

Individual Income Tax Rates and Shares, 2003

by Kyle Mudry and Michael Parisi

Taxpayers filed 130.4 million returns for Tax Year 2003, of which 88.9 million (or 68.2 percent) were classified as taxable returns. A taxable return is a return with a presence of total income tax greater than \$0. This represents a reduction of 2.2 percent in the number of taxable returns from 2002. Adjusted gross income (AGI) on these taxable returns rose 1.9 percent to \$5,747 billion for 2003, while total income tax fell 6.1 percent. This decrease in total income tax was attributable to the tax cuts implemented in the passage of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). For the third year in a row, the average tax rate for taxable returns fell, decreasing 1.1-percentage points to 13.0 percent for 2003. The country's average tax rate had not been 13.0 percent or below since 1972. Also noteworthy is the large decline in total income tax of 23.7 percent from the peak of \$981 billion for 2000 to \$748 billion for 2003.

Taxpayers with an AGI of at least \$295,495, the top 1 percent of taxpayers, accounted for 16.8 percent of AGI, representing an increase in income share of 0.7-percentage points from the previous year. These taxpayers accounted for 34.3 percent of the total income tax reported, an increase from 33.7 percent in 2002. The top 5 percent of taxpayers accounted for 31.2 percent of AGI and 54.4 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported an AGI of \$130,080, whereas, in 2002, the cutoff for this group was \$126,525.

This article discusses the individual income tax rates and tax shares and the computation of total income tax for 2003. 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 total income tax (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 2003.

Average Tax Rates

Figure A presents statistics for 1986 through 2003 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 periods:

- (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 1986-2003

[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
2002.....	130,076,443	90,963,896	69.9	5,641	797	14.1	62,015	8,762	34,472	4,870
2003.....	130,423,626	88,921,904	68.2	5,747	748	13.0	64,625	8,412	35,122	4,572
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
2002.....	130,076,443	90,963,896	69.9	5,758	797	13.8	63,297	8,762	35,184	4,870
2003.....	130,423,626	88,921,904	68.2	5,849	748	12.8	65,777	8,412	35,749	4,572

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). For 2003, the CPI-U = 184.0.

⁵ These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made 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 1986-2003. 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 for some upper income taxpayers.

- (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 for some upper income taxpayers.
- (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 a maximum statutory tax rate of 39.6 percent). See Appendix C for a more detailed description of the capital gain rates.
- (7) Tax Years 2001 through 2003 were affected by two new laws, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). EGTRRA included a new 10-percent tax rate bracket, as well as reductions in tax rates for brackets higher than 15 percent of one-half percentage point for 2001 and one percentage point for 2002. It also included increases in the child tax credit and an increase in alternative minimum tax exemptions. TY 2003, under JGTRRA, saw additional rate reductions in ordinary marginal tax rates higher than the 15-percent rate, as well as expansions to particular income thresholds in the rates from 15 percent and below. Also, the rate for most long-term capital gains was reduced from 20 percent to 15 percent. Further, qualified dividends were taxed at this same 15-percent rate. These changes are detailed in Appendix C (under *Tax Rate Reduction*).

About 88.9 million, or 68.2 percent, of the 130.4 million individual returns filed for 2003 were classified as taxable returns. This was a 2.2-percent reduction in the number of taxable returns from 2002. Total AGI reported on taxable returns increased 1.9 percent to \$5,747 billion. (Total income on taxable returns rose using the 1979 Income Concept as well, increasing 1.6 percent to \$5,849 billion for 2003.)

Total income tax fell for the third consecutive year, declining by almost \$49 billion (6.1 percent) to \$748 billion for 2003. Average AGI for taxable returns rose to \$64,625 for 2003, a 4.2-percent increase from 2002, but average income tax fell for 2003 by 4.0 percent to \$8,412. This decrease in total income tax and average income tax in contrast with an increasing AGI suggests that the lower tax generated was largely attributable to the 2003 tax rate cuts implemented in JGTRRA, cited above and explained in more detail in Appendix C (under *Tax Rate Reduction*).

In order to analyze the average tax rate over time, it is necessary to use an alternative measure to AGI because some tax law changes result in the definition of AGI changing 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. Under the 1979 Concept, the average tax rate for 2003 fell to 12.8 percent from 13.8 for the previous year. The 1.0-percentage point decline represented the third straight year (as with AGI) in which the average tax rate declined. The average tax rate under this concept had not been less than 14 percent since 1993, the year the Omnibus Reconciliation Act of 1993 (OBRA93) passed, which created new 36-percent and 39.6 percent tax rate brackets. The 12.8-percent average tax rate for 2003 was the lowest ever since use of the 1979 income concept began.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 13.0 percent for 2003. The average tax rate for the AGI-size classes ranged from 2.5 percent for the "\$1 under \$10,000" AGI-size class to 25.0 percent for the "\$500,000 under \$1,000,000" AGI-size class. This latter rate was higher than the 24.8-percent average paid by those taxpayers in the "\$1,000,000 or more" class. This was partially due to taxpayers in the \$1,000,000 or more class receiving nearly double the percentage of AGI in the form of capital gains and qualified dividends facing preferential tax rates as those in the \$500,000 under \$1,000,000 AGI-size class. Taxpayers in the \$1,000,000 or more class received 32.0 percent of their AGI's through these capital gains and qualified dividends compared to 15.4 percent for the \$500,000 under \$1,000,000 AGI-size class. The average tax rate in every AGI-size class

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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 2002 and 2003

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

Tax year, item	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 2003:											
Number of taxable returns.....	88,922	5	4,952	12,347	12,187	21,524	26,511	8,862	1,997	356	181
Adjusted gross income (less deficit).....	5,746,569	-5,095	34,490	186,019	304,724	846,122	1,861,718	1,167,989	575,673	240,944	533,985
Total income tax.....	748,017	79	853	8,155	19,310	64,373	178,509	163,342	120,712	60,181	132,503
Average tax rate (percent) ²	13.0	(³)	2.5	4.4	6.3	7.6	9.6	14.0	21.0	25.0	24.8
Tax Year 2002:											
Number of taxable returns.....	90,964	5	5,316	13,089	12,877	22,482	26,377	8,408	1,906	336	169
Adjusted gross income (less deficit).....	5,641,128	-1,130	36,492	198,171	321,667	883,965	1,844,319	1,107,803	548,162	226,745	474,933
Total income tax.....	796,986	124	915	9,178	21,403	70,769	195,475	175,141	124,765	63,371	135,845
Average tax rate (percent) ²	14.1	(³)	2.5	4.6	6.7	8.0	10.6	15.8	22.8	27.9	28.6
Change in:											
Number of taxable returns.....	-2,042	(Z)	-364	-742	-690	-957	134	454	91	19	12
Percent.....	-2.2	-4.5	-6.8	-5.7	-5.4	-4.3	0.5	5.4	4.8	5.8	7.3
Adjusted gross income (less deficit)....	105,441	-3,965	-2,002	-12,152	-16,943	-37,844	17,399	60,186	27,512	14,198	59,052
Percent.....	1.9	350.9	-5.5	-6.1	-5.3	-4.3	0.9	5.4	5.0	6.3	12.4
Total income tax.....	-48,969	-46	-62	-1,023	-2,093	-6,396	-16,966	-11,798	-4,053	-3,190	-3,342
Percent.....	-6.1	-36.8	-6.8	-11.1	-9.8	-9.0	-8.7	-6.7	-3.2	-5.0	-2.5
Average tax rate:											
Percentage point change.....	-1.1	(⁴)	--	-0.2	-0.4	-0.4	-1.0	-1.8	-1.8	-2.9	-3.8

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 500.

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

fell for 2003, except for the \$1 under \$10,000 class which stayed the same. For taxpayers in the highest AGI category, \$1,000,000 or more, the average tax rate decreased 3.8 percent (from 28.6 percent to 24.8 percent) for 2003. Similarly, in the \$500,000 under \$1,000,000 income class, the average tax rate declined by 2.9 percentage points (from 27.9 percent to 25.0 percent). A significant portion of these AGI classes' average tax rate decreases was attributable to the 3.6- percentage point decrease in the highest ordinary marginal tax rate, from 38.6 percent to 35 percent under JGTRRA. Also, the capital gain tax rate of 20 percent was lowered to 15 percent, and

the tax rates on qualified dividend tax were changed from ordinary tax rates to a maximum of 15 percent.

The average tax rate of 13.0 percent for 2003 for all income classes combined was a decrease of 1.1 percentage points from 14.1 percent for 2002. This reduction was an effect of the implementation of ordinary tax rate reductions under JGTRRA, the reduction in the rates for long-term capital gains sold after May 5, and all qualified dividends being taxed at lower rates as well. For 2001 and 2002, many of the higher income tax returns had shifted to lower income brackets partially due to the reductions in realized capital gain (less loss). This trend began to

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reverse for 2003, showing a return to increasing numbers of high-income filers (though levels were still well below those of 2000). Specifically, the number of taxpayers in the top four AGI-size classes rose: by 7.3 percent for the “\$1,000,000 or more” AGI-size class; by 5.8 percent for the “\$500,000 under \$1,000,000” AGI-size class; by 4.8 percent for the “\$200,000 under \$500,000” AGI-size class; and by 5.4 percent for the “\$100,000 under \$200,000” AGI-size class.

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 [2]. Appendix D explains the details of the determination of the

marginal tax rate bracket into which a return is assumed to fall. Table 2 contains additional data based on ordinary tax rates and presents statistics on the income and tax generated at each ordinary tax rate by size of AGI.

For 2003, the number of individual returns with modified taxable income fell 0.9 percent to 101.4 million. Despite this decrease, the amount of modified taxable income reported on these returns increased 2.5 percent to \$4,206.6 billion [3]. As a result of the tax cuts implemented under JGTRRA for 2003, the tax generated on taxable returns fell by 6.0 percent to \$780.3 billion even though the modified taxable income increased. 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 ordinary tax rate categories for 2003 were notably different than those for 2002 due to changes in statutory tax rates resulting from JGTRRA. For

Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2003

[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)
Total	101,386,201	100.0	4,206,592,864	100.0	780,309,227	100.0
5 percent.....	678,141	0.7	4,130,293	0.1	208,010	(¹)
8 percent.....	68,473	0.1	720,891	(¹)	47,862	(¹)
10 percent.....	23,243,875	22.9	106,142,753	2.5	10,615,439	1.4
10 percent (capital gains).....	2,583,832	2.5	19,866,025	0.5	1,689,343	0.2
10 percent (Form 8814) ²	13,826	(¹)	8,681	(¹)	870	(¹)
15 percent.....	40,997,696	40.4	1,000,557,078	23.8	128,796,537	16.5
15 percent (capital gains) ³	6,474,523	6.4	259,768,302	6.2	33,235,065	4.3
20 percent.....	430,386	0.4	67,771,415	1.6	10,720,608	1.4
25 percent.....	15,578,547	15.4	887,311,030	21.1	148,923,302	19.1
25 percent (capital gains).....	5,751,843	5.7	436,467,662	10.4	74,792,138	9.6
28 percent.....	1,756,615	1.7	196,015,310	4.7	41,655,938	5.3
28 percent (capital gains).....	1,678,502	1.7	233,408,084	5.5	48,461,009	6.2
33 percent.....	1,277,577	1.3	305,591,419	7.3	74,561,983	9.6
35 percent.....	752,028	0.7	687,885,619	16.4	206,409,506	26.5
Form 8615 ⁴	100,337	0.1	948,301	(¹)	191,617	(¹)

¹ Less than 0.05 percent.

² 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 \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

³ The 15-percent capital gain rate also includes qualified dividends.

⁴ 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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the third year in a row, the 2003 tax rates for the four highest ordinary income brackets were each reduced. These reductions are explained in Appendix C (under *Tax Rate Reduction*).

The “15-percent” (ordinary income) marginal tax rate bracket contained the largest share of returns for 2003, at 40.4 percent of returns with modified taxable income. These returns reported 23.8 percent of modified taxable income for 2003 and 16.5 percent of income tax generated. While representing only 0.7 percent of returns, taxpayers in the “35-percent” marginal rate bracket reported 16.4 percent of the modified taxable income and 26.5 percent of the tax (the largest of any tax bracket). The 15.4 percent of returns in the “25-percent” (ordinary income) marginal rate bracket (the second largest group) reported 21.1 percent of the modified taxable income and 19.1 percent of income tax generated. Returns in the “28-percent” (ordinary income) marginal rate bracket reported 4.7 percent of the modified taxable income and 5.3 percent of the tax. Returns in the “33-percent” marginal rate bracket reported showed 7.3 percent of the modified taxable income and 9.6 percent of the tax generated. Return in the capital gains and dividends tax brackets (10 percent, 15 percent, 25 percent, and 28 percent) reported a total of 22.6 percent of modified taxable income and 20.3 percent of the tax.

As shown in Table 2, more tax was generated for 2003 at the 15-percent rate than at any other rate. The 37.7 percent of income taxed at this rate was reported by 73.4 percent of returns with modified taxable income, producing 30.4 percent of tax generated. The 25-percent rate generated the next largest amount of income tax liability. Tax in that bracket was reported on 26.4 percent of returns, and 15.2 percent of modified taxable income was taxed at this rate, to generate 20.5 percent of tax generated. Only 0.7 percent of returns with taxable income were taxed at the 35-percent rate. However, 8.7 percent of all income was taxed at this rate, generating 16.5 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 2003 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 ordinary income and capital gains tax rates to modified taxable income was \$780.3 billion, a 6.0-percent decrease from 2002 [4]. 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

Figure D

Derivation of Tax Year 2003 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.....	780.3
PLUS:	
Tax on lump-sum distributions from qualified retirement plans.....	0.2
Alternative minimum tax.....	9.5
EQUALS:	
Income tax before credits.....	790.0
LESS: Tax credits, total ¹	42.0
Child-care credit.....	3.2
Child tax credit ¹	22.8
Education credit.....	5.8
Foreign tax credit.....	5.8
General business credit.....	0.6
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	0.9
Credit for prior-year minimum tax.....	0.9
Retirement savings contribution credit.....	1.0
Other credits ²	0.9
EQUALS:	
Income tax after credits.....	748.0
PLUS: Trusts accumulation distribution.....	0.01
EQUALS:	
Total income tax.....	748.0

¹ Does not include the additional child tax credit that for 2003 was \$9.11 billion which were refunded to taxpayers and not included in total income tax.

² Includes the elderly or disabled credit, empowerment zone and community renewal employment credit, mortgage interest credit, New York liberty zone credit, adoption credit, DC first time home buyer’s credit, rate reduction credit, nonconventional source fuel credit, and other credits.

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

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was used) [5]. The AMT increased sharply by 38.2 percent to \$9.5 billion for 2003. Income tax before credits was \$790.0 billion for 2003, down from \$836.8 billion, representing a 5.6-percent decrease from 2002. Taxpayers used \$42.0 billion of tax credits to reduce their income tax before credits. 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 [6]. Income tax after credits (Figure D) totaled \$748.0 billion as did total income tax (the sum of income tax after credits and tax on trust accumulation distributions). These taxes both represented a 6.1-percent decline from 2002.

Table 4 provides estimates of income tax before credits by the type of tax computation for returns with modified taxable income. For 2003, the number of returns with the Schedule D and qualified dividends tax computation increased almost 170 percent from 6.7 million to 18.1 million. This caused a large increase in the income tax before credits and tax generated at these lower rates. TY 2003 saw a decrease of 12.9 million returns that calculated taxes with a regular tax computation only. The cause of this decline was due to a majority of these returns moving from the regular tax computation into the Schedule D and qualified dividends tax computation. For 2003, the number of returns filed by children under age 14 with Form 8615 for reporting investment income over \$1,500 decreased 20.8 percent to a little over 100,000. 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 just over \$191.6 million (column 7) of tax revenue which is \$30.5 million (column 8) more than the \$161.1 million (column 6) of tax that would have been generated using ordinary tax computations.

The income tax before credits increased from \$186.5 billion to \$426.1 billion. This computation also generated \$387.7 billion in tax as compared to \$161.2 billion for 2002. The reason for this large shift was that, for 2003, the Schedule D computation now included qualified dividends, which, as noted above, relocated many of the 12.8 million returns previously

listed under the regular tax only computation into the returns with Schedule D and qualified dividends tax computation. Both ordinary and qualified dividends are detailed in Appendix A (under *Dividends*). 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 \$426.1 billion (column 6). Thus, use of the Schedule D tax computation resulted in \$38.4 billion (column 8) less tax for 2003, a rise from the \$25.3-billion reduction for 2002 (column 4) when 6.7 million taxpayers received some benefit from lower capital gain taxes (column 1). However, the average tax savings for those who had these capital gains fell from \$3,770 per return for 2002 to \$2,117 for 2003.

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 burdens. 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. Some taxpayers include Form 6251 even though their tax liability is not increased due to the AMT. The tabulations in Figure E include such forms. For 2003, AMT liability rose 38.2 percent to \$9.5 billion from \$6.9 billion in 2002. This rise in AMT coincided with a large increase in the number of returns that were subject to paying the AMT. The number of returns subject to paying the AMT increased 23.4 percent from 2002 to 2.4 million returns for 2003, and the Alternative Minimum Taxable Income (AMTI) increased 31.3 percent from 2002.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2003. Much of the variation 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

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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 2002 and 2003

[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 2003						
All returns.....	5,274,864	107,538,541	5,943,102	1,119,412,865	2,357,975	9,469,803
Under \$1 ²	90,575	1,255,423	129,582	-10,762,709	5,427	81,262
\$1 under \$10,000.....	130,628	294,876	294,704	752,929	3,344	5,776
\$10,000 under \$20,000.....	164,493	441,193	254,340	2,706,268	2,591	6,294
\$20,000 under \$30,000.....	149,183	654,972	218,232	4,293,145	3,850	21,683
\$30,000 under \$40,000.....	156,007	657,114	197,269	5,127,098	5,090	2,118
\$40,000 under \$50,000.....	240,072	1,578,559	292,648	11,449,018	12,453	16,980
\$50,000 under \$75,000.....	579,162	4,497,946	658,634	35,896,638	85,664	86,149
\$75,000 under \$100,000.....	548,099	5,832,543	605,893	46,371,534	109,977	185,177
\$100,000 under \$200,000.....	1,547,971	27,412,096	1,589,305	206,360,452	844,104	1,875,212
\$200,000 under \$500,000.....	1,371,834	35,270,913	1,397,829	373,453,249	1,148,987	4,700,750
\$500,000 under \$1,000,000.....	192,637	9,199,893	198,104	121,310,271	103,434	1,165,529
\$1,000,000 or more.....	104,204	20,443,011	106,562	322,454,972	33,056	1,322,875
Tax Year 2002						
All returns.....	4,351,676	92,817,141	4,915,873	852,499,465	1,910,789	6,853,901
Under \$1 ²	89,661	1,139,356	105,639	-12,845,896	4,681	126,779
\$1 under \$10,000.....	96,393	282,949	224,201	427,960	3,343	2,088
\$10,000 under \$20,000.....	127,818	355,733	200,091	1,964,179	2,886	3,385
\$20,000 under \$30,000.....	116,233	546,831	193,305	4,141,410	4,478	9,093
\$30,000 under \$40,000.....	156,417	903,125	208,941	6,106,526	16,117	23,210
\$40,000 under \$50,000.....	167,426	1,330,419	199,004	7,632,853	33,881	34,067
\$50,000 under \$75,000.....	552,458	5,593,137	643,985	35,315,779	188,847	253,778
\$75,000 under \$100,000.....	598,657	8,064,548	631,321	48,810,310	284,050	365,363
\$100,000 under \$200,000.....	1,360,074	23,872,135	1,392,342	174,922,118	759,476	1,665,869
\$200,000 under \$500,000.....	858,729	24,226,709	882,647	232,989,048	546,501	2,564,164
\$500,000 under \$1,000,000.....	140,940	7,976,686	145,547	90,777,648	46,304	742,837
\$1,000,000 or more.....	86,871	18,525,516	88,851	262,257,528	20,224	1,063,267

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.

altered the AMT. Since then, the impact of the AMT has increased partially because the AMT exemptions have not been automatically 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. For both 2001 (under EGTRRA) and 2003 (under JGTRRA), AMT exemptions were increased, while ordinary tax rates declined. The net result of these changes was that, for 2003, AMT levels rose to \$9.5 billion, close to the all-time high paid by individual taxpayers of \$9.6 billion for 2000.

(The 2003 AMT exemptions are detailed in Appendix C, under *Alternative Minimum Tax*.)

Income and Tax Shares

Historical statistics from 1986 through 2003 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 percen-

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Figure F

Alternative Minimum Tax, Tax Years 1986-2003

[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
2002.....	28 ¹	1,910,789	6,853,901
2003.....	28 ¹	2,357,975	9,469,803

¹ Top rate on most long-term capital gains was 20 percent. For 2003, it was 15 percent.

tile 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 2003). 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 percent, 5 percent, 10 percent, 25 percent, and 50 percent of returns. Tables 6 and 8 are based on returns cumulated upward from the lowest income returns. Data are shown for the bottom 50 percent, 75 percent, 90 percent, 95 percent, and 99 percent of all returns.

Consider, for example, the data in Table 5 for the 128.6 million returns filed for 2003 with positive AGI [7]. The average tax rate for these returns was 11.9 percent, a 1.1-percentage point decrease from 2002.

(A sizable portion of returns with positive AGI are nontaxable, accounting for the difference in the computation of this particular average tax rate versus the 13.0-percent average tax rate for taxable returns only--Figure A.) This was the third year in a row that the average tax rate has fallen. The average tax rate on the 1, 5, 10, 25, and 50 percentiles all decreased from 2002. The 1, 5, 10, 25, and 50 percentiles all also recorded a larger share of the income tax burden than their respective shares of AGI. For 2003, the returns in the top 1-percentile reported 16.8 percent of total AGI and 34.3 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$295,495. For 2002, the returns in this percentile group (i.e., those with at least \$285,424 in AGI) reported 16.1 percent of total AGI and 33.7 percent of total income tax.

For 2003, the returns in the top 5-percentile group (returns reporting AGI of \$130,080 or more) reported 31.2 percent of total AGI and 54.4 percent of income tax, compared to 30.6 percent and 53.8 percent, respectively, for 2002 (when the AGI floor was \$126,525). For 2003, returns in the top 10-percentile group (returns with AGI of at least \$94,891) earned 42.4 percent of AGI and paid 65.8 percent of income tax. For 2002, the returns in this percentile group (with AGI of \$92,663 or more) reported 41.8 percent of total AGI and 65.7 percent of income tax. The top 50-percentile group (earning \$29,019 or more) accounted for 86.0 percent of income and paid almost all (96.5 percent) of the income tax for 2003.

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 [8]. For 1991 and later years, the statistics by percentiles in Tables 5 and 6, and Tables 7 and 8 for 1994 through 2003 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

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definitions, see Individual Income Tax Returns 2003, 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 and qualified dividends) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

Dividends.--Ordinary dividend income consisted of distributions of money, stock, or other property received by taxpayers from domestic and foreign corporations, either directly or passed through estates, trusts, partnerships, or regulated investment companies. Ordinary dividends also included distributions from money market mutual funds.

Ordinary dividends did not include nontaxable distributions of stock or stock rights, returns of capital, capital gains, or liquidation distributions. Taxpayers were also instructed to exclude amounts paid on deposits or withdrawable accounts in banks, mutual savings banks, cooperative banks, savings and loan associations, and credit unions, which were treated as interest income.

Qualified dividends are the ordinary dividends received in tax years beginning after 2002 that met certain conditions. These conditions include: 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). The maximum tax rate for qualified dividends was 15 percent generally (or 5 percent for amounts that would otherwise have been taxed at the 10-percent or 15-percent regular income rate).

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, any additional taxes from Form 4972, and 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 5-percent, 8-percent, 10-percent, 15-percent, 25-percent, or 28-percent tax rate for capital gains. When a tax was payable on a qualified dividend, the tax was based on regular tax rates instead of the maximum tax rate for qualified dividends, 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent and 15-percent tax brackets). This is in contrast to the computation of Income Tax Before Credits (see above) in which special tax computations, such as those involved on the Form 8615, Schedule D and qualified dividends, 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.

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Schedule D and Qualified Dividends Tax Computation.--Schedule D was used to compute the 5-percent (post May 5, 2003), 8-percent, 10-percent, 15-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. Qualified dividends were taxed at a maximum tax rate of 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent and 15-percent brackets).

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' incomes 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, low-income housing and a few other business 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 the Form 4970, less the portion of the EIC used to offset other taxes as well as the refundable portion of the EIC (with tax limited to zero).

Appendix B: Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing

requirements for 2003 generally were based on the amount of "gross income," filing status, age, and, to a lesser extent, dependency and blindness [9]. 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 2003 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, low-income housing credit, or a few other business credits; 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 [10]. Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses [11]. "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: the tax table or tax rate schedules, both of which vary with taxpayer filing status (single, married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children's investment incomes; Schedule J for Farmers to income-average; Schedule D and Qualified Dividends worksheet for net long-term capital gains and qualified dividends; or some combination of the above [12]. For 2003, the tax rates for each filing status were 5 percent, 8 percent, 10 percent, 15 percent, 20 percent, 25 per-

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cent, 26 percent, 28 percent, 33 percent, and 35 percent [13]. The tax rates of 5 percent, 8 percent, 10 percent, 15 percent, and 20 percent were used for net long-term capital gains (in excess of net short-term capital losses). The new 5-percent and 15-percent rates for 2003 in relation to long-term capital gains were only for certain sales and other dispositions after May 5, 2003, as well as any qualified dividends (explained in Appendix C: *Capital Gain and Dividend Tax Rates*). The 26-percent tax rate was only for the alternative minimum tax. Income tax before credits includes any alternative minimum tax. (See Appendix C for further details on these rates).

To calculate their Federal income tax liabilities for 2003, 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 [14]. 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 33-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$8.25 [15]. However, for most taxpayers, the actual difference in tax was smaller.

Appendix C: Changes in Law for 2003

Alternative Minimum Tax.--The Alternative Minimum Tax (AMT) exemption amount increased to \$40,250 for single and head of household filers, \$58,000 for married couples filing jointly and surviving spouses, and \$29,000 for married couples filing separately. This was an increase from 2002 of \$9,000 for married filing jointly taxpayers and surviving spouses, and \$4,500 for single taxpayers and married couples filing separately.

Capital Gain and Dividend Tax Rates.--For long-term capital gains realized after May 5, 2003, the 8- and 10- percent capital gain tax rates were reduced to 5 percent. The 20-percent rate was

reduced to 15 percent. In addition, the 8-percent capital gain rate for qualified 5-year gain did not apply to any gain after May 5, 2003. New tax rates were applied to qualified dividends. The maximum tax rate for qualified dividends was 15 percent (generally 5 percent for amounts that would otherwise be taxed in the 10-percent and 15-percent regular tax brackets). Qualified dividends were ordinary dividends that met certain criteria, including: the dividends 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).

Child and Dependent Care Credit.--For 2003, the maximum credit increased to \$1,050 for one qualifying individual and \$2,100 for two or more qualifying individuals (\$800 and \$1,600, respectively, for 2002). The limit on qualifying expenses increased to \$3,000 for one qualifying individual and \$6,000 for two or more individuals (\$2,400 and \$4,800, respectively, for 2002). The credit could have been as much as 35 percent (previously 30 percent) of a taxpayer’s qualified expenses.

Child Tax Credit.--The child tax credit increased to \$1,000 for 2003 from \$600 for 2002. For 2003, up to \$400 per eligible child may have been given in advance to taxpayers based on the age of eligible children and the taxpayer’s 2002 tax return. The taxpayer’s 2003 child tax credit was reduced by any advance child tax credit payment.

Earned Income Credit.--The maximum amount of investment income (interest, dividends, and capital gain income) a taxpayer could earn 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

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qualifying child, or less than \$33,692 (\$34,692 for married filing jointly) for two or more qualifying children.

Indexing.--The following items increased due to indexing for inflation: personal exemption amounts, the basic standard deduction amounts (other than married filing joint returns, see below), most tax bracket boundaries (see *Tax Rate Reduction*, below, for details for married filing joint returns), 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, a taxpayer (both taxpayers for married filing jointly), could take a deduction of up to \$3,000 (\$3,500 if age 50 or older) for IRA contributions if not covered by a retirement plan, or if covered by a retirement plan and modified AGI was less than \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)). This was up from \$44,000 (\$64,000 if married filing jointly or qualifying widow(er)) for 2002.

Lifetime Learning Credit.--The amount of qualified tuition and related expenses a taxpayer took into account for the lifetime learning credit increased from \$5,000 for 2002 to \$10,000 for 2003. The credit equaled 20 percent of these qualified expenses, with a maximum credit of \$2,000 (\$1,000 for 2002).

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.

Standard Deduction.--The standard deduction for married filing jointly returns was increased beyond general indexing for inflation to \$9,500 for 2003. This amount was equal to twice the standard deduction for single filers. For 2002, this deduction was \$7,850. The standard deductions for other filing statuses were only indexed for inflation.

Tax Rate Reduction.--For Tax Year 2003, both the 10-percent and 15-percent tax brackets received significant expansions on the upper taxable income threshold beyond inflation indexing for some taxpayers. The 10-percent regular income tax bracket was expanded \$2,000 for a maximum taxable income of \$14,000 for married filing joint returns (expanded \$1,000 for a maximum taxable income of \$7,000 for single or married filing separately). The 15-percent

tax bracket received a disproportionately large expansion for joint returns as compared to single filers. This expansion was \$10,100 and aligned the joint returns maximum taxable income amount (\$56,800) to exactly double the amount for single or married filing separately filers (\$28,400). Also, for Tax Year 2003, there was a reduction of the former tax rates of 27 percent, 30 percent, 35 percent and 38.6 percent to 25 percent, 28 percent, 33 percent, and 35 percent, respectively. Also, as cited above (Capital Gains and Dividend Tax Rate), tax rates were reduced for some long-term gains and all qualified dividends.

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 2003 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 [16].

Figure G

**Components of the 1979 Income Concept,
Tax Year 2003**

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 ^{4,5}	
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 2003.

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 2003.

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

⁶ Not included in AGI for Tax Year 2003.

Modified Taxable Income

This concept is relevant only for "prior-year returns" (about 4.2 million returns) or certain farm sole proprietor returns using income averaging on Schedule J (about 41 thousand returns). For all other returns, modified taxable income is identical to taxable income.

This is the term used in 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 incomes reported on these prior-year returns and those filed with a Schedule J are 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 \$387,000 who used the standard deduction. As shown in the example, six different tax rates were applied to the taxable income to arrive at total tax. The first \$7,000 of taxable income were taxed at the 10-percent rate; the next \$21,400 of taxable income were taxed at the 15-percent rate; the next \$40,400 were taxed at the 25-percent rate; the next \$74,700 were taxed at the 28-percent rate; the next \$168,450 were taxed at the 33-percent rate; and the remaining \$70,300 were taxed at the 35-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

Figure H

**Income Tax Calculation for a Single Taxpayer
With One Exemption Who Used the Standard
Deduction, Tax Year 2003**

[Money amounts are in whole dollars]

Item	Amount
Adjusted gross income.....	387,000
Less: Exemption amount.....	0 ¹
Standard deduction amount.....	4,750
Equals: Taxable income.....	382,250
Tax based on tax rates for single taxpayers:	
First \$7,000 taxed at 10 percent.....	700
Next \$21,400 taxed at 15 percent.....	3,210
Next \$40,400 taxed at 25 percent.....	10,100
Next \$74,700 taxed at 28 percent.....	20,916
Next \$168,450 taxed at 33 percent.....	55,589
Next \$70,300 taxed at 35 percent.....	24,605
Total tax from tax rate schedule.....	115,120

¹ The exemption amount was phased out completely because AGI exceeded \$262,000.

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subject to tax) is the marginal tax rate for that return. In the example, the marginal tax rate is 35 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 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 or qualified dividends and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having an "5-percent, 8-percent, 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 25-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" 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 25-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 incomes of their dependents under age 14 on their own (i.e., the parents') returns 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 of 10 percent.

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/or qualified dividends, and presence of Form 8615 or Form 8814. Returns were classified into one of the following 15 mutually exclusive marginal tax rate categories: (1) 5-percent rate (capital gains); (2) 8-percent rate (capital gains); (3) 10-percent rate; (4) 10-percent (capital gains); (5) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent's income); (6) 15-percent rate; (7) 15-percent (capital gains); (8) 20-percent rate; (9) 25-percent rate; (10) 25-percent capital gains; (11) 28-percent rate; (12) 28-percent capital gains; (13) 33-percent rate; (14) 35-percent rate; and (15) Form 8615 (with income taxed at any rate) [17].

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modi-

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fied 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.

For example, consider returns in the “joint returns and returns of surviving spouses” filing status that were included in the “35-percent” marginal tax rate classification. The total modified taxable income for the 641,635 returns in this classification “at all rates” was \$581.0 billion (column 3), and the total tax generated was \$173.7 billion (column 5). Approximately \$307.0 billion (column 4) of the modified taxable income was subject to tax at the marginal tax rate of 35 percent. This modified taxable income generated \$107.4 billion (column 6) in tax at the 35-percent tax rate with the remainder generated at some or all of the lower eight tax rates.

Table 2 provides statistics on the tax generated, in total and at each tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI. The tax generated at each 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 \$483.4 billion and generated total tax of \$117.7 billion. Of the \$483.4 billion of modified taxable income, \$25.6 billion were taxed at the 10-percent (ordinary tax) rate, \$77.3 billion were taxed at the 15-percent (ordinary tax rate), \$103.7 billion were taxed at the 25-percent (ordinary tax) rate, \$103.4 billion were taxed at the 28-percent (ordinary tax) rate, \$103.8 billion were taxed at the 33-percent rate, and \$17.3 billion were taxed at the 35-percent rate, with the remainder consisting of income related to special capital gain and qualified dividend tax rates and Forms 8814 and 8615. For individuals in these classes, these were as follows: Approximately \$0.12

billion of the total tax generated were from the 5-percent rate; \$.02 billion of the total tax generated were from the 8-percent rate; \$.02 billion were from the 10-percent rate, \$5.3 billion were from the 15-percent capital gain and qualified dividend rate; \$2.4 billion were from the 20-percent capital gain rate, \$0.5 billion were from the 25-percent capital gain rate, \$.02 billion were from the 28-percent capital gain 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 tax rate by filing status, for returns with modified taxable income. Over 0.6 million of the 44.0 million returns with modified taxable income filed jointly had some income taxed at the 35-percent tax rate. For these returns, the taxable income subject to this rate was \$307.0 billion, and the tax generated was \$107.4 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

Figure I-1

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2003

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences (see Figure I-2)
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.

Figure I-2

Alternative Minimum Tax Adjustments and Preferences, Tax Year 2003

- 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 percentage depletion deduction for sections 611 and 613 property over the adjusted basis (the result could be negative)
- Tax-exempt interest from private activity bonds issued after August 7, 1986
- Excluded gain, under the section 1202 gain on qualified small business stock held more than 5 years, multiplied by 7 percent if sold after May 5, 2003, otherwise multiplied by 42 percent
- 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)
- 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)
- Electing large partnerships, enter the amount from Schedule K-1 (Form 1065-B), box 6.
- 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)
- 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)
- 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)
- 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 circulation expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Deferred income from long-term contracts entered into after February 28, 1986, with certain exceptions and limitations (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)
- Excess of research and experimental expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- 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 is 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
- Excess of accelerated depreciation on property placed in service before 1987 over straight-line depreciation as refigured for AMT purposes
- 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)
- 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)

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 2003).

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) for 2003 was \$40,250; for joint filers and surviving spouses, \$58,000; and for married persons filing separately, \$29,000. 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 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 \$273,500, \$382,000, and \$191,000, 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 and qualified dividends (recalculated for AMT purposes) that were taxed at lower rates (5 percent, 8 percent, 10 percent, 15 percent, 20 percent, and 25 percent) were taxed 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 \$5,600 plus their “earned incomes.” 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 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 tax policy modeling purposes [18]. Returns were then selected at rates ranging from 0.05 percent to 100 percent. The 2003 data are based on a sample of 182,810 returns and an estimated final population of 131,291,334 returns. The corresponding sample and population for the 2002 data were 175,566 and 130,540,073 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

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Figure J

Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2003

[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)			
Total	0.17	0.17	0.20	0.20	0.20
Under \$2,000 ¹	7.17	8.48	8.53	16.77	16.75
\$2,000 under \$4,000.....	8.06	9.15	10.07	11.01	11.01
\$4,000 under \$6,000.....	4.11	5.19	5.57	5.72	5.72
\$6,000 under \$8,000.....	3.74	4.25	4.29	4.41	4.41
\$8,000 under \$10,000.....	2.54	3.31	3.47	3.97	3.97
\$10,000 under \$12,000.....	2.51	2.80	2.83	3.04	3.04
\$12,000 under \$14,000.....	2.48	2.72	2.77	3.01	3.01
\$14,000 under \$16,000.....	2.35	2.56	2.62	2.91	2.91
\$16,000 under \$18,000.....	2.21	2.55	2.62	2.97	2.97
\$18,000 under \$20,000.....	2.12	2.45	2.54	2.96	2.96
\$20,000 under \$25,000.....	1.33	1.49	1.56	1.86	1.86
\$25,000 under \$30,000.....	1.40	1.53	1.60	1.90	1.90
\$30,000 under \$40,000.....	1.05	1.13	1.18	1.30	1.30
\$40,000 under \$50,000.....	1.08	1.13	1.20	1.37	1.37
\$50,000 under \$75,000.....	0.77	0.81	0.86	0.91	0.91
\$75,000 under \$100,000.....	0.95	0.97	1.03	1.08	1.08
\$100,000 under \$200,000.....	0.97	0.90	0.91	0.91	0.91
\$200,000 under \$500,000.....	1.00	0.89	0.91	0.90	0.90
\$500,000 under \$1,000,000.....	1.16	1.03	1.06	1.06	1.06
\$1,000,000 under \$1,500,000.....	1.40	1.28	1.35	1.37	1.37
\$1,500,000 under \$2,000,000.....	1.22	1.21	1.27	1.28	1.28
\$2,000,000 under \$5,000,000.....	0.64	0.59	0.62	0.59	0.59
\$5,000,000 under \$10,000,000.....	0.71	0.55	0.60	0.62	0.62
\$10,000,000 or more.....	--	--	--	--	--

¹ Includes returns with adjusted gross deficit.

these benefits were completely phased out, the tax rate returned to 28 percent.

- [2] 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-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.
- [3] These 2002 are data from Parisi, Michael, "Individual Income Tax Rates and Shares, 2002," *Statistics of Income Bulletin* Winter 2004-2005, Volume 24, Number 3, pp. 20-58.

- [4] 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 Parisi, Michael, and Hollenbeck, Scott, "*Individual Income Tax Returns: 2003*," *Statistics of Income Bulletin*, Fall 2005, Volume 25, Number 2, include these taxes.
- [5] The income amounts on which these special computations for lump-sum distributions were

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based were not reflected in current-year AGI or current-year taxable income.

- [6] For 2003, the total earned income credit was \$38.7 billion. This amount includes the amount used to reduce the income tax (\$0.9 billion), the amount used to reduce other taxes reported on individual income tax returns (\$3.7 billion), and the amount refunded to taxpayers (\$34 billion). Table 4 in Parisi, Michael, and Hollenbeck, Scott, "*Individual Income Tax Returns: 2003*," *Statistics of Income Bulletin*, Fall 2005, Volume 25, Number 2, shows these amounts.
- [7] The percentile groupings of tax filers exclude returns with zero or negative AGI.
- [8] 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.
- [9] 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 Parisi, Michael, and Hollenbeck, Scott, "*Individual Income Tax Returns: 2003*," *Statistics of Income Bulletin*, Fall 2005, Volume 25, Number 2.
- [10] 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.
- [11] 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.
- [12] Income tax before credits includes tax on lumpsum distributions from qualified retirement plans.
- [13] The 26-percent tax rate is for AMT purposes only.
- [14] 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.
- [15] For example, assume a taxpayer filing as "married filing separately" reported taxable income of \$98,000. Using the tax table, the tax would be \$23,071, but, using the tax rate schedules, the tax would be \$23,062.75, a difference of \$8.25.
- [16] For more details on the income computation under the 1979 Income Concept for 2003, see *Individual Income Tax Returns 2003*, Statistics of Income Division, Internal Revenue Service, Publication 1304.
- [17] 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

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income. While this taxpayer could face a statutory marginal tax rate of 35 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.

[18] 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 2003

[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.....	101,386,201	6,056,906,001	4,206,592,864	1,476,381,921	780,309,227	331,464,700	747,690,732	12.3	17.8
5 percent.....	678,141	14,989,722	4,130,293	4,115,356	208,010	205,768	262,065	1.7	6.3
8 percent.....	68,473	1,841,020	720,891	393,867	47,862	31,509	42,418	2.3	5.9
10 percent.....	23,243,875	416,481,979	106,142,753	106,135,364	10,615,439	10,613,536	5,354,716	1.3	5.0
10 percent (capital gains).....	2,583,832	59,446,450	19,866,025	1,240,723	1,689,343	124,072	1,339,994	2.3	6.7
10 percent (Form 8814) ¹	13,826	-295,440	8,681	8,681	870	870	492	(X)	5.7
15 percent.....	40,997,696	1,662,347,629	1,000,557,078	574,796,758	128,796,537	86,219,514	108,471,544	6.5	10.8
15 percent (capital gains) ²	6,474,523	401,021,331	259,768,302	48,385,193	33,235,065	7,257,779	31,088,912	7.8	12.0
20 percent.....	430,386	82,983,621	67,771,415	28,642,759	10,720,608	5,728,552	10,961,066	13.2	16.2
25 percent.....	15,578,547	1,190,502,522	887,311,030	238,553,113	148,923,302	59,638,278	145,051,874	12.2	16.3
25 percent (capital gains).....	5,751,843	573,198,788	436,467,662	3,624,425	74,792,138	906,106	73,936,476	12.9	16.9
28 percent.....	1,756,615	243,393,541	196,015,310	35,135,435	41,655,938	9,837,922	41,854,635	17.2	21.4
28 percent (capital gains).....	1,678,502	288,503,732	233,408,084	364,409	48,461,009	102,035	49,376,294	17.1	21.2
33 percent.....	1,277,577	358,924,926	305,591,419	66,200,131	74,561,983	21,846,043	76,331,709	21.3	25.0
35 percent.....	752,028	762,484,568	687,885,619	367,903,515	206,409,506	128,766,230	203,427,104	26.7	29.6
Form 8615 ³	100,337	1,081,611	948,301	882,194	191,617	186,486	191,432	17.7	20.2
Joint returns and returns of surviving spouses									
Total.....	44,033,987	4,041,178,963	2,867,802,099	961,330,648	551,095,132	229,187,721	529,558,212	13.1	18.5
5 percent.....	226,593	9,071,074	2,408,091	2,397,958	121,423	119,898	181,098	2.0	7.5
8 percent.....	28,357	1,260,125	482,473	229,770	31,018	18,382	27,770	2.2	5.8
10 percent.....	6,575,099	185,117,314	45,359,508	45,358,064	4,536,273	4,535,806	2,027,059	1.1	4.5
10 percent (capital gains).....	1,216,493	39,784,897	12,722,831	845,611	1,097,882	84,561	828,426	2.1	6.5
10 percent (Form 8814) ¹	8,229	-335,049	4,937	4,937	494	494	492	(X)	10.0
15 percent.....	17,301,376	991,052,577	590,474,243	348,251,552	76,460,433	52,237,733	63,120,860	6.4	10.7
15 percent (capital gains) ²	4,273,780	309,387,745	199,278,450	32,487,270	25,558,411	4,873,091	23,582,774	7.6	11.8
20 percent.....	247,502	60,491,852	49,621,305	21,055,514	7,881,862	4,211,103	8,049,791	13.3	16.2
25 percent.....	6,880,658	711,982,085	520,962,922	130,138,165	86,342,426	32,534,541	83,171,568	11.7	16.0
25 percent (capital gains).....	3,636,716	431,399,229	325,684,263	2,814,052	55,354,781	703,513	54,492,787	12.6	16.7
28 percent.....	858,563	147,439,850	116,716,483	18,281,985	24,249,917	5,118,956	24,395,323	16.5	20.9
28 percent (capital gains).....	1,146,349	219,173,629	176,081,085	264,694	36,115,227	74,114	36,941,285	16.9	21.0
33 percent.....	992,637	291,193,510	246,974,688	52,242,380	59,603,838	17,239,985	61,036,805	21.0	24.7
35 percent.....	641,635	644,160,124	581,030,822	306,958,696	173,741,145	107,435,544	171,702,173	26.7	29.6
Form 8615 ³	--	--	--	--	--	--	--	(X)	(X)
Returns of married persons filing separately									
Total.....	2,027,382	101,649,749	74,697,606	31,623,916	14,992,426	7,966,313	14,598,485	14.4	19.5
5 percent.....	1,866	38,565	20,834	20,834	1,041	1,042	1,471	3.8	7.1
8 percent.....	948	15,165	686	185	40	15	40	0.3	5.8
10 percent.....	285,859	3,911,186	944,457	944,457	94,453	94,446	71,425	1.8	7.6
10 percent (capital gains).....	10,837	277,351	84,363	10,031	7,209	1,003	9,044	3.3	10.7
10 percent (Form 8814) ¹	31	364	47	47	5	5	--	(X)	(X)
15 percent.....	973,600	26,698,033	16,372,795	9,557,595	2,115,179	1,433,639	1,936,365	7.3	11.8
15 percent (capital gains) ²	94,852	5,406,537	3,703,484	1,656,878	496,361	248,532	520,643	9.6	14.1
20 percent.....	5,913	1,708,145	1,410,614	670,494	238,071	134,099	250,973	14.7	17.8
25 percent.....	417,625	21,634,442	16,168,345	4,307,799	2,709,915	1,076,950	2,679,526	12.4	16.6
25 percent (capital gains).....	75,576	4,786,814	3,667,555	92,274	626,873	23,069	633,987	13.2	17.3
28 percent.....	79,505	6,709,440	5,371,749	814,135	1,113,743	227,958	1,103,876	16.5	20.5
28 percent (capital gains).....	21,539	2,186,965	1,830,782	--	375,149	--	380,399	17.4	20.8
33 percent.....	36,406	5,228,425	4,356,559	833,037	1,042,067	274,902	1,074,201	20.5	24.7
35 percent.....	22,824	23,048,318	20,765,338	12,716,151	6,172,321	4,450,653	5,936,534	25.8	28.6
Form 8615 ³	--	--	--	--	--	--	--	(X)	(X)

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2003

Table 1.--Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 2003
--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.....	13,218,829	479,466,173	258,524,437	113,932,793	39,252,287	19,272,331	31,310,258	6.5	12.1
5 percent.....	17,833	622,592	173,145	173,145	8,659	8,657	4,055	0.7	2.3
8 percent.....	2,238	85,868	18,608	18,608	1,488	1,489	--	(X)	(X)
10 percent.....	5,449,711	110,462,842	25,657,553	25,652,289	2,566,017	2,565,229	294,170	0.3	1.1
10 percent (capital gains).....	108,516	2,437,285	762,832	81,353	68,098	8,135	29,106	1.2	3.8
10 percent (Form 8814) ¹	4,613	37,166	3,356	3,356	337	337	--	(X)	(X)
15 percent.....	5,886,561	215,681,160	119,272,449	60,403,475	14,947,590	9,060,521	9,908,212	4.6	8.3
15 percent (capital gains) ²	289,602	13,866,378	8,650,342	1,333,990	1,098,423	200,099	942,231	6.8	10.9
20 percent.....	7,870	1,286,323	1,001,864	500,375	161,835	100,075	167,401	13.0	16.7
25 percent.....	1,130,895	81,429,236	58,846,484	15,815,943	9,843,254	3,953,986	9,419,662	11.6	16.0
25 percent (capital gains).....	179,248	15,899,437	11,735,740	116,971	2,069,150	29,243	2,056,084	12.9	17.5
28 percent.....	53,370	7,641,743	6,142,963	899,390	1,332,965	251,829	1,364,713	17.9	22.2
28 percent (capital gains).....	37,702	6,156,912	5,042,836	1,427	1,079,404	400	1,121,460	18.2	22.2
33 percent.....	34,932	9,059,843	7,745,815	1,701,677	1,942,583	561,553	2,005,245	22.1	25.9
35 percent.....	15,740	14,799,389	13,470,450	7,230,795	4,132,483	2,530,778	3,997,918	27.0	29.7
Form 8615 ³	--	--	--	--	--	--	--	(X)	(X)
Returns of single persons									
Total.....	42,106,004	1,434,611,116	1,005,568,721	369,494,564	174,969,382	75,038,339	172,223,777	12.0	17.1
5 percent.....	431,848	5,257,491	1,528,224	1,523,419	76,887	76,171	75,441	1.4	4.9
8 percent.....	36,930	479,863	219,124	145,303	15,315	11,624	14,608	3.0	6.7
10 percent.....	10,933,206	116,990,637	34,181,236	34,180,554	3,418,695	3,418,055	2,962,062	2.5	8.7
10 percent (capital gains).....	1,247,986	16,946,917	6,295,998	303,729	516,153	30,373	473,418	2.8	7.5
10 percent (Form 8814) ¹	953	2,079	342	342	34	34	--	(X)	(X)
15 percent.....	16,836,159	428,915,859	274,437,591	156,584,137	35,273,335	23,487,621	33,506,106	7.8	12.2
15 percent (capital gains) ²	1,816,289	72,360,670	48,136,026	12,907,055	6,081,869	1,936,058	6,043,264	8.4	12.6
20 percent.....	169,101	19,497,301	15,737,633	6,416,375	2,438,840	1,283,275	2,492,901	12.8	15.8
25 percent.....	7,149,369	375,456,760	291,333,280	88,291,206	50,027,708	22,072,802	49,781,118	13.3	17.1
25 percent (capital gains).....	1,860,304	121,113,308	95,380,104	601,128	16,741,335	150,282	16,753,617	13.8	17.6
28 percent.....	765,177	81,602,508	67,784,116	15,139,925	14,959,313	4,239,179	14,990,723	18.4	22.1
28 percent (capital gains).....	472,913	60,986,225	50,453,381	98,288	10,891,229	27,521	10,933,150	17.9	21.7
33 percent.....	213,603	53,443,148	46,514,357	11,423,038	11,973,494	3,769,603	12,215,457	22.9	26.3
35 percent.....	71,829	80,476,737	72,619,009	40,997,872	22,363,556	14,349,255	21,790,480	27.1	30.0
Form 8615 ³	100,337	1,081,611	948,301	882,194	191,617	186,486	191,432	17.7	20.2

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 \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

² The 15-percent capital gain rate also includes qualified dividends.

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.

(X) Percentage not computed.

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

Individual Income Tax Rates and Shares, 2003

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2003

[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					
					5 percent			8 percent		
					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.....	101,386,201	4,200,198,884	4,206,592,864	780,309,227	9,833,227	33,552,373	1,677,914	1,058,265	3,780,577	302,428
Under \$2,000 ¹	306,971	133,341	135,890	11,228	146,816	54,370	2,723	14,746	1,232	96
\$2,000 under \$4,000.....	252,214	306,304	309,924	30,903	108,818	89,114	4,456	15,489	4,637	370
\$4,000 under \$6,000.....	1,088,782	901,452	902,101	88,988	127,313	100,095	4,998	15,743	13,829	1,106
\$6,000 under \$8,000.....	1,327,663	2,576,620	2,581,019	254,546	76,153	105,597	5,284	*2,942	*3,384	*270
\$8,000 under \$10,000.....	2,708,320	5,247,379	5,299,908	534,454	178,848	130,319	6,517	*6,753	*14,773	*1,182
\$10,000 under \$12,000.....	2,773,154	9,312,280	9,382,820	932,199	235,793	211,158	10,566	20,660	11,090	886
\$12,000 under \$14,000.....	2,835,848	13,112,939	13,186,471	1,325,606	233,814	250,765	12,541	*10,293	*8,712	*697
\$14,000 under \$16,000.....	3,160,163	18,454,981	18,587,500	1,898,310	262,748	437,116	21,862	28,748	44,417	3,553
\$16,000 under \$18,000.....	3,558,118	22,431,789	22,520,835	2,441,156	278,628	446,599	22,347	27,079	23,721	1,894
\$18,000 under \$20,000.....	3,801,322	27,977,560	28,135,544	3,169,157	343,171	505,429	25,289	37,482	41,783	3,342
\$20,000 under \$25,000.....	9,017,109	90,709,409	90,709,409	10,631,719	726,473	1,386,090	69,336	83,047	145,190	11,617
\$25,000 under \$30,000.....	8,231,170	114,185,800	114,621,949	13,880,145	713,408	1,228,471	61,438	74,472	155,099	12,406
\$30,000 under \$40,000.....	13,724,590	273,848,438	274,442,822	34,725,739	1,448,840	2,995,072	149,790	151,113	219,192	17,534
\$40,000 under \$50,000.....	10,356,423	286,908,791	287,303,379	39,416,550	1,128,287	2,959,979	148,055	138,708	309,804	24,776
\$50,000 under \$75,000.....	17,318,862	707,527,353	708,440,519	103,554,424	2,407,995	7,567,900	378,451	272,171	897,856	71,825
\$75,000 under \$100,000.....	9,528,081	577,227,012	577,755,776	90,071,461	957,583	5,509,690	275,518	102,760	719,388	57,552
\$100,000 under \$200,000.....	8,864,329	875,864,823	876,960,093	165,058,719	341,795	5,952,185	297,620	45,247	882,551	70,606
\$200,000 under \$500,000.....	1,996,650	482,851,392	483,357,788	117,695,811	86,620	2,480,833	124,043	8,868	226,708	18,136
\$500,000 under \$1,000,000.....	355,526	212,835,816	213,060,087	60,145,607	17,175	617,449	30,873	1,090	27,625	2,210
\$1,000,000 under \$1,500,000.....	81,525	88,369,158	88,446,206	25,758,910	5,219	190,481	9,524	435	16,722	1,338
\$1,500,000 under \$2,000,000.....	33,950	52,503,976	52,575,144	15,462,081	2,176	91,449	4,572	167	5,483	439
\$2,000,000 under \$5,000,000.....	48,176	128,218,696	128,414,292	37,415,357	3,627	153,014	7,651	177	5,350	428
\$5,000,000 under \$10,000,000.....	11,151	68,513,593	68,612,525	19,637,138	1,084	50,221	2,511	41	1,107	89
\$10,000,000 or more.....	6,106	140,179,982	140,377,754	36,169,017	840	38,976	1,949	33	924	74

Size of adjusted gross income	Tax generated at specified rate--continued								
	10 percent			10 percent (capital gains)			10 percent (from Form 8814) ²		
	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.....	100,367,644	914,053,162	91,405,316	1,445,014	3,942,692	394,303	92,871	62,588	6,267
Under \$2,000 ¹	212,221	71,290	7,129	18,473	2,526	253	3,665	2,574	258
\$2,000 under \$4,000.....	203,297	159,238	15,924	20,269	7,581	759	--	--	--
\$4,000 under \$6,000.....	1,048,326	743,459	74,346	*12,849	*10,674	*1,066	*952	*682	*69
\$6,000 under \$8,000.....	1,308,015	2,438,212	243,821	*9,905	*4,639	*465	--	--	--
\$8,000 under \$10,000.....	2,629,500	5,055,013	505,501	17,299	9,634	966	*983	*345	*35
\$10,000 under \$12,000.....	2,718,084	9,092,170	909,217	40,755	18,660	1,864	*2,314	*2,008	*202
\$12,000 under \$14,000.....	2,806,138	12,547,233	1,254,723	27,283	12,279	1,226	*1,990	*1,425	*143
\$14,000 under \$16,000.....	3,110,666	16,877,312	1,687,731	32,305	12,271	1,226	*963	*722	*72
\$16,000 under \$18,000.....	3,514,588	17,828,757	1,782,876	48,019	26,930	2,696	*2,942	*885	*88
\$18,000 under \$20,000.....	3,729,100	19,904,672	1,990,467	51,353	65,984	6,600	*1,990	*1,425	*143
\$20,000 under \$25,000.....	8,915,110	57,930,376	5,793,038	100,091	86,646	8,667	*4,237	*3,889	*391
\$25,000 under \$30,000.....	8,195,414	63,536,664	6,353,666	109,922	148,993	14,900	*3,890	*2,105	*211
\$30,000 under \$40,000.....	13,661,593	126,677,101	12,667,710	204,406	370,886	37,105	*5,951	*2,610	*261
\$40,000 under \$50,000.....	10,315,126	109,246,082	10,924,608	174,425	337,384	33,734	*7,925	*5,192	*518
\$50,000 under \$75,000.....	17,251,628	202,863,761	20,286,376	398,324	1,070,424	107,050	10,135	5,688	568
\$75,000 under \$100,000.....	9,479,613	121,509,542	12,150,954	127,766	914,172	91,426	8,940	5,448	546
\$100,000 under \$200,000.....	8,793,836	115,233,968	11,523,397	42,538	601,415	60,144	22,548	17,617	1,764
\$200,000 under \$500,000.....	1,960,517	25,646,763	2,564,676	6,946	167,148	16,715	9,059	6,732	673
\$500,000 under \$1,000,000.....	344,467	4,489,203	448,920	1,305	47,260	4,726	2,826	2,044	205
\$1,000,000 under \$1,500,000.....	77,759	1,004,809	100,481	307	10,024	1,002	617	439	44
\$1,500,000 under \$2,000,000.....	32,173	418,266	41,827	118	4,348	435	304	214	21
\$2,000,000 under \$5,000,000.....	45,033	582,204	58,220	270	9,676	968	431	358	36
\$5,000,000 under \$10,000,000.....	10,153	129,826	12,983	43	1,530	153	141	128	13
\$10,000,000 or more.....	5,285	67,242	6,724	43	1,607	161	68	57	6

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2003

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2003--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								
	15 percent			15 percent (capital gains and qualified dividends)			20 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.....	74,461,039	1,583,782,894	237,567,434	9,461,124	205,205,659	30,781,069	2,188,286	75,411,601	15,082,328
Under \$2,000 ¹	--	--	--	--	--	--	--	--	--
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--
\$6,000 under \$8,000.....	*952	*130	*20	--	--	--	--	--	--
\$8,000 under \$10,000.....	14,753	24,424	3,664	--	--	--	--	--	--
\$10,000 under \$12,000.....	57,508	21,698	3,255	--	--	--	--	--	--
\$12,000 under \$14,000.....	278,117	345,179	51,777	--	--	--	--	--	--
\$14,000 under \$16,000.....	1,189,754	1,188,883	178,332	--	--	--	--	--	--
\$16,000 under \$18,000.....	1,885,812	4,164,932	624,740	--	--	--	--	--	--
\$18,000 under \$20,000.....	1,895,169	7,600,412	1,140,062	--	--	--	--	--	--
\$20,000 under \$25,000.....	4,911,584	31,568,553	4,735,283	--	--	--	--	--	--
\$25,000 under \$30,000.....	5,343,039	49,527,622	7,429,143	--	--	--	--	--	--
\$30,000 under \$40,000.....	11,366,492	141,808,012	21,271,202	140,630	100,276	15,042	27,063	15,815	3,164
\$40,000 under \$50,000.....	9,848,169	152,268,254	22,840,238	548,688	906,111	135,935	123,034	180,204	36,035
\$50,000 under \$75,000.....	17,016,450	409,166,050	61,374,908	1,209,541	3,214,924	482,257	257,639	1,222,928	244,593
\$75,000 under \$100,000.....	9,428,702	342,769,656	51,415,448	1,973,234	5,707,444	856,165	452,188	1,598,180	319,631
\$100,000 under \$200,000.....	8,762,796	345,796,109	51,869,416	3,748,269	24,390,448	3,658,668	850,087	8,869,742	1,773,961
\$200,000 under \$500,000.....	1,948,807	77,287,743	11,593,161	1,384,798	35,403,614	5,310,564	341,060	11,951,411	2,390,279
\$500,000 under \$1,000,000.....	343,131	13,577,220	2,036,583	296,312	24,721,315	3,708,206	83,355	8,405,432	1,681,087
\$1,000,000 under \$1,500,000.....	77,446	3,036,254	455,438	70,769	13,045,233	1,956,786	21,963	4,616,059	923,212
\$1,500,000 under \$2,000,000.....	32,070	1,267,179	190,077	29,975	8,417,532	1,262,630	9,976	2,968,834	593,767
\$2,000,000 under \$5,000,000.....	44,898	1,765,652	264,848	42,978	25,017,138	3,752,572	15,299	8,920,286	1,784,057
\$5,000,000 under \$10,000,000.....	10,114	394,286	59,143	10,236	16,373,557	2,456,034	4,039	5,379,344	1,075,869
\$10,000,000 or more.....	5,275	204,648	30,697	5,696	47,908,067	7,186,210	2,582	21,283,366	4,256,673

Size of adjusted gross income	Tax generated at specified rate--continued								
	25 percent			25 percent (capital gains)			28 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.....	26,738,916	640,244,673	160,061,168	349,114	7,250,430	1,812,650	5,459,365	199,378,501	55,825,980
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.....	1,298,994	2,253,857	563,464	--	--	--	--	--	--
\$40,000 under \$50,000.....	3,172,315	21,048,129	5,262,032	*4,804	*7,772	*1,943	--	--	--
\$50,000 under \$75,000.....	5,203,998	82,059,755	20,514,939	27,250	39,100	9,778	28,174	105,435	29,522
\$75,000 under \$100,000.....	6,330,711	93,807,632	23,451,908	52,199	276,455	69,119	573,383	4,923,945	1,378,705
\$100,000 under \$200,000.....	8,338,463	309,939,981	77,484,995	142,888	1,403,026	350,773	2,558,591	61,561,654	17,237,263
\$200,000 under \$500,000.....	1,892,957	103,680,076	25,920,019	82,819	2,044,350	511,100	1,811,739	103,367,806	28,942,986
\$500,000 under \$1,000,000.....	335,338	18,373,529	4,593,382	22,969	1,072,395	268,102	325,021	19,607,171	5,490,008
\$1,000,000 under \$1,500,000.....	75,545	4,127,076	1,031,769	5,940	481,597	120,400	73,472	4,441,760	1,243,693
\$1,500,000 under \$2,000,000.....	31,435	1,724,517	431,129	3,047	315,292	78,823	30,766	1,858,274	520,317
\$2,000,000 under \$5,000,000.....	43,995	2,406,686	601,672	4,926	843,388	210,848	43,232	2,608,830	730,472
\$5,000,000 under \$10,000,000.....	9,956	541,323	135,331	1,304	330,488	82,622	9,817	593,258	166,112
\$10,000,000 or more.....	5,209	282,112	70,528	968	436,567	109,142	5,171	310,367	86,903

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2003

Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2003--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)			33 percent			35 percent			Form 8615 ³		
	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	Number of returns	Income taxed at rate	Tax generated at rate
(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	
Total.....	9,600	805,760	225,613	2,029,605	170,336,243	56,210,960	752,028	367,903,515	128,766,230	100,337	882,194	186,486
Under \$2,000 ¹	--	--	--	--	--	--	--	--	--	22,689	3,898	750
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--	34,182	49,352	9,376
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--	*8,572	*33,362	*7,338
\$6,000 under \$8,000.....	--	--	--	--	--	--	--	--	--	*5,969	*29,057	*4,647
\$8,000 under \$10,000.....	--	--	--	--	--	--	--	--	--	*8,781	*65,401	*16,453
\$10,000 under \$12,000.....	--	--	--	--	--	--	--	--	--	*2,857	*26,035	*6,064
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--	*1,905	*20,878	*4,339
\$14,000 under \$16,000.....	--	--	--	--	--	--	--	--	--	*1,905	*26,778	*5,338
\$16,000 under \$18,000.....	--	--	--	--	--	--	--	--	--	*1,905	*29,011	*6,348
\$18,000 under \$20,000.....	--	--	--	--	--	--	--	--	--	*952	*15,839	*3,144
\$20,000 under \$25,000.....	--	--	--	--	--	--	--	--	--	*2,982	*61,774	*13,098
\$25,000 under \$30,000.....	--	--	--	--	--	--	--	--	--	*983	*22,996	*8,012
\$30,000 under \$40,000.....	--	--	--	--	--	--	--	--	--	--	--	--
\$40,000 under \$50,000.....	--	--	--	--	--	--	--	--	--	*927	*34,468	*8,316
\$50,000 under \$75,000.....	*2,023	*459	*129	--	--	--	--	--	--	*3,707	*226,240	*53,904
\$75,000 under \$100,000.....	*2,044	*198	*55	*1,991	*14,027	*4,629	--	--	--	--	--	--
\$100,000 under \$200,000.....	*1,409	*13,373	*3,744	121,812	2,052,877	677,449	2,967	58,057	20,320	*1,996	*187,089	*28,140
\$200,000 under \$500,000.....	2,590	64,559	18,077	1,431,201	103,760,959	34,241,116	300,261	17,267,594	6,043,658	*6	*1,491	*493
\$500,000 under \$1,000,000.....	478	76,105	21,309	315,549	42,743,102	14,105,224	295,852	79,298,284	27,754,399	*3	*1,954	*348
\$1,000,000 under \$1,500,000...	397	70,623	19,775	71,668	9,817,592	3,239,805	68,501	47,587,535	16,655,637	--	--	--
\$1,500,000 under \$2,000,000...	153	82,158	23,004	30,164	4,126,098	1,361,612	29,051	31,295,499	10,953,425	--	--	--
\$2,000,000 under \$5,000,000...	298	172,996	48,439	42,393	5,793,149	1,911,739	40,897	80,108,966	28,038,138	*11	*26,598	*5,267
\$5,000,000 under \$10,000,000...	122	161,733	45,285	9,705	1,331,518	439,401	9,492	43,304,234	15,156,482	*3	*19,972	*5,111
\$10,000,000 or more.....	86	163,555	45,795	5,122	696,920	229,984	5,007	68,983,346	24,144,171	--	--	--

¹ Estimate should be used with caution because of the small number of sample returns on which it is based.

² Includes returns with adjusted gross deficit.

³ 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 \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

⁴ 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, 2003

Table 3.--Returns with Modified Taxable Income: Taxable Income and Tax, Classified by Tax Rate and by Filing Status, Tax Year 2003

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

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.....	101,386,201	4,206,592,861	780,305,566	44,033,987	2,867,802,099	551,093,751	2,027,382	74,697,606	14,992,353
5 percent.....	9,833,227	33,552,373	1,677,619	5,735,137	21,989,140	1,099,457	109,279	358,270	17,913
8 percent.....	1,058,265	3,780,577	302,446	638,945	2,744,256	219,540	12,762	24,298	1,944
10 percent.....	100,367,644	914,053,162	91,405,316	43,667,544	555,949,302	55,594,930	2,017,756	13,037,057	1,303,706
10 percent (capital gains).....	1,445,014	3,942,692	394,269	837,753	2,774,756	277,476	12,290	22,530	2,253
10 percent (Form 8814) ¹	92,871	62,588	6,267	70,255	48,325	4,837	56	67	7
15 percent.....	74,461,039	1,583,782,894	237,567,434	35,870,035	1,052,826,848	157,924,027	1,721,892	24,754,136	3,713,120
15 percent (capital gains) ²	9,461,124	205,205,659	30,780,849	6,285,159	152,654,959	22,898,244	144,743	5,995,346	899,302
20 percent.....	2,188,286	75,411,601	15,082,320	1,441,471	57,677,194	11,535,439	25,602	2,464,341	492,868
25 percent.....	26,738,916	640,244,673	160,061,168	14,119,838	423,664,278	105,916,069	652,367	9,830,617	2,457,654
25 percent (capital gains).....	349,114	7,250,430	1,812,607	236,994	5,705,659	1,426,415	4,929	185,917	46,479
28 percent.....	5,459,365	199,378,501	55,825,980	3,635,902	143,892,642	40,289,940	160,274	2,894,980	810,594
28 percent (capital gains).....	9,600	805,760	225,613	5,868	609,221	170,582	*12	*14,530	*4,068
33 percent.....	2,029,605	170,336,243	56,210,960	1,634,272	140,306,823	46,301,252	59,230	2,399,367	791,791
35 percent.....	752,028	367,903,515	128,766,230	641,635	306,958,696	107,435,544	22,824	12,716,151	4,450,653
Form 8615 ³	100,337	882,194	186,486	--	--	--	--	--	--

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.....	13,218,829	258,524,437	39,251,842	42,106,004	1,005,568,719	174,967,619
5 percent.....	403,159	934,890	46,745	3,585,652	10,270,073	513,504
8 percent.....	34,235	80,776	6,462	372,323	931,248	74,500
10 percent.....	13,184,715	102,452,847	10,245,285	41,497,629	242,613,955	24,261,396
10 percent (capital gains).....	52,205	149,977	14,998	542,765	995,430	99,543
10 percent (Form 8814) ¹	19,653	12,773	1,281	*2,907	*1,421	*143
15 percent.....	7,628,714	105,116,730	15,767,510	29,240,398	401,085,180	60,162,777
15 percent (capital gains) ²	254,126	4,043,136	606,470	2,777,097	42,512,217	6,376,833
20 percent.....	48,027	1,325,228	265,046	673,186	13,944,838	2,788,968
25 percent.....	1,450,057	28,069,853	7,017,463	10,516,654	178,679,925	44,669,981
25 percent (capital gains).....	11,082	188,343	47,086	96,109	1,170,512	292,628
28 percent.....	141,741	4,805,859	1,345,641	1,521,448	47,785,019	13,379,805
28 percent (capital gains).....	*8	*5,732	*1,605	3,712	176,275	49,357
33 percent.....	50,672	4,107,496	1,355,474	285,431	23,522,557	7,762,444
35 percent.....	15,740	7,230,795	2,530,778	71,829	40,997,872	14,349,255
Form 8615 ³	--	--	--	100,337	882,194	186,486

¹ Estimate should be used with caution because of the small number of sample returns on which it is based.

² 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 \$750 and \$7,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

³ The 15-percent capital gain rate also includes qualified dividends.

⁴ 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, 2003

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2002 and 2003

[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 2002				Tax Year 2003			
	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.....	95,006,533	660,142,161	660,083,613	--	82,147,347	381,712,020	381,631,905	--
Under \$5,000 ³	863,865	54,179	54,854	--	498,096	23,906	23,963	--
\$5,000 under \$10,000.....	4,768,480	859,126	859,911	--	4,485,904	772,467	773,686	--
\$10,000 under \$15,000.....	7,172,217	3,253,482	3,253,477	--	6,566,178	2,924,231	2,924,231	--
\$15,000 under \$20,000.....	9,281,861	7,295,005	7,294,518	--	8,136,494	6,136,778	6,136,555	--
\$20,000 under \$25,000.....	9,100,242	11,206,471	11,206,430	--	8,249,208	9,897,516	9,897,334	--
\$25,000 under \$30,000.....	8,032,558	14,592,733	14,592,420	--	7,484,672	12,745,641	12,745,380	--
\$30,000 under \$40,000.....	13,162,528	35,718,891	35,718,641	--	12,126,516	30,991,127	30,997,763	--
\$40,000 under \$50,000.....	9,845,728	40,123,616	40,123,249	--	8,714,704	33,417,662	33,416,902	--
\$50,000 under \$75,000.....	15,909,314	101,181,342	101,175,544	--	13,668,482	81,292,197	81,284,030	--
\$75,000 under \$100,000.....	8,195,014	87,546,568	87,539,685	--	6,749,566	63,748,432	63,742,626	--
\$100,000 under \$200,000.....	6,979,731	144,876,877	144,865,318	--	4,844,605	86,684,577	86,663,837	--
\$200,000 under \$500,000.....	1,377,068	90,716,998	90,703,589	--	554,869	32,361,381	32,333,999	--
\$500,000 under \$1,000,000.....	221,717	44,163,303	44,153,661	--	51,396	9,408,199	9,401,367	--
\$1,000,000 under \$1,500,000.....	47,078	18,122,445	18,120,554	--	8,588	3,008,567	2,997,805	--
\$1,500,000 under \$2,000,000.....	17,748	9,979,765	9,974,473	--	3,209	1,656,493	1,655,714	--
\$2,000,000 under \$5,000,000.....	24,371	24,110,384	24,109,537	--	3,936	3,581,615	3,580,726	--
\$5,000,000 under \$10,000,000.....	4,901	11,378,370	11,375,150	--	681	1,442,482	1,438,779	--
\$10,000,000 or more.....	2,110	14,962,608	14,962,603	--	244	1,618,749	1,617,209	--
Returns with Form 8615 tax computation								
Total.....	126,639	229,749	289,448	59,699	100,337	161,140	191,617	30,477
Under \$5,000 ³	81,579	13,515	22,631	9,116	57,824	9,676	13,949	4,273
\$5,000 under \$10,000.....	23,166	12,593	32,305	19,711	22,370	14,429	28,950	14,521
\$10,000 under \$15,000.....	*8,374	*11,901	*25,465	*13,564	*4,762	*5,901	*10,664	*4,762
\$15,000 under \$20,000.....	*2,875	*6,437	*15,093	*8,656	*4,762	*9,609	*15,110	*5,500
\$20,000 under \$25,000.....	*3,833	*9,997	*17,348	*7,352	*2,982	*8,432	*13,207	*4,775
\$25,000 under \$30,000.....	*959	*1,312	*1,596	*284	*983	*3,167	*8,051	*4,885
\$30,000 under \$40,000.....	*959	*6,366	*10,988	*4,622	--	--	--	--
\$40,000 under \$50,000.....	*918	*7,151	*7,787	*635	*927	*5,658	*8,316	*2,658
\$50,000 under \$75,000.....	*1,883	*11,543	*21,329	*9,787	*3,707	*45,083	*53,974	*8,891
\$75,000 under \$100,000.....	--	--	--	--	--	--	--	--
\$100,000 under \$200,000.....	*1,977	*62,724	*69,550	*6,827	*1,996	*42,109	*28,178	*-13,931
\$200,000 under \$500,000.....	*6	*295	*415	*119	*6	*417	*493	*75
\$500,000 under \$1,000,000.....	--	--	--	--	*3	*626	*348	*-278
\$1,000,000 under \$1,500,000.....	*57	*23,307	*15,475	*-7,832	--	--	--	--
\$1,500,000 under \$2,000,000.....	*25	*14,317	*12,143	*-2,174	--	--	--	--
\$2,000,000 under \$5,000,000.....	*20	*21,952	*17,660	*-4,292	*11	*9,099	*5,267	*-3,832
\$5,000,000 under \$10,000,000.....	*9	**26,340	**19,663	**-6,676	*3	*6,935	*5,111	*-1,824
\$10,000,000 or more.....	**	**	**	**	--	--	--	--

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2003

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2002 and 2003--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 2002				Tax Year 2003			
	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 and qualified dividends tax computation								
Total.....	6,718,343	186,541,944	161,211,206	-25,330,738	18,130,947	426,097,569	387,710,790	-38,386,778
Under \$5,000 ³	57,594	6,560	6,127	-434	133,283	14,969	12,196	-2,773
\$5,000 under \$10,000.....	82,409	25,730	23,702	-2,028	211,955	58,272	50,693	-7,579
\$10,000 under \$15,000.....	151,722	75,128	70,596	-4,532	507,209	211,263	189,838	-21,426
\$15,000 under \$20,000.....	252,796	221,993	207,723	-14,269	659,170	504,952	446,728	-58,224
\$20,000 under \$25,000.....	259,022	358,546	338,440	-20,105	663,998	770,651	690,889	-79,762
\$25,000 under \$30,000.....	274,385	490,748	466,680	-24,068	709,789	1,199,604	1,111,016	-88,588
\$30,000 under \$40,000.....	577,051	1,637,956	1,558,206	-79,750	1,533,086	3,913,709	3,680,071	-233,637
\$40,000 under \$50,000.....	598,978	2,554,882	2,438,032	-116,850	1,600,422	6,303,544	5,948,858	-354,686
\$50,000 under \$75,000.....	1,385,152	9,512,110	9,057,340	-454,771	3,581,292	23,132,266	22,071,678	-1,060,588
\$75,000 under \$100,000.....	1,012,232	11,495,459	11,008,782	-486,677	2,730,047	27,241,080	26,131,200	-1,109,881
\$100,000 under \$200,000.....	1,386,719	32,883,305	30,984,697	-1,898,608	3,948,233	81,148,935	77,705,196	-3,443,739
\$200,000 under \$500,000.....	506,800	36,158,488	32,360,059	-3,798,428	1,405,648	90,627,525	84,270,561	-6,356,964
\$500,000 under \$1,000,000.....	107,662	22,130,298	18,899,231	-3,231,068	293,070	54,920,124	49,865,007	-5,055,117
\$1,000,000 under \$1,500,000.....	28,622	11,254,706	9,296,093	-1,958,613	69,171	24,869,061	22,192,520	-2,676,541
\$1,500,000 under \$2,000,000.....	12,405	7,157,939	5,863,288	-1,294,651	28,964	15,165,888	13,437,905	-1,727,983
\$2,000,000 under \$5,000,000.....	17,730	17,941,699	14,329,554	-3,612,145	41,098	37,663,505	32,624,470	-5,039,035
\$5,000,000 under \$10,000,000.....	4,467	10,616,955	8,284,390	-2,332,565	9,470	20,411,266	17,306,079	-3,105,187
\$10,000,000 or more.....	2,599	22,019,443	16,018,266	-6,001,177	5,041	37,940,955	29,975,886	-7,965,069

* 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, 2003

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 1986-2003

[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
2002.....	128,323,986	1,283,240	6,416,199	12,832,399	32,080,997	64,161,993
2003.....	128,609,786	1,286,098	6,430,489	12,860,979	32,152,447	64,304,893
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
2002.....	N/A	285,424	126,525	92,663	56,401	28,654
2003.....	N/A	295,495	130,080	94,891	57,343	29,019
Adjusted gross income floor on percentiles						
(constant dollars): ²						
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
2002.....	N/A	158,657	70,331	51,508	31,351	15,928
2003.....	N/A	160,595	70,696	51,571	31,165	15,771

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2003

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 1986-2003--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
2002.....	6,113,778	985,781	1,867,787	2,553,475	3,935,504	5,244,029
2003.....	6,287,586	1,054,567	1,960,676	2,663,470	4,078,227	5,407,851
Total income tax (millions of dollars): ³						
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
2002.....	796,862	268,608	428,680	523,812	668,558	768,963
2003.....	747,939	256,340	406,597	492,452	627,380	722,027
Average tax rate (percentage): ⁴						
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
2002.....	13.03	27.25	22.95	20.51	16.99	14.66
2003.....	11.90	24.31	20.74	18.49	15.38	13.35

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2003

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 1986-2003--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
2002.....	100.00	16.12	30.55	41.77	64.37	85.77
2003.....	100.00	16.77	31.18	42.36	64.86	86.01
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
2002.....	100.00	33.71	53.80	65.73	83.90	96.50
2003.....	100.00	34.27	54.36	65.84	83.88	96.54

Footnotes at end of Table 6.

Individual Income Tax Rates and Shares, 2003

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 1986-2003

[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
2002.....	128,323,986	64,161,993	96,242,990	115,491,587	121,907,787	127,040,746
2003.....	128,609,786	64,304,893	96,457,340	115,748,807	122,179,297	127,323,688
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
2002.....	6,113,778	869,750	2,178,274	3,560,303	4,245,991	5,127,997
2003.....	6,287,586	879,735	2,209,359	3,624,117	4,326,911	5,233,019
Total income tax (millions of dollars): ³						
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
2002.....	796,862	27,899	128,304	273,050	368,182	528,254
2003.....	747,932	25,912	120,564	255,486	341,341	491,597

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2003

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 1986-2003--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): ⁴						
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
2002.....	13.03	3.21	5.89	7.67	8.67	10.30
2003.....	11.90	2.95	5.46	7.05	7.89	9.39
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
2002.....	100.00	14.23	35.63	58.23	69.45	83.88
2003.....	100.00	13.99	35.14	57.64	68.82	83.23
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
2002.....	100.00	3.50	16.10	34.27	46.20	66.29
2003.....	100.00	3.46	16.12	34.16	45.64	65.73

N/A-- Not applicable.

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 2003, there were 4,522 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$78.6 million.

² For Table 5, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100).

³ Total income tax is the sum of income tax after credits and alternative minimum tax for 1999 and prior years (for 2000 and later years, alternative minimum tax is included in income tax before credits) on returns that showed a positive amount for adjusted gross income. 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.

⁴ The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

Individual Income Tax Rates and Shares, 2003

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 1986-2003

[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
2002.....	128,415,184	1,284,152	6,420,759	12,841,518	32,103,796	64,207,592
2003.....	128,757,145	1,287,571	6,437,857	12,875,715	32,189,286	64,378,573
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
2002.....	N/A	315,937	132,253	93,833	55,695	28,541
2003.....	N/A	327,160	134,818	96,021	56,573	28,896
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
2002.....	N/A	175,618	73,515	52,158	30,959	15,865
2003.....	N/A	177,804	73,271	52,185	30,746	15,704

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2003

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 1986-2003--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 (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
2002.....	6,262,714	1,057,775	2,005,658	2,712,226	4,092,069	5,383,263
2003.....	6,429,711	1,122,582	2,091,401	2,813,645	4,226,517	5,539,087
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
2002.....	796,763	259,192	420,834	517,937	664,670	767,890
2003.....	747,800	248,107	400,202	487,657	624,070	720,861
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
2002.....	12.72	24.50	20.98	19.10	16.24	14.26
2003.....	11.63	22.10	19.14	17.33	14.77	13.01

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2003

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 1986-2003--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
2002.....	100.00	16.89	32.03	43.31	65.34	85.96
2003.....	100.00	17.46	32.53	43.76	65.73	86.15
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
2002.....	100.00	32.53	52.82	65.01	83.42	96.38
2003.....	100.00	33.18	53.52	65.21	83.45	96.40

Footnotes at end of Table 8.

Individual Income Tax Rates and Shares, 2003

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 1986-2003

[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
2002.....	128,415,184	64,207,592	96,311,388	115,573,666	121,994,425	127,131,032
2003.....	128,757,145	64,378,573	96,567,859	115,881,431	122,319,288	127,469,574
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
2002.....	6,262,714	879,451	2,170,646	3,550,488	4,257,056	5,204,939
2003.....	6,429,711	890,624	2,203,193	3,616,066	4,338,310	5,307,129
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
2002.....	796,763	28,872	132,093	278,827	375,930	537,571
2003.....	747,800	26,939	123,731	260,143	347,598	499,694

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2003

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 1986-2003--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
2002.....	12.72	3.28	6.09	7.85	8.83	10.33
2003.....	11.63	3.02	5.62	7.19	8.01	9.42
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
2002.....	100.00	14.04	34.66	56.69	67.97	83.11
2003.....	100.00	13.85	34.27	56.24	67.47	82.54
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
2002.....	100.00	3.62	16.58	34.99	47.18	67.47
2003.....	100.00	3.60	16.55	34.79	46.48	66.82

N/A--Not applicable.

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).

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 following years, alternative minimum tax is included in income tax before credits (see Figure D).

³ Average tax rate was computed by dividing total income tax (see footnote 2) by income, using the 1979 income concept (see text and Figure G).