,074	43,882,869	403,143	1,229,246	98,339	696,932	1,527,174	152,767
\$40,000 under \$50,000.....	10,543,289	305,197,261	305,251,843	49,309,375	323,088	901,186	72,100	508,681	1,165,712	116,599
\$50,000 under \$75,000.....	17,507,070	731,935,622	732,054,569	123,298,530	575,962	2,914,111	233,125	835,591	3,146,511	314,688
\$75,000 under \$100,000.....	8,885,612	546,501,714	546,597,643	103,648,825	118,783	1,112,036	88,963	159,010	1,389,289	138,944
\$100,000 under \$200,000.....	8,457,558	843,411,444	843,597,907	187,160,993	114,645	1,891,805	151,346	82,141	1,533,902	153,396
\$200,000 under \$500,000.....	2,013,756	482,712,954	482,808,347	134,043,009	29,848	607,712	48,616	27,527	670,968	67,097
\$500,000 under \$1,000,000.....	354,618	211,318,031	211,341,365	68,194,292	7,177	174,307	13,945	6,126	190,120	19,012
\$1,000,000 under \$1,500,000.....	85,195	91,492,389	91,524,394	30,676,646	2,039	54,476	4,358	1,850	66,587	6,659
\$1,500,000 under \$2,000,000.....	36,329	55,760,182	55,770,061	18,741,216	1,050	27,650	2,212	979	34,366	3,437
\$2,000,000 under \$5,000,000.....	51,968	138,523,230	138,577,023	46,491,534	1,569	43,005	3,440	1,738	64,196	6,420
\$5,000,000 under \$10,000,000.....	12,206	74,551,405	74,572,534	24,484,509	537	15,020	1,202	547	21,199	2,120
\$10,000,000 or more.....	6,812	153,369,759	153,421,694	45,769,129	511	14,210	1,137	533	21,052	2,105

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	10 percent			10 percent (from Form 8814) ²			15 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
Total.....	5,226,657	13,879,743	1,387,974	144,897	119,730	12,178	99,228,958	2,323,780,421	348,567,063
Under \$2,000 ¹	445,293	197,788	19,779	756	612	62	10,796	8,350	1,253
\$2,000 under \$4,000.....	452,325	418,023	41,802	*961	*467	*47	*10,713	*16,826	*2,523
\$4,000 under \$6,000.....	1,365,233	1,136,167	113,617	*135	*174	*17	19,109	29,002	4,350
\$6,000 under \$8,000.....	1,212,213	2,959,443	295,944	*8	*6	*1	514,903	234,541	35,181
\$8,000 under \$10,000.....	663,921	2,851,863	285,186	*1,024	*1,471	*147	2,176,816	3,078,105	461,716
\$10,000 under \$12,000.....	373,094	2,164,656	216,466	*1,125	*1,565	*157	2,544,677	7,480,356	1,122,053
\$12,000 under \$14,000.....	259,699	1,510,244	151,024	*161	*211	*21	3,101,591	12,903,446	1,935,517
\$14,000 under \$16,000.....	172,595	1,003,493	100,349	*2,912	*2,915	*292	3,673,422	19,819,530	2,972,930
\$16,000 under \$18,000.....	92,147	541,597	54,160	*150	*163	*16	4,044,831	25,656,301	3,848,445
\$18,000 under \$20,000.....	47,488	265,121	26,512	*2,901	*2,897	*290	3,932,517	31,188,857	4,678,329
\$20,000 under \$25,000.....	78,427	464,874	46,487	7,748	8,682	868	9,435,280	100,729,443	15,109,416
\$25,000 under \$30,000.....	35,825	214,720	21,472	*1,713	*935	*94	8,363,608	125,316,347	18,797,452
\$30,000 under \$40,000.....	11,651	61,725	6,173	11,224	8,477	882	13,617,713	279,349,519	41,902,428
\$40,000 under \$50,000.....	*5,903	*33,421	*3,342	*12,014	*13,972	*1,396	10,521,240	273,525,085	41,028,763
\$50,000 under \$75,000.....	*5,810	*29,273	*2,927	22,762	16,249	1,711	17,455,208	612,752,765	91,912,915
\$75,000 under \$100,000.....	*12	*71	*7	23,380	17,462	1,749	8,866,341	367,234,272	55,085,141
\$100,000 under \$200,000.....	*3,694	*19,595	*1,960	29,806	22,800	2,286	8,415,576	357,177,288	53,576,593
\$200,000 under \$500,000.....	*897	*5,381	*538	18,479	14,073	1,451	1,992,745	84,801,786	12,720,268
\$500,000 under \$1,000,000.....	*219	*1,093	*109	4,407	3,784	393	347,518	14,711,338	2,206,701
\$1,000,000 under \$1,500,000.....	91	499	50	1,244	1,080	114	82,556	3,485,032	522,755
\$1,500,000 under \$2,000,000.....	*33	*197	*20	566	496	52	34,992	1,472,485	220,873
\$2,000,000 under \$5,000,000.....	63	361	36	1,009	842	89	49,479	2,085,773	312,866
\$5,000,000 under \$10,000,000.....	**26	**136	**14	248	240	25	11,356	475,593	71,339
\$10,000,000 or more.....	**	**	**	162	157	16	5,971	248,382	37,257

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	20 percent			25 percent			27.5 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
Total.....	6,113,219	256,974,356	51,394,849	359,461	7,290,505	1,822,673	33,393,442	827,472,040	227,554,811
Under \$2,000 ¹	--	--	--	--	--	--	--	--	--
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--
\$6,000 under \$8,000.....	--	--	--	--	--	--	--	--	--
\$8,000 under \$10,000.....	--	--	--	--	--	--	--	--	--
\$10,000 under \$12,000.....	--	--	--	--	--	--	--	--	--
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--
\$14,000 under \$16,000.....	--	--	--	--	--	--	--	--	--
\$16,000 under \$18,000.....	--	--	--	--	--	--	--	--	--
\$18,000 under \$20,000.....	--	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	--	--	--	--	--	--	*1,856	*2,470	*679
\$25,000 under \$30,000.....	*2,989	*4,236	*847	--	--	--	22,754	14,137	3,888
\$30,000 under \$40,000.....	196,143	191,025	38,203	*2,958	*1,683	*422	2,340,349	6,103,791	1,678,543
\$40,000 under \$50,000.....	377,259	772,159	154,434	*6,558	*15,375	*3,846	3,514,439	28,786,634	7,916,324
\$50,000 under \$75,000.....	1,194,496	4,049,840	809,943	37,092	66,887	16,729	8,671,690	108,924,313	29,954,186
\$75,000 under \$100,000.....	1,333,283	6,879,598	1,375,926	61,650	302,436	75,614	8,154,050	162,176,424	44,598,517
\$100,000 under \$200,000.....	2,017,223	27,648,470	5,529,691	145,417	1,933,291	483,342	8,211,349	373,402,668	102,685,734
\$200,000 under \$500,000.....	736,898	36,523,385	7,304,675	75,418	2,114,113	528,537	1,953,806	116,804,573	32,121,258
\$500,000 under \$1,000,000.....	153,570	26,721,685	5,344,338	17,987	1,074,723	268,683	341,115	20,403,792	5,611,043
\$1,000,000 under \$1,500,000.....	41,087	14,812,937	2,962,588	5,048	406,173	101,544	81,535	4,868,314	1,338,786
\$1,500,000 under \$2,000,000.....	19,100	10,906,486	2,181,297	2,248	275,437	68,860	34,470	2,054,283	564,928
\$2,000,000 under \$5,000,000.....	29,042	32,629,212	6,525,842	3,478	600,152	150,038	48,863	2,914,233	801,414
\$5,000,000 under \$10,000,000.....	7,410	22,569,237	4,513,847	947	231,169	57,792	11,241	666,585	183,311
\$10,000,000 or more.....	4,719	73,266,084	14,653,217	662	269,066	67,267	5,924	349,822	96,201

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	28 percent (capital gains)			30.5 percent			35.5 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	
Total.....	70,219	1,045,084	292,627	6,124,298	216,963,397	66,173,836	2,300,166	182,833,847	64,906,016
Under \$2,000 ¹	--	--	--	--	--	--	--	--	--
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--
\$6,000 under \$8,000.....	--	--	--	--	--	--	--	--	--
\$8,000 under \$10,000.....	--	--	--	--	--	--	--	--	--
\$10,000 under \$12,000.....	--	--	--	--	--	--	--	--	--
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--
\$14,000 under \$16,000.....	--	--	--	--	--	--	--	--	--
\$16,000 under \$18,000.....	--	--	--	--	--	--	--	--	--
\$18,000 under \$20,000.....	--	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	--	--	--	--	--	--	--	--	--
\$25,000 under \$30,000.....	--	--	--	--	--	--	--	--	--
\$30,000 under \$40,000.....	--	--	--	--	--	--	--	--	--
\$40,000 under \$50,000.....	*5,914	*969	*272	--	--	--	--	--	--
\$50,000 under \$75,000.....	*11,617	*3,997	*1,120	41,574	98,631	30,082	--	--	--
\$75,000 under \$100,000.....	15,567	13,927	3,901	800,289	7,453,272	2,273,248	6,184	18,254	6,480
\$100,000 under \$200,000.....	27,746	74,692	20,915	2,896,349	76,175,712	23,233,592	211,564	3,516,237	1,248,264
\$200,000 under \$500,000.....	6,584	71,143	19,920	1,875,493	103,824,987	31,666,621	1,584,109	114,716,505	40,724,359
\$500,000 under \$1,000,000.....	958	44,960	12,589	331,900	19,104,164	5,826,770	323,068	41,771,919	14,829,031
\$1,000,000 under \$1,500,000.....	690	123,837	34,674	79,889	4,608,118	1,405,476	78,092	10,144,734	3,601,381
\$1,500,000 under \$2,000,000.....	293	53,963	15,110	33,774	1,946,389	593,649	33,106	4,323,581	1,534,871
\$2,000,000 under \$5,000,000.....	555	297,122	83,194	48,031	2,773,029	845,774	47,214	6,151,168	2,183,665
\$5,000,000 under \$10,000,000.....	161	184,911	51,775	11,117	641,290	195,593	10,982	1,429,944	507,630
\$10,000,000 or more.....	135	175,564	49,158	5,881	337,806	103,031	5,847	761,507	270,335

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2001--Continued

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

Size of adjusted gross income	Tax generated at specified rate--continued					
	39.1 percent			Form 8615 ³		
	Number of returns (38)	Income taxed at rate (39)	Tax generated at rate (40)	Number of returns (41)	Income taxed at rate (42)	Tax generated at rate (43)
Total.....	846,345	414,393,069	162,027,690	201,902	1,485,208	404,666
Under \$2,000 ¹	--	--	--	34,874	8,936	2,339
\$2,000 under \$4,000.....	--	--	--	67,703	84,322	18,984
\$4,000 under \$6,000.....	--	--	--	35,009	102,357	25,058
\$6,000 under \$8,000.....	--	--	--	13,742	73,020	17,643
\$8,000 under \$10,000.....	--	--	--	10,564	77,512	21,028
\$10,000 under \$12,000.....	--	--	--	*6,718	*56,116	*13,778
\$12,000 under \$14,000.....	--	--	--	*8,666	*94,750	*23,240
\$14,000 under \$16,000.....	--	--	--	*7,769	*97,320	*25,995
\$16,000 under \$18,000.....	--	--	--	*1,923	*29,778	*8,195
\$18,000 under \$20,000.....	--	--	--	*6,596	*105,087	*24,841
\$20,000 under \$25,000.....	--	--	--	*1,923	*36,647	*10,902
\$25,000 under \$30,000.....	--	--	--	*1,923	*49,905	*10,161
\$30,000 under \$40,000.....	--	--	--	*929	*17,434	*2,577
\$40,000 under \$50,000.....	--	--	--	*931	*37,330	*11,082
\$50,000 under \$75,000.....	--	--	--	*931	*51,992	*19,900
\$75,000 under \$100,000.....	--	--	--	*8	*603	*235
\$100,000 under \$200,000.....	5,580	103,645	40,525	*801	*97,802	*32,560
\$200,000 under \$500,000.....	368,139	22,485,105	8,791,676	*642	*168,615	*47,814
\$500,000 under \$1,000,000.....	304,177	87,047,778	34,035,681	*141	*91,703	*25,968
\$1,000,000 under \$1,500,000.....	74,585	52,864,423	20,669,989	*78	*88,185	*28,261
\$1,500,000 under \$2,000,000.....	31,984	34,662,831	13,553,167	*8	*11,898	*2,741
\$2,000,000 under \$5,000,000.....	45,536	90,965,129	35,567,365	*15	*52,800	*11,384
\$5,000,000 under \$10,000,000.....	10,625	48,306,044	18,887,663	**7	**51,096	**19,978
\$10,000,000 or more.....	5,719	77,958,115	30,481,623	**	**	**

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

** Data combined to prevent disclosure of information for specific taxpayers.

¹ Includes returns with adjusted gross deficit.

² Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

³ Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

Individual Income Tax Rates and Shares, 2001

Table 3.--Returns with Modified Taxable Income: Taxable Income, and Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2001

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

Marginal tax rate classes	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All tax rates.....	104,163,693	4,269,339,932	926,638,876	45,184,133	2,908,857,140	657,561,712	2,181,354	77,060,005	18,117,200
8 percent.....	2,735,436	10,786,662	862,933	1,438,725	7,132,358	570,589	22,065	39,503	3,160
10 percent (capital gains).....	4,175,781	12,315,868	1,231,587	2,172,797	7,767,927	776,793	33,388	132,436	13,244
10 percent.....	5,226,657	13,879,743	1,387,974	--	--	--	11,988	32,852	3,285
10 percent (Form 8814) ¹	144,897	119,730	12,178	119,865	100,359	10,237	993	552	56
15 percent.....	99,228,958	2,323,780,421	348,567,063	44,927,396	1,453,103,165	217,965,475	2,164,520	35,227,456	5,284,118
20 percent.....	6,113,219	256,974,356	51,394,871	4,037,963	193,448,622	38,689,724	100,957	8,107,155	1,621,431
25 percent.....	359,461	7,290,505	1,822,626	257,563	5,892,866	1,473,216	2,893	99,018	24,755
27.5 percent.....	33,393,442	827,472,040	227,554,811	19,386,531	592,631,480	162,973,657	868,360	12,985,373	3,570,978
28 percent (capital gains).....	70,219	1,045,084	292,624	48,347	772,150	216,202	1,299	31,564	8,838
30.5 percent.....	6,124,298	216,963,397	66,173,836	3,972,576	152,631,314	46,552,551	167,075	3,274,649	998,768
35.5 percent.....	2,300,166	182,833,847	64,906,016	1,836,372	148,863,881	52,846,678	69,690	3,029,052	1,075,313
39.1 percent.....	846,345	414,393,069	162,027,690	713,981	346,513,019	135,486,591	32,362	14,100,395	5,513,255
Form 8615 ²	201,902	1,485,208	404,666	--	--	--	--	--	--

Marginal tax rate classes	Returns of heads of households			Returns of single persons		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(10)	(11)	(12)	(13)	(14)	(15)
All tax rates.....	12,506,639	239,770,006	42,671,372	44,291,567	1,043,652,781	208,288,592
8 percent.....	82,087	269,369	21,549	1,192,558	3,345,433	267,635
10 percent (capital gains).....	204,912	519,403	51,940	1,764,685	3,896,103	389,610
10 percent.....	--	--	--	5,214,670	13,846,891	1,384,689
10 percent (Form 8814) ¹	21,934	17,241	1,727	2,104	1,578	158
15 percent.....	12,485,917	191,582,975	28,737,446	39,651,125	643,866,826	96,580,024
20 percent.....	158,268	5,987,448	1,197,490	1,816,031	49,431,131	9,886,226
25 percent.....	11,925	186,533	46,633	87,081	1,112,088	278,022
27.5 percent.....	1,437,137	25,527,509	7,020,065	11,701,414	196,327,678	53,990,111
28 percent (capital gains).....	1,250	6,446	1,805	19,324	234,924	65,779
30.5 percent.....	130,698	4,577,096	1,396,014	1,853,949	56,480,338	17,226,503
35.5 percent.....	50,512	3,939,692	1,398,591	343,592	27,001,222	9,585,434
39.1 percent.....	13,321	7,156,294	2,798,111	86,680	46,623,360	18,229,734
Form 8615 ²	--	--	--	201,902	1,485,208	404,666

¹ Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$700 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' incomes.

² Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,500. The returns in this rate classification are not distributed by tax rate.

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

Individual Income Tax Rates and Shares, 2001

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2000 and 2001

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

Type of tax computation by size of adjusted gross income	Tax Year 2000				Tax Year 2001			
	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with regular tax computation only								
Total.....	86,253,365	551,085,194	550,958,257	--	93,152,594	671,189,255	671,077,406	--
Under \$5,000 ³	1,078,806	95,867	95,867	--	1,215,336	76,202	76,690	--
\$5,000 under \$10,000.....	5,376,121	1,572,648	1,572,648	--	5,189,271	1,131,398	1,132,780	--
\$10,000 under \$15,000.....	7,575,796	5,221,615	5,221,108	--	7,236,117	4,683,435	4,683,439	--
\$15,000 under \$20,000.....	9,835,992	10,481,502	10,481,502	--	9,522,535	9,914,889	9,915,938	--
\$20,000 under \$25,000.....	8,836,069	14,929,470	14,928,791	--	9,011,201	14,571,046	14,572,908	--
\$25,000 under \$30,000.....	7,503,322	17,441,990	17,441,823	--	7,898,393	17,957,705	17,957,002	--
\$30,000 under \$40,000.....	11,885,936	39,381,033	39,380,171	--	12,676,957	40,804,023	40,804,153	--
\$40,000 under \$50,000.....	8,838,458	42,319,879	42,314,453	--	9,575,407	44,816,573	44,817,422	--
\$50,000 under \$75,000.....	13,469,310	96,554,724	96,536,715	--	15,430,947	108,348,416	108,336,649	--
\$75,000 under \$100,000.....	6,080,232	72,951,937	72,929,417	--	7,440,554	86,777,825	86,766,038	--
\$100,000 under \$200,000.....	4,703,933	105,422,834	105,393,439	--	6,400,614	139,588,296	139,560,574	--
\$200,000 under \$500,000.....	877,224	61,161,992	61,139,844	--	1,265,642	85,780,631	85,744,602	--
\$500,000 under \$1,000,000.....	131,522	27,443,320	27,433,567	--	199,530	40,757,089	40,737,622	--
\$1,000,000 under \$1,500,000.....	27,993	11,336,138	11,332,472	--	43,536	17,074,614	17,072,667	--
\$1,500,000 under \$2,000,000.....	11,685	6,889,909	6,888,105	--	17,072	9,774,976	9,770,655	--
\$2,000,000 under \$5,000,000.....	15,735	16,419,725	16,412,973	--	22,648	22,802,314	22,799,337	--
\$5,000,000 under \$10,000,000.....	3,526	8,550,170	8,548,971	--	4,755	11,140,719	11,139,824	--
\$10,000,000 or more.....	1,704	12,910,441	12,906,392	--	2,079	15,189,105	15,189,105	--
Returns with Form 8615 tax computation								
Total.....	545,600	1,037,678	1,138,311	100,633	201,902	320,206	418,758	98,551
Under \$5,000 ³	315,664	97,763	130,992	33,229	127,771	25,420	46,783	21,362
\$5,000 under \$10,000.....	132,892	122,066	187,459	65,392	34,121	22,383	50,143	27,760
\$10,000 under \$15,000.....	36,860	65,912	100,217	34,305	20,214	27,024	52,428	25,405
\$15,000 under \$20,000.....	20,219	48,411	72,102	23,691	11,458	23,866	45,513	21,648
\$20,000 under \$25,000.....	9,517	30,035	54,409	24,374	*1,923	*5,025	*10,974	*5,949
\$25,000 under \$30,000.....	*9,602	*36,409	*55,511	*19,102	*1,923	*7,325	*10,291	*2,966
\$30,000 under \$40,000.....	*8,501	*47,765	*63,699	*15,935	*929	*2,338	*2,577	*240
\$40,000 under \$50,000.....	*1,850	*16,747	*22,133	*5,385	*931	*7,025	*11,138	*4,113
\$50,000 under \$75,000.....	*5,485	*59,777	*61,873	*2,096	*931	*10,967	*19,934	*8,967
\$75,000 under \$100,000.....	*1,341	*22,214	*22,027	*-187	*8	*138	*235	*98
\$100,000 under \$200,000.....	*2,330	*68,628	*73,398	*4,770	*801	*25,824	*32,563	*6,739
\$200,000 under \$500,000.....	*722	*67,214	*50,822	*-16,392	*642	*52,943	*47,814	*-5,130
\$500,000 under \$1,000,000.....	*358	*75,510	*65,694	*-9,815	*141	*32,600	*25,971	*-6,629
\$1,000,000 under \$1,500,000.....	122	52,312	33,308	-19,004	*78	*32,765	*28,290	*-4,475
\$1,500,000 under \$2,000,000.....	*49	*29,600	*20,083	*-9,518	*8	*4,463	*2,741	*-1,722
\$2,000,000 under \$5,000,000.....	64	67,628	45,092	-22,536	*15	*20,286	*11,384	*-8,901
\$5,000,000 under \$10,000,000.....	*13	*35,260	*30,116	*-5,143	**7	**19,816	**19,978	**163
\$10,000,000 or more.....	*9	*94,426	*49,376	*-45,051	**	**	**	**

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2000 and 2001--Continued

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

Type of tax computation by size of adjusted gross income	Tax Year 2000				Tax Year 2001			
	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with Schedule D tax computation								
Total.....	17,091,388	512,907,932	440,309,912	-72,598,019	10,207,370	281,489,962	245,382,758	-36,107,205
Under \$5,000 ³	352,329	90,427	71,582	-18,846	141,650	20,540	19,398	-1,142
\$5,000 under \$10,000.....	453,538	253,821	208,746	-45,075	155,992	43,780	41,108	-2,672
\$10,000 under \$15,000.....	454,214	396,705	346,607	-50,098	274,600	185,342	168,583	-16,759
\$15,000 under \$20,000.....	606,573	742,182	675,322	-66,860	419,142	455,412	423,163	-32,249
\$20,000 under \$25,000.....	653,902	1,149,155	1,061,668	-87,487	425,040	699,151	654,316	-44,834
\$25,000 under \$30,000.....	673,190	1,599,616	1,500,569	-99,047	466,176	1,012,066	955,369	-56,697
\$30,000 under \$40,000.....	1,451,698	5,017,390	4,758,088	-259,302	942,612	3,156,551	3,017,921	-138,630
\$40,000 under \$50,000.....	1,488,654	7,531,647	7,156,434	-375,213	946,764	4,603,587	4,445,393	-158,194
\$50,000 under \$75,000.....	3,506,337	27,987,392	26,643,396	-1,343,996	2,024,262	15,372,771	14,792,744	-580,027
\$75,000 under \$100,000.....	2,471,632	32,263,622	30,774,256	-1,489,366	1,425,787	17,390,529	16,760,688	-629,841
\$100,000 under \$200,000.....	3,325,589	84,065,248	78,973,737	-5,091,511	2,015,951	49,578,743	47,069,522	-2,509,221
\$200,000 under \$500,000.....	1,232,936	92,326,984	82,606,393	-9,720,591	727,104	52,459,517	47,535,632	-4,923,885
\$500,000 under \$1,000,000.....	254,211	55,040,976	47,198,832	-7,842,145	148,029	31,115,256	26,772,415	-4,342,841
\$1,000,000 under \$1,500,000.....	67,975	27,982,643	23,374,232	-4,608,410	39,011	15,538,348	13,119,807	-2,418,541
\$1,500,000 under \$2,000,000.....	30,902	18,512,565	15,227,396	-3,285,169	17,920	10,416,628	8,629,210	-1,787,418
\$2,000,000 under \$5,000,000.....	47,114	50,219,836	40,292,614	-9,927,223	26,834	27,700,646	22,495,270	-5,205,376
\$5,000,000 under \$10,000,000.....	12,553	31,171,166	24,308,683	-6,862,483	6,603	15,867,936	12,395,700	-3,472,236
\$10,000,000 or more.....	8,041	76,556,556	55,131,358	-21,425,198	3,892	35,873,158	26,086,517	-9,786,642

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

** Data combined to prevent disclosure of certain taxpayer information.

¹ Includes special tax not included in tax generated.

² The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

³ Includes returns with adjusted gross deficit.

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

Individual Income Tax Rates and Shares, 2001

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987.....	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988.....	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989.....	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990.....	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991.....	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992.....	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993.....	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994.....	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995.....	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
1996.....	119,441,767	1,194,418	5,972,088	11,944,177	29,860,442	59,720,884
1997.....	121,503,284	1,215,033	6,075,164	12,150,328	30,375,821	60,751,642
1998.....	123,775,831	1,237,758	6,188,792	12,377,583	30,943,958	61,887,915
1999.....	126,008,974	1,260,090	6,300,449	12,600,897	31,502,244	63,004,487
2000.....	128,227,143	1,282,271	6,411,357	12,822,714	32,056,786	64,113,572
2001.....	128,817,051	1,288,171	6,440,853	12,881,705	32,204,263	64,408,526
Adjusted gross income floor on percentiles (current dollars):						
1986.....	N/A	118,818	62,377	48,656	32,242	17,302
1987.....	N/A	139,289	68,414	52,921	33,983	17,768
1988.....	N/A	157,136	72,735	55,437	35,398	18,367
1989.....	N/A	163,869	76,933	58,263	36,839	18,993
1990.....	N/A	167,421	79,064	60,287	38,080	19,767
1991.....	N/A	170,139	81,720	61,944	38,929	20,097
1992.....	N/A	181,904	85,103	64,457	40,378	20,803
1993.....	N/A	185,715	87,386	66,077	41,210	21,179
1994.....	N/A	195,726	91,226	68,753	42,742	21,802
1995.....	N/A	209,406	96,221	72,094	44,207	22,344
1996.....	N/A	227,546	101,141	74,986	45,757	23,174
1997.....	N/A	250,736	108,048	79,212	48,173	24,393
1998.....	N/A	269,496	114,729	83,220	50,607	25,491
1999.....	N/A	293,415	120,846	87,682	52,965	26,415
2000.....	N/A	313,469	128,336	92,144	55,225	27,682
2001.....	N/A	292,913	127,904	92,754	56,085	28,528
Adjusted gross income floor on percentiles (constant dollars):						
1986.....	N/A	108,411	56,913	44,394	29,418	15,786
1987.....	N/A	122,614	60,224	46,585	29,915	15,641
1988.....	N/A	132,828	61,484	46,861	29,922	15,526
1989.....	N/A	132,152	62,043	46,986	29,709	15,317
1990.....	N/A	128,096	60,493	46,126	29,135	15,124
1991.....	N/A	124,919	60,000	45,480	28,582	14,756
1992.....	N/A	129,654	60,658	45,942	28,780	14,828
1993.....	N/A	128,522	60,475	45,728	28,519	14,657
1994.....	N/A	132,069	61,556	46,392	28,841	14,711
1995.....	N/A	137,406	63,137	47,306	29,007	14,661
1996.....	N/A	145,026	64,462	47,792	29,163	14,769
1997.....	N/A	156,222	67,320	49,353	30,014	15,198
1998.....	N/A	164,427	69,999	50,775	30,877	15,553
1999.....	N/A	176,119	72,537	52,630	31,792	15,855
2000.....	N/A	182,038	74,527	53,510	32,070	16,075
2001.....	N/A	165,394	72,221	52,374	31,669	16,108

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2001

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income (millions of dollars):						
1986.....	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987.....	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988.....	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989.....	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990.....	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991.....	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992.....	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993.....	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994.....	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995.....	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542
1996.....	4,590,527	736,545	1,393,805	1,909,149	2,952,637	3,944,383
1997.....	5,023,457	872,826	1,597,107	2,151,401	3,267,600	4,327,992
1998.....	5,469,211	1,010,245	1,796,647	2,393,716	3,589,600	4,721,430
1999.....	5,909,329	1,152,820	2,011,763	2,652,835	3,927,308	5,126,164
2000.....	6,423,977	1,336,773	2,267,403	2,955,386	4,313,786	5,589,755
2001.....	6,241,036	1,094,296	1,996,492	2,690,589	4,071,034	5,379,286
Total income tax (millions of dollars): ²						
1986.....	366,979	94,491	156,240	200,703	278,976	343,289
1987.....	369,046	91,559	159,642	205,230	283,857	346,655
1988.....	412,761	113,841	188,303	236,411	321,297	389,145
1989.....	432,838	109,259	190,188	241,458	334,258	407,599
1990.....	447,061	112,338	195,088	247,514	344,340	421,075
1991.....	448,349	111,267	194,480	250,282	346,511	423,759
1992.....	476,163	131,156	218,479	276,213	373,700	452,070
1993.....	502,720	145,836	238,083	297,808	398,516	478,563
1994.....	534,754	154,337	254,106	317,902	425,402	509,256
1995.....	588,331	178,035	287,741	357,402	472,808	561,225
1996.....	658,124	212,626	335,433	411,404	535,164	629,684
1997.....	727,303	241,239	377,241	459,639	594,007	696,161
1998.....	788,452	274,009	424,506	512,836	651,964	755,240
1999.....	877,292	317,419	486,464	583,002	732,890	842,168
2000.....	980,521	366,929	553,670	660,150	823,706	942,179
2001.....	887,882	300,898	472,823	576,163	736,053	852,642
Average tax rate (percentage): ³						
1986.....	14.54	33.13	25.68	22.64	18.72	16.32
1987.....	13.12	26.41	22.10	19.77	16.61	14.60
1988.....	13.21	24.04	21.14	19.18	16.47	14.64
1989.....	13.12	23.34	20.71	18.77	16.27	14.53
1990.....	12.95	23.25	20.46	18.50	16.06	14.36
1991.....	12.75	24.37	20.62	18.63	15.93	14.20
1992.....	12.94	25.05	21.19	19.13	16.25	14.44
1993.....	13.32	28.01	22.71	20.20	16.90	14.90
1994.....	13.50	28.23	23.04	20.48	17.15	15.11
1995.....	13.86	28.73	23.53	20.97	17.58	15.47
1996.....	14.34	28.87	24.07	21.55	18.12	15.96
1997.....	14.48	27.64	23.62	21.36	18.18	16.09
1998.....	14.42	27.12	23.63	21.42	18.16	16.00
1999.....	14.85	27.53	24.18	21.98	18.66	16.43
2000.....	15.26	27.45	24.42	22.34	19.09	16.86
2001.....	14.23	27.50	23.68	21.41	18.08	15.85

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2001

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986.....	100.00	11.30	24.11	35.12	59.04	83.34
1987.....	100.00	12.32	25.67	36.90	60.75	84.37
1988.....	100.00	15.16	28.51	39.45	62.44	85.07
1989.....	100.00	14.19	27.84	39.00	62.28	85.04
1990.....	100.00	14.00	27.62	38.77	62.13	84.97
1991.....	100.00	12.99	26.83	38.20	61.85	84.87
1992.....	100.00	14.23	28.01	39.23	62.47	85.08
1993.....	100.00	13.79	27.76	39.05	62.45	85.08
1994.....	100.00	13.80	27.85	39.19	62.64	85.11
1995.....	100.00	14.60	28.81	40.16	63.37	85.46
1996.....	100.00	16.04	30.36	41.59	64.32	85.92
1997.....	100.00	17.38	31.79	42.83	65.05	86.16
1998.....	100.00	18.47	32.85	43.77	65.63	86.33
1999.....	100.00	19.51	34.04	44.89	66.46	86.75
2000.....	100.00	20.81	35.30	46.01	67.15	87.01
2001.....	100.00	17.53	31.99	43.11	65.23	86.19
Total income tax share (percentage):						
1986.....	100.00	25.75	42.57	54.69	76.02	93.54
1987.....	100.00	24.81	43.26	55.61	76.92	93.93
1988.....	100.00	27.58	45.62	57.28	77.84	94.28
1989.....	100.00	25.24	43.94	55.78	77.22	94.17
1990.....	100.00	25.13	43.64	55.36	77.02	94.19
1991.....	100.00	24.82	43.38	55.82	77.29	94.52
1992.....	100.00	27.54	45.88	58.01	78.48	94.94
1993.....	100.00	29.01	47.36	59.24	79.27	95.19
1994.....	100.00	28.86	47.52	59.45	79.55	95.23
1995.....	100.00	30.26	48.91	60.75	80.36	95.39
1996.....	100.00	32.31	50.97	62.51	81.32	95.68
1997.....	100.00	33.17	51.87	63.20	81.67	95.72
1998.....	100.00	34.75	53.84	65.04	82.69	95.79
1999.....	100.00	36.18	55.45	66.45	83.54	96.00
2000.....	100.00	37.42	56.47	67.33	84.01	96.09
2001.....	100.00	33.89	53.25	64.89	82.90	96.03

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2001

Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987.....	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988.....	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989.....	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990.....	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991.....	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992.....	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993.....	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994.....	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995.....	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
1996.....	119,441,767	59,720,883	89,581,325	107,497,590	113,469,679	118,247,349
1997.....	121,503,284	60,751,642	91,127,463	109,352,956	115,428,120	120,288,251
1998.....	123,775,831	61,887,916	92,831,873	111,398,248	117,587,039	122,538,073
1999.....	126,008,974	63,004,487	94,506,731	113,408,077	119,708,525	124,748,884
2000.....	128,227,143	64,113,572	96,170,357	115,404,429	121,815,786	126,944,872
2001.....	128,817,051	64,408,526	96,612,788	115,935,346	122,376,198	127,528,880
Adjusted gross income (millions of dollars):						
1986.....	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987.....	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988.....	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989.....	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990.....	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991.....	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992.....	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993.....	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994.....	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995.....	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
1996.....	4,590,527	646,144	1,637,891	2,681,378	3,196,723	3,853,983
1997.....	5,023,457	695,465	1,755,857	2,872,056	3,426,350	4,150,631
1998.....	5,469,211	747,781	1,879,611	3,075,495	3,672,564	4,458,967
1999.....	5,909,329	783,164	1,982,021	3,256,494	3,897,565	4,756,509
2000.....	6,423,977	834,222	2,110,190	3,468,590	4,156,573	5,087,204
2001.....	6,241,036	861,750	2,170,001	3,550,447	4,244,543	5,146,740
Total income tax (millions of dollars): ²						
1986.....	366,979	23,690	88,002	166,276	210,739	272,488
1987.....	369,046	22,391	85,189	163,816	209,404	277,488
1988.....	412,761	23,616	91,464	176,350	224,459	298,920
1989.....	432,838	25,239	98,580	191,380	242,650	323,579
1990.....	447,061	25,986	102,721	199,547	251,973	334,723
1991.....	448,349	24,554	101,837	198,067	253,869	337,081
1992.....	476,163	24,093	102,463	199,950	257,683	345,007
1993.....	502,720	24,157	104,203	204,912	264,637	356,884
1994.....	534,754	25,499	109,353	216,852	280,648	380,418
1995.....	588,331	27,106	115,523	230,929	300,590	410,296
1996.....	658,124	28,440	122,960	246,720	322,691	445,498
1997.....	727,303	31,134	133,296	267,664	350,062	486,064
1998.....	788,452	33,212	136,488	275,615	363,946	514,442
1999.....	877,292	35,126	144,402	294,290	390,828	559,874
2000.....	980,521	38,343	156,816	320,371	426,851	613,592
2001.....	887,882	35,239	151,826	311,719	415,059	586,984

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Average tax rate (percentage): ³						
1986.....	14.54	5.63	8.51	10.15	11.00	12.17
1987.....	13.12	5.09	7.71	9.23	10.01	11.25
1988.....	13.21	5.06	7.80	9.32	10.05	11.28
1989.....	13.12	5.11	7.92	9.51	10.19	11.43
1990.....	12.95	5.01	7.86	9.44	10.09	11.28
1991.....	12.75	4.61	7.59	9.12	9.87	11.04
1992.....	12.94	4.39	7.42	8.94	9.73	10.93
1993.....	13.32	4.29	7.35	8.90	9.70	10.96
1994.....	13.50	4.32	7.39	9.00	9.82	11.14
1995.....	13.86	4.39	7.43	9.09	9.95	11.32
1996.....	14.34	4.40	7.51	9.20	10.09	11.56
1997.....	14.48	4.48	7.59	9.32	10.22	11.71
1998.....	14.42	4.44	7.26	8.96	9.91	11.54
1999.....	14.85	4.49	7.29	9.04	10.03	11.77
2000.....	15.26	4.60	7.43	9.24	10.27	12.06
2001.....	14.23	4.09	7.00	8.78	9.78	11.41
Adjusted gross income share (percentage):						
1986.....	100.00	16.66	40.96	64.88	75.89	88.70
1987.....	100.00	15.63	39.25	63.10	74.33	87.68
1988.....	100.00	14.93	37.56	60.55	71.49	84.84
1989.....	100.00	14.96	37.72	61.00	72.16	85.81
1990.....	100.00	15.03	37.87	61.23	72.38	86.00
1991.....	100.00	15.13	38.15	61.80	73.17	87.01
1992.....	100.00	14.92	37.53	60.77	71.99	85.77
1993.....	100.00	14.92	37.55	60.95	72.24	86.21
1994.....	100.00	14.89	37.36	60.81	72.15	86.20
1995.....	100.00	14.54	36.63	59.84	71.19	85.40
1996.....	100.00	14.08	35.68	58.41	69.64	83.96
1997.....	100.00	13.84	34.95	57.17	68.21	82.63
1998.....	100.00	13.67	34.37	56.23	67.15	81.53
1999.....	100.00	13.25	33.54	55.11	65.96	80.49
2000.....	100.00	12.99	32.85	53.99	64.70	79.19
2001.....	100.00	13.81	34.77	56.89	68.01	82.47
Total income tax share (percentage):						
1986.....	100.00	6.46	23.98	45.31	57.43	74.25
1987.....	100.00	6.07	23.08	44.39	56.74	75.19
1988.....	100.00	5.72	22.16	42.72	54.38	72.42
1989.....	100.00	5.83	22.78	44.22	56.06	74.76
1990.....	100.00	5.81	22.98	44.64	56.36	74.87
1991.....	100.00	5.48	22.71	44.18	56.62	75.18
1992.....	100.00	5.06	21.52	41.99	54.12	72.46
1993.....	100.00	4.81	20.73	40.76	52.64	70.99
1994.....	100.00	4.77	20.45	40.55	52.48	71.14
1995.....	100.00	4.61	19.64	39.25	51.09	69.74
1996.....	100.00	4.32	18.68	37.49	49.03	67.69
1997.....	100.00	4.28	18.33	36.80	48.13	66.83
1998.....	100.00	4.21	17.31	34.96	46.16	65.25
1999.....	100.00	4.00	16.46	33.55	44.55	63.82
2000.....	100.00	3.91	15.99	32.67	43.53	62.58
2001.....	100.00	3.97	17.10	35.11	46.75	66.11

¹ The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit were excluded from Tables 5 and 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2001, there were 5,267 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$94.5 million.

² Total income tax is the sum of income tax after credits and alternative minimum tax for 1999 and prior years reported on returns that showed a positive amount for adjusted gross income. (For 2000 and later years, alternative minimum tax is included in income tax before credits.) Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1 and Figure D.

³ The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2001

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
		(1)	(2)	(3)	(4)	(5)
Number of returns:						
1986.....	101,988,805	1,019,888	5,099,440	10,198,881	25,497,201	50,994,402
1987.....	106,191,624	1,061,916	5,309,581	10,619,162	26,547,906	53,095,812
1988.....	108,879,154	1,088,792	5,443,958	10,887,915	27,219,788	54,439,577
1989.....	111,328,835	1,113,288	5,566,442	11,132,884	27,832,209	55,664,418
1990.....	112,717,959	1,127,180	5,635,898	11,271,796	28,179,490	56,358,980
1991.....	113,823,123	1,138,231	5,691,156	11,382,312	28,455,781	56,911,562
1992.....	112,687,747	1,126,877	5,634,387	11,268,775	28,171,937	56,343,874
1993.....	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994.....	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995.....	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
1996.....	119,487,813	1,194,878	5,974,391	11,948,781	29,871,953	59,743,906
1997.....	121,555,156	1,215,552	6,077,758	12,155,516	30,388,789	60,777,578
1998.....	123,852,016	1,238,520	6,192,601	12,385,202	30,963,004	61,926,008
1999.....	126,107,596	1,261,076	6,305,380	12,610,760	31,526,899	63,053,798
2000.....	128,340,271	1,283,403	6,417,014	12,834,027	32,085,068	64,170,135
2001.....	128,863,007	1,288,630	6,443,150	12,886,301	32,215,752	64,431,504
Income floor on percentiles (current dollars):						
1986.....	N/A	147,863	68,362	52,035	33,623	17,909
1987.....	N/A	145,624	69,222	53,094	34,165	17,959
1988.....	N/A	161,774	73,451	55,532	35,432	18,534
1989.....	N/A	169,603	77,542	58,429	36,783	19,152
1990.....	N/A	174,813	80,400	60,623	38,026	19,947
1991.....	N/A	180,268	83,300	62,413	38,913	20,302
1992.....	N/A	197,031	87,370	65,283	40,423	21,041
1993.....	N/A	199,698	88,992	66,685	41,013	21,390
1994.....	N/A	210,742	93,186	69,118	42,480	22,000
1995.....	N/A	224,523	98,420	72,210	43,860	22,575
1996.....	N/A	246,268	103,489	75,574	45,508	23,378
1997.....	N/A	268,889	110,949	79,598	47,738	24,551
1998.....	N/A	301,513	120,262	84,904	50,232	25,612
1999.....	N/A	332,253	126,643	89,172	52,399	26,487
2000.....	N/A	353,945	134,128	93,715	54,592	27,647
2001.....	N/A	323,861	131,728	93,633	55,203	28,404
Income floor on percentiles (constant dollars): ¹						
1986.....	N/A	134,912	62,374	47,477	30,678	16,340
1987.....	N/A	128,190	60,935	46,738	30,075	15,809
1988.....	N/A	136,749	62,089	46,942	29,951	15,667
1989.....	N/A	136,777	62,534	47,120	29,664	15,445
1990.....	N/A	133,751	61,515	46,383	29,094	15,262
1991.....	N/A	132,355	61,160	45,825	28,571	14,906
1992.....	N/A	140,436	62,274	46,531	28,812	14,997
1993.....	N/A	138,199	61,586	46,149	28,383	14,803
1994.....	N/A	142,201	62,879	46,638	28,664	14,845
1995.....	N/A	147,325	64,580	47,382	28,780	14,813
1996.....	N/A	156,959	65,959	48,167	29,004	14,900
1997.....	N/A	167,532	69,127	49,594	29,743	15,297
1998.....	N/A	183,962	73,375	51,802	30,648	15,627
1999.....	N/A	199,432	76,016	53,525	31,452	15,899
2000.....	N/A	205,543	77,891	54,422	31,703	16,055
2001.....	N/A	182,869	74,381	52,870	31,171	16,038

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2001

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
		(1)	(2)	(3)	(4)	(5)
Income (millions of dollars):						
1986.....	2,804,691	427,513	796,935	1,097,550	1,732,231	2,368,620
1987.....	2,856,118	363,880	749,240	1,067,438	1,741,747	2,411,715
1988.....	3,153,639	484,675	911,170	1,255,108	1,973,061	2,683,524
1989.....	3,336,571	486,976	947,363	1,317,619	2,085,003	2,838,481
1990.....	3,497,118	504,687	987,582	1,376,162	2,182,091	2,973,847
1991.....	3,577,337	478,756	985,590	1,390,924	2,224,979	3,038,428
1992.....	3,763,002	556,421	1,090,019	1,509,728	2,369,701	3,206,490
1993.....	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994.....	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995.....	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267
1996.....	4,670,644	772,868	1,462,979	1,984,931	3,025,107	4,015,461
1997.....	5,112,706	918,007	1,679,877	2,242,353	3,353,245	4,409,075
1998.....	5,626,390	1,072,779	1,925,214	2,542,399	3,742,006	4,869,467
1999.....	6,082,931	1,236,081	2,166,370	2,825,789	4,099,929	5,290,805
2000.....	6,601,494	1,424,436	2,430,957	3,138,299	4,495,910	5,758,808
2001.....	6,361,523	1,159,037	2,121,055	2,828,677	4,202,776	5,491,703
Total income tax (millions of dollars): ²						
1986.....	366,763	93,128	155,553	198,862	277,578	342,296
1987.....	368,924	89,908	158,485	204,050	282,970	346,228
1988.....	412,549	112,208	186,793	235,121	320,152	388,631
1989.....	432,643	107,508	188,588	240,229	333,285	407,106
1990.....	446,906	110,530	192,991	245,856	342,926	420,345
1991.....	448,177	107,926	192,548	246,745	345,168	423,180
1992.....	476,067	127,361	216,303	272,361	372,352	451,494
1993.....	502,638	142,329	235,908	294,238	397,261	477,997
1994.....	534,693	150,133	250,770	314,909	423,743	508,540
1995.....	588,292	173,877	284,036	354,427	471,035	560,748
1996.....	658,059	208,071	331,404	407,726	532,750	628,918
1997.....	731,123	238,978	376,046	459,674	595,060	699,131
1998.....	783,437	262,464	413,303	503,577	644,182	749,547
1999.....	877,199	307,382	479,531	577,903	729,679	841,172
2000.....	980,459	355,911	546,102	654,155	819,937	941,304
2001.....	887,770	291,907	466,057	570,430	732,094	851,539
Average tax rate (percentage): ³						
1986.....	13.08	21.78	19.52	18.12	16.02	14.45
1987.....	12.92	24.71	21.15	19.12	16.25	14.36
1988.....	13.08	23.15	20.50	18.73	16.23	14.48
1989.....	12.97	22.08	19.91	18.23	15.98	14.34
1990.....	12.78	21.90	19.54	17.87	15.72	14.13
1991.....	12.53	22.54	19.54	17.74	15.51	13.93
1992.....	12.65	22.89	19.84	18.04	15.71	14.08
1993.....	13.06	25.69	21.35	19.14	16.40	14.58
1994.....	13.26	25.90	21.58	19.47	16.65	14.80
1995.....	13.63	26.60	22.11	19.99	17.10	15.19
1996.....	14.09	26.92	22.65	20.54	17.61	15.66
1997.....	14.30	26.03	22.39	20.50	17.75	15.86
1998.....	13.92	24.47	21.47	19.81	17.21	15.39
1999.....	14.42	24.87	22.14	20.45	17.80	15.90
2000.....	14.85	24.99	22.46	20.84	18.24	16.35
2001.....	13.96	25.19	21.97	20.17	17.42	15.51

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2001

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986.....	100.00	15.24	28.41	39.13	61.76	84.45
1987.....	100.00	12.74	26.23	37.37	60.98	84.44
1988.....	100.00	15.37	28.89	39.80	62.56	85.09
1989.....	100.00	14.60	28.39	39.49	62.49	85.07
1990.....	100.00	14.43	28.24	39.35	62.40	85.04
1991.....	100.00	13.38	27.55	38.88	62.20	84.94
1992.....	100.00	14.79	28.97	40.12	62.97	85.21
1993.....	100.00	14.39	28.71	39.93	62.93	85.18
1994.....	100.00	14.37	28.81	40.09	63.08	85.19
1995.....	100.00	15.14	29.76	41.06	63.81	85.52
1996.....	100.00	16.55	31.32	42.50	64.77	85.97
1997.....	100.00	17.96	32.86	43.86	65.59	86.24
1998.....	100.00	19.07	34.22	45.19	66.51	86.55
1999.....	100.00	20.32	35.61	46.45	67.40	86.98
2000.....	100.00	21.58	36.82	47.54	68.10	87.23
2001.....	100.00	18.22	33.34	44.47	66.07	86.33
Total income tax share (percentage):						
1986.....	100.00	25.39	42.41	54.22	75.68	93.33
1987.....	100.00	24.37	42.96	55.31	76.70	93.85
1988.....	100.00	27.20	45.28	56.99	77.60	94.20
1989.....	100.00	24.85	43.59	55.53	77.03	94.10
1990.....	100.00	24.73	43.18	55.01	76.73	94.06
1991.....	100.00	24.08	42.96	55.06	77.02	94.42
1992.....	100.00	26.75	45.44	57.21	78.21	94.84
1993.....	100.00	28.32	46.93	58.54	79.04	95.10
1994.....	100.00	28.08	46.90	58.90	79.25	95.11
1995.....	100.00	29.56	48.28	60.25	80.07	95.32
1996.....	100.00	31.62	50.36	61.96	80.96	95.57
1997.....	100.00	32.69	51.43	62.87	81.39	95.62
1998.....	100.00	33.50	52.76	64.28	82.23	95.67
1999.....	100.00	35.04	54.67	65.88	83.18	95.89
2000.....	100.00	36.30	55.70	66.72	83.63	96.01
2001.....	100.00	32.88	52.50	64.25	82.46	95.92

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2001

Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns:						
1986.....	101,988,805	50,994,402	76,491,604	91,789,924	96,889,365	100,968,917
1987.....	106,191,624	53,095,812	79,643,718	95,572,462	100,882,043	105,129,708
1988.....	108,879,154	54,439,577	81,659,366	97,991,239	103,435,196	107,790,362
1989.....	111,328,835	55,664,417	83,496,626	100,195,951	105,762,393	110,215,547
1990.....	112,717,959	56,358,980	84,538,469	101,446,163	107,082,061	111,590,779
1991.....	113,823,123	56,911,562	85,367,342	102,440,811	108,131,967	112,684,892
1992.....	112,687,747	56,343,874	84,515,810	101,418,972	107,053,360	111,560,870
1993.....	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994.....	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995.....	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
1996.....	119,487,813	59,743,907	89,615,860	107,539,032	113,513,422	118,292,935
1997.....	121,555,156	60,777,578	91,166,367	109,399,640	115,477,398	120,339,604
1998.....	123,852,016	61,926,008	92,889,012	111,466,814	117,659,415	122,613,496
1999.....	126,107,596	63,053,798	94,580,697	113,496,836	119,802,216	124,846,520
2000.....	128,340,271	64,170,135	96,255,203	115,506,243	121,923,257	127,056,868
2001.....	128,863,007	64,431,504	96,647,255	115,976,706	122,419,857	127,574,377
Income (millions of dollars):						
1986.....	2,804,691	436,071	1,072,460	1,707,142	2,007,756	2,377,178
1987.....	2,856,118	444,403	1,114,372	1,788,680	2,106,878	2,492,238
1988.....	3,153,639	470,115	1,180,578	1,898,531	2,242,469	2,668,964
1989.....	3,336,571	498,089	1,251,567	2,018,952	2,389,207	2,849,595
1990.....	3,497,118	523,271	1,315,027	2,120,956	2,509,535	2,992,431
1991.....	3,577,337	538,910	1,352,358	2,186,413	2,591,748	3,098,582
1992.....	3,763,002	556,512	1,393,300	2,253,273	2,672,983	3,206,581
1993.....	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994.....	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995.....	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
1996.....	4,670,644	655,183	1,645,537	2,685,713	3,207,665	3,897,777
1997.....	5,112,706	703,631	1,759,461	2,870,353	3,432,828	4,194,699
1998.....	5,626,390	756,923	1,884,384	3,083,991	3,701,176	4,553,611
1999.....	6,082,931	792,125	1,983,002	3,257,142	3,916,561	4,846,850
2000.....	6,601,494	842,686	2,105,584	3,463,195	4,170,537	5,177,058
2001.....	6,361,523	869,820	2,158,748	3,532,846	4,240,468	5,202,486
Total income tax (millions of dollars): ²						
1986.....	366,763	24,467	89,186	167,901	211,210	273,635
1987.....	368,924	22,696	85,954	164,874	210,439	279,016
1988.....	412,549	23,918	92,397	177,429	225,756	300,341
1989.....	432,643	25,537	99,358	192,414	244,055	325,135
1990.....	446,906	26,562	103,980	201,050	253,915	336,376
1991.....	448,177	24,997	103,009	201,432	255,629	340,251
1992.....	476,067	24,573	103,715	203,706	259,764	348,706
1993.....	502,638	24,641	105,377	208,400	266,730	360,309
1994.....	534,693	26,153	110,950	219,783	283,923	384,560
1995.....	588,292	27,544	117,257	233,864	304,256	414,415
1996.....	658,059	29,142	125,310	250,333	326,655	449,988
1997.....	731,123	31,992	136,063	271,450	355,078	492,146
1998.....	783,437	33,889	139,249	279,860	370,134	520,973
1999.....	877,199	36,027	147,520	299,294	397,669	569,817
2000.....	980,459	39,155	160,521	326,304	434,357	624,548
2001.....	887,770	36,230	155,676	317,341	421,713	595,863

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2001

Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2001--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Average tax rate (percentage):³						
1986.....	13.08	5.61	8.32	9.84	10.52	11.51
1987.....	12.92	5.11	7.71	9.22	9.99	11.20
1988.....	13.08	5.09	7.83	9.35	10.07	11.25
1989.....	12.97	5.13	7.94	9.53	10.21	11.41
1990.....	12.78	5.08	7.91	9.48	10.12	11.24
1991.....	12.53	4.64	7.62	9.21	9.86	10.98
1992.....	12.65	4.42	7.44	9.04	9.72	10.87
1993.....	13.06	4.32	7.38	9.01	9.72	10.93
1994.....	13.26	4.38	7.45	9.10	9.89	11.13
1995.....	13.63	4.41	7.50	9.19	10.03	11.31
1996.....	14.09	4.45	7.62	9.32	10.18	11.54
1997.....	14.30	4.55	7.73	9.46	10.34	11.73
1998.....	13.92	4.48	7.39	9.07	10.00	11.44
1999.....	14.42	4.55	7.44	9.19	10.15	11.76
2000.....	14.85	4.65	7.62	9.42	10.41	12.06
2001.....	13.96	4.17	7.21	8.98	9.95	11.45
Income share (percentage):						
1986.....	100.00	15.55	38.24	60.87	71.59	84.76
1987.....	100.00	15.56	39.02	62.63	73.77	87.26
1988.....	100.00	14.91	37.44	60.20	71.11	84.63
1989.....	100.00	14.93	37.51	60.51	71.61	85.40
1990.....	100.00	14.96	37.60	60.65	71.76	85.57
1991.....	100.00	15.06	37.80	61.12	72.45	86.62
1992.....	100.00	14.79	37.03	59.88	71.03	85.21
1993.....	100.00	14.82	37.07	60.07	71.29	85.61
1994.....	100.00	14.81	36.92	59.91	71.19	85.63
1995.....	100.00	14.48	36.19	58.94	70.24	84.86
1996.....	100.00	14.03	35.23	57.50	68.68	83.45
1997.....	100.00	13.76	34.41	56.14	67.14	82.04
1998.....	100.00	13.45	33.49	54.81	65.78	80.93
1999.....	100.00	13.02	32.60	53.55	64.39	79.68
2000.....	100.00	12.77	31.90	52.46	63.18	78.42
2001.....	100.00	13.67	33.93	55.53	66.66	81.78
Total income tax share (percentage):						
1986.....	100.00	6.67	24.32	45.78	57.59	74.61
1987.....	100.00	6.15	23.30	44.69	57.04	75.63
1988.....	100.00	5.80	22.40	43.01	54.72	72.80
1989.....	100.00	5.90	22.97	44.47	56.41	75.15
1990.....	100.00	5.94	23.27	44.99	56.82	75.27
1991.....	100.00	5.58	22.98	44.94	57.04	75.92
1992.....	100.00	5.16	21.79	42.79	54.56	73.25
1993.....	100.00	4.90	20.96	41.46	53.07	71.68
1994.....	100.00	4.89	20.75	41.10	53.10	71.92
1995.....	100.00	4.68	19.93	39.75	51.72	70.44
1996.....	100.00	4.43	19.04	38.04	49.64	68.38
1997.....	100.00	4.38	18.61	37.13	48.57	67.31
1998.....	100.00	4.33	17.77	35.72	47.24	66.50
1999.....	100.00	4.11	16.82	34.12	45.33	64.96
2000.....	100.00	3.99	16.37	33.28	44.30	63.70
2001.....	100.00	4.08	17.54	35.75	47.50	67.12

¹ For Table 7, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

² Total income tax is the sum of income tax after credits and the alternative minimum tax for 1999 and prior years. For 2000 and 2001, alternative minimum tax is included in income tax before credits (see Figure D).

³ Average tax rate was computed by dividing total income tax by income, using the 1979 income concept (see text and Figure I).