

High-Income Tax Returns for 2004

by Brian Balkovic

The Tax Reform Act of 1976 requires annual publication of data on individual income tax returns reporting income of \$200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable [1]. This article presents detailed data for the 3.0 million high-income returns for 2004, as well as summary data for the period 1977 to 2003. Detailed data for the years 1974 through 2003 have been published previously [2].

Two income concepts are used in this article to classify tax returns as high-income: the statutory concept of adjusted gross income (AGI) and the expanded income concept [3]. Expanded income uses items reported on tax returns to obtain a more comprehensive measure of income than AGI. Specifically, expanded income is AGI *plus* tax-exempt interest, nontaxable Social Security benefits, the foreign-earned income exclusion, and items of “tax preference” for “alternative minimum tax” purposes; less unreimbursed employee business expenses, moving expenses, investment interest expense to the extent it does not exceed investment income, and miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor [4, 5, 6]. Note that, although expanded income is a more comprehensive measure of income than AGI, for some taxpayers, the subtractions from AGI to arrive at expanded income exceed the additions, with the result that expanded income is less than AGI.

Number of High-Income Returns

Figure A and Table 1 show that, for 2004, there were 3,021,435 individual income tax returns reporting AGI of \$200,000 or more, and 3,067,602 returns with expanded income of \$200,000 or more. These returns represented 2.285 percent and 2.320 percent, respectively, of all returns for 2004.

From 1977 to 2000, the numbers of returns reporting incomes of \$200,000 or more increased each year, and, each year, those high income returns were a larger share of all tax returns. However, for 2001 and 2002, both the number of high-income returns

and their percentage of all returns decreased. While both the number of high-income returns and their share of all returns increased for 2003, all measures were still lower than in 2001. For 2004, the number of returns and their percentage of all returns rose above the previous high set in Tax Year 2000.

The difference in the number of high-income returns between the two income concepts significantly decreased beginning with 1987, when AGI began to include 100 percent of long-term capital gains. That change in the definition of AGI made AGI and expanded income concepts more comparable. In addition, as a result of the inclusion of tax-exempt interest in expanded income starting with 1987, expanded income for years after 1986 is not strictly comparable to expanded income for years before 1987.

In the top panel of Figure A, the \$200,000 threshold for high-income returns is measured in current-year (nominal) dollars. As a result of inflation, the real (constant) dollar level of the threshold fell over time, and some returns are classified as high-income that would not have been classified as high-income for earlier years. To maintain the comparability of the real threshold over time, the nominal \$200,000 threshold has been adjusted for inflation to 1976 constant dollars for all years, and the number of high-income tax returns has been recomputed in the lower panel of Figure A [7].

When measured in 1976 constant dollars, under the expanded income concept, the total number of high-income returns for 2004 was only 7.6 times the number for 1977, whereas the number of high-income returns for 2004 measured in current-year dollars was 45.4 times as large as for 1977. Since 1977, the percentage of returns with expanded income of \$200,000 or more in current dollars increased every year except 2001 and 2002. The share of high expanded-income returns in 1976 constant dollars decreased from 2000 to 2002 and then began to increase thereafter. For 2004, the share of high expanded-income returns in constant dollars was 0.337 percent, but below its values for 1999 (0.351 percent) and 2000 (0.381 percent): Figure B shows the constant and current dollar shares of high expanded-income returns.

Based on AGI, the number of high-income returns for 2004 measured in current-year dollars was 56.6 times as large as for 1977, whereas, measured in 1976 constant dollars, the number of returns for

Brian Balkovic is an economist with the Individual Returns Analysis Section. This article was prepared under the direction of Jeff Hartzok, Chief.

High-Income Tax Returns for 2004

Figure A

All Returns and Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Income Concept, Tax Years 1977-2004

Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	86,634,640	53,403	67,580	0.062	0.078
1978.....	89,771,551	68,506	85,137	0.076	0.095
1979.....	92,694,302	93,731	122,231	0.101	0.132
1980.....	93,902,459	117,250	149,826	0.125	0.160
1981.....	95,396,123	138,136	175,092	0.145	0.184
1982.....	95,337,432	169,367	207,291	0.178	0.217
1983.....	96,321,310	198,608	249,319	0.206	0.259
1984.....	99,438,708	243,760	310,042	0.245	0.312
1985.....	101,660,287	296,507	370,340	0.292	0.364
1986.....	103,045,170	374,363	529,460	0.363	0.514
1987.....	106,996,270	539,967	557,848	0.505	0.521
1988.....	109,708,280	725,345	737,659	0.661	0.672
1989.....	112,135,673	786,063	814,152	0.701	0.726
1990.....	113,717,138	834,957	860,940	0.734	0.757
1991.....	114,730,123	846,707	892,178	0.738	0.778
1992.....	113,604,503	954,747	989,522	0.840	0.871
1993.....	114,601,819	993,326	1,043,213	0.867	0.910
1994.....	115,943,131	1,109,498	1,153,829	0.957	0.995
1995.....	118,218,327	1,272,508	1,319,382	1.076	1.116
1996.....	120,351,208	1,523,407	1,572,114	1.266	1.306
1997.....	122,421,991	1,807,900	1,854,031	1.477	1.514
1998.....	124,770,662	2,085,211	2,132,301	1.671	1.709
1999.....	127,075,145	2,429,942	2,479,556	1.912	1.951
2000.....	129,373,500	2,771,577	2,807,804	2.142	2.170
2001.....	130,255,237	2,567,220	2,605,021	1.971	2.000
2002.....	130,076,443	2,414,128	2,464,515	1.856	1.895
2003.....	130,423,626	2,536,439	2,573,133	1.945	1.973
2004.....	132,226,042	3,021,435	3,067,602	2.285	2.320

Tax year	Current dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000 income threshold measured in 1976 constant dollars [1]			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.053	0.068
1978.....	229,174	49,388	62,556	0.055	0.070
1979.....	255,184	55,542	76,479	0.060	0.083
1980.....	289,631	52,512	71,704	0.056	0.076
1981.....	319,508	50,880	71,146	0.053	0.075
1982.....	339,192	59,411	81,297	0.062	0.085
1983.....	350,088	67,310	93,977	0.070	0.098
1984.....	365,202	80,800	116,389	0.081	0.117
1985.....	378,207	95,740	134,715	0.094	0.133
1986.....	385,237	119,550	191,596	0.116	0.186
1987.....	399,297	161,408	169,942	0.151	0.159
1988.....	415,817	235,051	241,201	0.214	0.220
1989.....	435,852	217,685	228,530	0.194	0.204
1990.....	459,400	216,716	228,659	0.191	0.201
1991.....	478,735	183,442	195,743	0.160	0.171
1992.....	493,146	213,783	227,354	0.188	0.200
1993.....	507,909	201,236	212,853	0.176	0.186
1994.....	520,914	204,532	214,673	0.176	0.185
1995.....	535,677	237,770	248,077	0.201	0.210
1996.....	551,494	278,342	288,194	0.231	0.239
1997.....	564,148	335,040	345,869	0.274	0.283
1998.....	572,934	385,183	396,207	0.309	0.318
1999.....	585,589	436,118	446,583	0.343	0.351
2000.....	605,272	482,396	492,589	0.373	0.381
2001.....	622,495	391,901	400,906	0.301	0.308
2002.....	632,337	345,892	356,402	0.266	0.274
2003.....	646,749	356,727	367,012	0.274	0.281
2004.....	663,972	436,583	445,934	0.330	0.337

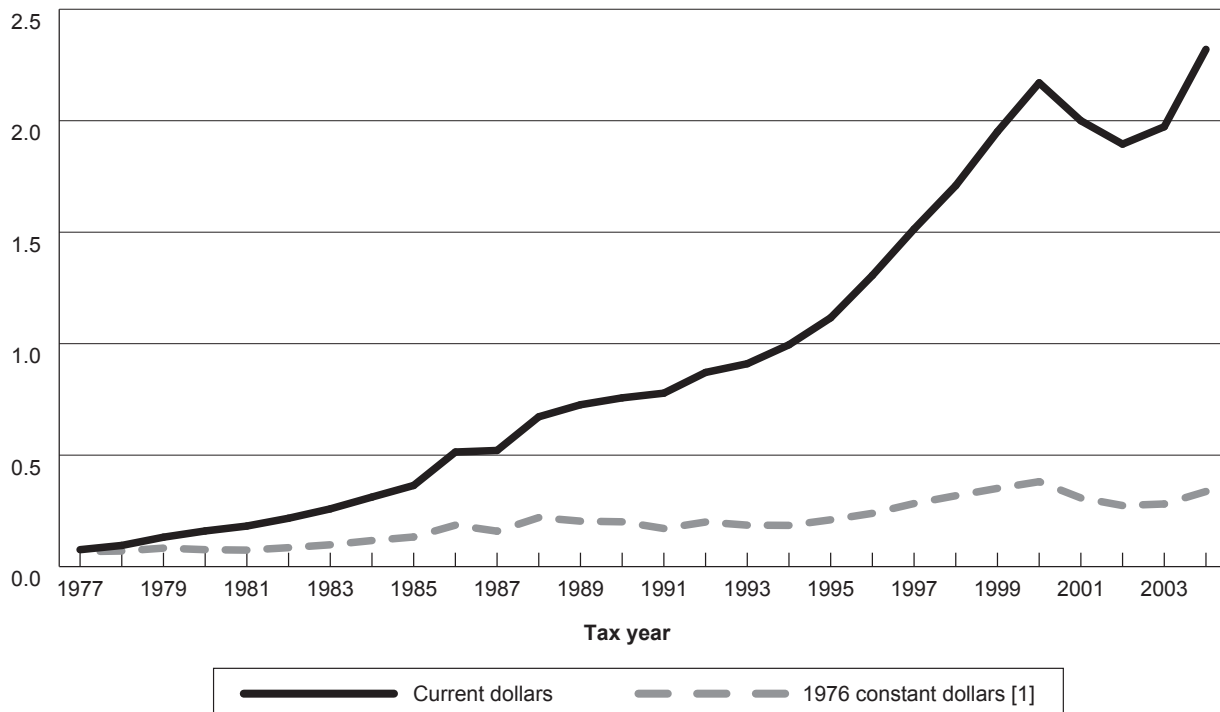
[1] 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

High-Income Tax Returns for 2004

Figure B

Returns with Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current and 1976 Constant Dollars, Tax Years 1977-2004

Percentage of returns



[1] 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

2004 was only 9.5 times the number for 1977. For Tax Year 2004, the share of high AGI income returns in constant dollars increased to 0.330 percent from 0.274 percent in 2003. This was a higher percentage of returns for all years except 1999 and 2000.

Nontaxable High-Income Returns

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable. The first concept, "U.S. income tax," is total Federal income tax liability (including the "alternative minimum tax" (AMT)), less all credits against income tax. Since the U.S. income tax applies to worldwide income and since a credit (subject to certain limits) is allowed against U.S. income tax for income taxes paid to foreign governments, a return could be classified as nontaxable under this first concept even though income taxes had been paid to a foreign government. The second tax concept, "worldwide income tax," addresses this circumstance by adding to U.S.

income tax the allowed foreign tax credit and foreign taxes paid on excluded foreign-earned income [8, 9].

For 2004, of the 3,021,435 income tax returns with AGI of \$200,000 or more, 2,833 (0.094 percent) showed no U.S. income tax liability; and 2,420 (0.080 percent) showed no worldwide income tax liability (the top panel of Figure C). For 2003, of the 2,536,439 returns with AGI of \$200,000 and over, 2,824 returns (0.111 percent) had no U.S. income tax liability; and 2,416 returns (0.095 percent) had no worldwide income tax liability.

For 2004, of the 3,067,602 tax returns with expanded income of \$200,000 or more, 5,028 (0.164 percent) had no U.S. income tax liability; and 4,101 (0.134 percent) had no worldwide income tax liability. For 2003, of the 2,573,133 returns with expanded income of \$200,000 or more, there were 5,839 (0.227 percent) with no U.S. income tax liability and 4,934 (0.192 percent) with no worldwide income tax liability.

High-Income Tax Returns for 2004

Figure C

Nontaxable Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Tax and Income Concept, Tax Years 1977-2004

Tax year	\$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1977.....	60	85	37	64	0.112	0.126	0.069	0.095
1978.....	98	105	60	67	0.143	0.123	0.088	0.079
1979.....	70	114	28	64	0.075	0.093	0.030	0.052
1980.....	143	198	56	114	0.122	0.132	0.048	0.076
1981.....	226	304	79	114	0.164	0.174	0.057	0.065
1982.....	262	299	109	153	0.155	0.144	0.064	0.074
1983.....	447	579	321	437	0.225	0.232	0.162	0.175
1984.....	532	325	471	271	0.218	0.105	0.193	0.087
1985.....	612	613	442	454	0.206	0.166	0.149	0.123
1986.....	659	595	437	379	0.176	0.112	0.117	0.072
1987.....	857	472	740	364	0.159	0.085	0.137	0.065
1988.....	822	397	731	309	0.113	0.054	0.101	0.042
1989.....	1,081	779	987	691	0.138	0.096	0.126	0.085
1990.....	1,219	1,183	1,114	1,087	0.146	0.137	0.133	0.126
1991.....	1,253	1,933	1,131	1,740	0.148	0.217	0.134	0.195
1992.....	909	1,896	823	1,799	0.095	0.192	0.086	0.182
1993.....	1,022	2,392	932	1,950	0.103	0.229	0.094	0.187
1994.....	1,137	2,574	1,061	2,161	0.102	0.223	0.096	0.187
1995.....	998	2,676	896	1,746	0.078	0.203	0.070	0.132
1996.....	1,044	1,820	950	1,660	0.069	0.116	0.062	0.106
1997.....	1,189	1,814	1,048	1,562	0.066	0.098	0.058	0.084
1998.....	1,467	2,224	1,283	1,914	0.070	0.104	0.062	0.090
1999.....	1,605	2,525	1,398	2,174	0.066	0.102	0.058	0.088
2000.....	2,328	2,766	2,022	2,320	0.084	0.099	0.073	0.083
2001.....	3,385	4,910	2,875	4,119	0.132	0.188	0.112	0.158
2002.....	2,959	5,650	2,551	4,922	0.123	0.229	0.106	0.200
2003.....	2,824	5,839	2,416	4,934	0.111	0.227	0.095	0.192
2004.....	2,833	5,028	2,420	4,101	0.094	0.164	0.080	0.134

Tax year	\$200,000 income threshold measured in 1976 constant dollars [1]							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977.....	54	75	32	56	0.118	0.127	0.070	0.095
1978.....	62	70	31	39	0.126	0.112	0.063	0.062
1979.....	38	71	15	39	0.068	0.093	0.027	0.051
1980.....	56	71	22	39	0.107	0.099	0.042	0.054
1981.....	53	87	21	55	0.104	0.122	0.041	0.077
1982.....	58	68	27	36	0.098	0.084	0.045	0.044
1983.....	138	135	113	108	0.205	0.144	0.168	0.115
1984.....	170	78	160	66	0.210	0.067	0.198	0.057
1985.....	190	155	137	99	0.198	0.115	0.143	0.073
1986.....	201	189	138	120	0.168	0.099	0.115	0.063
1987.....	312	126	271	85	0.193	0.074	0.168	0.050
1988.....	277	141	251	116	0.118	0.058	0.107	0.048
1989.....	293	128	269	106	0.135	0.056	0.124	0.046
1990.....	339	169	307	137	0.156	0.074	0.142	0.060
1991.....	301	305	273	277	0.164	0.156	0.149	0.142
1992.....	171	288	148	264	0.080	0.127	0.069	0.116
1993.....	180	323	160	300	0.089	0.152	0.080	0.141
1994.....	227	345	209	329	0.111	0.161	0.102	0.153
1995.....	202	281	174	252	0.085	0.113	0.073	0.102
1996.....	236	275	213	254	0.085	0.095	0.077	0.088
1997.....	256	247	222	214	0.076	0.071	0.066	0.062
1998.....	290	289	251	253	0.075	0.073	0.065	0.064
1999.....	351	343	296	293	0.080	0.077	0.068	0.066
2000.....	464	365	390	290	0.096	0.074	0.081	0.059
2001.....	694	648	567	519	0.177	0.162	0.145	0.129
2002.....	520	616	437	530	0.150	0.173	0.126	0.149
2003.....	407	567	339	485	0.114	0.154	0.095	0.132
2004.....	350	396	301	344	0.080	0.089	0.069	0.077

[1] 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details.

NOTE: See Figure H for the derivation of U.S. income tax and worldwide income tax.

High-Income Tax Returns for 2004

Thus, whether measured by absence of U.S. income tax or absence of worldwide income tax, under both AGI and expanded income concepts, the proportion of nontaxable, high-income returns decreased between 2003 and 2004.

Regardless of the income measure (AGI or expanded income) or the tax concept (U.S. income tax or worldwide income tax) used, the numbers of 2004 nontaxable, high-income returns in 1976 constant dollars were much lower than the numbers in current dollars. The percentages of nontaxable returns, however, are somewhat lower for nontaxable, high-income returns in constant 1976 dollars. Of returns with AGI of \$200,000 or more in current dollars, 0.094 percent reported no U.S. income tax for 2004; and 0.080 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.080; the percentage without worldwide income tax liability was 0.069 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.164 percent reported no U.S. income tax for 2004; and 0.134 percent had no worldwide income tax. When looking at these returns using 1976 constant dollars, the percentage without U.S. income tax liability was 0.089; the percentage without worldwide income tax liability was 0.077.

Figure D shows the number of returns with no worldwide income tax and with expanded income of \$200,000 or more and their proportion of all high expanded-income returns for 1977 through 2004. These data are shown for both current-year and 1976 constant dollars. In this figure, the spread between the two percentage lines was small for the late 1970s, showed an increase for the early 1980s, and then narrowed before widening again after 1988. The spread generally narrowed after 1993 but increased for 2002 and 2003, while decreasing slightly for 2004.

Note that, because the number of nontaxable returns with expanded income of \$200,000 or more is based on samples, year-to-year differences in the numbers and percentages of nontaxable returns with expanded income of \$200,000 or more may represent sampling variability, in addition to actual changes in the numbers of such returns. Beginning with Tax Year 1991, nontaxable returns with expanded income of \$200,000 or more were sampled at higher rates for Statistics of Income, which reduced the sampling variability of these returns and therefore provided

improved estimates. Thus, the data for returns prior to 1991 are not entirely comparable with data for more recent years.

Detailed Data for 2004

Tables 1 through 12 present data based on income tax returns for 2004, mainly those with income of \$200,000 or more measured in current-year dollars of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income-size classes (Tables 1 and 2);
- The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income tax (Tables 7 and 8);
- The frequencies with which various itemized deductions, tax credits, and tax preference items occur as certain percentages of income (Tables 9 and 10); and
- The distributions of effective tax rates, i.e., income tax under each definition as a percentage of income, by broad income-size classes (Tables 11 and 12).

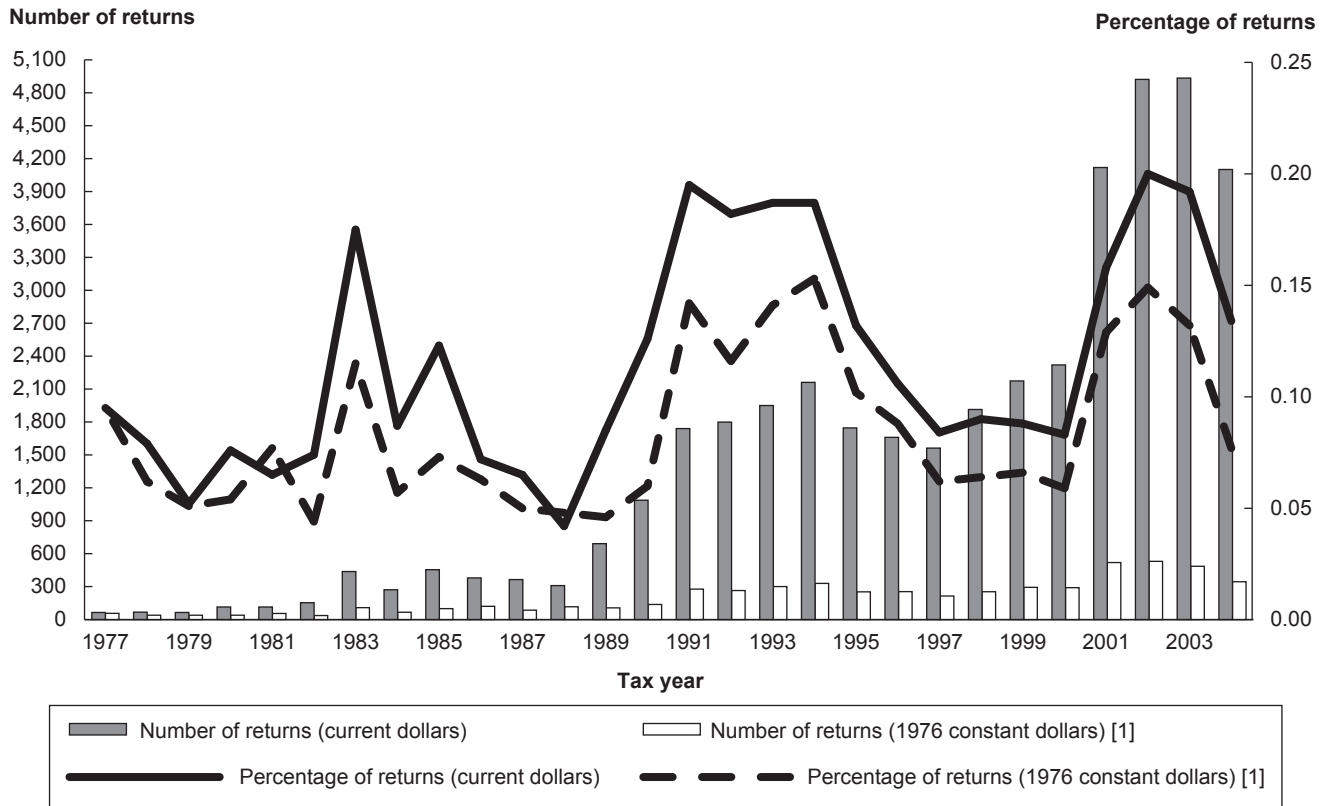
Tables 1, 3, 5, 7, 9, and 11 use the U.S. income tax concept to classify returns as taxable or nontaxable, whereas Tables 2, 4, 6, 8, 10, and 12 use the worldwide income tax concept.

Size of Income

Tables 1 and 2 show the number of all returns, taxable returns, and nontaxable returns, cross-classified by broad AGI and expanded income-size classes.

Figure D

Number and Percentage of Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More, Measured in Current Dollars and in 1976 Constant Dollars, Tax Years 1977-2004



[1] 1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics consumer price index for urban consumers. See footnote 6 of this article for further details. NOTE: See Figure H for the derivation of worldwide income tax.

The tables show that most returns fall in the same broad income-size class under both income concepts, but that the number of nontaxable returns is greater in each income class over \$50,000 when income is measured by economic income rather than by AGI. Table 1 shows that 2,833 returns with no U.S. income tax had an AGI of \$200,000 or more; and 5,028 returns with no U.S. income tax had an expanded income of \$200,000 or more.

Distribution of Tax Levels

Tables 3 and 4 show the distributions of high-income returns by the ratios of “adjusted” taxable income to AGI or expanded income. Taxable income has been adjusted for these tables by subtracting from taxable income the deduction equivalents of tax credits and other items [10]. Thus, the tables show the extent to which AGI or expanded income, respectively, is reduced before taxes are imposed on the remaining

income. The tables also illustrate three important facts about high-income tax returns. (The examples in the paragraphs below are drawn from the “expanded income” columns in Table 4.)

Fact 1: As already described, only a small portion of high-income taxpayers were able to escape all income taxes (0.1 percent).

Fact 2: Another group of high-income taxpayers—small, but larger than the nontaxable group—was able to offset a very substantial fraction of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of his or her income. Such taxpayers may be called “nearly nontaxables.” (Around 0.8 percent of high expanded-income taxpayers who reported at least some worldwide tax liability were able to reduce their taxable in-

High-Income Tax Returns for 2004

comes to less than 25 percent of their expanded incomes.)

Fact 3: Overall, a large portion of high-income taxpayers were subject to tax on a large share of their incomes and, consequently, reported very substantial amounts of tax. (About 64.1 percent of high expanded-income taxpayers had taxable income equal to 80 percent or more of expanded income; and 94.6 percent had taxable income equal to 50 percent or more of expanded income.)

Tables 11 and 12 show the distributions of tax returns in another way: by tax burden. These two tables classify all tax returns by both size of income and effective tax rate, i.e., income tax as a percentage of either adjusted gross income or expanded income. These tables show that, on average, high-income taxpayers did have higher effective tax rates. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. For example, Table 12 shows that, while 3.3 percent of returns with expanded income of \$200,000 or more had either no worldwide income tax or worldwide income tax of less than 10 percent of expanded income, 23.8 percent had effective tax rates of 25 percent or more. In addition, 35.0 percent had effective tax rates between 20 percent and 25 percent.

Characteristics of Tax Returns

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income, the items of tax preference, and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, nontaxable returns under the expanded-income concept were much more likely to have tax-exempt interest than were taxable returns, and, when they did have it, the average amount was much higher. Similarly, nontaxable returns were much less likely to have any income from salaries and wages.

Reasons for Nontaxability

It is possible for certain itemized deductions and certain exclusions from income to cause nontaxability by themselves, but high-income returns are more often nontaxable as a result of a combination of reasons, none of which, by itself, would result in non-

taxability. Moreover, some items, which singly or in combination may eliminate “regular tax” liability, i.e., income tax excluding the alternative minimum tax (AMT), cannot eliminate an AMT liability, since these items give rise to adjustments or preferences for AMT purposes.

Because they do not generate AMT adjustments or preferences, tax-exempt bond interest, itemized deductions for interest expense, miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor, casualty or theft losses, and medical expenses (exceeding 10 percent of AGI) could, by themselves, produce nontaxability [11].

Due to the AMT exemption of \$58,000 on joint returns (\$40,250 on single and head-of-household returns and \$29,000 on returns of married taxpayers filing separately), a return could have been nontaxable, even though it included some items that produced AMT adjustments or preferences [12]. Further, since the starting point for “alternative minimum taxable income” was taxable income plus the value of the deduction for personal and dependent exemptions for regular tax purposes, a taxpayer could have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation could occur if taxable income for regular tax purposes was sufficiently negative, due to itemized deductions and personal exemptions exceeding AGI, so that the taxpayer’s AMT adjustments and preferences are less than the sum of the AMT exclusion and the amount by which regular taxable income is below zero. Note that, because of the AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

Tables 7 and 8 classify tax returns by the items that had the largest and second largest effects in reducing or eliminating income tax. For returns on which each of the largest effects was identified, the tables show each of the second largest effects [13]. For example, Table 7 shows that, on taxable returns with some U.S. income tax and expanded income of \$200,000 or more, the taxes paid deduction was the most important item 54.1 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 60.8 percent of the time, and the charitable contributions deduction was the second most important item 27.0 percent of the time.

High-Income Tax Returns for 2004

Table 8 shows that, on returns without any worldwide tax and expanded income of \$200,000 or more, the most important item in eliminating tax, on 61.9 percent of returns, was the exclusion for State and local government interest (“tax-exempt interest”). For these returns, the itemized deduction for taxes paid was the second most important item 27.2 percent of the time, and the deduction for medical and dental expenses was the second most important item 22.0 percent of the time.

The four categories with the largest effect in reducing taxes on high adjusted-gross-income returns with no worldwide income tax were the total miscellaneous deductions (888 returns, or 36.7 percent of the 2,420 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); investment interest expense deduction (337 returns, or 13.9 percent); medical and dental expense deduction (308 returns, or 12.7 percent); and net casualty or theft loss deduction (280 returns, or 11.6 percent). These effects are also shown graphically in Figure E.

The four categories that most frequently had the largest effect in reducing taxes for high expanded-income returns with no worldwide income tax were tax-exempt interest (2,540 returns, or 61.9 percent of the 4,101 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); medical and dental expense deduction (585 returns, or 14.3 percent); net casualty or theft loss deduction (287 returns, or 7.0 percent); and Partnership and S corporation net losses (206 returns, or 5.0 percent). These effects are also shown graphically in Figure F.

Table 8 also shows the two items that most frequently had the second largest effect in reducing regular tax liability for high expanded-income returns with no worldwide tax. These were the deduction for taxes paid (981 returns, or 23.9 percent) and the deduction for medical and dental expense deduction (590 returns, or 14.4 percent).

Tables 9 and 10 present another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these tables cover only nontaxable returns, i.e., returns showing no income tax liability. Tables 9 and 10 show the number of times that various items reduced income by different percentages of income. The items shown are the various categories of itemized deductions, the deduction equivalents of two different types of tax credits, and total tax prefer-

Figure E

Returns with No Worldwide Income Tax and with Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 2004

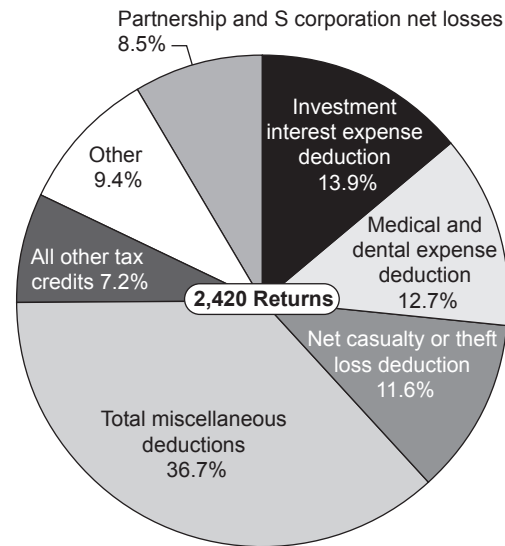
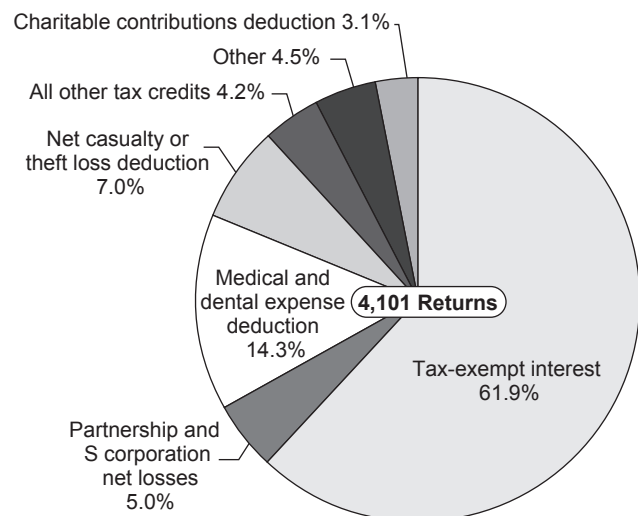


Figure F

Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 2004



High-Income Tax Returns for 2004

ences excluded from income. For example, for high expanded-income returns with no worldwide income tax (Table 10), the itemized deduction for casualty or theft losses exceeded 100 percent of expanded income on 182 of the 4,101 returns, but there was no casualty or theft loss deduction on 3,762 returns.

Notes and References

- [1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).
- [2] Lerman, Allen H., "High-Income Tax Returns: 1974 and 1975, A Report on High-Income Taxpayers Emphasizing Tax Returns with Little or No Tax Liability," U.S. Department of Treasury, Office of Tax Analysis, March 1977, and "High-Income Tax Returns: 1975 and 1976, A Report Emphasizing Nontaxable and Nearly Nontaxable Income Tax Returns," U.S. Department of Treasury, Office of Tax Analysis, August 1978.

U.S. Department of Treasury, Internal Revenue Service, *Statistics of Income—Individual Income Tax Returns* for 1977 through 1982 and 1985 through 1988. (For 1977 and 1978, only the number of nontaxable, high-AGI returns was published.)

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tistics of Income Bulletin, Winter 1997-1998, Volume 17, Number 3, pp. 31-69;

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Parisi, Michael, "High-Income Tax Returns for 1997," *Statistics of Income Bulletin*, Winter 1999-2000, Volume 19, Number 3, pp. 6-58.

Balkovic, Brian, "High-Income Tax Returns for 1998," *Statistics of Income Bulletin*, Winter 2000-2001, Volume 20, Number 3, pp. 5-57; "High-Income Tax Returns for 1999," *Statistics of Income Bulletin*, Spring 2002, Volume 21, Number 4, pp. 7-58; "High-Income Tax Returns for 2000," *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4, pp. 10-62; "High-Income Tax Returns for 2001," *Statistics of Income Bulletin*, Summer 2004, Volume 24, Number 1, pp. 65-117; "High-Income Tax Returns for 2002," *Statistics of Income Bulletin*, Spring 2005, Volume 24, Number 4, pp. 6-58; "High-Income Tax Returns for 2003," *Statistics of Income Bulletin*, Spring 2006, Volume 25, Number 4, pp. 8-57.

- [3] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded tax preference items, and AGI less investment interest expense not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (98 Stat. at 815) eliminated the requirement to use the last two income concepts.
- [4] The definition given in the text of adjustments to AGI to obtain the expanded income is for the current year. See Appendix A for a discussion of AGI and expanded income and a list of adjustments covering all years since 1977.
- [5] See Notes to Appendix A, Note A4.
- [6] Tax-exempt interest had to be reported on the individual income tax return starting with Tax Year 1987 and is included in expanded income starting with that year. Beginning with Tax

Year 1991, tax-exempt interest was incorporated into the criteria used for sampling returns for Statistics of Income, thus increasing the reliability of the estimates of expanded income.

- [7] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.
- [8] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income—Individual Income Tax Returns* (see footnote 2), the “U.S. income tax” concept was described as “total income tax,” and the “worldwide income tax” concept was described as “modified total income tax.”
- [9] The inclusion of foreign taxes paid on excluded foreign-earned income, beginning with Tax Year 1990, represents an improvement in the worldwide income tax concept. It does, however, represent a slight break in the year-to-year comparability of data for worldwide income tax. However, the number of returns with foreign taxes paid on excluded foreign-earned income is extremely small compared to the number of returns with the foreign tax credit.
- [10] See Appendix B for a description of how the deduction equivalent of credits was computed.
- [11] The deduction for charitable contributions could also fall into this class if it were not limited to 50 percent of AGI.
- [12] The AMT exclusion phases out above certain levels of “alternative minimum taxable income,” based on filing status, but, since taxpayers will have some AMT liability in the phaseout range, the phaseout income is not relevant for nontaxable, high-income returns.
- [13] Tax-exempt interest and the foreign-earned income exclusion were not included in Tables 7 and 8 as possible tax effects before Tax Year

1994. Thus, caution should be exercised in making comparisons between data prior to 1994 and after 1993.

Appendix A: Income Concepts

Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI), but that was based entirely on items already reported on income tax returns. In order to derive such an income concept, it was necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns are identified.

This appendix begins by defining “Haig-Simons income,” a very broad concept of income used by economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts are listed. The final section defines “expanded income,” a more comprehensive income measure than AGI, based entirely on tax return data.

Haig-Simons Income

The broadest measure of annual income generally used by economists and others is defined as the value of a household’s consumption plus the change, if any, in its net worth. This income concept is referred to as Haig-Simons income, or H-S income, after the two economists who wrote extensively about it [A1]. The H-S income of a household that consumed \$25,000 and saved \$2,000 in a year would be \$27,000. Alternatively, the H-S income of a household that consumed \$25,000 and had no additions to savings, but had assets that declined in value by \$1,000 in a year, would be \$24,000.

H-S income consists of three broad components: labor income, capital income (income from assets), and income from transfer payments. The major elements of each of these three components are as follows:

Labor income.—This includes all forms of employee compensation (including wages and salaries), employee fringe benefits (such as employer-provided health insurance and accrued pension benefits or contributions), and the employer share of payroll taxes (such as Social Security taxes). Labor income also includes the labor share of self-employment

High-Income Tax Returns for 2004

income. Expenses of earning labor income would be deducted in arriving at H-S income. Deferred labor income (such as pension benefits) would be counted in the year it was earned, rather than in the year it was received.

Capital income.—This includes all income from assets, including interest, dividends, rents, royalties, accrued capital gains (whether or not realized), the capital income share of self-employment income, and the rental value of consumer durables (most importantly, the rental value of owner-occupied housing). Capital income is measured in real (inflation-adjusted) terms and is net of real, economic depreciation and all other expenses (which could exceed capital income).

Transfer payments.—These include payments in cash (such as Social Security benefits, workers' compensation, unemployment benefits, Aid to Families with Dependent Children (AFDC), and noncash benefits (such as Medicare, Medicaid, and food stamps).

For purposes of tax analysis, H-S income should be measured on a pretax basis, the amount that would be earned if there were no Federal income tax in place. Most items of income are unaffected, or little affected, by the income tax and so are reported on a pretax basis. However, certain income items from tax-preferred sources may be reduced because of their preferential treatment. An example is interest from tax-exempt State and local government bonds. The interest rate on tax-exempt bonds is generally lower than the interest rate on taxable bonds of the same maturity and risk, with the difference approximately equal to the tax rate of the typical investor in tax-exempt bonds. Thus, investors in tax-exempt bonds are effectively paying a tax, referred to as an "implicit tax," and tax-exempt interest as reported is measured on an aftertax, rather than a pretax, basis. Income from all tax-preferred sources should be "grossed up" by implicit taxes to properly measure H-S income.

Adjusted Gross Income

AGI is the statutory definition of income for Federal income tax purposes. AGI differs from H-S income by excluding some components of H-S income and by allowing accelerated business deductions and deductions unrelated to income, but also by disallowing or limiting certain expenses of earning income and certain losses. In addition, AGI is not "grossed up" for implicit taxes.

The components of H-S income excluded from AGI include most employee fringe benefits, the employer share of payroll taxes, accrued but deferred employee compensation, accrued but unrealized real capital gains, the rental value of consumer durables, most Social Security benefits, most other cash transfers, all noncash transfers, and the real income of borrowers due to inflation [A2].

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated. AGI also excludes some expenses not related to earning income, such as contributions to self-employed retirement (Keogh) plans, deductible contributions to Individual Retirement Arrangements (IRAs), the portion of Social Security contributions for self-employed workers that is analogous to the employer share of such contributions for employees, and contributions to medical savings accounts.

AGI generally exceeds H-S income to the extent that expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible from AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions and then, in some cases, only to the extent that the sum of all such items exceeds 2 percent of AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on the job but not reimbursed by the employer; and the employees' travel, meal, and entertainment expenses); and expenses attributable to a taxpayer's (passive) investments (as opposed to active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses.

Although net capital losses reduce economic income, only the first \$3,000 of net realized capital losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years. In a somewhat similar manner, passive losses (from investments in a trade or business in

which the taxpayer does not materially participate) can also reduce economic income, but, in computing AGI, they can only be deducted from passive income from other, similar investments (although a larger amount may be deducted when the losses are from rental real estate activities).

AGI can also exceed H-S income because of differences in the timing of income between the two concepts. For example, a taxpayer may realize more capital gains in a year than he or she accrues in capital gains. Since AGI includes only realizations of capital gains, whereas H-S income includes only accruals, AGI in this circumstance would exceed H-S income.

Finally, just as AGI understates the income of borrowers due to inflation, it overstates the income of lenders, who include bond owners and owners of bank deposits.

Expanded Income

Expanded income is meant to be a measure of income that is conceptually closer to H-S income than AGI, but which is derived entirely from items already reported on income tax returns. Figure G shows the adjustments made to AGI to arrive at expanded income. Since the definition of AGI was changed by legislation several times since 1977, and certain reporting requirements also changed, the adjustments differ over the years, as indicated for each item [A4]. Most of these adjustments are relatively straightforward, but the adjustment for investment requires some explanation.

Investment Interest

In measuring H-S income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments, without limit. Investment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and capital gains.)

If all income has not been included currently, full deduction of investment expenses might represent a mismatching of receipts and expenses and might result in understating income. For example, if a taxpayer borrowed funds to purchase securities, net income would be understated if the taxpayer de-

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-2004

Adjusted gross income (AGI)

PLUS:	<ul style="list-style-type: none"> ■ Excluded capital gains (tax years prior to 1987) ■ Tax-exempt interest (1987 and later tax years) ■ Nontaxable Social Security benefits (1987 and later tax years) ■ Tax preferences for alternative minimum tax purposes [A5] ■ Foreign-earned income exclusion (1990 and later tax years)
MINUS:	<ul style="list-style-type: none"> ■ Unreimbursed employee business expenses [A6] ■ Nondeductible rental losses (Tax Year 1987) ■ Moving expense deduction (Tax Years 1987 through 1993) [A7] ■ Investment interest expense deduction to the extent it does not exceed investment income ■ Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)
EQUALS:	<ul style="list-style-type: none"> ■ Expanded income

NOTE: Footnotes to Figure G are included with the footnotes to Appendix A.

ducted all interest payments on the loan, but did not include as income any accrued gains on the securities. A similar mismatching of income and expenses would occur if investment expenses that should properly be capitalized were deducted when paid. In these instances, a more accurate measure of income might be obtained by postponing the deduction of the expense until such time as the income were recognized for tax purposes.

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and nonincome-producing assets, such as a vacation home or yacht. It is not possible to determine what portion of the interest expense should be attributed to taxable income-producing assets and, therefore, ought to be deductible against the gross receipts from such taxable assets. As a result of these problems, it has been necessary to set arbitrary limits on the amount of investment expenses that are deductible in calculating expanded income.

Investment expenses that have not been deducted in determining AGI generally can appear on a Federal individual income tax return in two places. Investment interest expense is taken into account in the calculation of the itemized deduction for interest paid. Deductible investment interest expense is a separate part of the total interest deduction. Other

High-Income Tax Returns for 2004

investment expenses, such as management fees, are included in the miscellaneous category of itemized deductions [A5]. Beginning with 1987, most types of income-producing expenses included as miscellaneous itemized deductions are only deductible to the extent that their total exceeds 2 percent of AGI. To determine expenses that should be deductible in calculating an approximation of H-S income, investment expenses have been defined as deductible investment interest expense. Other investment expenses could not be separated from the remainder of miscellaneous deductions. Hence, they have not been used in the adjustment for investment expenses.

To the extent that interest expenses do not exceed investment income, they are generally allowed as a deduction in the computation of deductible investment interest expense and thus expanded income. Investment interest expenses that do exceed investment income are not deductible in calculating expanded income. One consequence of this definition is that investment expenses can never turn positive investment income into investment losses. Generally, allowing investment expenses to offset all investment income is generous and tends to understate broadly-measured income. However, in some instances, limiting investment expenses to investment income may overstate income by disallowing genuine investment losses.

Notes to Appendix A

[A1] Haig, Robert M. (ed.), *The Federal Income Tax*, Columbia University Press, 1921, and Simons, Henry C., *Personal Income Taxation*, University of Chicago Press, 1938.

[A2] Borrowers receive income due to inflation because the real value of debt is reduced by inflation. Even though inflation may be anticipated and reflected in interest rates, tax deductions for nominal interest payments overstate interest costs because part of these payments represent a return of principal to the lender, rather than interest.

[A3] See Notes and References, footnote 4.

[A4] Fifty percent of net long-term capital gains were included in AGI for 1977. During 1978, the inclusion ratio was changed to 40 percent. This inclusion ratio remained unchanged

through 1986. Beginning with 1987, there was no exclusion allowed for capital gains in computing AGI, and, thus, this adjustment was not made in computing expanded income for returns for years after 1986.

Beginning in 1987, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest income from State and local government bonds. Since 1987, tax-exempt interest has been included in expanded income.

Taxpayers are also required to report Social Security benefits. Since 1988, nontaxable Social Security benefits have been included in expanded income. However, if none of a particular taxpayer's Social Security benefits are taxable, then gross Social Security benefits are not required to be shown on the income tax return. In such instances, which generally only affect lower- and middle-income taxpayers, Social Security benefits are not included in expanded income.

The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. All current-year moving expenses beginning with Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment.

Due to subtracting nonlimited miscellaneous deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is not strictly comparable to expanded income for 1988. Nor is the expanded income concept for 1990 strictly comparable to expanded income for 1989 because of the addition of the foreign-earned income exclusion. Specific details on the definition of expanded income for any given year are available in the reports and publications enumerated in footnote 2, under Notes and References.

[A5] Some income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from S corporations, only the net amounts of which are included in adjusted gross income.

Appendix B: Tax Concepts

This appendix provides a brief summary of the U.S. taxation of worldwide income and the foreign tax credit. The two tax concepts used in this article are then defined. The following section explains the computation of the deduction equivalent of credits and other items. A final section discusses the possible implications of the use of unaudited tax return data for this article.

U.S. Taxation of Worldwide Income and the Foreign Tax Credit

Citizens and residents of the United States, regardless of where they physically reside, must generally include in income for Federal income tax purposes income from all geographic sources. Thus, for example, dividends and interest received from a foreign corporation or income earned working abroad is subject to Federal income tax in the same manner as income received from sources inside the United States [B1]. Income from sources outside the United States may also be subject to tax by foreign governments.

To reduce, if not eliminate, the possibility of double taxation of the foreign-source income of U.S. citizens and residents, the Federal income tax allows a credit for income taxes paid to foreign governments. This foreign tax credit is generally limited to the amount of (precredit) U.S. tax liability attributable to foreign-source income. This limit prevents the foreign tax credit from offsetting the U.S. tax on U.S.-source income.

As a result of taxing citizens and residents on a worldwide basis but allowing a foreign tax credit, some Federal income tax returns may report substantial income but little or no U.S. tax liability after credits. This may occur, for example, if a taxpayer has income only from foreign sources (the taxpayer may live abroad the entire year and have no income-producing assets in the United States), or if a taxpayer has foreign-source income that exceeds a net loss from U.S. sources and pays income taxes to a foreign government that are comparable to the U.S. tax [B2].

For taxpayers with income from foreign sources, these procedures understate the taxpayers' true worldwide income tax liabilities and effective income tax rates. For such taxpayers, it does not seem appropriate to classify U.S. income tax credits for foreign tax payments as reducing tax liabilities. This is particularly true for tax filers who appear to be nontaxable because they do not have any U.S. tax

liability, but who have paid foreign income taxes. A more accurate measure of overall income tax burden, as well as the numbers of nontaxable returns, can be obtained by considering all income taxes—U.S. as well as foreign. Thus, a second tax concept, worldwide income tax, has been used in addition to the traditional U.S. income tax.

Two Tax Concepts

Two tax concepts are used in this article to classify tax returns as taxable (i.e., returns showing an income tax liability) or nontaxable (i.e., returns showing no income tax liability) and to measure the tax burdens on taxable returns: U.S. income tax and worldwide income tax. Worldwide income tax is defined for purposes of this article as U.S. income tax plus the foreign tax credits reported on the U.S. income tax return and foreign taxes paid on excluded foreign-earned income (obtained from Form 1116, *Foreign Tax Credit*). The amount of the foreign tax credits and foreign taxes paid on excluded foreign-earned income is used as a proxy for foreign tax liabilities [B3]. The relationship of U.S. income tax to tax items reported on individual income tax returns, and to worldwide income tax, is shown in Figure H.

Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations

In order to compare the importance of various exclusions, deductions, tax credits, and special tax computations (such as the alternative minimum tax on tax preferences), the different types of items must be placed on the same basis. One way of doing so is to calculate the size of the deduction that would reduce (or increase) income tax by the same amount as a tax credit or special computation. This amount is called the “deduction equivalent” of the tax credit or special computation.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using the ordinary tax rate schedules, would yield the actual tax before the provision in question is considered and the actual tax after the provision. For example, the “deduction equivalent of all tax credits” is equal to the difference between “taxable income that would yield income tax before credits” and “taxable income that would yield income tax after credits.”

Using this method of equating the value of deductions, exclusions, credits, and special tax com-

Figure H

Derivation of “U.S. Income Tax” and “Worldwide Income Tax,” Tax Year 2004

Tax at regular rates (tax generated)	
PLUS:	Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)
PLUS:	Alternative minimum tax (Form 6251)
EQUALS:	Income tax before credits
MINUS:	Tax credits
EQUALS:	U.S. income tax
PLUS:	Foreign tax credit
PLUS:	Foreign taxes paid on excluded foreign-earned income (Form 1116)
EQUALS:	Worldwide income tax

putations, the order in which the various credits and special tax computations are calculated may affect the value of their deduction equivalents. Because the tax rate schedules are progressive, with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first, unless all relevant taxable income amounts are within a single tax-rate bracket.

The deduction equivalents of tax credits shown in Tables 9 and 10 were computed by assuming that deductions and exclusions reduce taxes before credits. As a result, the deduction equivalent of tax credits may be overstated.

Unaudited Data

Tax return data used for Statistics of Income have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). Certain obvious arithmetic errors have been corrected, and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not

reflect any changes that may have been or could be made as a result of IRS audits. While this is true of data throughout the entire Statistics of Income program, it is particularly relevant for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

The fact that the data have been drawn from unaudited returns is of even greater importance for those high-income returns that are nontaxable. Almost any audit changes would make such returns taxable. Even where the tax consequences are minor, such returns could be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

Notes to Appendix B

- [B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article include such excluded income in expanded income. Foreign taxes paid on such income are reflected in worldwide income tax, as discussed later.
- [B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset precredit U.S. income tax liability with foreign tax credits.
- [B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate or understate worldwide taxes on current-year income.

High-Income Tax Returns for 2004

Table 1. Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2004

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 [1]	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	132,226,042	91,302,396	28,166,641	9,735,569	3,021,435
Under \$50,000 [1].....	90,478,783	89,700,020	767,886	8,163	2,714
\$50,000 under \$100,000.....	29,115,600	1,572,295	27,186,378	353,025	3,901
\$100,000 under \$200,000.....	9,564,057	27,792	205,880	9,279,698	50,687
\$200,000 or more.....	3,067,602	2,289	6,497	94,683	2,964,133
Returns with U.S. income tax					
Total.....	90,876,672	50,767,865	27,371,775	9,718,430	3,018,602
Under \$50,000 [1].....	50,003,838	49,336,042	659,474	6,609	1,713
\$50,000 under \$100,000.....	28,278,142	1,413,628	26,509,632	351,123	3,759
\$100,000 under \$200,000.....	9,532,119	17,365	197,144	9,267,112	50,498
\$200,000 or more.....	3,062,574	831	5,524	93,587	2,962,632
Returns without U.S. income tax					
Total.....	41,349,370	40,534,531	794,866	17,139	2,833
Under \$50,000 [1].....	40,474,945	40,363,978	108,411	1,555	1,001
\$50,000 under \$100,000.....	837,458	158,667	676,746	1,902	142
\$100,000 under \$200,000.....	31,938	10,428	8,736	12,586	189
\$200,000 or more.....	5,028	1,458	973	1,096	1,501

[1] Includes returns with adjusted gross deficit or with negative expanded income.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 2. Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2004

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 [1]	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	132,226,042	91,302,396	28,166,641	9,735,569	3,021,435
Under \$50,000 [1].....	90,478,783	89,700,020	767,886	8,163	2,714
\$50,000 under \$100,000.....	29,115,600	1,572,295	27,186,378	353,025	3,901
\$100,000 under \$200,000.....	9,564,057	27,792	205,880	9,279,698	50,687
\$200,000 or more.....	3,067,602	2,289	6,497	94,683	2,964,133
Returns with worldwide income tax					
Total.....	91,051,326	50,906,149	27,406,790	9,719,372	3,019,015
Under \$50,000 [1].....	50,131,487	49,460,363	662,794	6,612	1,718
\$50,000 under \$100,000.....	28,317,624	1,425,226	26,537,392	351,235	3,771
\$100,000 under \$200,000.....	9,538,713	19,676	200,869	9,267,651	50,517
\$200,000 or more.....	3,063,501	883	5,734	93,875	2,963,009
Returns without worldwide income tax					
Total.....	41,174,716	40,396,248	759,851	16,197	2,420
Under \$50,000 [1].....	40,347,296	40,239,657	105,091	1,552	996
\$50,000 under \$100,000.....	797,975	147,069	648,986	1,790	130
\$100,000 under \$200,000.....	25,344	8,116	5,011	12,047	170
\$200,000 or more.....	4,101	1,406	763	808	1,124

[1] Includes returns with adjusted gross deficit or with negative expanded income.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 3. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept, Tax Year 2004

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	3,021,435	100.0	100.0	3,067,602	100.0	100.0
Returns without U.S. income tax.....	2,833	0.1	0.1	5,028	0.2	0.2
Returns with U.S. income tax:						
Total.....	3,018,602	99.9	N/A	3,062,574	99.8	N/A
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent.....	1,693	0.1	0.1	3,546	0.1	0.1
5 under 10 percent.....	3,250	0.1	0.2	10,691	0.3	0.5
10 under 15 percent.....	7,248	0.2	0.4	16,066	0.5	1.0
15 under 20 percent.....	11,281	0.4	0.8	8,587	0.3	1.3
20 under 25 percent.....	6,402	0.2	1.0	10,775	0.4	1.6
25 under 30 percent.....	10,394	0.3	1.3	15,892	0.5	2.1
30 under 35 percent.....	11,388	0.4	1.7	20,590	0.7	2.8
35 under 40 percent.....	15,005	0.5	2.2	22,927	0.7	3.6
40 under 45 percent.....	26,770	0.9	3.1	33,460	1.1	4.6
45 under 50 percent.....	53,175	1.8	4.9	58,149	1.9	6.5
50 under 60 percent.....	157,382	5.2	10.1	174,054	5.7	12.2
60 under 70 percent.....	247,668	8.2	18.3	255,761	8.3	20.6
70 under 80 percent.....	526,143	17.4	35.7	511,827	16.7	37.2
80 percent or more.....	1,940,804	64.2	99.9	1,920,248	62.6	99.8

N/A—Not applicable.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 4. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept, Tax Year 2004

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	3,021,435	100.0	100.0	3,067,602	100.0	100.0
Returns without worldwide income tax	2,420	0.1	0.1	4,101	0.1	0.1
Returns with worldwide income tax:						
Total	3,019,015	99.9	N/A	3,063,501	99.9	N/A
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent.....	1,546	0.1	0.1	2,994	0.1	0.1
5 under 10 percent.....	2,715	0.1	0.1	4,369	0.1	0.2
10 under 15 percent.....	2,526	0.1	0.2	3,238	0.1	0.3
15 under 20 percent.....	3,027	0.1	0.3	5,201	0.2	0.5
20 under 25 percent.....	3,728	0.1	0.4	7,877	0.3	0.8
25 under 30 percent.....	8,938	0.3	0.7	14,181	0.5	1.2
30 under 35 percent.....	10,058	0.3	1.1	18,430	0.6	1.8
35 under 40 percent.....	13,154	0.4	1.5	20,046	0.7	2.5
40 under 45 percent.....	24,427	0.8	2.3	31,380	1.0	3.5
45 under 50 percent.....	51,129	1.7	4.0	56,964	1.9	5.4
50 under 60 percent.....	154,495	5.1	9.1	171,725	5.6	11.0
60 under 70 percent.....	243,897	8.1	17.2	252,222	8.2	19.2
70 under 80 percent.....	518,484	17.2	34.4	511,197	16.7	35.9
80 percent or more.....	1,980,891	65.6	99.9	1,963,678	64.0	99.9

N/A—Not applicable.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 5. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Salaries and wages.....	2,599,609	793,183,140	2,598,171	792,923,854	1,438	259,286
Business or profession:						
Net income.....	623,521	71,250,337	623,063	71,214,669	458	35,668
Net loss.....	193,531	5,035,057	193,206	4,986,298	325	48,759
Farm:						
Net income.....	22,026	1,008,920	22,002	1,006,565	24	2,355
Net loss.....	60,616	3,012,109	60,527	3,000,882	89	11,227
Partnership and S corporation net income after section 179 property deduction: [1]						
Net income.....	1,060,250	310,696,503	1,059,672	310,610,920	578	85,583
Net loss.....	308,498	28,281,070	307,702	27,850,652	796	430,418
Sales of capital assets:						
Net gain.....	1,356,703	391,832,791	1,355,470	391,244,438	1,233	588,353
Net loss.....	1,021,672	2,617,180	1,020,772	2,614,665	900	2,515
Sales of property other than capital assets:						
Net gain.....	153,066	4,128,899	152,836	4,115,884	230	13,015
Net loss.....	196,574	2,375,860	196,266	2,351,879	308	23,980
Taxable interest received.....	2,857,940	48,425,980	2,855,508	48,061,187	2,432	364,793
Tax-exempt interest.....	862,005	26,878,937	861,074	26,776,577	931	102,360
Dividends.....	2,403,969	75,647,482	2,401,994	75,463,931	1,975	183,552
Qualified dividends.....	2,181,783	63,263,673	2,180,061	63,125,156	1,721	138,516
Pensions and annuities in adjusted gross income.....	593,081	23,297,915	592,510	23,273,915	571	24,000
Rent:						
Net income.....	402,606	19,574,843	402,235	19,549,232	371	25,611
Net loss, total (deductible and nondeductible).....	394,032	6,939,196	393,639	6,918,722	393	20,475
Nondeductible rental loss.....	249,739	3,576,672	249,498	3,569,298	241	7,373
Royalty:						
Net income.....	169,346	6,673,881	169,109	6,663,937	237	9,944
Net loss.....	4,604	41,940	4,597	41,855	7	85
Estate or trust:						
Net income.....	78,059	10,884,727	77,930	10,873,583	129	11,144
Net loss.....	11,200	803,439	11,158	781,907	41	21,531
State income tax refunds.....	1,214,806	6,003,613	1,214,089	5,981,618	717	21,995
Alimony received.....	7,715	1,181,914	7,704	1,181,059	11	856
Social Security benefits in adjusted gross income.....	482,448	8,811,279	481,672	8,795,811	776	15,468
Social Security benefits (nontaxable).....	482,454	1,557,684	481,678	1,552,451	776	5,233
Unemployment compensation.....	59,687	288,673	59,650	288,470	37	203
Other income.....	410,033	13,449,881	409,506	13,420,453	527	29,428
Other loss.....	38,644	1,918,183	38,577	1,913,373	67	4,810
Foreign-earned income exclusion.....	29,551	2,012,443	29,426	2,002,200	125	10,243
Total income.....	3,021,435	1,755,633,392	3,018,602	1,754,168,205	2,833	1,465,186
Statutory adjustments, total.....	1,334,355	22,565,693	1,333,411	22,551,061	944	14,632
Payments to Individual Retirement Arrangements.....	122,184	658,651	122,114	658,302	70	348
Payments to self-employed retirement (Keogh) plans.....	347,411	10,130,703	347,344	10,129,180	67	1,523
Moving expenses adjustment.....	37,246	248,347	37,235	248,285	11	61
Adjusted gross income.....	3,021,435	1,733,067,699	3,018,602	1,731,617,145	2,833	1,450,554
Investment interest expense deduction.....	541,443	11,022,904	540,378	10,538,348	1,065	484,556
Total tax preferences excluded from adjusted gross income.....	876,126	29,754,485	875,199	29,649,991	927	104,494
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	23,806	2,882,518	23,773	2,880,187	33	2,330
Passive activity loss (alternative minimum tax adjustment).....	477,870	136,172	477,474	131,877	396	4,295
Expanded income.....	3,021,328	1,743,054,187	3,018,602	1,742,496,468	2,726	557,719

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 5. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004—Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept—continued						
Exemption amount.....	1,681,689	10,483,853	1,680,114	10,475,686	1,575	8,166
Itemized deductions:						
Total per adjusted gross income concept.....	2,833,403	211,919,929	2,830,720	210,286,159	2,683	1,633,770
Charitable contributions deduction.....	2,723,134	60,714,733	2,720,974	60,566,118	2,160	148,615
Interest paid deduction:						
Total per adjusted gross income concept.....	2,410,840	53,509,546	2,408,799	52,956,851	2,041	552,695
Total home mortgage interest.....	2,289,144	42,255,402	2,287,394	42,187,729	1,750	67,672
Medical and dental expense deduction.....	53,563	1,707,537	53,081	1,613,096	482	94,441
Net casualty or theft loss deduction.....	5,587	484,410	5,284	336,763	303	147,647
Taxes paid deduction.....	2,829,170	113,455,494	2,826,599	113,336,470	2,571	119,024
Net limited miscellaneous deductions per adjusted gross income concept.....	455,350	9,199,540	454,460	9,127,706	890	71,834
Nonlimited miscellaneous deductions.....	160,103	7,525,660	159,038	6,999,287	1,065	526,373
Excess of exemptions and deductions over adjusted gross income.....	4,342	1,254,405	2,296	868,803	2,046	385,602
Taxable income.....	3,017,016	1,510,208,520	3,016,295	1,510,015,454	721	193,066
Tax at regular rates.....	3,017,029	385,567,874	3,016,307	385,527,843	722	40,031
Alternative minimum tax (Form 6251).....	1,731,253	10,513,450	1,731,245	10,513,394	8	56
Income tax before credits.....	3,019,325	396,082,873	3,018,602	396,042,786	723	40,087
Tax credits:						
Total.....	1,185,752	7,087,910	1,185,029	7,047,824	723	40,087
Child care credit.....	191,323	98,401	191,299	98,391	24	10
Minimum tax credit.....	110,477	675,684	110,024	653,550	453	22,134
Foreign tax credit.....	946,959	5,753,864	946,547	5,737,310	412	16,554
General business credit.....	58,100	414,128	58,011	413,200	89	928
U.S. income tax.....	3,018,602	388,995,462	3,018,602	388,995,462	0	0
Taxable income which would yield:						
Income tax before credits.....	3,019,325	1,327,714,518	3,018,602	1,327,565,277	723	149,241
Income tax after credits.....	3,018,602	1,306,738,296	3,018,602	1,306,738,296	0	0
U.S. income tax.....	3,018,602	1,306,739,723	3,018,602	1,306,739,723	0	0
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	3,021,435	1,733,067,699	3,018,602	1,731,617,145	2,833	1,450,554
plus: Total tax preferences excluded from adjusted gross income [2].....	876,126	29,754,485	875,199	29,649,991	927	104,494
Social Security benefits (nontaxable).....	482,454	1,557,684	481,678	1,552,451	776	5,233
Foreign-earned income exclusion.....	29,551	2,012,443	29,426	2,002,200	125	10,243
minus: Investment interest expense deduction.....	541,443	11,022,904	540,378	10,538,348	1,065	484,556
Nonlimited miscellaneous deductions.....	160,103	7,525,660	159,038	6,999,287	1,065	526,373
Unreimbursed employee business expenses.....	551,972	4,789,560	551,763	4,787,684	209	1,876
Equals: Expanded income.....	3,021,328	1,743,054,187	3,018,602	1,742,496,468	2,726	557,719

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 5. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004—Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept						
Salaries and wages.....	2,603,626	792,080,143	2,601,769	791,775,321	1,857	304,822
Business or profession:						
Net income.....	624,613	71,357,004	624,114	71,324,964	499	32,040
Net loss.....	193,306	5,058,142	192,888	5,000,829	418	57,313
Farm:						
Net income.....	21,752	1,038,494	21,727	1,036,199	25	2,295
Net loss.....	61,546	3,061,254	61,418	3,047,524	128	13,730
Partnership and S corporation net income after section 179 property deduction: [1]						
Net income.....	1,070,336	310,776,887	1,069,434	310,693,674	902	83,213
Net loss.....	318,184	28,451,787	316,799	27,921,150	1,385	530,637
Sales of capital assets:						
Net gain.....	1,396,095	393,176,350	1,394,083	392,649,669	2,011	526,681
Net loss.....	1,041,569	2,678,070	1,039,016	2,670,749	2,553	7,321
Sales of property other than capital assets:						
Net gain.....	158,528	4,142,669	158,207	4,132,232	321	10,438
Net loss.....	199,943	2,344,611	199,450	2,326,838	493	17,774
Taxable interest received.....	2,911,788	49,127,023	2,906,998	48,844,712	4,790	282,311
Tax-exempt interest.....	933,685	33,475,885	929,811	32,287,281	3,874	1,188,605
Dividends.....	2,464,234	78,430,848	2,459,753	78,153,732	4,481	277,116
Qualified dividends.....	2,241,537	65,444,026	2,237,550	65,239,598	3,987	204,428
Pensions and annuities in adjusted gross income.....	622,137	24,615,059	621,061	24,579,157	1,076	35,902
Rent:						
Net income.....	412,370	19,779,484	411,853	19,754,988	517	24,496
Net loss, total (deductible and nondeductible).....	397,808	6,893,973	397,259	6,873,141	549	20,832
Nondeductible rental loss.....	249,804	3,507,036	249,552	3,498,833	252	8,203
Royalty:						
Net income.....	178,149	6,766,202	177,661	6,753,778	488	12,424
Net loss.....	4,836	89,184	4,828	89,140	8	45
Estate or trust:						
Net income.....	82,925	10,957,894	82,665	10,949,837	260	8,057
Net loss.....	12,313	804,902	12,229	794,971	84	9,932
State income tax refunds.....	1,226,562	6,041,140	1,225,478	6,014,672	1,084	26,469
Alimony received.....	8,432	1,251,827	8,426	1,251,024	6	803
Social Security benefits in adjusted gross income.....	533,268	9,774,411	531,150	9,735,646	2,118	38,765
Social Security benefits (nontaxable).....	533,288	1,728,018	531,169	1,718,649	2,119	9,369
Unemployment compensation.....	59,005	284,566	58,977	284,382	28	185
Other income.....	418,485	13,423,302	417,747	13,403,990	737	19,312
Other loss.....	46,497	2,181,302	46,317	2,175,938	180	5,364
Foreign-earned income exclusion.....	45,833	3,258,600	45,372	3,208,708	461	49,892
Total income.....	3,067,601	1,758,354,615	3,062,574	1,757,399,725	5,027	954,891
Statutory adjustments, total.....	1,340,556	22,659,947	1,339,374	22,643,646	1,182	16,300
Payments to Individual Retirement Arrangements.....	122,130	655,505	122,041	655,054	89	451
Payments to self-employed retirement (Keogh) plans.....	348,769	10,200,705	348,689	10,198,734	80	1,971
Moving expenses adjustment.....	37,782	258,522	37,763	258,317	19	205
Adjusted gross income.....	3,067,601	1,735,694,669	3,062,574	1,734,756,079	5,027	938,590
Investment interest expense deduction.....	546,744	10,352,193	545,459	10,134,687	1,285	217,506
Total tax preferences excluded from adjusted gross income.....	951,560	36,845,318	947,691	35,649,956	3,869	1,195,362
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	28,449	3,376,413	28,403	3,369,443	46	6,970
Passive activity loss (alternative minimum tax adjustment).....	487,579	130,987	486,898	126,541	681	4,446
Expanded income.....	3,067,602	1,758,837,381	3,062,574	1,756,890,849	5,028	1,946,532

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 5. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004—Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept—continued						
Exemption amount.....	1,729,896	10,737,807	1,725,491	10,708,309	4,405	29,498
Itemized deductions:						
Total per adjusted gross income concept.....	2,863,303	209,106,505	2,859,028	208,032,759	4,275	1,073,746
Total per expanded income concept.....	2,863,075	226,714,063	2,858,800	225,862,067	4,275	851,995
Charitable contributions deduction.....	2,752,198	61,273,587	2,748,371	61,107,198	3,827	166,389
Interest paid deduction:						
Total per adjusted gross income concept.....	2,408,656	52,574,647	2,406,171	52,285,268	2,485	289,379
Total per expanded income concept.....	2,285,917	42,222,454	2,283,971	42,150,581	1,946	71,873
Total home mortgage interest.....	2,281,290	41,998,447	2,279,349	41,926,903	1,940	71,544
Medical and dental expense deduction.....	71,361	2,021,164	69,049	1,812,032	2,312	209,132
Net casualty or theft loss deduction.....	5,421	514,015	5,073	363,148	348	150,866
Taxes paid deduction.....	2,859,174	114,157,403	2,854,952	114,000,348	4,222	157,055
Net limited miscellaneous deductions per adjusted gross income concept.....	452,198	9,081,210	449,506	8,983,599	2,692	97,611
Nonlimited miscellaneous deductions.....	147,025	4,090,855	146,695	4,072,076	330	18,780
Excess of exemptions and deductions over adjusted gross income.....	7,210	1,309,923	3,518	911,878	3,692	398,046
Taxable income.....	3,060,377	1,515,302,249	3,059,045	1,515,075,188	1,332	227,061
Tax at regular rates.....	3,060,408	386,265,466	3,059,057	386,219,301	1,351	46,166
Alternative minimum tax (Form 6251).....	1,743,651	10,627,109	1,743,499	10,626,932	152	178
Income tax before credits.....	3,064,009	396,894,125	3,062,574	396,847,781	1,435	46,344
Tax credits:						
Total.....	1,235,976	7,376,598	1,234,541	7,330,254	1,435	46,344
Child care credit.....	189,310	97,055	189,260	97,031	50	24
Minimum tax credit.....	113,742	679,944	113,202	657,605	540	22,339
Foreign tax credit.....	997,922	6,038,931	996,999	6,016,607	923	22,324
General business credit.....	59,309	414,472	59,208	413,560	101	912
U.S. income tax.....	3,062,574	389,518,027	3,062,574	389,518,027	0	0
Taxable income which would yield:						
Income tax before credits.....	3,064,009	1,331,808,920	3,062,574	1,331,627,308	1,435	181,612
Income tax after credits.....	3,062,574	1,309,625,235	3,062,574	1,309,625,235	0	0
U.S. income tax.....	3,062,574	1,309,626,662	3,062,574	1,309,626,662	0	0
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	3,067,601	1,735,694,669	3,062,574	1,734,756,079	5,027	938,590
plus: Total tax preferences excluded from adjusted gross income [2].....	951,560	36,845,318	947,691	35,649,956	3,869	1,195,362
Social Security benefits (nontaxable).....	533,288	1,728,018	531,169	1,718,649	2,119	9,369
Foreign-earned income exclusion.....	45,833	3,258,600	45,372	3,208,708	461	49,892
minus: Investment interest expense deduction.....	546,744	10,352,193	545,459	10,134,687	1,285	217,506
Nonlimited miscellaneous deductions.....	147,025	4,090,855	146,695	4,072,076	330	18,780
Unreimbursed employee business expenses.....	523,013	4,231,880	522,724	4,230,678	289	1,201
Equals: Expanded income.....	3,067,602	1,758,837,381	3,062,574	1,756,890,849	5,028	1,946,532

[1] Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

[2] Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 6. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Salaries and wages.....	2,599,609	793,183,140	2,598,483	793,008,781	1,126	174,359
Business or profession:						
Net income.....	623,521	71,250,337	623,122	71,220,658	399	29,678
Net loss.....	193,531	5,035,057	193,234	4,990,446	297	44,611
Farm:						
Net income.....	22,026	1,008,920	22,002	1,006,565	24	2,355
Net loss.....	60,616	3,012,109	60,536	3,001,762	80	10,347
Partnership and S corporation net income after section 179 property deduction: [1]						
Net income.....	1,060,250	310,696,503	1,059,733	310,621,199	517	75,304
Net loss.....	308,498	28,281,070	307,788	27,888,764	710	392,306
Sales of capital assets:						
Net gain.....	1,356,703	391,832,791	1,355,671	391,318,114	1,032	514,677
Net loss.....	1,021,672	2,617,180	1,020,900	2,615,014	772	2,167
Sales of property other than capital assets:						
Net gain.....	153,066	4,128,899	152,862	4,117,250	204	11,649
Net loss.....	196,574	2,375,860	196,310	2,352,887	264	22,972
Taxable interest received.....	2,857,940	48,425,980	2,855,874	48,080,271	2,066	345,709
Tax-exempt interest.....	862,005	26,878,937	861,231	26,783,644	774	95,294
Dividends.....	2,403,969	75,647,482	2,402,339	75,483,606	1,630	163,876
Qualified dividends.....	2,181,783	63,263,673	2,180,351	63,138,265	1,431	125,408
Pensions and annuities in adjusted gross income.....	593,081	23,297,915	592,581	23,277,173	500	20,742
Rent:						
Net income.....	402,606	19,574,843	402,277	19,551,737	329	23,106
Net loss, total (deductible and nondeductible).....	394,032	6,939,196	393,686	6,919,881	346	19,316
Nondeductible rental loss.....	249,739	3,576,672	249,529	3,569,845	210	6,826
Royalty:						
Net income.....	169,346	6,673,881	169,138	6,667,100	208	6,781
Net loss.....	4,604	41,940	4,598	41,855	6	85
Estate or trust:						
Net income.....	78,059	10,884,727	77,941	10,873,991	118	10,736
Net loss.....	11,200	803,439	11,163	782,293	36	21,146
State income tax refunds.....	1,214,806	6,003,613	1,214,196	5,982,822	610	20,791
Alimony received.....	7,715	1,181,914	7,706	1,181,298	9	617
Social Security benefits in adjusted gross income.....	482,448	8,811,279	481,728	8,796,836	720	14,443
Social Security benefits (nontaxable).....	482,454	1,557,684	481,734	1,552,632	720	5,052
Unemployment compensation.....	59,687	288,673	59,651	288,473	36	200
Other income.....	410,033	13,449,881	409,563	13,421,428	470	28,453
Other loss.....	38,644	1,918,183	38,611	1,914,654	33	3,529
Foreign-earned income exclusion.....	29,551	2,012,443	29,544	2,012,049	7	393
Total income.....	3,021,435	1,755,633,392	3,019,015	1,754,337,625	2,420	1,295,766
Statutory adjustments, total.....	1,334,355	22,565,693	1,333,516	22,552,875	839	12,818
Payments to Individual Retirement Arrangements.....	122,184	658,651	122,120	658,328	64	322
Payments to self-employed retirement (Keogh) plans.....	347,411	10,130,703	347,361	10,129,638	50	1,065
Moving expenses adjustment.....	37,246	248,347	37,238	248,308	8	39
Adjusted gross income.....	3,021,435	1,733,067,699	3,019,015	1,731,784,751	2,420	1,282,948
Investment interest expense deduction.....	541,443	11,022,904	540,531	10,549,794	912	473,110
Total tax preferences excluded from adjusted gross income.....	876,126	29,754,485	875,345	29,657,594	781	96,891
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	23,806	2,882,518	23,782	2,880,815	24	1,702
Passive activity loss (alternative minimum tax adjustment).....	477,870	133,472	477,546	130,527	324	2,945
Expanded income.....	3,021,328	1,743,054,187	3,019,015	1,742,665,164	2,313	389,022

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 6. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004—Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept—continued						
Exemption amount.....	1,681,689	10,483,853	1,680,322	10,476,912	1,367	6,940
Itemized deductions:						
Total per adjusted gross income concept.....	2,833,403	211,919,929	2,831,008	210,332,756	2,395	1,587,173
Charitable contributions deduction.....	2,723,134	60,714,733	2,721,237	60,577,176	1,897	137,556
Interest paid deduction:						
Total per adjusted gross income concept.....	2,410,840	53,509,546	2,409,043	52,973,522	1,797	536,024
Total home mortgage interest.....	2,289,144	42,255,402	2,287,593	42,192,935	1,551	62,466
Medical and dental expense deduction.....	53,563	1,707,537	53,107	1,615,241	456	92,296
Net casualty or theft loss deduction.....	5,587	484,410	5,290	337,859	297	146,551
Taxes paid deduction.....	2,829,170	113,455,494	2,826,884	113,345,267	2,286	110,227
Net limited miscellaneous deductions per adjusted gross income concept.....	455,350	9,199,540	454,578	9,131,897	772	67,644
Nonlimited miscellaneous deductions.....	160,103	7,525,660	159,067	7,004,232	1,036	521,428
Excess of exemptions and deductions over adjusted gross income.....	4,342	1,254,405	2,300	868,877	2,042	385,528
Taxable income.....	3,017,016	1,510,208,520	3,016,704	1,510,134,360	312	74,160
Tax at regular rates.....	3,017,029	385,567,874	3,016,718	385,554,584	311	13,290
Alternative minimum tax (Form 6251).....	1,731,253	10,513,450	** 1,731,253	** 10,513,450	**	**
Income tax before credits.....	3,019,325	396,082,873	3,019,014	396,069,544	311	13,329
Tax credits:						
Total.....	362,338	1,334,046	362,027	1,320,717	311	13,329
Child care credit.....	191,323	98,401	191,311	98,395	12	6
Minimum tax credit.....	110,477	675,684	110,213	663,326	264	12,358
Foreign tax credit.....	0	0	0	0	0	0
General business credit.....	58,100	414,128	58,047	413,578	53	550
Worldwide income tax.....	3,019,015	395,396,775	3,019,015	395,396,775	0	0
Foreign taxes paid.....	946,960	6,401,313	946,960	6,401,313	0	0
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	19,584	647,449	19,584	647,449	0	0
Taxable income which would yield:						
Income tax before credits.....	3,019,325	1,327,714,518	3,019,014	1,327,661,941	311	52,577
Income tax after credits.....	3,019,015	1,325,657,636	3,019,015	1,325,657,636	0	0
Worldwide income tax.....	3,019,015	1,325,659,063	3,019,015	1,325,659,063	0	0
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	3,021,435	1,733,067,699	3,019,015	1,731,784,751	2,420	1,282,948
plus: Total tax preferences excluded from adjusted gross income [2].....	876,126	29,754,485	875,345	29,657,594	781	96,891
Social Security benefits (nontaxable).....	482,454	1,557,684	481,734	1,552,632	720	5,052
Foreign-earned income exclusion.....	29,551	2,012,443	29,544	2,012,049	7	393
minus: Investment interest expense deduction.....	541,443	11,022,904	540,531	10,549,794	912	473,110
Nonlimited miscellaneous deductions.....	160,103	7,525,660	159,067	7,004,232	1,036	521,428
Unreimbursed employee business expenses.....	551,972	4,789,560	551,792	4,787,835	180	1,725
Equals: Expanded income.....	3,021,328	1,743,054,187	3,019,015	1,742,665,164	2,313	389,022

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 6. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004—Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept						
Salaries and wages.....	2,603,626	792,080,143	2,602,450	791,930,286	1,176	149,857
Business or profession:						
Net income.....	624,613	71,357,004	624,240	71,334,690	373	22,314
Net loss.....	193,306	5,058,142	192,943	5,005,349	363	52,794
Farm:						
Net income.....	21,752	1,038,494	21,728	1,036,202	24	2,292
Net loss.....	61,546	3,061,254	61,438	3,048,696	108	12,558
Partnership and S corporation net income after section 179 property deduction: [1]						
Net income.....	1,070,336	310,776,887	1,069,544	310,705,814	792	71,073
Net loss.....	318,184	28,451,787	316,945	27,959,429	1,239	492,357
Sales of capital assets:						
Net gain.....	1,396,095	393,176,350	1,394,403	392,726,327	1,691	450,024
Net loss.....	1,041,569	2,678,070	1,039,364	2,671,720	2,205	6,350
Sales of property other than capital assets:						
Net gain.....	158,528	4,142,669	158,244	4,133,933	284	8,736
Net loss.....	199,943	2,344,611	199,514	2,328,202	429	16,409
Taxable interest received.....	2,911,788	49,127,023	2,907,788	48,868,013	4,000	259,009
Tax-exempt interest.....	933,685	33,475,885	930,189	32,334,641	3,496	1,141,244
Dividends.....	2,464,234	78,430,848	2,460,486	78,181,202	3,748	249,647
Qualified dividends.....	2,241,537	65,444,026	2,238,143	65,258,818	3,394	185,208
Pensions and annuities in adjusted gross income.....	622,137	24,615,059	621,162	24,583,111	975	31,948
Rent:						
Net income.....	412,370	19,779,484	411,929	19,757,403	441	22,081
Net loss, total (deductible and nondeductible).....	397,808	6,893,973	397,368	6,875,381	440	18,592
Nondeductible rental loss.....	249,804	3,507,036	249,606	3,500,102	198	6,934
Royalty:						
Net income.....	178,149	6,766,202	177,715	6,757,104	434	9,098
Net loss.....	4,836	89,184	4,829	89,140	7	45
Estate or trust:						
Net income.....	82,925	10,957,894	82,684	10,949,982	241	7,912
Net loss.....	12,313	804,902	12,235	795,356	78	9,546
State income tax refunds.....	1,226,562	6,041,140	1,225,659	6,016,339	903	24,802
Alimony received.....	8,432	1,251,827	8,428	1,251,263	4	564
Social Security benefits in adjusted gross income.....	533,268	9,774,411	531,269	9,737,825	1,999	36,586
Social Security benefits (nontaxable).....	533,288	1,728,018	531,288	1,719,034	2,000	8,984
Unemployment compensation.....	59,005	284,566	58,981	284,411	24	155
Other income.....	418,485	13,423,302	417,837	13,405,328	647	17,974
Other loss.....	46,497	2,181,302	46,440	2,179,328	57	1,974
Foreign-earned income exclusion.....	45,833	3,258,600	45,812	3,256,024	21	2,576
Total income.....	3,067,601	1,758,354,615	3,063,501	1,757,617,078	4,100	737,537
Statutory adjustments, total.....	1,340,556	22,659,947	1,339,595	22,646,773	961	13,173
Payments to Individual Retirement Arrangements.....	122,130	655,505	122,069	655,182	61	324
Payments to self-employed retirement (Keogh) plans.....	348,769	10,200,705	348,712	10,199,262	57	1,443
Moving expenses adjustment.....	37,782	258,522	37,773	258,423	9	99
Adjusted gross income.....	3,067,601	1,735,694,669	3,063,501	1,734,970,305	4,100	724,364
Investment interest expense deduction.....	546,744	10,352,193	545,665	10,141,337	1,079	210,856
Total tax preferences excluded from adjusted gross income.....	951,560	36,845,318	948,059	35,697,886	3,501	1,147,432
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	28,449	3,376,413	28,414	3,370,096	35	6,317
Passive activity loss (alternative minimum tax adjustment).....	487,579	127,772	487,000	124,934	579	2,838
Expanded income.....	3,067,602	1,758,837,381	3,063,501	1,757,192,918	4,101	1,644,463

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 6. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status, Tax Year 2004—Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded income concept—continued						
Exemption amount.....	1,729,896	10,737,807	1,726,222	10,714,527	3,674	23,280
Itemized deductions:						
Total per adjusted gross income concept.....	2,863,303	209,106,505	2,859,623	208,086,295	3,680	1,020,210
Total per expanded income concept.....	2,863,075	226,714,063	2,859,395	225,910,032	3,680	804,030
Charitable contributions deduction.....	2,752,198	61,273,587	2,748,886	61,121,822	3,312	151,765
Interest paid deduction:						
Total per adjusted gross income concept.....	2,408,656	52,574,647	2,406,613	52,300,492	2,043	274,155
Total per expanded income concept.....	2,285,917	42,222,454	2,284,345	42,159,155	1,572	63,299
Total home mortgage interest.....	2,281,290	41,998,447	2,279,723	41,935,459	1,566	62,988
Medical and dental expense deduction.....	71,361	2,021,164	69,196	1,816,955	2,165	204,209
Net casualty or theft loss deduction.....	5,421	514,015	5,082	364,498	339	149,516
Taxes paid deduction.....	2,859,174	114,157,403	2,855,518	114,012,965	3,656	144,438
Net limited miscellaneous deductions per adjusted gross income concept.....	452,198	9,081,210	449,787	8,989,619	2,411	91,591
Non-limited miscellaneous deductions.....	147,025	4,090,855	146,727	4,073,015	298	17,840
Excess of exemptions and deductions over adjusted gross income.....	7,210	1,309,923	3,527	912,106	3,683	397,818
Taxable income.....	3,060,377	1,515,302,249	3,059,963	1,515,227,154	414	75,095
Tax at regular rates.....	3,060,408	386,265,466	3,059,978	386,252,109	430	13,357
Alternative minimum tax (Form 6251).....	1,743,651	10,627,109	1,743,554	10,626,994	97	115
Income tax before credits.....	3,064,009	396,894,125	3,063,497	396,880,653	512	13,472
Tax credits:						
Total.....	365,704	1,337,666	365,192	1,324,194	512	13,472
Child care credit.....	189,310	97,055	189,295	97,046	15	8
Minimum tax credit.....	113,742	679,944	113,447	667,582	295	12,363
Foreign tax credit.....	0	0	0	0	0	0
General business credit.....	59,309	414,472	59,254	413,946	55	526
Worldwide income tax.....	3,063,501	396,437,504	3,063,501	396,437,504	0	0
Foreign taxes paid.....	997,926	6,919,477	997,926	6,919,477	0	0
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	29,862	880,545	29,862	880,545	0	0
Taxable income which would yield:						
Income tax before credits.....	3,064,009	1,331,808,920	3,063,497	1,331,754,964	512	53,955
Income tax after credits.....	3,063,501	1,330,491,764	3,063,501	1,330,491,764	0	0
Worldwide income tax.....	3,063,501	1,330,493,191	3,063,501	1,330,493,191	0	0
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	3,067,601	1,735,694,669	3,063,501	1,734,970,305	4,100	724,364
plus: Total tax preferences excluded from adjusted gross income [2].....	951,560	36,845,318	948,059	35,697,886	3,501	1,147,432
Social Security benefits (nontaxable).....	533,288	1,728,018	531,288	1,719,034	2,000	8,984
Foreign-earned income exclusion.....	45,833	3,258,600	45,812	3,256,024	21	2,576
minus: Investment interest expense deduction.....	546,744	10,352,193	545,665	10,141,337	1,079	210,856
Non-limited miscellaneous deductions.....	147,025	4,090,855	146,727	4,073,015	298	17,840
Unreimbursed employee business expenses	523,013	4,231,880	522,778	4,230,878	235	1,002
Equals: Expanded income.....	3,067,602	1,758,837,381	3,063,501	1,757,192,918	4,101	1,644,463

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

[1] Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

[2] Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,878,126	100.0	598,668	20.8	35,203	1.2	1,692,739	58.8
Interest paid deduction.....	1,125,744	39.1	0	0.0	6,944	19.7	991,624	58.6
Investment interest expense deduction [1].....	57,630	2.0	8,712	1.5	0	0.0	34,983	2.1
Taxes paid deduction.....	867,286	30.1	532,928	89.0	19,412	55.1	0	0.0
Charitable contributions deduction.....	597,718	20.8	37,507	6.3	3,633	10.3	531,325	31.4
Medical and dental expense deduction.....	10,606	0.4	1,062	0.2	311	0.9	5,798	0.3
Net casualty or theft loss deduction.....	358	[2]	80	[2]	**	**	** 197	** [2]
Total miscellaneous deductions.....	100,024	3.5	12,900	2.2	1,846	5.2	68,360	4.0
Foreign tax credit.....	15,561	0.5	** 51	** [2]	**	**	** 12,897	** 0.8
General business credit.....	7,141	0.2	** 226	** [2]	83	0.2	4,503	0.3
All other tax credits.....	14,002	0.5	214	[2]	** 302	** 0.6	** 9,819	** 0.6
Partnership and S corporation net losses.....	42,516	1.5	** 4,634	** 0.8	** 2,672	** 7.6	** 22,010	** 1.3
No second largest item.....	39,541	1.4	** 355	** 0.1	**	**	** 11,223	** 0.7
Returns with expanded income of \$200,000 or more								
Total.....	2,991,054	100.0	586,941	19.6	0	0.0	1,617,890	54.1
Interest paid deduction.....	1,138,282	38.1	0	0.0	0	0.0	983,550	60.8
Tax-exempt interest [3].....	141,796	4.7	6,526	1.1	0	0.0	87,535	5.4
Taxes paid deduction.....	909,024	30.4	534,183	91.0	0	0.0	0	0.0
Charitable contributions deduction.....	520,417	17.4	37,856	6.4	0	0.0	436,911	27.0
Medical and dental expense deduction.....	13,403	0.4	910	0.2	0	0.0	5,671	0.4
Net casualty or theft loss deduction.....	456	[2]	80	[2]	0	0.0	159	[2]
Total miscellaneous deductions.....	38,657	1.3	2,233	0.4	0	0.0	16,776	1.0
Foreign tax credit.....	29,024	1.0	42	[2]	0	0.0	9,873	0.6
General business credit.....	6,000	0.2	235	[2]	0	0.0	3,522	0.2
All other tax credits.....	12,068	0.4	270	[2]	0	0.0	9,085	0.6
Partnership and S corporation net losses.....	45,344	1.5	3,859	0.7	0	0.0	24,941	1.5
Foreign-earned income exclusion [3].....	25,293	0.8	41	[2]	0	0.0	239	[2]
AMT tax preference [3].....	2,151	0.1	190	[2]	0	0.0	1,028	0.1
Nontaxable Social Security benefits [3].....	72,542	2.4	159	[2]	0	0.0	33,177	2.1
No second largest item.....	36,595	1.2	355	0.1	0	0.0	5,422	0.3

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	256,887	8.9	21,327	0.7	3,682	0.1	86,120	3.0
Interest paid deduction.....	48,322	18.8	2,753	12.9	1,581	42.9	22,423	26.0
Investment interest expense deduction [1].....	4,598	1.8	**	**	**	**	** 1,862	** 2.2
Taxes paid deduction.....	183,358	71.4	13,659	64.0	1,315	35.7	50,073	58.1
Charitable contributions deduction.....	0	0.0	1,869	8.8	0	0.0	9,071	10.5
Medical and dental expense deduction.....	1,590	0.6	0	0.0	** 732	** 19.9	** 652	** 0.8
Net casualty or theft loss deduction.....	20	[2]	0	0.0	0	0.0	** 52	** 0.1
Total miscellaneous deductions.....	11,839	4.6	1,865	8.7	0	0.0	0	0.0
Foreign tax credit.....	260	0.1	**	**	0	0.0	** 218	** 0.3
General business credit.....	1,097	0.4	0	0.0	**	**	** 502	** 0.6
All other tax credits.....	904	0.4	** 433	** 2.0	0	0.0	308	0.4
Partnership and S corporation net losses.....	4,888	1.9	** 748	** 3.5	** 54	** 1.5	** 896	** 1.0
No second largest item.....	11	[2]	0	0.0	0	0.0	63	0.1
Returns with expanded income of \$200,000 or more								
Total.....	247,567	8.3	20,159	0.7	3,576	0.1	19,165	0.6
Interest paid deduction.....	50,195	20.3	2,015	10.0	986	27.6	2,000	10.4
Tax-exempt interest [3].....	16,107	6.5	3,403	16.9	1,043	29.2	2,775	14.5
Taxes paid deduction.....	165,610	66.9	10,083	50.0	**	**	**	**
Charitable contributions deduction.....	0	0.0	763	3.8	0	0.0	2,594	13.5
Medical and dental expense deduction.....	1,322	0.5	0	0.0	** 676	** 18.9	** 287	** 1.5
Net casualty or theft loss deduction.....	11	[2]	0	0.0	0	0.0	41	0.2
Total miscellaneous deductions.....	5,712	2.3	905	4.5	0	0.0	0	0.0
Foreign tax credit.....	181	0.1	7	[2]	0	0.0	99	0.5
General business credit.....	884	0.4	0	0.0	**	**	**	**
All other tax credits.....	885	0.4	151	0.7	0	0.0	0	0.0
Partnership and S corporation net losses.....	4,124	1.7	507	2.5	** 871	** 24.4	** 437	** 2.3
Foreign-earned income exclusion [3].....	3	[2]	0	0.0	0	0.0	** 10,885	** 56.8
AMT tax preference [3].....	199	0.1	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [3].....	2,320	0.9	2,325	11.5	0	0.0	46	0.2
No second largest item.....	14	[2]	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect—continued							
	Foreign tax credit		General business credit		All other tax credits		Partnership and S corporation net losses	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	58,897	2.0	6,369	0.2	16,400	0.6	101,834	3.5
Interest paid deduction.....	15,447	26.2	903	14.2	4,013	24.5	31,735	31.2
Investment interest expense deduction [1].....	963	1.6	** 121	** 1.9	303	1.8	** 6,087	** 6.0
Taxes paid deduction.....	12,802	21.7	3,248	51.0	5,052	30.8	45,439	44.6
Charitable contributions deduction.....	1,690	2.9	617	9.7	1,423	8.7	10,584	10.4
Medical and dental expense deduction.....	144	0.2	0	0.0	6	[2]	311	0.3
Net casualty or theft loss deduction.....	0	0.0	0	0.0	**	**	9	[2]
Total miscellaneous deductions.....	808	1.4	17	0.3	168	1.0	2,219	2.2
Foreign tax credit.....	0	0.0	** 245	** 3.8	482	2.9	** 1,408	** 1.4
General business credit.....	440	0.7	0	0.0	**	**	291	0.3
All other tax credits.....	1,682	2.9	121	1.9	** 5	** [2]	214	0.2
Partnership and S corporation net losses.....	1,561	2.7	104	1.6	** 4,948	** 30.2	0	0.0
No second largest item.....	23,359	39.7	993	15.6	**	**	3,537	3.5
Returns with expanded income of \$200,000 or more								
Total.....	51,735	1.7	5,875	0.2	16,127	0.5	95,993	3.2
Interest paid deduction.....	4,665	9.0	765	13.0	2,936	18.2	23,381	24.4
Tax-exempt interest [3].....	2,917	5.6	349	5.9	2,115	13.1	7,864	8.2
Taxes paid deduction.....	** 19,909	** 38.5	**	**	5,042	31.3	43,570	45.4
Charitable contributions deduction.....	879	1.7	574	9.8	** 1,389	** 8.6	10,180	10.6
Medical and dental expense deduction.....	144	0.3	0	0.0	6	[2]	296	0.3
Net casualty or theft loss deduction.....	0	0.0	0	0.0	8	0.1	9	[2]
Total miscellaneous deductions.....	274	0.5	**	**	** 151	** 0.9	1,567	1.6
Foreign tax credit.....	** 4	** [2]	** 2,979	** 50.7	** 216	** 1.3	643	0.7
General business credit.....	** 168	** 0.3	0	0.0	116	0.7	298	0.3
All other tax credits.....	372	0.7	117	2.0	0	0.0	170	0.2
Partnership and S corporation net losses.....	** 78	** 0.2	90	1.5	92	0.6	0	0.0
Foreign-earned income exclusion [3].....	** 14,109	** 27.3	** 6	** 0.1	0	0.0	4	[2]
AMT tax preference [3].....	189	0.4	0	0.0	48	0.3	140	0.1
Nontaxable Social Security benefits [3].....	336	0.7	53	0.9	304	1.9	4,946	5.2
No second largest item.....	7,691	14.9	942	16.0	3,703	23.0	2,926	3.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect—continued							
	Foreign-earned income exclusion [3]		Tax-exempt interest [3]		AMT tax preference [3]		Nontaxable Social Security benefits [3]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Returns with U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	0	0.0	0	0.0	0	0.0	0	0.0
Interest paid deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1].....	0	0.0	0	0.0	0	0.0	0	0.0
Taxes paid deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Charitable contributions deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions.....	0	0.0	0	0.0	0	0.0	0	0.0
Foreign tax credit.....	0	0.0	0	0.0	0	0.0	0	0.0
General business credit.....	0	0.0	0	0.0	0	0.0	0	0.0
All other tax credits.....	0	0.0	0	0.0	0	0.0	0	0.0
Partnership and S corporation net losses.....	0	0.0	0	0.0	0	0.0	0	0.0
No second largest item.....	0	0.0	0	0.0	0	0.0	0	0.0
Returns with expanded income of \$200,000 or more								
Total.....	17,855	0.6	221,359	7.4	17,855	0.6	68,956	2.3
Interest paid deduction.....	4,176	23.4	24,695	11.2	3,717	20.8	35,203	51.1
Tax-exempt interest [3].....	578	3.2	0	0.0	633	3.5	9,952	14.4
Taxes paid deduction.....	**	**	** 109,368	** 49.4	11,643	65.2	9,617	13.9
Charitable contributions deduction.....	** 375	** 2.1	28,090	12.7	800	4.5	6	[2]
Medical and dental expense deduction.....	0	0.0	3,695	1.7	41	0.2	356	0.5
Net casualty or theft loss deduction.....	0	0.0	144	0.1	3	[2]	0	0.0
Total miscellaneous deductions.....	**	**	** 11,033	** 5.0	5	[2]	0	0.0
Foreign tax credit.....	** 12,186	** 68.2	** 768	** 0.3	91	0.5	1,934	2.8
General business credit.....	0	0.0	730	0.3	3	[2]	43	0.1
All other tax credits.....	0	0.0	802	0.4	85	0.5	131	0.2
Partnership and S corporation net losses.....	70	0.4	7,551	3.4	789	4.4	1,934	2.8
Foreign-earned income exclusion [3].....	0	0.0	5	[2]	0	0.0	0	0.0
AMT tax preference [3].....	0	0.0	200	0.1	0	0.0	158	0.2
Nontaxable Social Security benefits [3].....	0	0.0	28,855	13.0	21	0.1	0	0.0
No second largest item.....	470	2.6	5,423	2.5	25	0.1	9,623	14.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,833	100.0	69	2.4	367	13.0	43	1.5
Interest paid deduction.....	663	23.4	0	0.0	57	15.5	7	16.3
Investment interest expense deduction [1].....	183	6.5	**	**	**	**	** 3	** 7.0
Taxes paid deduction.....	774	27.3	39	56.5	74	20.2	0	0.0
Charitable contributions deduction.....	390	13.8	9	13.0	** 87	** 23.7	** 14	** 32.6
Medical and dental expense deduction.....	49	1.7	4	5.8	** 8	** 2.1	**	**
Net casualty or theft loss deduction.....	12	0.4	0	0.0	**	**	**	**
Total miscellaneous deductions.....	203	7.2	6	8.7	** 29	** 7.9	7	16.3
Foreign tax credit.....	13	0.5	0	0.0	** 4	** 1.1	**	**
General business credit.....	15	0.5	** 4	** 5.8	0	0.0	0	0.0
All other tax credits.....	66	2.3	**	**	** 10	** 2.7	6	14.0
Partnership and S corporation net losses.....	270	9.5	4	5.8	95	25.9	6	14.0
No second largest item.....	195	6.9	** 3	** 4.3	** 3	** 0.8	**	**
Returns with expanded income of \$200,000 or more								
Total.....	5,028	100.0	69	1.4	0	0.0	59	1.2
Interest paid deduction.....	510	10.1	0	0.0	0	0.0	**	**
Tax-exempt interest [3].....	613	12.2	5	7.2	0	0.0	** 31	** 52.5
Taxes paid deduction.....	1,093	21.7	35	50.7	0	0.0	0	0.0
Charitable contributions deduction.....	574	11.4	** 12	** 17.4	0	0.0	7	11.9
Medical and dental expense deduction.....	616	12.3	3	4.3	0	0.0	0	0.0
Net casualty or theft loss deduction.....	26	0.5	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions.....	364	7.2	** 4	** 5.8	0	0.0	** 5	** 8.5
Foreign tax credit.....	198	3.9	0	0.0	0	0.0	**	**
General business credit.....	22	0.4	**	**	0	0.0	** 5	** 8.5
All other tax credits.....	107	2.1	3	4.3	0	0.0	4	6.8
Partnership and S corporation net losses.....	473	9.4	4	5.8	0	0.0	7	11.9
Foreign-earned income exclusion [3].....	226	4.5	3	4.3	0	0.0	0	0.0
AMT tax preference [3].....	12	0.2	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [3].....	77	1.5	**	**	0	0.0	0	0.0
No second largest item.....	117	2.3	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	142	5.0	319	11.3	285	10.1	901	31.8
Interest paid deduction.....	** 46	** 32.4	17	5.3	100	35.1	296	32.9
Investment interest expense deduction [1].....	** 20	** 14.1	0	0.0	4	1.4	** 80	** 8.9
Taxes paid deduction.....	**	**	** 87	** 27.3	107	37.5	308	34.2
Charitable contributions deduction.....	** 13	** 9.2	** 94	** 29.5	37	13.0	**	**
Medical and dental expense deduction.....	18	12.7	0	0.0	5	1.8	** 14	** 1.6
Net casualty or theft loss deduction.....	**	**	** 4	** 1.3	0	0.0	5	0.6
Total miscellaneous deductions.....	6	4.2	** 106	** 33.2	** 14	** 4.9	0	0.0
Foreign tax credit.....	0	0.0	**	**	** 5	** 1.8	0	0.0
General business credit.....	4	2.8	0	0.0	0	0.0	**	**
All other tax credits.....	25	17.6	3	0.9	0	0.0	** 4	** 0.4
Partnership and S corporation net losses.....	** 10	** 7.0	** 8	** 2.5	10	3.5	112	12.4
No second largest item.....	0	0.0	**	**	** 3	** 1.1	82	9.1
Returns with expanded income of \$200,000 or more								
Total.....	154	3.1	601	12.0	294	5.8	51	1.0
Interest paid deduction.....	** 37	** 24.0	14	2.3	101	32.0	**	**
Tax-exempt interest [3].....	** 19	** 12.3	358	59.6	24	10.5	** 29	** 56.9
Taxes paid deduction.....	** 20	** 13.0	41	6.8	** 102	** 34.7	4	7.8
Charitable contributions deduction.....	0	0.0	** 96	** 16.0	** 33	** 11.2	12	23.5
Medical and dental expense deduction.....	** 24	** 15.6	0	0.0	**	**	**	**
Net casualty or theft loss deduction.....	0	0.0	**	**	0	0.0	0	0.0
Total miscellaneous deductions.....	11	7.1	71	11.8	8	2.7	0	0.0
Foreign tax credit.....	0	0.0	0	0.0	**	**	** 3	** 5.9
General business credit.....	4	2.6	0	0.0	0	0.0	0	0.0
All other tax credits.....	25	16.2	**	**	0	0.0	0	0.0
Partnership and S corporation net losses.....	14	9.1	6	1.0	10	3.4	** 3	** 5.9
Foreign-earned income exclusion [3].....	0	0.0	** 3	** 0.5	** 5	** 1.7	0	0.0
AMT tax preference [3].....	0	0.0	0	0.0	** 5	** 1.7	0	0.0
Nontaxable Social Security benefits [3].....	0	0.0	** 12	** 1.2	6	2.0	0	0.0
No second largest item.....	0	0.0	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect—continued							
	Foreign tax credit		General business credit		All other tax credits		Partnership and S corporation net losses	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	159	5.6	8	0.3	303	10.7	237	8.4
Interest paid deduction.....	**	**	**	**	** 140	** 46.2	**	**
Investment interest expense deduction [1].....	4	2.5	0	0.0	22	7.3	** 46	** 19.4
Taxes paid deduction.....	** 41	** 25.8	**	**	** 80	** 26.4	38	16.0
Charitable contributions deduction.....	**	**	** 8	** 100.0	** 26	** 8.6	** 102	** 43.0
Medical and dental expense deduction.....	0	0.0	0	0.0	**	**	**	**
Net casualty or theft loss deduction.....	0	0.0	0	0.0	0	0.0	3	1.3
Total miscellaneous deductions.....	3	1.9	0	0.0	5	1.7	27	11.4
Foreign tax credit.....	0	0.0	0	0.0	**	**	** 4	** 1.7
General business credit.....	0	0.0	0	0.0	**	**	** 5	** 2.1
All other tax credits.....	3	1.9	**	**	** 5	** 1.7	** 12	** 5.1
Partnership and S corporation net losses.....	6	3.8	0	0.0	19	6.3	0	0.0
No second largest item.....	102	64.2	0	0.0	6	2.0	0	0.0
Returns with expanded income of \$200,000 or more								
Total.....	262	5.2	8	0.2	301	6.0	244	4.9
Interest paid deduction.....	3	1.1	3	37.5	102	33.9	8	3.3
Tax-exempt interest [3].....	**	**	0	0.0	28	9.3	** 119	** 48.4
Taxes paid deduction.....	4	1.5	** 5	** 62.5	** 103	** 34.2	** 32	** 13.1
Charitable contributions deduction.....	**	**	**	**	** 35	** 11.6	47	19.3
Medical and dental expense deduction.....	0	0.0	0	0.0	0	0.0	**	**
Net casualty or theft loss deduction.....	0	0.0	0	0.0	0	0.0	** 5	** 2.0
Total miscellaneous deductions.....	0	0.0	0	0.0	** 7	** 2.3	** 6	** 2.5
Foreign tax credit.....	0	0.0	0	0.0	**	**	** 5	** 2.0
General business credit.....	0	0.0	0	0.0	**	**	** 6	** 2.5
All other tax credits.....	** 6	** 2.3	**	**	**	**	** 12	** 4.9
Partnership and S corporation net losses.....	** 4	** 1.5	0	0.0	15	5.0	0	0.0
Foreign-earned income exclusion [3].....	215	82.1	0	0.0	0	0.0	**	**
AMT tax preference [3].....	0	0.0	0	0.0	3	1.0	** 4	** 1.6
Nontaxable Social Security benefits [3].....	**	**	**	**	** 5	** 1.7	0	0.0
No second largest item.....	30	11.5	0	0.0	3	1.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 7. Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, item with the second largest tax effect	Item with the largest tax effect—continued							
	Foreign-earned income exclusion [3]		Tax-exempt interest [3]		AMT tax preference [3]		Nontaxable Social Security benefits [3]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
Returns without U.S. income tax								
Returns with adjusted gross income of \$200,000 or more								
Total	0	0.0	0	0.0	0	0.0	0	0.0
Interest paid deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1].....	0	0.0	0	0.0	0	0.0	0	0.0
Taxes paid deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Charitable contributions deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction.....	0	0.0	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions.....	0	0.0	0	0.0	0	0.0	0	0.0
Foreign tax credit.....	0	0.0	0	0.0	0	0.0	0	0.0
General business credit.....	0	0.0	0	0.0	0	0.0	0	0.0
All other tax credits.....	0	0.0	0	0.0	0	0.0	0	0.0
Partnership and S corporation net losses.....	0	0.0	0	0.0	0	0.0	0	0.0
No second largest item.....	0	0.0	0	0.0	0	0.0	0	0.0
Returns with expanded income of \$200,000 or more								
Total	229	4.6	** 2,756	** 54.8	**	**	**	**
Interest paid deduction.....	21	9.2	** 221	** 8.0	**	**	**	**
Tax-exempt interest [3].....	**	**	0	0.0	**	**	**	**
Taxes paid deduction.....	** 4	** 1.7	** 743	** 27.0	**	**	**	**
Charitable contributions deduction.....	7	3.1	** 325	** 11.8	**	**	**	**
Medical and dental expense deduction.....	** 6	** 2.6	** 583	** 21.2	**	**	**	**
Net casualty or theft loss deduction.....	**	**	** 21	** 0.8	**	**	**	**
Total miscellaneous deductions.....	0	0.0	** 252	** 9.1	**	**	**	**
Foreign tax credit.....	** 186	** 81.2	** 4	** 0.1	**	**	**	**
General business credit.....	0	0.0	** 7	** 0.3	**	**	**	**
All other tax credits.....	** 5	** 2.2	** 52	** 1.9	**	**	**	**
Partnership and S corporation net losses.....	**	**	** 410	** 14.9	**	**	**	**
Foreign-earned income exclusion [3].....	0	0.0	**	**	**	**	**	**
AMT tax preference [3].....	0	0.0	**	**	**	**	**	**
Nontaxable Social Security benefits [3].....	0	0.0	** 54	** 2.0	**	**	**	**
No second largest item.....	0	0.0	** 84	** 3.0	**	**	**	**

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

[1] Investment interest expense deduction only has an effect when using the adjusted gross income concept.

[2] Less than 0.05 percent.

[3] Tax-exempt interest, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits only have an effect when using the expanded income concept.

NOTES: Detail may not add to totals due to rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect					
			Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,848,578	100.0	607,648	21.3	36,200	1.3	1,705,555	59.9
Interest paid deduction.....	1,121,808	39.4	0	0.0	7,038	19.4	1,001,348	58.7
Investment interest expense deduction [1].....	58,172	2.0	8,897	1.5	0	0.0	35,861	2.1
Taxes paid deduction.....	865,078	30.4	540,703	89.0	19,839	54.8	0	0.0
Charitable contributions deduction.....	607,813	21.3	37,878	6.2	3,883	10.7	** 542,603	**31.8
Medical and dental expense deduction.....	10,510	0.4	1,063	0.2	310	0.9	5,802	0.3
Net casualty or theft loss deduction.....	358	[2]	80	[2]	41	0.1	155	[2]
Total miscellaneous deductions.....	100,453	3.5	13,095	2.2	2,075	5.7	69,062	4.0
General business credit.....	6,836	0.2	227	[2]	97	0.3	4,600	0.3
All other tax credits.....	12,829	0.5	256	[2]	193	0.5	10,195	0.6
Partnership and S corporation net losses.....	41,430	1.5	4,640	0.8	2,720	7.5	26,924	1.6
No second largest item.....	23,290	0.8	810	0.1	4	[2]	** 9,005	**0.5
Returns with expanded income of \$200,000 or more								
Total.....	2,983,349	100.0	590,701	19.8	0	0.0	1,626,117	54.5
Interest paid deduction.....	1,154,113	38.7	0	0.0	0	0.0	990,747	60.9
Tax-exempt interest [3].....	143,551	4.8	6,538	1.1	0	0.0	88,755	5.5
Taxes paid deduction.....	910,593	30.5	537,675	91.0	0	0.0	0	0.0
Charitable contributions deduction.....	527,204	17.7	37,902	6.4	0	0.0	443,162	27.3
Medical and dental expense deduction.....	13,330	0.4	910	0.2	0	0.0	5,671	0.3
Net casualty or theft loss deduction.....	457	[2]	80	[2]	0	0.0	159	[2]
Total miscellaneous deductions.....	38,663	1.3	2,234	0.4	0	0.0	16,902	1.0
General business credit.....	6,024	0.2	235	[2]	0	0.0	3,602	0.2
All other tax credits.....	13,877	0.5	270	[2]	0	0.0	9,303	0.6
Partnership and S corporation net losses.....	45,329	1.5	3,871	0.7	0	0.0	25,059	1.5
Foreign-earned income exclusion [3].....	1,195	[2]	240	[2]	0	0.0	564	[2]
AMT tax preference [3].....	2,089	0.1	190	[2]	0	0.0	1,032	0.1
Nontaxable Social Security benefits [3].....	73,456	2.5	159	[2]	0	0.0	33,662	2.1
No second largest item.....	53,467	1.8	397	0.1	0	0.0	7,501	0.5

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	258,602	9.1	21,483	0.8	3,687	0.1	86,944	3.1
Interest paid deduction.....	48,876	18.9	2,897	13.5	1,581	42.9	22,479	25.9
Investment interest expense deduction [1].....	4,685	1.8	**	**	** 96	**2.6	1,977	2.3
Taxes paid deduction.....	184,521	71.4	** 13,557	**63.1	** 1,268	**34.4	50,547	58.1
Charitable contributions deduction.....	0	0.0	2,016	9.4	**	**	** 9,336	**10.7
Medical and dental expense deduction.....	1,632	0.6	0	0.0	** 686	**18.6	** 699	**0.8
Net casualty or theft loss deduction.....	20	[2]	0	0.0	0	0.0	44	0.1
Total miscellaneous deductions.....	11,911	4.6	** 2,065	**9.6	0	0.0	0	0.0
General business credit.....	1,097	0.4	0	0.0	** 4	** 0	** 30	** [2]
All other tax credits.....	929	0.4	440	2.0	0	0.0	308	0.4
Partnership and S corporation net losses.....	4,913	1.9	** 508	**2.4	** 52	**1.4	1,457	1.7
No second largest item.....	19	[2]	**	**	**	**	** 66	**0.1
Returns with expanded income of \$200,000 or more								
Total.....	248,476	8.3	20,320	0.7	3,583	0.1	19,443	0.7
Interest paid deduction.....	50,432	20.3	2,159	10.6	986	27.5	2,043	10.5
Tax-exempt interest [3].....	16,229	6.5	3,411	16.8	1,046	29.2	2,789	14.3
Taxes paid deduction.....	166,204	66.9	10,086	49.6	818	22.8	11,173	57.5
Charitable contributions deduction.....	0	0.0	765	3.8	**	**	** 2,604	**13.4
Medical and dental expense deduction.....	1,365	0.5	0	0.0	** 679	**19.0	** 284	**1.5
Net casualty or theft loss deduction.....	11	[2]	0	0.0	0	0.0	41	0.2
Total miscellaneous deductions.....	5,726	2.3	911	4.5	0	0.0	0	0.0
General business credit.....	884	0.4	0	0.0	** 3	** 0	0	0.0
All other tax credits.....	907	0.4	152	0.7	0	0.0	0	0.0
Partnership and S corporation net losses.....	4,138	1.7	** 508	**2.5	** 52	**1.5	445	2.3
Foreign-earned income exclusion [3].....	42	[2]	**	**	**	**	** 18	**0.1
AMT tax preference [3].....	199	0.1	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [3].....	2,324	0.9	2,326	11.4	0	0.0	46	0.2
No second largest item.....	14	[2]	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect—continued							
	General business credit		All other tax credits		Partnership and S corporation net losses		Foreign-earned income exclusion [3]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns with worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	6,813	0.2	18,214	0.6	103,433	3.6	0	0.0
Interest paid deduction.....	1,008	14.8	4,514	24.8	32,068	31.0	0	0.0
Investment interest expense deduction [1].....	** 488	**7.2	**	**	6,168	6.0	0	0.0
Taxes paid deduction.....	** 3,054	**44.8	** 5,770	**31.7	45,819	44.3	0	0.0
Charitable contributions deduction.....	**	**	1,435	7.9	10,662	10.3	0	0.0
Medical and dental expense deduction.....	0	0.0	7	[2]	311	0.3	0	0.0
Net casualty or theft loss deduction.....	0	0.0	8	[2]	9	[2]	0	0.0
Total miscellaneous deductions.....	**	**	**	**	2,247	2.2	0	0.0
General business credit.....	0	0.0	470	2.6	311	0.3	0	0.0
All other tax credits.....	133	2.0	0	0.0	375	0.4	0	0.0
Partnership and S corporation net losses.....	105	1.5	112	0.6	0	0.0	0	0.0
No second largest item.....	** 2,025	**29.7	** 5,898	**32.4	5,462	5.3	0	0.0
Returns with expanded income of \$200,000 or more								
Total.....	6,045	0.2	16,629	0.6	96,929	3.2	43,275	1.5
Interest paid deduction.....	870	14.4	3,041	18.3	23,520	24.3	14,567	33.7
Tax-exempt interest [3].....	422	7.0	2,149	12.9	7,963	8.2	3,642	8.4
Taxes paid deduction.....	2,895	47.9	5,207	31.3	43,899	45.3	6,343	14.7
Charitable contributions deduction.....	587	9.7	1,396	8.4	10,263	10.6	1,458	3.4
Medical and dental expense deduction.....	0	0.0	6	[2]	296	0.3	** 6	** [2]
Net casualty or theft loss deduction.....	0	0.0	8	[2]	9	[2]	**	**
Total miscellaneous deductions.....	**	**	** 154	**0.9	1,590	1.6	157	0.4
General business credit.....	0	0.0	117	0.7	303	0.3	3	[2]
All other tax credits.....	129	2.1	0	0.0	183	0.2	1,847	4.3
Partnership and S corporation net losses.....	90	1.5	99	0.6	0	0.0	588	1.4
Foreign-earned income exclusion [3].....	** 4	**0.1	** 68	**0.4	128	0.1	0	0.0
AMT tax preference [3].....	0	0.0	74	0.4	140	0.1	91	0.2
Nontaxable Social Security benefits [3].....	53	0.9	304	1.8	4,982	5.1	162	0.4
No second largest item.....	995	16.5	4,006	24.1	3,654	3.8	14,410	33.3

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect—continued					
	Tax-exempt interest [3]		AMT tax preference [3]		Nontaxable Social Security benefits [3]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)
Returns with worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	0	0.0	0	0.0	0	0.0
Interest paid deduction.....	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1].....	0	0.0	0	0.0	0	0.0
Taxes paid deduction.....	0	0.0	0	0.0	0	0.0
Charitable contributions deduction.....	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction.....	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction.....	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions.....	0	0.0	0	0.0	0	0.0
General business credit.....	0	0.0	0	0.0	0	0.0
All other tax credits.....	0	0.0	0	0.0	0	0.0
Partnership and S corporation net losses.....	0	0.0	0	0.0	0	0.0
No second largest item.....	0	0.0	0	0.0	0	0.0
Returns with expanded income of \$200,000 or more						
Total.....	224,492	7.5	18,045	0.6	69,293	2.3
Interest paid deduction.....	26,619	11.9	3,720	20.6	35,408	51.1
Tax-exempt interest [3].....	0	0.0	641	3.6	9,966	14.4
Taxes paid deduction.....	104,816	46.7	11,813	65.5	9,665	13.9
Charitable contributions deduction.....	28,251	12.6	809	4.5	8	[2]
Medical and dental expense deduction.....	** 3,717	1.7	41	0.2	356	0.5
Net casualty or theft loss deduction.....	** 145	0.1	3	[2]	0	0.0
Total miscellaneous deductions.....	10,983	4.9	5	[2]	0	0.0
General business credit.....	830	0.4	3	[2]	43	0.1
All other tax credits.....	866	0.4	89	0.5	131	0.2
Partnership and S corporation net losses.....	7,605	3.4	789	4.4	2,086	3.0
Foreign-earned income exclusion [3].....	53	[2]	77	0.4	0	0.0
AMT tax preference [3].....	205	0.1	0	0.0	159	0.2
Nontaxable Social Security benefits [3].....	29,418	13.1	21	0.1	0	0.0
No second largest item.....	10,984	4.9	34	0.2	11,472	16.6

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Total		Item with the largest tax effect—continued					
			Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	2,420	100.0	69	2.9	337	13.9	36	1.5
Interest paid deduction.....	575	23.8	0	0.0	54	16.0	6	16.7
Investment interest expense deduction [1].....	154	6.4	**	**	0	0.0	4	11.1
Taxes paid deduction.....	702	29.0	** 41	**59.4	70	20.8	0	0.0
Charitable contributions deduction.....	359	14.8	9	13.0	** 85	**25.2	** 10	**27.8
Medical and dental expense deduction.....	47	1.9	4	5.8	** 8	**2.4	**	**
Net casualty or theft loss deduction.....	12	0.5	0	0.0	0	0.0	**	**
Total miscellaneous deductions.....	190	7.9	6	8.7	** 27	**8.0	** 7	**19.4
General business credit.....	9	0.4	**	**	**	**	0	0.0
All other tax credits.....	36	1.5	** 5	**7.2	**	**	4	11.1
Partnership and S corporation net losses.....	244	10.1	4	5.8	** 93	**27.6	5	13.9
No second largest item.....	92	3.8	0	0.0	**	**	0	0.0
Returns with expanded income of \$200,000 or more								
Total.....	4,101	100.0	67	1.6	0	0.0	52	1.3
Interest paid deduction.....	411	10.0	0	0.0	0	0.0	5	9.6
Tax-exempt interest [3].....	575	14.0	5	7.5	0	0.0	25	48.1
Taxes paid deduction.....	981	23.9	35	52.2	0	0.0	0	0.0
Charitable contributions deduction.....	501	12.2	10	14.9	0	0.0	7	13.5
Medical and dental expense deduction.....	590	14.4	3	4.5	0	0.0	0	0.0
Net casualty or theft loss deduction.....	25	0.6	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions.....	334	8.1	** 4	**6.0	0	0.0	** 4	**7.7
General business credit.....	15	0.4	**	**	0	0.0	** 3	**5.8
All other tax credits.....	53	1.3	3	4.5	0	0.0	3	5.8
Partnership and S corporation net losses.....	440	10.7	4	6.0	0	0.0	5	9.6
Foreign-earned income exclusion [3].....	4	0.1	**	**	0	0.0	0	0.0
AMT tax preference [3].....	10	0.2	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [3].....	75	1.8	** 3	**4.5	0	0.0	0	0.0
No second largest item.....	87	2.1	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	119	4.9	308	12.7	280	11.6	888	36.7
Interest paid deduction.....	28	23.5	**	**	100	35.7	** 311	**35.0
Investment interest expense deduction [1].....	**	**	** 48	**15.6	4	1.4	0	0.0
Taxes paid deduction.....	** 41	**34.5	** 39	**12.7	106	37.9	** 309	**34.8
Charitable contributions deduction.....	0	0.0	104	33.8	37	13.2	61	6.9
Medical and dental expense deduction.....	18	15.1	0	0.0	5	1.8	12	1.4
Net casualty or theft loss deduction.....	**	**	** 4	**1.3	0	0.0	** 8	**0.9
Total miscellaneous deductions.....	** 5	**4.2	** 102	**33.1	**	**	**	**
General business credit.....	** 6	**5.0	0	0.0	0	0.0	**	**
All other tax credits.....	** 14	**11.8	**	**	0	0.0	** 5	**0.6
Partnership and S corporation net losses.....	** 7	**5.9	** 11	**3.6	** 28	**10.0	** 96	**10.8
No second largest item.....	0	0.0	0	0.0	**	**	** 86	**9.7
Returns with expanded income of \$200,000 or more								
Total.....	126	3.1	585	14.3	287	7.0	47	1.1
Interest paid deduction.....	26	20.6	14	2.4	94	32.8	** 6	**12.8
Tax-exempt interest [3].....	19	15.1	350	59.8	28	9.8	21	44.7
Taxes paid deduction.....	22	17.5	** 39	**6.7	** 94	**32.8	** 7	**14.9
Charitable contributions deduction.....	0	0.0	94	16.1	** 33	**11.5	** 13	**27.7
Medical and dental expense deduction.....	19	15.1	** 5	**0.9	**	**	**	**
Net casualty or theft loss deduction.....	**	**	**	**	0	0.0	0	0.0
Total miscellaneous deductions.....	** 16	**12.7	** 67	**11.5	8	2.8	0	0.0
General business credit.....	**	**	** 4	**0.7	0	0.0	0	0.0
All other tax credits.....	** 13	**10.3	** 3	**0.5	0	0.0	0	0.0
Partnership and S corporation net losses.....	11	8.7	**	**	** 20	**7.0	**	**
Foreign-earned income exclusion [3].....	0	0.0	0	0.0	** 4	**1.4	0	0.0
AMT tax preference [3].....	0	0.0	0	0.0	**	**	0	0.0
Nontaxable Social Security benefits [3].....	0	0.0	9	1.5	** 6	**2.1	0	0.0
No second largest item.....	0	0.0	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect—continued							
	General business credit		All other tax credits		Partnership and S corporation net losses		Foreign-earned income exclusion [3]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Returns without worldwide income tax								
Returns with adjusted gross income of \$200,000 or more								
Total.....	4	0.2	174	7.2	205	8.5	0	0.0
Interest paid deduction.....	**	**	65	37.4	** 11	**5.4	0	0.0
Investment interest expense deduction [1].....	0	0.0	9	5.2	89	43.4	0	0.0
Taxes paid deduction.....	0	0.0	** 73	**42.0	** 34	**16.6	0	0.0
Charitable contributions deduction.....	** 4	**100.0	** 21	**12.1	** 17	**8.3	0	0.0
Medical and dental expense deduction.....	0	0.0	0	0.0	**	**	0	0.0
Net casualty or theft loss deduction.....	0	0.0	0	0.0	**	**	0	0.0
Total miscellaneous deductions.....	0	0.0	**	**	** 43	**21.0	0	0.0
General business credit.....	0	0.0	0	0.0	** 3	**1.5	0	0.0
All other tax credits.....	**	**	0	0.0	** 8	**3.9	0	0.0
Partnership and S corporation net losses.....	0	0.0	**	**	**	**	0	0.0
No second largest item.....	0	0.0	6	3.4	0	0.0	0	0.0
Returns with expanded income of \$200,000 or more								
Total.....	4	0.1	174	4.2	206	5.0	13	0.3
Interest paid deduction.....	**	**	59	33.9	7	3.4	5	38.5
Tax-exempt interest [3].....	0	0.0	18	10.3	** 109	**52.8	0	0.0
Taxes paid deduction.....	**	**	** 59	**33.9	** 26	**12.6	** 8	**61.5
Charitable contributions deduction.....	** 4	**100.0	** 20	**11.5	** 38	**18.4	0	0.0
Medical and dental expense deduction.....	0	0.0	0	0.0	3	1.5	0	0.0
Net casualty or theft loss deduction.....	0	0.0	0	0.0	** 4	**1.9	0	0.0
Total miscellaneous deductions.....	0	0.0	**	**	** 6	**2.9	0	0.0
General business credit.....	0	0.0	0	0.0	**	**	**	**
All other tax credits.....	**	**	0	0.0	7	3.4	0	0.0
Partnership and S corporation net losses.....	0	0.0	8	4.6	0	0.0	0	0.0
Foreign-earned income exclusion [3].....	0	0.0	0	0.0	0	0.0	0	0.0
AMT tax preference [3].....	0	0.0	** 4	**2.3	** 6	**2.9	0	0.0
Nontaxable Social Security benefits [3].....	0	0.0	** 3	**1.7	0	0.0	0	0.0
No second largest item.....	0	0.0	3	1.7	0	0.0	0	0.0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 8. Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns and Percentages Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2004—Continued

[All figures are estimates based on samples]

Item with the second largest tax effect	Item with the largest tax effect—continued					
	Tax-exempt interest [3]		AMT tax preference [3]		Nontaxable Social Security benefits [3]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)
Returns without worldwide income tax						
Returns with adjusted gross income of \$200,000 or more						
Total.....	0	0.0	0	0.0	0	0.0
Interest paid deduction.....	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1].....	0	0.0	0	0.0	0	0.0
Taxes paid deduction.....	0	0.0	0	0.0	0	0.0
Charitable contributions deduction.....	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction.....	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction.....	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions.....	0	0.0	0	0.0	0	0.0
General business credit.....	0	0.0	0	0.0	0	0.0
All other tax credits.....	0	0.0	0	0.0	0	0.0
Partnership and S corporation net losses.....	0	0.0	0	0.0	0	0.0
No second largest item.....	0	0.0	0	0.0	0	0.0
Returns with expanded income of \$200,000 or more						
Total.....	** 2,540	**61.9	**	**	**	**
Interest paid deduction.....	** 195	**7.7	**	**	**	**
Tax-exempt interest [3].....	**	**	**	**	**	**
Taxes paid deduction.....	** 691	**27.2	**	**	**	**
Charitable contributions deduction.....	** 282	**11.1	**	**	**	**
Medical and dental expense deduction.....	** 560	**22.0	**	**	**	**
Net casualty or theft loss deduction.....	** 21	**0.8	**	**	**	**
Total miscellaneous deductions.....	** 229	**9.0	**	**	**	**
General business credit.....	** 8	**0.3	**	**	**	**
All other tax credits.....	** 24	**0.9	**	**	**	**
Partnership and S corporation net losses.....	** 392	**15.4	**	**	**	**
Foreign-earned income exclusion [3].....	**	**	**	**	**	**
AMT tax preference [3].....	**	**	**	**	**	**
Nontaxable Social Security benefits [3].....	** 54	**2.1	**	**	**	**
No second largest item.....	** 84	**3.3	**	**	**	**

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

[1] Investment interest expense deduction only has an effect when using the adjusted gross income concept.

[2] Less than 0.05 percent.

[3] Tax-exempt interest, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits only have an effect when using the expanded income concept.

NOTE: Detail may not add to totals due to rounding. Total columns do not include returns with no tax effect.

High-Income Tax Returns for 2004

Table 9. Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2004

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	2,833	150	118	118	68	35
Interest paid deduction:						
Total.....	2,833	792	982	267	107	88
Investment interest per income concept.....	2,833	1,768	439	55	53	46
Taxes paid deduction.....	2,833	262	1,821	427	131	57
Charitable contributions deduction.....	2,833	673	1,488	153	89	114
Medical and dental expense deduction.....	2,833	2,351	89	28	15	10
Net casualty or theft loss deduction.....	2,833	2,530	6	**	**	**4
Net limited miscellaneous deduction per income concept.....	2,833	1,943	518	166	85	31
Nonlimited miscellaneous deduction.....	2,833	1,768	153	9	6	4
Deduction equivalent of:						
Total credits.....	2,833	2,110	121	38	32	40
Foreign tax credit.....	2,833	2,421	239	7	3	0
General business credit.....	2,833	2,744	52	12	6	10
Tax preferences excluded from adjusted gross income.....	2,833	1,906	571	83	58	42
Nontaxable Social Security benefits.....	2,833	2,057	773	0	0	0
Expanded income concept						
Total itemized deductions.....	5,028	765	501	800	552	369
Interest paid deduction:						
Total.....	5,028	3,086	1,185	472	155	51
Investment interest per income concept.....	5,028	3,750	1,027	92	39	28
Taxes paid deduction.....	5,028	816	2,968	824	210	73
Charitable contributions deduction.....	5,028	1,209	2,814	439	219	117
Medical and dental expense deduction.....	5,028	2,717	1,081	236	140	131
Net casualty or theft loss deduction.....	5,028	4,680	25	12	8	6
Net limited miscellaneous deduction per income concept.....	5,028	2,395	1,847	436	173	79
Nonlimited miscellaneous deduction.....	5,028	4,699	294	12	3	6
Deduction equivalent of:						
Total credits.....	5,028	3,593	513	122	73	70
Foreign tax credit.....	5,028	4,105	456	76	42	25
General business credit.....	5,028	4,927	65	12	4	10
Tax preferences excluded from adjusted gross income.....	5,028	1,159	409	125	147	193
Nontaxable Social Security benefits.....	5,028	2,909	2,116	0	0	0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 9. Returns Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2004—Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income—continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	23	32	16	306	1,967
Interest paid deduction:					
Total.....	52	46	58	241	200
Investment interest per income concept.....	41	49	57	183	142
Taxes paid deduction.....	34	28	22	22	29
Charitable contributions deduction.....	65	251	0	0	0
Medical and dental expense deduction.....	23	25	28	136	128
Net casualty or theft loss deduction.....	3	9	13	84	184
Net limited miscellaneous deduction per income concept.....	19	20	12	16	23
Nonlimited miscellaneous deduction.....	8	10	23	412	440
Deduction equivalent of:					
Total credits.....	84	107	**56	245	**
Foreign tax credit.....	3	7	4	149	0
General business credit.....	**9	0	**	**	0
Tax preferences excluded from adjusted gross income.....	36	19	25	29	64
Nontaxable Social Security benefits.....	0	0	0	0	3
Expanded income concept					
Total itemized deductions.....	275	246	198	472	850
Interest paid deduction:					
Total.....	15	8	6	37	13
Investment interest per income concept.....	13	11	9	20	39
Taxes paid deduction.....	44	22	16	17	38
Charitable contributions deduction.....	106	65	14	31	14
Medical and dental expense deduction.....	120	113	114	244	132
Net casualty or theft loss deduction.....	7	6	12	90	182
Net limited miscellaneous deduction per income concept.....	25	21	10	17	25
Nonlimited miscellaneous deduction.....	**	**	**4	3	7
Deduction equivalent of:					
Total credits.....	120	204	116	217	0
Foreign tax credit.....	41	96	64	123	0
General business credit.....	6	**4	**	**	0
Tax preferences excluded from adjusted gross income.....	181	272	356	1,805	381
Nontaxable Social Security benefits.....	0	3	0	0	0

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

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 10. Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2004

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions.....	2,420	25	50	59	43	10
Interest paid deduction:						
Total.....	2,420	623	843	228	89	72
Investment interest per income concept.....	2,420	1,508	342	47	40	38
Taxes paid deduction.....	2,420	134	1,619	363	120	55
Charitable contributions deduction.....	2,420	523	1,291	131	79	104
Medical and dental expense deduction.....	2,420	1,964	76	27	14	9
Net casualty or theft loss deduction.....	2,420	2,123	5	**	**	**
Net limited miscellaneous deduction per income concept.....	2,420	1,648	431	147	78	29
Nonlimited miscellaneous deduction.....	2,420	1,384	134	9	6	3
Deduction equivalent of:						
Total credits.....	2,420	2,109	60	19	19	23
Foreign tax credit.....	2,420	2,420	0	0	0	0
General business credit.....	2,420	2,367	27	10	5	8
Tax preferences excluded from adjusted gross income.....	2,420	1,639	464	68	50	38
Nontaxable Social Security benefits.....	2,420	1,700	717	0	0	0
Expanded income concept						
Total itemized deductions.....	4,101	425	352	623	444	325
Interest paid deduction:						
Total.....	4,101	2,530	924	385	140	45
Investment interest per income concept.....	4,101	3,025	855	82	32	24
Taxes paid deduction.....	4,101	449	2,535	718	197	70
Charitable contributions deduction.....	4,101	791	2,427	379	197	101
Medical and dental expense deduction.....	4,101	1,937	976	222	132	124
Net casualty or theft loss deduction.....	4,101	3,762	24	12	7	5
Net limited miscellaneous deduction per income concept.....	4,101	1,739	1,620	408	162	78
Nonlimited miscellaneous deduction.....	4,101	3,804	265	11	7	5
Deduction equivalent of:						
Total credits.....	4,101	3,589	259	21	15	25
Foreign tax credit.....	4,101	4,101	0	0	0	0
General business credit.....	4,101	4,046	31	9	7	8
Tax preferences excluded from adjusted gross income.....	4,101	600	304	103	130	171
Nontaxable Social Security benefits.....	4,101	2,101	1,997	0	0	0

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 10. Returns Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2004—Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income—continued				
	40 percent under	50 percent under	60 percent under	70 percent under	100 percent or more
	50 percent	60 percent	70 percent	100 percent	
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions.....	10	21	10	228	1,964
Interest paid deduction:					
Total.....	46	42	51	226	200
Investment interest per income concept.....	35	45	49	174	142
Taxes paid deduction.....	31	25	22	22	29
Charitable contributions deduction.....	60	232	0	0	0
Medical and dental expense deduction.....	22	25	25	131	127
Net casualty or theft loss deduction.....	7	9	12	80	184
Net limited miscellaneous deduction per income concept.....	16	20	12	16	23
Nonlimited miscellaneous deduction.....	7	10	21	406	440
Deduction equivalent of:					
Total credits.....	43	51	31	65	0
Foreign tax credit.....	0	0	0	0	0
General business credit.....	3	0	**	0	0
Tax preferences excluded from adjusted gross income.....	34	16	22	27	62
Nontaxable Social Security benefits.....	0	0	0	0	3
Expanded income concept					
Total itemized deductions.....	245	225	182	433	847
Interest paid deduction:					
Total.....	13	8	6	37	13
Investment interest per income concept.....	11	8	8	19	37
Taxes paid deduction.....	40	22	15	17	38
Charitable contributions deduction.....	95	56	12	29	14
Medical and dental expense deduction.....	118	108	113	239	132
Net casualty or theft loss deduction.....	6	6	9	88	182
Net limited miscellaneous deduction per income concept.....	24	19	9	17	25
Nonlimited miscellaneous deduction.....	**	**	**	3	6
Deduction equivalent of:					
Total credits.....	40	58	33	61	0
Foreign tax credit.....	0	0	0	0	0
General business credit.....	**	**	**	0	0
Tax preferences excluded from adjusted gross income.....	156	239	311	1,706	381
Nontaxable Social Security benefits.....	0	3	0	0	0

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 11. Returns With and Without U.S. Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
	Number of returns	Percentage of total	Under \$50,000 [1]		\$50,000 under \$100,000
			Number of returns	Percentage of total	
	(11)	(12)	(13)	(14)	(15)
All returns.....	132,226,042	100.0	90,478,783	100.0	29,115,600
Returns without U.S. income tax.....	41,349,370	31.3	40,474,945	44.7	837,458
Returns with U.S. income tax.....	90,876,672	68.7	50,003,838	55.3	28,278,142
Effective tax rate:					
Under 5 percent.....	28,244,110	21.4	22,970,126	25.4	4,980,380
5 under 10 percent.....	33,835,447	25.6	19,866,505	22.0	12,546,260
10 under 15 percent.....	20,014,185	15.1	7,082,794	7.8	7,908,803
15 under 20 percent.....	6,588,424	5.0	62,528	0.1	2,802,827
20 under 25 percent.....	1,459,612	1.1	6,923	[2]	33,891
25 under 30 percent.....	610,020	0.5	5,034	[2]	3,479
30 under 35 percent.....	114,013	0.1	1,977	[2]	1,661
35 under 40 percent.....	858	[2]	223	[2]	13
40 under 45 percent.....	2,277	[2]	972	[2]	34
45 under 50 percent.....	160	[2]	38	[2]	11
50 under 60 percent.....	1,680	[2]	946	[2]	717
60 under 70 percent.....	368	[2]	355	[2]	0
70 under 80 percent.....	16	[2]	0	0.0	0
80 percent or more.....	5,501	[2]	5,417	[2]	65

Tax status, effective tax rate	Size of expanded income—continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(16)	(17)	(18)	(19)	(20)
All returns.....	100.0	9,564,057	100.0	3,067,602	100.0
Returns without U.S. income tax.....	2.9	31,938	0.3	5,028	0.2
Returns with U.S. income tax.....	97.1	9,532,119	99.7	3,062,574	99.8
Effective tax rate:					
Under 5 percent.....	17.1	240,801	2.5	52,803	1.7
5 under 10 percent.....	43.1	1,343,366	14.0	79,316	2.6
10 under 15 percent.....	27.2	4,759,612	49.8	262,976	8.6
15 under 20 percent.....	9.6	2,818,638	29.5	904,431	29.5
20 under 25 percent.....	0.1	355,761	3.7	1,063,037	34.7
25 under 30 percent.....	[2]	11,724	0.1	589,783	19.2
30 under 35 percent.....	[2]	1,133	[2]	109,242	3.6
35 under 40 percent.....	[2]	4	[2]	618	[2]
40 under 45 percent.....	[2]	1,007	[2]	264	[2]
45 under 50 percent.....	[2]	52	[2]	59	[2]
50 under 60 percent.....	[2]	10	[2]	7	[2]
60 under 70 percent.....	0.0	4	[2]	9	[2]
70 under 80 percent.....	0.0	0	0.0	16	[2]
80 percent or more.....	[2]	6	[2]	13	[2]

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

[1] Includes returns with adjusted gross deficit or with negative expanded income.

[2] Less than 0.05 percent.

NOTE: Detail may not add to totals due to rounding.

High-Income Tax Returns for 2004

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2004

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of adjusted gross income		
			Under \$50,000 [1]		\$50,000 under \$100,000
	Number of returns (1)	Percentage of total (2)	Number of returns (3)	Percentage of total (4)	Number of returns (5)
All returns.....	132,226,042	100.0	91,302,396	100.0	28,166,641
Returns without worldwide income tax.....	41,174,716	31.1	40,396,248	44.2	759,851
Returns with worldwide income tax.....	91,051,326	68.9	50,906,149	55.8	27,406,790
Effective tax rate:					
Under 5 percent.....	27,667,382	20.9	23,014,990	25.2	4,427,458
5 under 10 percent.....	34,726,035	26.3	20,973,636	23.0	12,259,796
10 under 15 percent.....	19,907,666	15.1	6,843,121	7.5	7,934,799
15 under 20 percent.....	6,517,434	4.9	44,891	[2]	2,750,829
20 under 25 percent.....	1,439,472	1.1	6,865	[2]	23,995
25 under 30 percent.....	618,201	0.5	2,674	[2]	3,076
30 under 35 percent.....	129,090	0.1	3,247	[2]	881
35 under 40 percent.....	13,504	[2]	3,312	[2]	376
40 under 45 percent.....	9,518	[2]	972	[2]	1,106
45 under 50 percent.....	3,431	[2]	41	[2]	401
50 under 60 percent.....	5,943	[2]	1,055	[2]	2,600
60 under 70 percent.....	874	[2]	104	[2]	359
70 under 80 percent.....	3,096	[2]	1,979	[2]	1,057
80 percent or more.....	9,681	[2]	9,261	[2]	59

Tax status, effective tax rate	Size of adjusted gross income—continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total (6)	Number of returns (7)	Percentage of total (8)	Number of returns (9)	Percentage of total (10)
All returns.....	100.0	9,735,569	100.0	3,021,435	100.0
Returns without worldwide income tax.....	2.7	16,197	0.2	2,420	0.1
Returns with worldwide income tax.....	97.3	9,719,372	99.8	3,019,015	99.9
Effective tax rate:					
Under 5 percent.....	15.7	209,876	2.2	15,058	0.5
5 under 10 percent.....	43.5	1,446,900	14.9	45,703	1.5
10 under 15 percent.....	28.2	4,898,035	50.3	231,710	7.7
15 under 20 percent.....	9.8	2,800,312	28.8	921,403	30.5
20 under 25 percent.....	0.1	339,180	3.5	1,069,432	35.4
25 under 30 percent.....	[2]	13,559	0.1	598,892	19.8
30 under 35 percent.....	[2]	1,772	[2]	123,190	4.1
35 under 40 percent.....	[2]	3,332	[2]	6,484	0.2
40 under 45 percent.....	[2]	3,715	[2]	3,725	0.1
45 under 50 percent.....	[2]	1,283	[2]	1,705	0.1
50 under 60 percent.....	[2]	1,024	[2]	1,264	[2]
60 under 70 percent.....	[2]	363	[2]	47	[2]
70 under 80 percent.....	[2]	3	[2]	58	[2]
80 percent or more.....	[2]	17	[2]	344	[2]

Footnotes at end of table.

High-Income Tax Returns for 2004

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentages of Returns, by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2004—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Total		Size of expanded income		
	Number of returns	Percentage of total	Under \$50,000 [1]		\$50,000 under \$100,000
			Number of returns	Percentage of total	
	(11)	(12)	(13)	(14)	(15)
All returns.....	132,226,042	100.0	90,478,783	100.0	29,115,600
Returns without worldwide income tax.....	41,174,716	31.1	40,347,296	44.6	797,975
Returns with worldwide income tax.....	91,051,326	68.9	50,131,487	55.4	28,317,624
Effective tax rate:					
Under 5 percent.....	28,315,964	21.4	23,068,654	25.5	4,995,877
5 under 10 percent.....	33,840,737	25.6	19,883,320	22.0	12,548,440
10 under 15 percent.....	20,033,074	15.2	7,093,174	7.8	7,922,223
15 under 20 percent.....	6,610,532	5.0	64,428	0.1	2,808,777
20 under 25 percent.....	1,477,161	1.1	6,923	[2]	35,975
25 under 30 percent.....	631,542	0.5	4,082	[2]	3,479
30 under 35 percent.....	128,059	0.1	2,929	[2]	2,011
35 under 40 percent.....	3,615	[2]	223	[2]	10
40 under 45 percent.....	2,474	[2]	972	[2]	37
45 under 50 percent.....	201	[2]	38	[2]	11
50 under 60 percent.....	1,723	[2]	946	[2]	717
60 under 70 percent.....	369	[2]	355	[2]	0
70 under 80 percent.....	193	[2]	0	0.0	0
80 percent or more.....	5,681	[2]	5,442	[2]	65

Tax status, effective tax rate	Size of expanded income—continued				
	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more		
	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(16)	(17)	(18)	(19)	(20)
All returns.....	100.0	9,564,057	100.0	3,067,602	100.0
Returns without worldwide income tax.....	2.7	25,344	0.3	4,101	0.1
Returns with worldwide income tax.....	97.3	9,538,713	99.7	3,063,501	99.9
Effective tax rate:					
Under 5 percent.....	17.2	224,235	2.3	27,198	0.9
5 under 10 percent.....	43.1	1,337,858	14.0	71,119	2.3
10 under 15 percent.....	27.2	4,759,944	49.8	257,732	8.4
15 under 20 percent.....	9.6	2,831,872	29.6	905,454	29.5
20 under 25 percent.....	0.1	361,328	3.8	1,072,934	35.0
25 under 30 percent.....	[2]	18,768	0.2	605,213	19.7
30 under 35 percent.....	[2]	3,625	[2]	119,494	3.9
35 under 40 percent.....	[2]	4	[2]	3,377	0.1
40 under 45 percent.....	[2]	1,007	[2]	458	[2]
45 under 50 percent.....	[2]	52	[2]	100	[2]
50 under 60 percent.....	[2]	10	[2]	51	[2]
60 under 70 percent.....	0.0	4	[2]	10	[2]
70 under 80 percent.....	0.0	0	0.0	193	[2]
80 percent or more.....	[2]	6	[2]	168	[2]

[1] Includes returns with adjusted gross deficit or with negative expanded income.

[2] Less than 0.05 percent.

NOTE: Detail may not add to totals due to rounding.