

# Individual Income Tax Returns, Preliminary Data, 2003

Data Release

**F**or 2003, taxpayers filed 130.6 million U.S. individual income tax returns, an increase of 0.3 percent from the 130.2 million returns filed for 2002. For the first time in 3 years, Adjusted Gross Income (AGI) rose, increasing by 2.9 percent to \$6.2 trillion for 2003. Tax Year 2003 had several other notable changes. Taxable income increased 2.5 percent to \$4.2 trillion, and alternative minimum tax rose 41.9 percent to \$8.7 billion. Despite these increases, total income tax fell 6.0 percent to \$750.0 billion, and total tax liability decreased 5.6 percent to \$787.8 billion. These decreases in tax were partially due to major changes in the law (including the Job and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA)), which increased some adjustments, credits, size of tax brackets, and standard deductions, while lowering tax rates (see Changes in Law section for details).

Figure A shows that the largest component of AGI, salaries and wages, increased 2.2 percent to \$4,696.5 billion for Tax Year 2003, while the next largest component of AGI, taxable pensions and annuities, rose 4.3 percent to \$378.6 billion. Net capital gains also rose 16.9 percent to \$288.6 billion. Declining income items were led by taxable interest, which decreased by 17.0 percent to \$115.7 billion. Other income items with notable percentage changes included capital gain distributions, which declined 13.6 percent from \$5.5 billion in 2002 to \$4.7 billion in 2003, and dividends, which increased 12.3 percent to \$110.9 billion. Of this dividend total, about 71.5 percent were reported as qualified dividends. The qualified dividends, introduced for the first time under JGTRRA, were taxed at lower rates (as were long-term capital gains). These qualified dividends were reported on 22.5 million returns and totaled \$79.2 billion (see Changes in Law section for details). Also, business or profession net income increased by 5.0 percent from Tax Year 2002 to \$261.4 billion.

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Statutory adjustments to total income increased 13.1 percent to \$85.1 billion for Tax Year 2003. The largest increase was in the self-employed health insurance deduction, which increased 55.4 percent to \$15.6 billion. This \$5.6-billion increase represented more than half of the total increase in statutory adjustments and was partially due to a change in the law increasing the amount that could be deductible (see Change in Law section for details). The largest statutory adjustment was the deduction for self-employment tax, representing 22.3 percent of the total. This adjustment to income increased 5.6 percent to \$19.0 billion. Payments to self-employed retirement plans rose 8.4 percent to \$16.9 billion, while payments to an Individual Retirement Arrangement (IRA) increased 5.5 percent to \$10.2 billion. The deduction for tuition and fees increased 8.2 percent to \$6.7 billion. Tax Year 2003 was just the second year that these were deductible as an adjustment to income.

Total deductions, the sum of the standard deductions and total itemized deductions (after limitation) equaled \$1,439.4 billion, an increase of 4.8 percent from Tax Year 2002. The number of returns claiming the standard deductions increased 2.4 percent, accounting for 65.0 percent of all returns filed and 38.8 percent of the total deductions amount. Due to the expanded standard deduction for married couples filing joint returns (see Changes in Law) and inflation indexing for all filing statuses, the average standard deduction (including both the basic and additional standard deductions) increased 10.3 percent from \$5,963 for 2002 to \$6,579 for 2003. Itemized deductions were claimed on 33.6 percent of all returns filed for 2003 and represented 61.2 percent of the total deductions amount [1]. The average total for itemized deductions (after limitation) was \$20,076, a 4.1-percent increase from the 2002 average of \$19,293. Due to the AGI limitation on itemized deductions, 5.2 million higher-income taxpayers were unable to deduct \$28.0 billion in itemized deductions, an increase of 6.7 percent from 2002. The interest paid deduction was the largest deduction, comprising 36.5 percent of total itemized deductions (before limitations). For 2003, it decreased 3.3 percent to \$332.0 billion. The taxes

**For the first time in 3 years, Adjusted Gross Income (AGI) rose, increasing by 2.9 percent to \$6.2 trillion for 2003.**

# Individual Income Tax Returns, Preliminary Data, 2003

## Figure A

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2002 and 2003

[Money amounts are in thousands of dollars]

Item	2002	2003	Percentage change
	(1)	(2)	(3)
<b>Number of returns, total.....</b>	<b>130,201,415</b>	<b>130,571,319</b>	<b>0.3</b>
Form 1040 returns.....	80,490,588	80,193,301	-0.4
Form 1040A returns.....	28,906,249	29,827,251	3.2
Form 1040EZ returns <sup>1</sup> .....	20,804,579	20,550,767	-1.2
Electronically-filed returns <sup>12</sup> .....	53,719,882	62,180,894	15.8
<b>Adjusted gross income (less deficit).....</b>	<b>6,039,405,382</b>	<b>6,212,974,067</b>	<b>2.9</b>
Salaries and wages:			
Number of returns.....	111,350,158	111,350,057	( Z )
Amount.....	4,594,558,226	4,696,501,144	2.2
Taxable interest:			
Number of returns.....	63,740,332	59,591,835	-6.5
Amount.....	139,294,544	115,682,836	-17.0
Tax-exempt interest: <sup>3</sup>			
Number of returns.....	4,451,532	4,525,688	1.7
Amount.....	53,883,081	51,795,259	-3.9
Dividends:			
Number of returns.....	31,405,307	30,450,215	-3.0
Amount.....	98,758,800	110,863,179	12.3
Qualified dividends:			
Number of returns.....	N/A	22,470,605	N/A
Amount.....	N/A	79,229,288	N/A
State income tax refunds:			
Number of returns.....	23,919,233	24,748,822	3.5
Amount.....	22,653,944	22,170,414	-2.1
Alimony received:			
Number of returns.....	428,548	427,110	-0.3
Amount.....	6,321,174	6,095,856	-3.6
Business or profession net income:			
Number of returns.....	13,736,189	14,407,862	4.9
Amount.....	248,994,633	261,375,371	5.0
Business or profession net loss:			
Number of returns.....	4,852,573	4,990,662	2.8
Amount.....	34,527,253	38,380,163	11.2
Net capital gain: <sup>4</sup>			
Number of returns.....	10,816,038	10,085,562	-6.8
Amount.....	246,831,535	288,629,772	16.9
Capital gain distributions: <sup>4</sup>			
Number of returns.....	7,616,563	7,311,132	-4.0
Amount.....	5,471,012	4,726,887	-13.6
Net capital loss:			
Number of returns.....	13,297,296	12,808,729	-3.7
Amount.....	29,898,639	28,921,930	-3.3
Sales of property other than capital assets, net gain:			
Number of returns.....	774,613	784,336	1.3
Amount.....	6,702,014	7,521,982	12.2
Sales of property other than capital assets, net loss:			
Number of returns.....	882,024	902,097	2.3
Amount.....	8,983,762	7,048,185	-21.5
Taxable Individual Retirement Arrangement distributions:			
Number of returns.....	8,367,444	8,677,735	3.7
Amount.....	88,699,036	88,599,170	-0.1
Taxable pensions and annuities:			
Number of returns.....	23,033,571	23,058,944	0.1
Amount.....	363,178,764	378,632,948	4.3
Rent and royalty net income:			
Number of returns.....	5,582,242	5,582,974	( Z )
Amount.....	61,749,654	64,468,069	4.4
Rent and royalty net loss:			
Number of returns.....	4,893,695	4,838,985	-1.1
Amount.....	35,623,474	37,999,493	6.7

Footnotes at end of figure.

# Individual Income Tax Returns, Preliminary Data, 2003

## Figure A--Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2002 and 2003--Continued

[Money amounts are in thousands of dollars]

Item	2002	2003	Percentage change
	(1)	(2)	(3)
Partnership and S Corporation net income:			
Number of returns.....	4,014,896	4,139,385	3.1
Amount.....	284,700,191	301,171,011	5.8
Partnership and S Corporation net loss:			
Number of returns.....	2,201,777	2,371,920	7.7
Amount.....	56,029,034	56,220,101	0.3
Estate and trust net income:			
Number of returns.....	508,734	460,487	-9.5
Amount.....	10,556,522	11,494,374	8.9
Estate and trust net loss:			
Number of returns.....	36,687	29,622	-19.3
Amount.....	633,567	562,851	-11.2
Farm net income:			
Number of returns.....	560,357	595,750	6.3
Amount.....	6,537,448	7,560,081	15.6
Farm net loss:			
Number of returns.....	1,431,285	1,402,196	-2.0
Amount.....	20,219,702	19,513,364	-3.5
Unemployment compensation:			
Number of returns.....	10,423,027	10,133,305	-2.8
Amount.....	43,411,772	44,185,367	1.8
Taxable Social Security benefits:			
Number of returns.....	10,829,281	11,098,826	2.5
Amount.....	94,696,163	99,080,506	4.6
<b>Total statutory adjustments:</b>			
Number of returns.....	28,868,674	30,352,239	5.1
Amount.....	75,291,939	85,137,579	13.1
Educator expenses:			
Number of returns.....	2,918,977	3,275,128	12.2
Amount.....	719,526	813,913	13.1
Payments to an Individual Retirement Arrangement:			
Number of returns.....	3,323,683	3,462,006	4.2
Amount.....	9,639,868	10,166,576	5.5
Student loan interest deduction:			
Number of returns.....	6,679,730	7,031,160	5.3
Amount.....	4,483,269	4,470,823	-0.3
Tuition and fees deduction:			
Number of returns.....	3,473,139	3,603,729	3.8
Amount.....	6,224,780	6,737,825	8.2
Medical savings account deduction:			
Number of returns.....	63,897	63,450	-0.7
Amount.....	128,367	119,800	-6.7
Moving expenses adjustment:			
Number of returns.....	942,457	1,029,309	9.2
Amount.....	2,204,827	2,483,169	12.6
Self-employment tax deduction:			
Number of returns.....	14,567,832	15,253,702	4.7
Amount.....	17,985,927	18,986,750	5.6
Self-employed health insurance deduction:			
Number of returns.....	3,452,308	3,658,160	6.0
Amount.....	10,019,154	15,569,662	55.4
Payments to a self-employed retirement (Keogh) plan:			
Number of returns.....	1,181,103	1,193,324	1.0
Amount.....	15,590,116	16,899,066	8.4
Penalty on early withdrawal of savings:			
Number of returns.....	810,755	734,368	-9.4
Amount.....	195,551	153,102	-21.7
Alimony paid:			
Number of returns.....	591,534	582,671	-1.5
Amount.....	7,060,478	7,303,956	3.4

Footnotes at end of figure.

# Individual Income Tax Returns, Preliminary Data, 2003

## Figure A--Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2002 and 2003--Continued

[Money amounts are in thousands of dollars]

Item	2002	2003	Percentage change
	(1)	(2)	(3)
<b>Total deductions:</b>			
Number of returns.....	128,482,042	128,796,092	0.2
Amount.....	1,373,598,790	1,439,376,664	4.8
Basic standard deduction:			
Number of returns.....	82,909,453	84,934,121	2.4
Amount.....	479,281,798	542,758,782	13.2
Additional standard deduction:			
Number of returns.....	10,986,607	11,335,359	3.2
Amount.....	15,079,165	16,064,490	6.5
<b>Total itemized deductions (after limitation):</b>			
Number of returns.....	45,572,589	43,861,971	-3.8
Amount.....	879,237,828	880,553,392	0.1
Itemized deductions in excess of limitation:			
Number of returns.....	5,199,946	5,237,245	0.7
Amount.....	26,240,256	28,010,193	6.7
Medical and dental expenses deduction:			
Number of returns.....	8,527,941	8,630,911	1.2
Amount.....	51,873,191	55,003,108	6.0
Taxes paid deduction:			
Number of returns.....	44,742,669	42,996,756	-3.9
Amount.....	298,629,419	307,102,902	2.8
Interest paid deduction:			
Number of returns.....	37,509,263	36,105,945	-3.7
Amount.....	343,191,909	331,988,244	-3.3
Charitable contributions deduction:			
Number of returns.....	40,443,074	38,642,066	-4.5
Amount.....	136,356,466	139,666,085	2.4
<b>Taxable income:</b>			
Number of returns.....	102,462,477	101,669,737	-0.8
Amount.....	4,099,015,901	4,202,698,688	2.5
Alternative minimum tax:			
Number of returns.....	1,916,291	2,379,473	24.2
Amount.....	6,156,281	8,737,246	41.9
<b>Income tax before credits:</b>			
Number of returns.....	102,479,207	101,686,410	-0.8
Amount.....	836,773,441	791,129,805	-5.5
<b>Total tax credits:<sup>5</sup></b>			
Number of returns.....	40,636,192	41,219,145	1.4
Amount.....	38,985,352	41,108,685	5.4
Child care credit:			
Number of returns.....	6,194,033	6,340,695	2.4
Amount.....	2,710,432	3,222,404	18.9
Credit for the elderly or disabled:			
Number of returns.....	134,742	125,555	-6.8
Amount.....	21,317	20,600	-3.4
Child tax credit:			
Number of returns.....	25,975,097	25,741,752	-0.9
Amount.....	21,562,208	22,815,814	5.8
Education tax credits:			
Number of returns.....	6,529,334	7,358,503	12.7
Amount.....	4,933,542	5,900,877	19.6
Retirement savings contributions credit:			
Number of returns.....	5,370,533	5,383,851	0.2
Amount.....	1,071,537	1,053,786	-1.7
Adoption credit:			
Number of returns.....	54,229	62,749	15.7
Amount.....	213,558	319,185	49.5
Foreign tax credit:			
Number of returns.....	3,742,101	4,146,797	10.8
Amount.....	5,216,722	5,014,266	-3.9

Footnotes at end of figure.

# Individual Income Tax Returns, Preliminary Data, 2003

## Figure A--Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2002 and 2003--Continued

[Money amounts are in thousands of dollars]

Item	2002	2003	Percentage change
	(1)	(2)	(3)
<b>General business credit:</b>			
Number of returns.....	262,280	239,664	-8.6
Amount.....	636,282	510,617	-19.7
<b>Prior year minimum tax credit:</b>			
Number of returns.....	175,592	238,477	35.8
Amount.....	927,308	882,136	-4.9
<b>Self-employment tax:</b>			
Number of returns.....	14,567,832	15,253,702	4.7
Amount.....	35,964,558	37,965,977	5.6
<b>Total earned income credit (EIC):</b>			
Number of returns.....	21,895,212	22,233,971	1.5
Amount.....	38,687,554	39,124,190	1.1
<b>EIC used to offset income tax before credits:</b>			
Number of returns.....	4,208,306	3,642,470	-13.4
Amount.....	1,125,694	936,451	-16.8
<b>EIC used to offset other taxes:</b>			
Number of returns.....	4,148,714	4,429,878	6.8
Amount.....	3,392,664	3,745,552	10.4
<b>Excess EIC, refundable portion:</b>			
Number of returns.....	18,971,435	19,382,974	2.2
Amount.....	34,169,197	34,442,188	0.8
<b>Additional child tax credit:</b>			
Number of returns.....	10,997,600	12,627,142	14.8
Amount.....	6,452,429	9,131,488	41.5
<b>Total income tax:</b>			
Number of returns.....	91,078,328	89,103,880	-2.2
Amount.....	797,791,644	750,024,250	-6.0
<b>Total tax liability:</b>			
Number of returns.....	94,204,253	92,542,668	-1.8
Amount.....	834,265,347	787,833,443	-5.6

N/A - Not applicable.

<sup>1</sup> Includes TeleFile returns.

<sup>2</sup> Included in data for Forms 1040, 1040A, and 1040EZ.

<sup>3</sup> Not included in adjusted gross income.

<sup>4</sup> Includes capital gain distributions reported on Form 1040 and Schedule D.

<sup>5</sup> Includes EIC used to offset income tax before credits, shown separately later in this figure.

( Z ) Less than 0.05 percent.

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

## Individual Income Tax Returns, Preliminary Data, 2003

paid deduction, accounting for 33.8 percent of the total (before limitations), increased 2.8 percent to \$307.1 billion. The charitable contribution deduction increased 2.4 percent to \$139.7 billion.

Total tax credits used to offset income tax liabilities increased 5.4 percent to \$41.1 billion. About 25.7 million taxpayers claimed \$22.8 billion in child tax credits, up 5.8 percent from the \$21.6 billion in 2002. For Tax Year 2003, the amount of this credit increased from \$600 to \$1,000 per eligible child. However, this increase is not fully reflected in the Tax Year 2003 data because many taxpayers received advances of up to \$400 per child prior to filing their tax returns. The data for these advances are not included in the statistics for this article. Large percentage increases were reported for education tax credits (totaling \$5.9 billion, a 19.6-percent increase from 2002), and the child care credit (totaling \$3.2 billion, an 18.9-percent increase from 2002). See Changes in Law section concerning the latter. The credit that declined the largest dollar amount was the foreign tax credit, which decreased 3.9 percent to \$5.0 billion.

The total earned income credit (EIC) increased 1.1 percent to \$39.1 billion for Tax Year 2003. The portion of the EIC used to offset income tax before credits decreased 16.8 percent to \$0.9 billion, and the portion of the EIC used to offset other taxes (such as the self-employment tax) rose 10.4 percent to \$3.7 billion. The largest part of the EIC, the refundable portion, was treated as a refund and paid directly to taxpayers who had no tax liability against which to apply the credit. The refundable portion of the EIC increased 0.8 percent to \$34.4 billion for 2003.

The comparisons of data for Tax Years 2002 and 2003 in this article are based on the preliminary estimates for both years. A few income and tax items tend to be understated in preliminary estimates; therefore, comparisons based on preliminary estimates for 1 year and final estimates for the previous year could be misleading. Comparisons based entirely on preliminary estimates reduce the likelihood of misinterpretation of the data and afford a more accurate representation of year-to-year changes. Final statistics for Tax Year 2002 are available in the Fall 2004 issue of the *Bulletin*.

### Changes in Law

In general, the definitions used in this article are the

same as those in *Statistics of Income--2002, Individual Income Tax Returns*. The following is a partial list of tax law and Internal Revenue Service administrative changes that had a major bearing on the Tax Year 2003 preliminary data presented in this article.

*Alternative Minimum Tax (AMT).*--For Tax Year 2003, the AMT exemption amounts increased by \$9,000 for married tax payers filing joint returns and surviving spouses, and by \$4,500 for single taxpayers or couples filing separate returns. This increased the AMT exemption amounts to \$58,000 for married couples filing a joint return and surviving spouses, \$29,000 for married couples filing separate returns, estates, and trusts, and \$40,250 for single taxpayers and heads of household.

*Child and Dependent Care Credit.*--Beginning for 2003, the limit on the amount of qualifying expenses increased to \$3,000 for one qualifying individual and to \$6,000 for two or more qualifying individuals. Previously, these amounts were \$2,400 and \$4,800, respectively. Along with this, the maximum credit was also increased to \$1,050 for the care of one qualifying person and \$2,100 for the care of two or more qualifying persons. These amounts were \$800 and \$1,600 in Tax Year 2002. Also, the income related phase-down of the Child Care Credit rate was liberalized. For example, for 2002 and previous years, taxpayers with an AGI of \$28,000 or more received the 20-percent minimum percentage amount applied to their child care expenses. For 2003, this was increased to \$43,000 of AGI.

*Child Tax Credits.*--Modifications were made to the child tax credit for 2003. In 2003, taxpayers were allowed a maximum tax credit of \$1,000 for each of their qualifying children under the age of 17, whereas, for 2002, the maximum credit was \$600 per child. For 2003, up to \$400 per eligible child was given in advance to taxpayers based on the age of eligible children and their Tax Year 2002 returns.

*Dividends and Capital Gains.*--The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) lowered the maximum capital gain tax rates from 8 percent or 10 percent to 5 percent and from 20 percent to 15 percent. These rates applied to most long-term (holding period of more than 1 year) sales, exchanges, and conversions--including installment payments received--after May 5, 2003. There was no change in the rates for gains taxed at 25 percent or 28 percent. Also, JGTRRA applied the

## Individual Income Tax Returns, Preliminary Data, 2003

new rates to qualified dividends received after 2002. Qualified dividends are the ordinary dividends received in tax years beginning after 2002 that met certain conditions. These included: the dividend must have been paid by a U.S. corporation or a “qualified” foreign corporation; the stock ownership must have met certain holding period requirements; the dividends were not from certain institutions, such as mutual savings banks, cooperative banks, credit unions, tax-exempt organizations, or farmer cooperatives; and the dividends were not for any share of stock which was part of an employee stock ownership plan (ESOP).

*Earned Income Credit.*--The maximum amount of the earned income credit 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 \$2,600 from \$2,550. The maximum credit for taxpayers with no qualifying children increased to \$382 from \$376. For these taxpayers, earned income and AGI had to be less than \$11,230 (\$12,230 if married filing jointly). For taxpayers with one qualifying child, the maximum credit increased \$41 to \$2,547, and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,204 from \$4,140. To be eligible for the credit, a taxpayer’s earned income and AGI had to be less than \$29,666 (\$30,666 for married filing jointly) for one qualifying child, or less than \$33,692 (\$34,692 for married filing jointly) for two or more qualifying children. Prior to Tax Year 2002, marital status had no effect on the amount of EIC or these income thresholds.

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

*Individual Retirement Arrangement Deduction.*--For 2003, the modified AGI thresholds increased allowing for more taxpayers to deduct contributions to individual retirement plans. A taxpayer or both taxpayers, for taxpayers filing jointly, were able to

take an IRA deduction up to \$3,000 (\$3,500 if age 50 or older) if covered by a retirement plan and their modified AGI was less than \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)). This was up from the \$44,000 (\$64,000 if married filing jointly or qualifying widow(er)) set in 2002.

*Limit on Itemized Deductions Increased.*--If adjusted gross income was above a certain amount, certain itemized deductions were limited. In 2003, the AGI threshold for limitations increased to \$139,500 (\$69,750 if married filing separately). In 2002, the amount was \$137,300 (\$68,650 if married filing separately).

*Section 179 Deductions.*--The maximum section 179 deduction (full expensing of certain depreciable property) that could be elected for property placed in service in 2003 increased from \$24,000 to \$100,000 for qualified section 179 property (\$135,000 for qualified zone property, qualified renewal property, or qualified New York Liberty Zone property). This limit was reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeded \$400,000 (increased from \$200,000).

*Standard Deduction Amount Increased.*--The standard deduction for people who did not itemize deductions on Schedule A of Form 1040 was, in most cases, higher for 2003 than it was for 2002. The amount depended on filing status, being 65 or older or blind, and whether an exemption could be claimed for a taxpayer by another person. For 2003, the standard deduction increased to \$9,500 for joint filers, up from \$7,850 in 2002. For single filers and married filing separately, the deduction amount increased to \$4,750. For heads of household, the deduction was \$7,000.

*Tax Rate Reduction.*--For tax years beginning after December 31, 2001, a 10-percent regular income tax rate bracket was used for a portion of all taxpayers’ taxable incomes. For 2003, the size of this bracket was expanded by \$2,000 for married filing joint returns (\$1,000 for single or married filing separately). The width of the 15-percent bracket was also expanded for joint returns. For taxable years beginning in 2003, JGTRRA increased the upper end of the 15-percent income tax rate bracket for married taxpayers filing joint returns to twice the upper end of the 15-percent income tax rate bracket for single returns. Also, for Tax Year 2003, there was a reduction of the former tax rates of 27.0 percent, 30.0 percent, 35.0 percent, and 38.6 percent

## Individual Income Tax Returns, Preliminary Data, 2003

to 25.0 percent, 28.0 percent, 33.0 percent, and 35.0 percent, respectively.

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

A self-employed taxpayer was able to deduct up to 100 percent of health insurance expenses for 2003, up from 70 percent for 2002.

### **Data Sources and Limitations**

The preliminary statistics in this data release are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ including electronically-filed returns) filed during Calendar Year 2004. 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 Treasury Department tax modeling purposes [2]. Returns were then selected at rates ranging from 0.05 percent to 100 percent. The preliminary Tax Year 2003 data are based on a sample of 148,908 returns and an estimated final population of 131,316,806 returns. The corresponding sample and population for the preliminary 2002 data were 143,577 and 130,462,606 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. 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*.

While the preliminary estimates are intended to represent a full year of taxpayer reporting, they are actually based on returns processed for tax administration purposes, in the case of 2003 returns, between January and late September of 2004. In general, returns processed during the remainder of each year tend to have somewhat different characteristics compared to returns processed earlier. These characteristics include, for example, disproportionately large amounts of investment income, passive losses, and alternative minimum tax.

### **Notes and References**

- [1] The remaining 1.4 percent of the returns did not need to claim either a standard deduction or itemized deductions because no AGI was reported.
- [2] 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 Returns, Preliminary Data, 2003

**Table 1.--Individual Income Tax Returns, Tax Year 2003 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Number of returns, total.....</b>	<b>130,571,319</b>	<b>37,985,339</b>	<b>29,738,980</b>	<b>24,469,392</b>	<b>26,935,410</b>	<b>8,901,359</b>	<b>2,540,844</b>
Form 1040 returns.....	80,193,301	15,260,594	13,213,650	15,638,793	24,638,057	8,901,359	2,540,844
Form 1040A returns.....	29,827,251	10,403,827	11,453,543	6,142,046	1,827,836	--	--
Form 1040EZ returns <sup>2</sup> .....	20,550,767	12,320,915	5,071,783	2,688,554	469,517	--	--
Electronically-filed returns <sup>2,3</sup> .....	62,180,894	17,214,903	16,006,171	12,186,043	12,404,285	3,686,813	682,680
<b>Adjusted gross income (less deficit).....</b>	<b>6,212,974,067</b>	<b>211,227,348</b>	<b>653,834,424</b>	<b>954,681,212</b>	<b>1,889,302,141</b>	<b>1,174,675,124</b>	<b>1,329,253,818</b>
<b>Salaries and wages:</b>							
Number of returns.....	111,350,057	29,061,919	25,280,385	21,894,205	24,684,634	8,216,945	2,211,967
Amount.....	4,696,501,144	220,282,637	522,911,086	787,266,239	1,544,914,162	922,865,476	698,261,544
<b>Taxable interest:</b>							
Number of returns.....	59,591,835	10,458,876	9,284,126	11,267,331	18,432,372	7,714,263	2,434,866
Amount.....	115,682,836	12,355,191	13,342,248	13,586,335	25,154,147	18,290,868	32,954,050
<b>Tax-exempt interest:<sup>4</sup></b>							
Number of returns.....	4,525,688	535,559	487,630	668,025	1,210,617	867,694	756,164
Amount.....	51,795,259	2,859,600	2,814,157	4,097,400	9,001,745	9,333,662	23,688,693
<b>Dividends:</b>							
Number of returns.....	30,450,215	5,179,435	4,084,538	4,836,123	9,191,142	5,104,109	2,054,870
Amount.....	110,863,179	7,026,723	7,239,002	8,789,068	19,763,450	19,455,784	48,589,150
<b>Qualified dividends:</b>							
Number of returns.....	22,470,605	3,634,881	2,826,527	3,512,532	6,731,548	3,973,643	1,791,472
Amount.....	79,229,288	3,438,914	3,771,852	5,076,549	12,651,623	14,462,867	39,827,481
<b>State income tax refunds:</b>							
Number of returns.....	24,748,822	760,713	2,042,415	5,038,562	11,096,356	4,561,091	1,249,682
Amount.....	22,170,414	484,218	967,872	2,728,912	7,806,190	4,982,741	5,200,479
<b>Alimony received:</b>							
Number of returns.....	427,110	84,007	112,828	124,565	83,533	17,444	4,733
Amount.....	6,095,856	644,282	942,561	1,292,527	1,867,034	638,473	710,978
<b>Business or profession net income:</b>							
Number of returns.....	14,407,862	4,443,137	2,603,915	2,330,894	3,178,203	1,339,644	512,070
Amount.....	261,375,371	29,538,291	31,161,082	32,077,709	57,597,773	52,798,932	58,201,583
<b>Business or profession net loss:</b>							
Number of returns.....	4,990,662	920,409	872,595	1,010,168	1,500,624	521,133	165,735
Amount.....	38,380,163	12,658,551	5,303,380	5,969,291	7,674,099	3,507,923	3,266,916
<b>Net capital gain reported on Schedule D:</b>							
Number of returns.....	8,980,717	1,214,156	1,198,963	1,343,911	2,664,331	1,679,316	880,037
Amount.....	288,296,474	6,057,863	4,267,807	6,304,109	21,683,876	35,529,154	214,453,663
<b>Capital gain distributions reported on Form 1040:</b>							
Number of returns.....	1,104,846	231,584	163,827	175,367	328,153	164,154	41,759
Amount.....	333,298	67,034	69,408	20,550	119,833	30,143	26,330
<b>Net capital loss:</b>							
Number of returns.....	12,808,729	2,540,480	1,478,700	1,904,046	3,595,013	2,251,295	1,039,191
Amount.....	28,921,930	5,763,100	3,226,933	4,086,205	7,931,562	5,189,804	2,724,326
<b>Sales of property other than capital assets, net gain:</b>							
Number of returns.....	784,336	112,352	110,269	117,029	211,185	125,744	107,753
Amount.....	7,521,982	785,393	589,676	769,959	1,554,943	1,091,007	2,731,003
<b>Sales of property other than capital assets, net loss:</b>							
Number of returns.....	902,097	158,608	79,494	134,113	218,450	147,247	164,184
Amount.....	7,048,185	3,198,861	212,851	582,944	584,230	621,218	1,848,082
<b>Taxable Individual Retirement Arrangement distributions:</b>							
Number of returns.....	8,677,735	1,628,339	1,922,871	1,717,923	2,387,862	801,113	219,627
Amount.....	88,599,170	6,385,505	10,415,678	14,022,452	29,821,253	19,098,016	8,856,266
<b>Taxable pensions and annuities:</b>							
Number of returns.....	23,058,944	4,349,555	5,197,083	4,709,409	6,304,605	2,018,595	479,697
Amount.....	378,632,948	27,804,879	61,328,163	75,281,949	134,620,232	60,587,227	19,010,498
<b>Rent and royalty net income:</b>							
Number of returns.....	5,582,974	891,824	841,016	933,070	1,556,330	862,533	498,201
Amount.....	64,468,069	4,939,609	4,320,641	5,542,581	13,109,831	12,048,120	24,507,286
<b>Rent and royalty net loss:</b>							
Number of returns.....	4,838,985	663,485	626,752	888,090	1,616,292	761,109	283,257
Amount.....	37,999,493	5,918,398	3,802,499	6,049,668	11,364,886	5,999,284	4,864,763
<b>Partnership and S Corporation net income:</b>							
Number of returns.....	4,139,385	368,687	362,912	492,892	1,120,299	941,930	852,666
Amount.....	301,171,011	2,923,947	3,531,250	6,714,238	20,116,108	38,063,934	229,821,535

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2003

**Table 1.--Individual Income Tax Returns, Tax Year 2003 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income--Continued**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Partnership and S Corporation net loss:</b>							
Number of returns.....	2,371,920	458,934	266,144	359,302	611,810	426,082	249,646
Amount.....	56,220,101	26,296,770	2,464,983	3,643,722	5,911,187	5,450,579	12,452,862
<b>Estate and trust net income:</b>							
Number of returns.....	460,487	65,053	55,104	69,698	123,023	85,941	61,669
Amount.....	11,494,374	278,384	307,849	407,352	1,002,991	1,835,475	7,662,321
<b>Estate and trust net loss:</b>							
Number of returns.....	29,622	5,171	6,275	12	3,661	7,250	7,256
Amount.....	562,851	213,153	30,886	363	2,728	47,224	268,496
<b>Farm net income:</b>							
Number of returns.....	595,750	142,304	110,934	126,504	166,137	34,554	15,317
Amount.....	7,560,081	813,205	970,125	1,457,930	2,213,709	1,126,329	978,780
<b>Farm net loss:</b>							
Number of returns.....	1,402,196	298,846	256,463	282,013	399,197	114,099	51,577
Amount.....	19,513,364	5,721,640	2,788,502	2,847,408	4,043,960	1,669,959	2,441,894
<b>Unemployment compensation:</b>							
Number of returns.....	10,133,305	2,186,154	2,908,833	2,154,680	2,300,641	521,453	61,544
Amount.....	44,185,367	7,605,049	12,748,825	10,001,972	10,675,356	2,746,058	408,109
<b>Taxable Social Security benefits:</b>							
Number of returns.....	11,098,826	90,387	2,144,581	3,468,447	3,882,945	1,129,190	383,278
Amount.....	99,080,506	408,869	3,826,097	20,179,129	49,235,723	18,370,423	7,060,267
<b>Total statutory adjustments:</b>							
Number of returns.....	30,352,239	6,008,149	5,264,948	5,986,625	8,580,942	3,444,605	1,066,971
Amount.....	85,137,579	7,232,766	8,880,157	11,789,059	21,674,868	17,997,967	17,562,757
<b>Educator expenses:</b>							
Number of returns.....	3,275,128	105,499	300,361	726,227	1,492,852	587,925	62,265
Amount.....	813,913	22,690	71,944	168,419	376,470	159,086	15,304
<b>Payments to an Individual Retirement Arrangement:</b>							
Number of returns.....	3,462,006	211,972	685,135	938,024	1,078,889	450,660	97,322
Amount.....	10,166,576	473,303	1,643,493	2,576,759	3,284,477	1,665,299	523,248
<b>Student loan interest deduction:</b>							
Number of returns.....	7,031,160	652,978	1,436,224	1,930,615	2,546,320	465,023	--
Amount.....	4,470,823	315,675	801,334	1,300,491	1,830,884	222,439	--
<b>Tuition and fees deduction:</b>							
Number of returns.....	3,603,729	640,139	469,160	564,812	1,203,027	726,593	--
Amount.....	6,737,825	1,308,175	787,845	823,012	2,218,873	1,599,920	--
<b>Medical savings account deduction:</b>							
Number of returns.....	63,450	3,155	12,707	12,050	14,748	10,780	10,011
Amount.....	119,800	1,574	19,821	17,069	25,827	25,387	30,125
<b>Moving expenses adjustment:</b>							
Number of returns.....	1,029,309	138,154	197,603	212,729	311,350	136,882	32,591
Amount.....	2,483,169	269,147	263,596	428,774	855,774	443,335	222,545
<b>Self-employment tax deduction:</b>							
Number of returns.....	15,253,702	4,461,744	2,699,083	2,408,094	3,356,779	1,552,161	775,841
Amount.....	18,986,750	2,232,678	2,501,377	2,638,115	4,712,961	3,622,458	3,279,161
<b>Self-employed health insurance deduction:</b>							
Number of returns.....	3,658,160	620,824	654,965	635,907	854,419	504,571	387,473
Amount.....	15,569,662	1,802,903	2,132,101	2,312,794	3,558,706	2,909,494	2,853,665
<b>Payments to a self-employed retirement (Keogh) plan:</b>							
Number of returns.....	1,193,324	27,502	59,319	101,689	319,204	385,042	300,569
Amount.....	16,899,066	131,127	224,834	674,936	2,627,174	5,208,317	8,032,679
<b>Penalty on early withdrawal of savings:</b>							
Number of returns.....	734,368	169,802	130,808	138,269	208,592	69,041	17,857
Amount.....	153,102	46,299	16,375	26,270	46,665	11,548	5,941
<b>Alimony paid:</b>							
Number of returns.....	582,671	45,223	62,454	99,998	200,059	114,759	60,177
Amount.....	7,303,956	436,245	331,534	581,586	1,853,599	1,773,710	2,327,280
<b>Total deductions:</b>							
Number of returns.....	128,796,092	36,222,127	29,730,010	24,466,395	26,935,410	8,901,359	2,540,795
Amount.....	1,439,376,664	213,531,343	228,870,908	236,326,009	389,202,694	216,169,393	155,276,317
<b>Basic standard deduction:</b>							
Number of returns.....	84,934,121	34,233,719	24,994,053	15,511,126	9,155,669	870,296	169,256
Amount.....	542,758,782	181,598,473	163,506,351	111,394,740	77,048,801	7,766,052	1,444,364

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2003

**Table 1.--Individual Income Tax Returns, Tax Year 2003 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income--Continued**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Additional standard deduction:							
Number of returns.....	11,335,359	4,344,969	3,326,799	1,871,816	1,498,209	244,503	49,064
Amount.....	16,064,490	5,810,062	4,863,642	2,712,856	2,220,810	382,688	74,432
<b>Total itemized deductions (after limitation):</b>							
Number of returns.....	43,861,971	1,988,406	4,735,954	8,955,269	17,779,740	8,031,063	2,371,538
Amount.....	880,553,392	26,122,805	60,500,914	122,218,415	309,933,084	208,020,652	153,757,520
Itemized deductions in excess of limitation:							
Number of returns.....	5,237,245	--	--	--	102,011	2,764,340	2,370,895
Amount.....	28,010,193	--	--	--	35,261	2,067,185	25,907,747
Medical and dental expenses deduction:							
Number of returns.....	8,630,911	1,297,424	2,141,652	2,404,765	2,380,171	368,385	38,513
Amount.....	55,003,108	10,143,683	13,667,224	12,876,872	13,451,372	3,873,425	990,531
Taxes paid deduction:							
Number of returns.....	42,996,756	1,788,238	4,449,624	8,764,619	17,631,775	7,996,818	2,365,682
Amount.....	307,102,902	4,397,970	10,865,245	29,201,558	96,331,926	80,304,485	86,001,720
Interest paid deduction:							
Number of returns.....	36,105,945	1,171,971	3,214,335	7,112,502	15,513,183	7,093,205	2,000,746
Amount.....	331,988,244	8,009,166	21,998,484	49,636,439	131,061,634	80,504,466	40,778,054
Charitable contributions deduction:							
Number of returns.....	38,642,066	1,403,583	3,717,486	7,565,860	16,048,460	7,615,564	2,291,110
Amount.....	139,666,085	2,025,772	7,509,200	15,628,458	42,777,843	30,459,771	41,265,041
<b>Taxable income:</b>							
Number of returns.....	101,669,737	12,928,476	26,289,704	24,148,682	26,874,727	8,889,842	2,538,306
Amount.....	4,202,698,688	40,466,447	265,732,033	561,937,162	1,287,713,965	880,791,014	1,166,058,065
Alternative minimum tax:							
Number of returns.....	2,379,473	8,121	4,113	17,127	187,913	867,940	1,294,259
Amount.....	8,737,246	48,329	26,825	20,359	235,844	1,894,654	6,511,235
<b>Income tax before credits:</b>							
Number of returns.....	101,686,410	12,931,087	26,290,022	24,153,450	26,879,223	8,893,411	2,539,217
Amount.....	791,129,805	4,139,100	31,257,511	74,410,461	194,064,449	167,955,191	319,303,094
<b>Total tax credits:<sup>5</sup></b>							
Number of returns.....	41,219,145	3,021,584	11,320,621	10,205,616	12,367,324	3,375,896	928,105
Amount.....	41,108,685	494,276	6,529,435	9,981,745	15,424,377	3,446,326	5,232,524
Child care credit:							
Number of returns.....	6,340,695	80,821	1,190,922	1,481,931	2,488,148	926,569	172,301
Amount.....	3,222,404	13,589	574,625	829,422	1,230,739	482,792	91,236
Credit for the elderly or disabled:							
Number of returns.....	125,555	79,636	45,922	--	--	--	--
Amount.....	20,600	15,497	5,103	--	--	--	--
Child tax credit:							
Number of returns.....	25,741,752	450,300	6,243,059	7,144,811	9,743,864	**2,159,718	**
Amount.....	22,815,814	55,495	3,158,620	6,660,626	10,886,691	**2,054,386	**
Education tax credits:							
Number of returns.....	7,358,503	675,687	1,931,723	2,078,547	2,647,141	25,353	53
Amount.....	5,900,877	210,683	1,355,430	1,784,981	2,548,286	1,418	79
Retirement savings contributions credit:							
Number of returns.....	5,383,851	320,731	2,439,181	2,623,940	--	--	--
Amount.....	1,053,786	79,365	541,485	432,938	--	--	--
Adoption credit:							
Number of returns.....	62,749	--	990	8,469	35,908	17,379	3
Amount.....	319,185	--	330	8,833	164,217	145,779	27
Foreign tax credit:							
Number of returns.....	4,146,797	201,935	384,422	547,772	1,309,991	972,424	730,251
Amount.....	5,014,266	6,339	32,131	64,440	297,964	517,318	4,096,073
General business credit:							
Number of returns.....	239,664	2,932	7,329	40,718	90,147	55,617	42,920
Amount.....	510,617	907	3,398	44,379	126,295	71,025	264,613
Prior year minimum tax credit:							
Number of returns.....	238,477	427	2,662	14,986	75,132	92,524	52,745
Amount.....	882,136	73	1,542	17,906	74,593	127,368	660,655
Self-employment tax:							
Number of returns.....	15,253,702	4,461,744	2,699,083	2,408,094	3,356,779	1,552,161	775,841
Amount.....	37,965,977	4,463,157	5,001,449	5,275,018	9,424,236	7,244,175	6,557,947

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2003

**Table 1.--Individual Income Tax Returns, Tax Year 2003 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income--Continued**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total earned income credit (EIC):</b>							
Number of returns.....	22,233,971	12,162,171	9,092,898	978,905	--	--	--
Amount.....	39,124,190	21,508,875	17,194,661	420,655	--	--	--
<b>EIC used to offset income tax before credits:</b>							
Number of returns.....	3,642,470	1,244,182	2,157,056	241,231	--	--	--
Amount.....	936,451	101,483	786,015	48,953	--	--	--
<b>EIC used to offset other taxes:</b>							
Number of returns.....	4,429,878	2,909,227	1,349,155	171,494	--	--	--
Amount.....	3,745,552	2,301,344	1,390,195	54,011	--	--	--
<b>Excess EIC, refundable portion:</b>							
Number of returns.....	19,382,974	10,734,323	7,924,158	724,493	--	--	--
Amount.....	34,442,188	19,106,050	15,018,450	317,689	--	--	--
<b>Additional child tax credit:</b>							
Number of returns.....	12,627,142	2,861,541	7,060,922	2,396,377	303,766	4,534	--
Amount.....	9,131,488	926,370	5,528,081	2,353,095	318,460	5,484	--
<b>Total income tax:</b>							
Number of returns.....	89,103,880	11,033,988	18,519,724	21,572,242	26,550,789	8,888,831	2,538,303
Amount.....	750,024,250	3,644,967	24,728,074	64,429,746	178,640,073	164,508,868	314,072,521
<b>Total tax liability:</b>							
Number of returns.....	92,542,668	13,263,977	19,285,890	21,939,799	26,620,444	8,893,521	2,539,034
Amount.....	787,833,443	6,002,033	28,302,449	69,941,012	189,457,159	172,740,451	321,390,338

\*\* Data combined to prevent disclosure of specific taxpayer information.

<sup>1</sup> Includes returns with adjusted gross deficit.

<sup>2</sup> Includes TeleFile returns.

<sup>3</sup> Included in data for Forms 1040, 1040A, and 1040EZ.

<sup>4</sup> Not included in adjusted gross income.

<sup>5</sup> Includes EIC used to offset income tax before credits, shown separately later in this table.

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

SOURCE: IRS, Statistics of Income Winter 2004-2005 Bulletin, Publication 1136.