

# Individual Income Tax Returns, Preliminary Data, 2004

## Data Release

**F**or 2004, taxpayers filed 132.4 million U.S. individual income tax returns, an increase of 1.4 percent from the 130.6 million returns filed for 2003. For the second consecutive year, Adjusted Gross Income (AGI) rose, increasing by 8.9 percent to \$6.8 trillion for 2004. Tax Year 2004 had several other notable changes. Taxable income increased 10.6 percent to \$4.6 trillion, and alternative minimum tax rose 38.1 percent to \$12.1 billion. Total income tax, which declined for 2003, increased for 2004 by 10.7 percent to \$830.4 billion, and total tax liability rose by 10.5 percent to \$870.3 billion.

Figure A shows that the largest component of AGI, salaries and wages, increased 6.0 percent to \$4,977.9 billion for Tax Year 2004, while the next largest component of AGI, net capital gains, rose by 53.2 percent to \$442.1 billion. Other income items with notable percentage changes included capital gain distributions (part of net capital gains), which more than tripled from \$4.7 billion for 2003 to \$15.3 billion for 2004, partnership net income, which increased by 18.0 percent to \$355.5 billion, and dividends, which increased 22.1 percent to \$135.4 billion. Of this dividend total, about 75.6 percent were reported as qualified dividends. Qualified dividends, which receive preferential tax rates, were reported on 24.5 million returns and totaled \$102.3 billion, an increase of 29.2 percent. For 2004, taxable pensions and annuities, the third largest income item, rose 5.5 percent to \$399.3 billion. The other items related to retirement, taxable IRA distributions and taxable Social Security benefits, also rose for 2004, by 15.1 percent and 12.8 percent, respectively. Declining income items were led by unemployment compensation at \$32.7 billion, falling by 25.9 percent from its 2003 level. Both taxable interest and State income tax refunds also decreased (3.6 percent and 3.1 percent, respectively) from Tax Year 2003.

Statutory adjustments to total income increased 11.0 percent to \$94.5 billion for Tax Year 2004. The largest statutory adjustment was the deduction for self-employment tax, representing 21.3 percent of the total. This adjustment to income increased 6.1 percent to \$20.1 billion. Payments to self-employed

retirement (Keogh) plans rose 6.4 percent to \$18.0 billion, while deductible contributions to an Individual Retirement Arrangement (IRA) increased 0.7 percent to \$10.2 billion. The deduction for tuition and fees increased 58.5 percent to \$10.7 billion and reflects an increase in the maximum adjustment allowed from \$3,000 to \$4,000 and an expansion of the AGI limitation for taking this adjustment (see Changes in Law section for details). Tax Year 2004 law changes also added line item adjustments to income for taxpayers who contributed to a health savings account and certain expenses for members of the National Guard or reserve members (see Changes in Law section for details). Over 88,000 taxpayers made payments to a qualified health savings account allowing for an adjustment of \$0.2 billion. Combining these new accounts with the remaining medical savings accounts, the total number of individual taxpayers taking advantage of medical accounts increased by 87.5 percent with adjustments more than double those taken for just medical savings accounts for 2003.

Total deductions, the sum of the standard deductions and total itemized deductions (after limitation), equaled \$1,536.3 billion, an increase of 6.7 percent from Tax Year 2003. The number of returns claiming the standard deductions decreased 0.6 percent, accounting for 63.7 percent of all returns filed and 36.7 percent of the total deductions amount. Mostly due to inflation indexing, the average standard deduction (comprised of the basic and additional standard deductions) increased 1.7 percent from \$6,579 for 2003 to \$6,690 for 2004. Itemized deductions were claimed on 34.9 percent of all returns filed for 2004 and represented 63.3 percent of the total deductions amount [1]. The average total for itemized deductions (after limitation) was \$21,038, a 4.8-percent increase from the 2003 average of \$20,076. Due to the AGI limitation on itemized deductions, 5.7 million higher-income taxpayers were unable to deduct \$34.9 billion in itemized deductions, an increase of 24.6 percent from 2003. The taxes paid deduction was the largest deduction, comprising 35.6 percent of total itemized deductions (before limitation). For 2004, it increased 16.5 percent to \$357.9 billion. This increase was partially due to a change in law that allowed taxpayers to elect whether to deduct State and local general sales taxes instead of State and

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# Individual Income Tax Returns, Preliminary Data, 2004

## Figure A

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2003 and 2004

[Money amounts are in thousands of dollars]

Item	2003	2004	Percentage change
	(1)	(2)	(3)
<b>Number of returns, total.....</b>	<b>130,571,319</b>	<b>132,384,919</b>	<b>1.4</b>
Form 1040 returns.....	80,193,301	80,278,569	0.1
Form 1040A returns.....	29,827,251	30,878,413	3.5
Form 1040EZ returns <sup>1</sup> .....	20,550,767	21,227,937	3.3
Electronically-filed returns <sup>1,2</sup> .....	62,180,894	69,455,931	11.7
<b>Adjusted gross income (less deficit).....</b>	<b>6,212,974,067</b>	<b>6,764,907,485</b>	<b>8.9</b>
Salaries and wages:			
Number of returns.....	111,350,057	112,857,828	1.4
Amount.....	4,696,501,144	4,977,868,690	6.0
Taxable interest:			
Number of returns.....	59,591,835	57,675,120	-3.2
Amount.....	115,682,836	111,561,113	-3.6
Tax-exempt interest: <sup>3</sup>			
Number of returns.....	4,525,688	4,386,097	-3.1
Amount.....	51,795,259	49,837,939	-3.8
Ordinary dividends:			
Number of returns.....	30,450,215	30,612,466	0.5
Amount.....	110,863,179	135,353,804	22.1
Qualified dividends:			
Number of returns.....	22,470,605	24,544,754	9.2
Amount.....	79,229,288	102,348,349	29.2
State income tax refunds:			
Number of returns.....	24,748,822	23,700,194	-4.2
Amount.....	22,170,414	21,484,401	-3.1
Alimony received:			
Number of returns.....	427,110	437,246	2.4
Amount.....	6,095,856	6,830,125	12.0
Business or profession net income:			
Number of returns.....	14,407,862	15,011,873	4.2
Amount.....	261,375,371	280,499,096	7.3
Business or profession net loss:			
Number of returns.....	4,990,662	5,201,188	4.2
Amount.....	38,380,163	41,915,266	9.2
Net capital gain: <sup>4</sup>			
Number of returns.....	10,085,562	13,651,337	35.4
Amount.....	288,629,772	442,095,059	53.2
Capital gain distributions: <sup>4</sup>			
Number of returns.....	7,311,132	10,799,132	47.7
Amount.....	4,726,887	15,324,930	224.2
Net capital loss:			
Number of returns.....	12,808,729	11,493,985	-10.3
Amount.....	28,921,930	25,454,976	-12.0
Sales of property other than capital assets, net gain:			
Number of returns.....	784,336	827,819	5.5
Amount.....	7,521,982	9,311,122	23.8
Sales of property other than capital assets, net loss:			
Number of returns.....	902,097	848,226	-6.0
Amount.....	7,048,185	6,665,222	-5.4
Taxable Individual Retirement Arrangement distributions:			
Number of returns.....	8,677,735	9,015,362	3.9
Amount.....	88,599,170	102,003,408	15.1
Taxable pensions and annuities:			
Number of returns.....	23,058,944	23,344,955	1.2
Amount.....	378,632,948	399,311,044	5.5
Rent and royalty net income:			
Number of returns.....	5,582,974	5,604,092	0.4
Amount.....	64,468,069	67,955,009	5.4
Rent and royalty net loss:			
Number of returns.....	4,838,985	4,954,924	2.4
Amount.....	37,999,493	42,898,818	12.9

Footnotes at end of figure.

# Individual Income Tax Returns, Preliminary Data, 2004

## Figure A--Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2003 and 2004--Continued

(Money amounts are in thousands of dollars)

Item	2003	2004	Percentage change
	(1)	(2)	(3)
Partnership and S corporation net income:			
Number of returns.....	4,139,385	4,391,303	6.1
Amount.....	301,171,011	355,465,300	18.0
Partnership and S corporation net loss:			
Number of returns.....	2,371,920	2,268,094	-4.4
Amount.....	56,220,101	57,536,319	2.3
Estate and trust net income:			
Number of returns.....	460,487	478,444	3.9
Amount.....	11,494,374	13,051,086	13.5
Estate and trust net loss:			
Number of returns.....	29,622	31,176	5.2
Amount.....	562,851	630,041	11.9
Farm net income:			
Number of returns.....	595,750	591,038	-0.8
Amount.....	7,560,081	7,830,456	3.6
Farm net loss:			
Number of returns.....	1,402,196	1,414,985	0.9
Amount.....	19,513,364	19,894,553	3.6
Unemployment compensation:			
Number of returns.....	10,133,305	9,154,275	-9.7
Amount.....	44,185,367	32,740,408	-25.9
Taxable Social Security benefits:			
Number of returns.....	11,098,826	11,825,356	6.5
Amount.....	99,080,506	111,778,572	12.8
<b>Total statutory adjustments:</b>			
Number of returns.....	30,352,239	32,069,452	5.7
Amount.....	85,137,579	94,479,216	11.0
Educator expenses:			
Number of returns.....	3,275,128	3,437,540	5.0
Amount.....	813,913	865,467	6.3
Certain business expenses of reservists, performing artists, and fee-basis government officials:			
Number of returns.....	N/A	100,047	N/A
Amount.....	N/A	243,988	N/A
Payments to an Individual Retirement Arrangement:			
Number of returns.....	3,462,006	3,379,417	-2.4
Amount.....	10,166,576	10,239,186	0.7
Student loan interest deduction:			
Number of returns.....	7,031,160	7,604,016	8.1
Amount.....	4,470,823	4,438,098	-0.7
Tuition and fees deduction:			
Number of returns.....	3,603,729	4,738,193	31.5
Amount.....	6,737,825	10,677,851	58.5
Health savings account deduction:			
Number of returns.....	N/A	88,110	N/A
Amount.....	N/A	180,186	N/A
Medical savings account deduction:			
Number of returns.....	63,450	30,883	-51.3
Amount.....	119,800	63,086	-47.3
Moving expenses adjustment:			
Number of returns.....	1,029,309	1,086,965	5.6
Amount.....	2,483,169	2,922,985	17.7
Self-employment tax deduction:			
Number of returns.....	15,253,702	15,763,127	3.3
Amount.....	18,986,750	20,148,573	6.1
Self-employed health insurance deduction:			
Number of returns.....	3,658,160	3,699,187	1.1
Amount.....	15,569,662	17,270,521	10.9
Payments to a self-employed retirement (Keogh) plan:			
Number of returns.....	1,193,324	1,171,091	-1.9
Amount.....	16,899,066	17,982,632	6.4
Penalty on early withdrawal of savings:			
Number of returns.....	734,368	792,543	7.9
Amount.....	153,102	216,830	41.6

Footnotes at end of figure.

# Individual Income Tax Returns, Preliminary Data, 2004

## Figure A--Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2003 and 2004--Continued

(Money amounts are in thousands of dollars)

Item	2003	2004	Percentage change
	(1)	(2)	(3)
<b>Alimony paid:</b>			
Number of returns.....	582,671	562,882	-3.4
Amount.....	7,303,956	8,131,749	11.3
<b>Other adjustments:</b>			
Number of returns.....	279,197	189,344	-32.2
Amount.....	1,351,096	1,033,299	-23.5
<b>Total deductions:</b>			
Number of returns.....	128,796,092	130,572,217	1.4
Amount.....	1,439,376,664	1,536,262,023	6.7
<b>Total standard deduction:</b>			
Number of returns.....	84,934,121	84,384,089	-0.6
Amount.....	558,823,272	564,559,557	1.0
<b>Basic standard deduction:</b>			
Number of returns.....	84,934,121	84,384,089	-0.6
Amount.....	542,758,782	548,505,579	1.1
<b>Additional standard deduction:</b>			
Number of returns.....	11,335,359	11,118,473	-1.9
Amount.....	16,064,490	16,053,978	-0.1
<b>Total itemized deductions (after limitation):</b>			
Number of returns.....	43,861,971	46,188,128	5.3
Amount.....	880,553,392	971,702,466	10.4
<b>Itemized deductions in excess of limitation:</b>			
Number of returns.....	5,237,245	5,719,877	9.2
Amount.....	28,010,193	34,892,605	24.6
<b>Medical and dental expenses deduction:</b>			
Number of returns.....	8,630,911	9,458,334	9.6
Amount.....	55,003,108	61,292,493	11.4
<b>Taxes paid deduction:</b>			
Number of returns.....	42,996,756	45,870,333	6.7
Amount.....	307,102,902	357,908,694	16.5
<b>State and local taxes: <sup>5</sup></b>			
Number of returns.....	36,020,843	44,665,865	24.0
Amount.....	180,625,363	217,157,045	20.2
<b>Interest paid deduction:</b>			
Number of returns.....	36,105,945	37,961,584	5.1
Amount.....	331,988,244	345,937,522	4.2
<b>Charitable contributions deduction:</b>			
Number of returns.....	38,642,066	40,594,576	5.1
Amount.....	139,666,085	156,200,064	11.8
<b>Taxable income:</b>			
Number of returns.....	101,669,737	102,915,892	1.2
Amount.....	4,202,698,688	4,649,039,200	10.6
<b>Alternative minimum tax:</b>			
Number of returns.....	2,379,473	3,132,706	31.7
Amount.....	8,737,246	12,062,016	38.1
<b>Income tax before credits:</b>			
Number of returns.....	101,686,410	102,922,519	1.2
Amount.....	791,129,805	881,808,770	11.5
<b>Total tax credits: <sup>6</sup></b>			
Number of returns.....	41,219,145	41,868,743	1.6
Amount.....	41,108,685	51,389,855	25.0
<b>Child care credit:</b>			
Number of returns.....	6,340,695	6,400,794	0.9
Amount.....	3,222,404	3,380,224	4.9
<b>Credit for the elderly or disabled:</b>			
Number of returns.....	125,555	107,271	-14.6
Amount.....	20,600	18,292	-11.2
<b>Child tax credit:</b>			
Number of returns.....	25,741,752	26,070,095	1.3
Amount.....	22,815,814	32,426,392	42.1

Footnotes at end of figure.

# Individual Income Tax Returns, Preliminary Data, 2004

## Figure A--Continued

### Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2003 and 2004--Continued

(Money amounts are in thousands of dollars)

Item	2003	2004	Percentage change
	(1)	(2)	(3)
<b>Education tax credits:</b>			
Number of returns.....	7,358,503	7,253,234	-1.4
Amount.....	5,900,877	6,076,920	3.0
<b>Retirement savings contributions credit:</b>			
Number of returns.....	5,383,851	5,361,813	-0.4
Amount.....	1,053,786	1,026,889	-2.6
<b>Adoption credit:</b>			
Number of returns.....	62,749	69,673	11.0
Amount.....	319,185	299,669	-6.1
<b>Foreign tax credit:</b>			
Number of returns.....	4,146,797	4,696,787	13.3
Amount.....	5,014,266	5,754,318	14.8
<b>General business credit:</b>			
Number of returns.....	239,664	230,905	-3.7
Amount.....	510,617	507,705	-0.6
<b>Prior year minimum tax credit:</b>			
Number of returns.....	238,477	262,159	9.9
Amount.....	882,136	842,683	-4.5
<b>Self-employment tax:</b>			
Number of returns.....	15,253,702	15,763,127	3.3
Amount.....	37,965,977	40,289,242	6.1
<b>Total earned income credit (EIC):</b>			
Number of returns.....	22,233,971	22,479,207	1.1
Amount.....	39,124,190	40,616,952	3.8
<b>EIC used to offset income tax before credits:</b>			
Number of returns.....	3,642,470	2,988,349	-18.0
Amount.....	936,451	772,269	-17.5
<b>EIC used to offset other taxes:</b>			
Number of returns.....	4,429,878	4,680,510	5.7
Amount.....	3,745,552	4,045,464	8.0
<b>Excess EIC, refundable portion:</b>			
Number of returns.....	19,382,974	19,674,899	1.5
Amount.....	34,442,188	35,799,219	3.9
<b>Additional child tax credit:</b>			
Number of returns.....	12,627,142	14,609,435	15.7
Amount.....	9,131,488	14,523,694	59.1
<b>Total income tax:</b>			
Number of returns.....	89,103,880	89,206,556	0.1
Amount.....	750,024,250	830,419,041	10.7
<b>Total tax liability:</b>			
Number of returns.....	92,542,668	92,817,241	0.3
Amount.....	787,833,443	870,346,902	10.5

N/A--Not applicable.

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

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

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

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

<sup>5</sup> For 2004, State and local taxes are the total of both income taxes and general sales taxes.

<sup>6</sup> Includes EIC used to offset income tax before credits, shown separately later in this figure.

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

local income taxes (see Changes in Law section for details). This allowed individuals in States without income taxes to deduct sales taxes. An estimated 11.1 million taxpayers took advantage of this, deducting \$17.3 billion. Thus, for 2004, some 24.0 percent

more taxpayers took a deduction for State and local taxes, and the total amount of this deduction increased 20.2 percent. The interest paid deduction, accounting for 34.4 percent of the total (before limitation), increased 4.2 percent to \$345.9 billion.

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The charitable contributions deduction increased 11.8 percent to \$156.2 billion.

Total tax credits used to offset income tax liabilities increased 25.0 percent to \$51.4 billion. Most of this change is due to an increase in the child tax credit. About 26.1 million taxpayers claimed \$32.4 billion in child tax credits, up 42.1 percent from the \$22.8 billion for 2003. The principal reason for this increase was that, although this credit was increased from \$600 per eligible child for 2002 to \$1,000 per child for 2003, most taxpayers received the \$400 per child increase for 2003 as a rebate, which was not shown on 2003 tax returns or in our 2003 estimates. The additional child tax credit (a refundable part of the child tax credit) increased by 59.1 percent to \$14.5 billion for 2004. This sizable increase, as with the child tax credit, was due both to the rebate not being part of our 2003 statistics and changes in the law expanding this refundable credit limit to 15 percent of earned income over a prescribed earnings amount from 10 percent for 2003 (see Changes in Law section for details). The combined \$47.0 billion of the child tax credit and the additional child tax credit were greater than the \$40.6 billion of EIC (see below). Other percentage increases for major tax credits were much smaller. For instance, the education tax credits rose by 3.0 percent to \$6.1 billion, and the child care credit increased by 4.9 percent to \$3.4 billion. The foreign tax credit, however, had a large percentage increase, rising 14.8 percent to \$5.8 billion.

The total earned income credit (EIC) increased 3.8 percent to \$40.6 billion for Tax Year 2004. The portion of the EIC used to offset income tax before credits decreased 17.5 percent to \$0.8 billion, and the portion of the EIC used to offset other taxes (such as the self-employment tax) rose 8.0 percent to \$4.0 billion. The largest part of the EIC, the refundable portion, was treated as a refund and paid directly to taxpayers who had no tax liability against which to apply the credit. The refundable portion of the EIC increased 3.9 percent to \$35.8 billion for 2004.

The comparisons of data for Tax Years 2003 and 2004 in this article are based on the preliminary estimates for both years. A few income and tax items tend to be understated in preliminary estimates; therefore, comparisons based on preliminary estimates for one year and final estimates for the previous year could be misleading. Comparisons based entirely on preliminary estimates reduce the likelihood

of misinterpretation of the data and afford a more accurate representation of year-to-year changes. For 2004 preliminary statistics, population estimates were based on projections that included taxpayers eligible for further extensions due to hurricanes Katrina, Rita, and Wilma. It was assumed that those returns not filed already from these areas would be filed by the end of Tax Year 2004. Final statistics for Tax Year 2003 are available in the Fall 2005 issue of the *Bulletin*.

### Changes in Law

In general, the definitions used in this article are the same as those in *Statistics of Income--2003, Individual Income Tax Returns*. The following is a partial list of tax law and Internal Revenue Service administrative changes that had a major bearing on the Tax Year 2004 preliminary data presented in this article.

*Additional Child Tax Credits.*--Modifications were made to the additional child tax credit for 2004. In Tax Year 2003, the credit limit based on earned income was 10 percent of a taxpayer's earned income that exceeded \$10,500. For 2004, the limit increased to 15 percent of a taxpayer's earned income that exceeds \$10,750. Members of the U.S. Armed Forces who served in a combat zone were able to include their nontaxable combat pay as earned income when figuring this credit limit (See Nontaxable Combat Pay for more information).

*Alternative Minimum Tax (AMT).*--For Tax Year 2004, the minimum exemption amount for a child under age 14 increased to \$5,750 from \$5,600 for 2003.

*Certain Business Expenses of Reservists.*--For 2004, National Guard or reserve members who traveled more than 100 miles from home to perform services as a National Guard or reserve member were allowed to take a line item deduction in the form of adjustment to income for certain expenses.

*Earned Income Credit.*--The maximum amount of the earned income credit increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends, and capital gain income) a taxpayer could have and still claim the credit increased to \$2,650 from \$2,600. The maximum credit for taxpayers with no qualifying children increased to \$382 from \$390. For these taxpayers, earned income and AGI had to be less than \$11,490 (\$12,490 if married filing jointly)

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to get any EIC. For taxpayers with one qualifying child, the maximum credit increased \$57 to \$2,604, and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,300 from \$4,204. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$30,338 (\$31,338 for married filing jointly) for one qualifying child, or less than \$34,458 (\$35,458 for married filing jointly) for two or more qualifying children. Taxpayers who served in the U.S. Armed Forces in a combat zone may have been eligible to include their nontaxable combat pay in earned income when figuring the EIC. (See Nontaxable Combat Pay for more information.)

*Health Savings Account Deduction.*--For Tax Year 2004, an "above-the-line" deduction was available for contributions to Health Savings Accounts made by April 15, 2005. The deduction was limited to the annual deductible on the qualifying high deductible health plan, but not more than \$2,600 (\$5,150, if family coverage). These limits were \$500 higher if the taxpayer was age 55 or older (\$1,000 if both spouses were 55 or older). A taxpayer could not contribute to an HSA starting the first month he or she was enrolled in Medicare.

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

*Individual Retirement Arrangement Deduction.*--For 2004, the modified AGI thresholds increased allowing for more taxpayers to deduct contributions to individual retirement plans. For a taxpayer or for taxpayers filing jointly, both taxpayers were able to take an IRA deduction up to \$3,000 (\$3,500 if age 50 or older) if covered by a retirement plan and their modified AGI was less than \$55,000 (\$75,000 if married filing jointly or qualifying widow(er)). This was up from the \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)) set for 2003.

*Limit on Itemized Deductions Increased.*--If adjusted gross income was above a certain amount, certain itemized deductions were limited. For 2004,

the AGI threshold for limitations increased to \$142,700 (\$71,350 if married filing separately). For 2003, the amount was \$139,500 (\$69,750 if married filing separately).

*Nontaxable Combat Pay.*--For Tax Year 2004, members of the U.S. Armed Forces who served in a combat zone could exclude certain pay from their incomes. These qualified individual's entitlement to the pay must have fully accrued in a month during which they served in a combat zone or were hospitalized as a result of wounds, disease, or injury incurred while serving in the combat zone. However, this nontaxable pay could be used to gain benefits for both EIC and additional child tax credit purposes.

*Sales Tax Deductions.*--For Tax Year 2004, taxpayers could elect to deduct State and local general sales taxes instead of State and local income taxes as an itemized deduction on Schedule A.

*Tuition and Fees Deduction.*--A taxpayer was able to deduct up to \$4,000 of the qualified tuition and fees paid for himself, herself, a spouse, or dependents if the taxpayer's modified AGI was under \$65,000 (\$130,000 if married filing jointly), or up to \$2,000 if the individual's AGI was higher than that limit but not more than \$80,000 (\$160,000 if married filing jointly). For 2003, the maximum deduction was \$3,000, and no adjustments were allowed if modified AGI's were above the \$65,000 (\$130,000, if married filing jointly) limits cited above. This deduction could not be taken if the person could be claimed as a dependent on another taxpayer's return or if they claimed the education credit for the same student.

### **Data Sources and Limitations**

The preliminary statistics in this data release are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ including electronically-filed returns) filed during Calendar Year 2005. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for Treasury Department tax modeling purposes [2]. Returns were then selected at rates ranging from 0.05 percent to 100 percent. The preliminary Tax Year 2004 data are based on a sample of 159,064 returns and an estimated final population of 133,061,898 returns. The corresponding sample and population

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for the preliminary 2003 data were 148,908 and 131,316,806 returns, respectively.

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

While the preliminary estimates are intended to represent a full year of taxpayer reporting, they are actually based on returns processed for tax administration purposes, in the case of 2004 returns, between January and late September of 2005. In general, returns processed during the remainder of each year tend to have somewhat different characteristics

compared to returns processed earlier. These characteristics include, for example, disproportionately large amounts of investment income, passive losses, and alternative minimum tax.

### Notes and References

- [1] The remaining 1.4 percent of the returns did not need to claim either a standard deduction or itemized deductions because no AGI was reported.
- [2] Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Non-resident Alien Individual)*; Schedule C, *Profit or Loss From Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*.

# Individual Income Tax Returns, Preliminary Data, 2004

**Table 1.--Individual Income Tax Returns, Tax Year 2004 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income**

(All figures are estimates based on samples--money amounts are in thousands of dollars)

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Number of returns, total.....</b>	<b>132,384,919</b>	<b>37,315,393</b>	<b>29,580,707</b>	<b>24,536,044</b>	<b>28,195,618</b>	<b>9,750,175</b>	<b>3,006,981</b>
Form 1040 returns.....	80,278,569	14,837,267	12,915,895	15,473,863	24,375,671	9,668,892	3,006,981
Form 1040A returns.....	30,878,413	10,128,132	11,415,034	6,323,193	2,939,019	73,032	--
Form 1040EZ returns <sup>2</sup> .....	21,227,937	12,349,997	5,249,778	2,738,988	880,928	8,250	--
Electronically-filed returns <sup>2,3</sup> .....	69,455,931	18,350,568	17,195,753	13,516,282	14,817,456	4,552,454	1,023,419
<b>Adjusted gross income (less deficit).....</b>	<b>6,764,907,485</b>	<b>200,248,363</b>	<b>650,044,283</b>	<b>957,782,969</b>	<b>1,984,569,072</b>	<b>1,291,061,589</b>	<b>1,681,201,208</b>
<b>Salaries and wages:</b>							
Number of returns.....	112,857,828	28,479,168	25,157,239	22,008,839	25,668,174	8,937,370	2,607,041
Amount.....	4,977,868,690	218,024,951	521,575,828	794,757,361	1,610,379,318	1,001,056,893	832,074,342
<b>Taxable interest:</b>							
Number of returns.....	57,675,120	9,438,614	8,532,352	10,374,988	18,285,202	8,194,568	2,849,393
Amount.....	111,561,113	10,683,555	11,036,824	11,863,957	23,352,887	17,857,910	36,765,982
<b>Tax-exempt interest:<sup>4</sup></b>							
Number of returns.....	4,386,097	434,379	431,680	547,714	1,153,420	955,514	863,388
Amount.....	49,837,939	2,130,598	2,399,931	3,508,897	7,625,400	9,324,432	24,848,679
<b>Ordinary dividends:</b>							
Number of returns.....	30,612,466	4,920,682	3,860,887	4,582,107	9,413,289	5,426,961	2,408,540
Amount.....	135,353,804	6,911,921	7,291,443	9,229,670	22,306,657	23,717,523	65,896,587
<b>Qualified dividends:</b>							
Number of returns.....	24,544,754	3,809,990	2,906,452	3,583,225	7,477,784	4,575,742	2,191,560
Amount.....	102,348,349	3,735,855	4,099,473	5,849,171	14,890,047	17,504,713	56,269,093
<b>State income tax refunds:</b>							
Number of returns.....	23,700,194	685,358	1,808,665	4,501,828	10,640,395	4,852,829	1,211,118
Amount.....	21,484,401	446,162	866,139	2,476,587	7,735,103	5,091,428	4,868,985
<b>Alimony received:</b>							
Number of returns.....	437,246	71,531	123,210	131,118	89,646	14,777	6,963
Amount.....	6,830,125	477,101	948,966	1,690,757	2,113,211	633,927	966,162
<b>Business or profession net income:</b>							
Number of returns.....	15,011,873	4,530,537	2,749,591	2,277,314	3,355,912	1,479,462	619,053
Amount.....	280,499,096	30,797,047	32,717,462	32,886,399	59,947,290	56,223,050	67,927,848
<b>Business or profession net loss:</b>							
Number of returns.....	5,201,188	977,510	877,992	1,030,907	1,557,626	568,343	188,809
Amount.....	41,915,266	12,627,949	6,181,613	6,235,633	8,090,799	4,338,205	4,441,065
<b>Net capital gain reported on Schedule D:</b>							
Number of returns.....	10,749,057	1,342,037	1,260,839	1,531,168	3,236,416	2,152,866	1,225,734
Amount.....	440,133,546	7,992,421	5,180,883	7,496,052	29,121,318	48,310,482	342,032,392
<b>Capital gain distributions reported on Form 1040:</b>							
Number of returns.....	2,902,280	551,212	363,382	448,043	957,356	472,545	109,744
Amount.....	1,961,513	332,160	208,073	225,730	674,636	366,935	153,978
<b>Net capital loss:</b>							
Number of returns.....	11,493,985	2,208,031	1,273,841	1,646,593	3,265,873	2,067,067	1,032,579
Amount.....	25,454,976	4,993,660	2,792,443	3,485,037	6,878,576	4,663,875	2,641,386
<b>Sales of property other than capital assets, net gain:</b>							
Number of returns.....	827,819	109,814	113,263	115,765	218,822	134,186	135,971
Amount.....	9,311,122	948,399	653,455	800,897	1,816,871	1,693,670	3,397,829
<b>Sales of property other than capital assets, net loss:</b>							
Number of returns.....	848,226	124,257	93,121	91,596	212,494	149,099	177,661
Amount.....	6,665,222	2,936,287	318,105	313,918	680,336	645,586	1,770,990
<b>Taxable Individual Retirement Arrangement distributions:</b>							
Number of returns.....	9,015,362	1,545,120	1,925,656	1,720,337	2,544,501	987,607	292,142
Amount.....	102,003,408	6,664,030	11,299,307	14,077,431	34,026,366	22,823,632	13,112,640
<b>Taxable pensions and annuities:</b>							
Number of returns.....	23,344,955	4,188,960	5,045,382	4,551,204	6,641,522	2,304,839	613,050
Amount.....	399,311,044	26,873,760	59,772,814	72,823,746	145,895,609	69,216,046	24,729,067
<b>Rent and royalty net income:</b>							
Number of returns.....	5,604,092	834,367	811,533	887,610	1,589,540	909,222	571,819
Amount.....	67,955,009	4,310,312	4,505,945	5,485,035	13,127,986	12,846,196	27,679,533
<b>Rent and royalty net loss:</b>							
Number of returns.....	4,954,924	626,762	625,745	858,766	1,688,829	808,231	346,590
Amount.....	42,898,818	6,351,201	4,056,866	6,411,720	12,952,536	6,852,429	6,274,067
<b>Partnership and S corporation net income:</b>							
Number of returns.....	4,391,303	329,532	401,445	501,432	1,172,993	994,748	991,152
Amount.....	355,465,300	3,167,281	4,046,640	7,177,599	22,632,779	40,657,283	277,783,717

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2004

**Table 1.--Individual Income Tax Returns, Tax Year 2004 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income--Continued**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Partnership and S corporation net loss:							
Number of returns.....	2,268,094	432,904	216,853	284,093	639,431	426,326	268,487
Amount.....	57,536,319	24,873,329	1,844,972	2,709,060	6,010,428	5,745,258	16,353,272
Estate and trust net income:							
Number of returns.....	478,444	61,036	47,133	73,840	129,769	96,988	69,678
Amount.....	13,051,086	285,782	238,808	510,928	1,316,689	1,889,351	8,809,528
Estate and trust net loss:							
Number of returns.....	31,176	5,773	3,687	2,001	4,792	7,026	7,895
Amount.....	630,041	277,666	17,860	979	2,740	43,515	287,283
Farm net income:							
Number of returns.....	591,038	144,953	95,547	113,233	168,350	46,830	22,125
Amount.....	7,830,456	895,682	1,037,567	1,194,853	2,347,692	1,108,386	1,246,276
Farm net loss:							
Number of returns.....	1,414,985	281,814	233,112	290,264	412,453	140,275	57,069
Amount.....	19,894,553	5,445,942	2,279,286	2,925,060	4,388,021	2,152,436	2,703,807
Unemployment compensation:							
Number of returns.....	9,154,275	2,140,110	2,526,483	1,877,284	2,113,901	434,012	62,487
Amount.....	32,740,408	6,223,879	8,891,148	7,151,177	8,040,700	2,138,075	295,429
Taxable Social Security benefits:							
Number of returns.....	11,825,356	70,550	2,226,971	3,410,230	4,255,600	1,366,765	495,241
Amount.....	111,778,572	271,232	4,162,245	20,359,769	55,641,762	22,301,121	9,042,440
<b>Total statutory adjustments:</b>							
Number of returns.....	32,069,452	6,244,302	5,444,361	6,010,590	9,093,863	3,982,452	1,293,884
Amount.....	94,479,216	8,217,684	9,248,750	12,415,120	24,064,501	19,919,341	20,613,818
Educator expenses:							
Number of returns.....	3,437,540	129,757	279,364	736,714	1,566,484	645,999	79,226
Amount.....	865,467	30,647	64,161	175,007	403,145	173,275	19,234
Certain business expenses of reservists, performing artists, and fee-basis government officials:							
Number of returns.....	100,047	20,538	17,255	14,291	29,415	16,177	2,367
Amount.....	243,988	40,752	43,399	76,155	44,790	32,351	6,543
Payments to an Individual Retirement Arrangement:							
Number of returns.....	3,379,417	199,136	586,781	857,773	1,122,613	488,922	124,193
Amount.....	10,239,186	425,355	1,403,807	2,476,994	3,508,754	1,748,009	676,269
Student loan interest deduction:							
Number of returns.....	7,604,016	712,885	1,466,085	2,061,524	2,815,658	547,863	--
Amount.....	4,438,098	325,017	695,480	1,228,916	1,938,453	250,232	--
Tuition and fees deduction:							
Number of returns.....	4,738,193	891,667	565,051	613,908	1,483,651	1,183,916	--
Amount.....	10,677,851	2,282,676	1,145,319	1,285,860	3,154,913	2,809,082	--
Health savings account deduction:							
Number of returns.....	88,110	6,169	10,236	13,816	25,179	18,215	14,494
Amount.....	180,186	8,233	14,317	18,590	49,499	46,659	42,891
Medical savings account deduction:							
Number of returns.....	30,883	98	2,249	9,431	9,959	4,162	4,985
Amount.....	63,086	307	1,778	21,164	17,520	7,428	14,890
Moving expenses adjustment:							
Number of returns.....	1,086,965	97,975	200,533	273,838	332,235	145,553	36,829
Amount.....	2,922,985	175,234	438,351	561,929	857,726	644,393	245,352
Self-employment tax deduction:							
Number of returns.....	15,763,127	4,506,475	2,787,599	2,333,304	3,502,928	1,699,599	933,221
Amount.....	20,148,573	2,299,679	2,594,946	2,678,581	4,905,650	3,837,048	3,832,668
Self-employed health insurance deduction:							
Number of returns.....	3,699,187	570,719	626,426	612,257	897,803	533,427	458,558
Amount.....	17,270,521	1,841,003	2,282,697	2,451,294	4,036,573	3,068,673	3,590,278
Payments to a self-employed retirement (Keogh) plan:							
Number of returns.....	1,171,091	24,599	34,864	103,282	308,556	368,536	331,256
Amount.....	17,982,632	96,421	153,491	662,110	2,570,070	5,413,289	9,087,251
Penalty on early withdrawal of savings:							
Number of returns.....	792,543	174,303	133,772	140,507	236,679	83,519	23,765
Amount.....	216,830	33,979	38,219	44,028	43,179	32,983	24,441
Alimony paid:							
Number of returns.....	562,882	43,532	49,857	79,429	219,689	102,557	67,814
Amount.....	8,131,749	580,446	266,215	546,225	2,288,895	1,683,273	2,766,697
Other adjustments:							
Number of returns.....	189,344	13,372	22,279	43,434	66,734	26,255	17,267
Amount.....	1,033,299	77,932	103,572	188,246	245,081	151,608	266,858

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2004

**Table 1.--Individual Income Tax Returns, Tax Year 2004 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income--Continued**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total deductions:</b>							
Number of returns.....	130,572,217	35,516,027	29,572,484	24,530,990	28,195,618	9,750,173	3,006,923
Amount.....	1,536,262,023	213,307,438	232,590,148	241,847,351	419,044,034	239,313,654	190,159,397
Total standard deduction:							
Number of returns.....	84,384,089	33,515,257	24,715,896	15,363,348	9,632,827	963,683	193,077
Amount.....	564,559,557	186,543,102	168,494,190	113,655,337	84,935,200	9,158,208	1,773,522
Basic standard deduction:							
Number of returns.....	84,384,089	33,515,257	24,715,896	15,363,348	9,632,827	963,683	193,077
Amount.....	548,505,579	180,879,713	163,838,115	110,997,845	82,441,604	8,674,414	1,673,889
Additional standard deduction:							
Number of returns.....	11,118,473	4,095,639	3,172,896	1,800,748	1,678,260	308,256	62,672
Amount.....	16,053,978	5,663,389	4,656,075	2,657,492	2,493,596	483,794	99,633
<b>Total itemized deductions (after limitation):</b>							
Number of returns.....	46,188,128	2,000,768	4,856,589	9,167,642	18,562,792	8,786,491	2,813,848
Amount.....	971,702,466	26,764,340	64,095,959	128,192,013	334,108,834	230,155,447	188,385,877
Itemized deductions in excess of limitation:							
Number of returns.....	5,719,877	--	--	--	90,580	2,815,642	2,813,654
Amount.....	34,892,605	--	--	--	35,038	2,058,389	32,799,178
Medical and dental expenses deduction:							
Number of returns.....	9,458,334	1,285,495	2,296,228	2,518,146	2,776,917	529,818	51,729
Amount.....	61,292,493	9,754,301	14,302,749	13,406,876	17,009,518	5,198,290	1,620,760
Taxes paid deduction:							
Number of returns.....	45,870,333	1,910,318	4,767,348	9,091,032	18,508,987	8,782,054	2,810,593
Amount.....	357,908,694	4,937,462	13,160,289	32,659,527	107,491,561	92,454,330	107,205,527
State and local taxes: <sup>5</sup>							
Number of returns.....	44,665,865	1,739,956	4,516,917	8,811,539	18,143,051	8,677,951	2,776,451
Amount.....	217,157,045	1,324,859	4,579,438	15,372,324	57,323,828	55,562,295	82,994,297
Interest paid deduction:							
Number of returns.....	37,961,584	1,156,968	3,294,611	7,221,214	16,182,514	7,738,803	2,367,476
Amount.....	345,937,522	8,012,671	21,956,587	50,063,716	134,481,655	84,733,237	46,689,659
Charitable contributions deduction:							
Number of returns.....	40,594,576	1,394,982	3,814,569	7,626,616	16,748,311	8,297,334	2,712,762
Amount.....	156,200,064	1,982,705	7,511,971	16,260,262	44,597,997	34,265,769	51,581,358
<b>Taxable income:</b>							
Number of returns.....	102,915,892	12,056,299	25,809,304	24,215,444	28,090,999	9,739,992	3,003,854
Amount.....	4,649,039,200	37,394,426	260,465,183	560,715,860	1,342,200,837	966,860,919	1,481,401,976
Alternative minimum tax:							
Number of returns.....	3,132,706	7,451	3,086	16,778	246,036	1,120,381	1,738,973
Amount.....	12,062,016	51,815	6,360	21,522	345,272	2,076,189	9,560,861
<b>Income tax before credits:</b>							
Number of returns.....	102,922,519	12,049,914	25,807,680	24,216,357	28,099,528	9,743,908	3,005,132
Amount.....	881,808,770	3,759,175	30,272,443	73,660,674	200,435,700	181,207,061	392,473,717
<b>Total tax credits:<sup>6</sup></b>							
Number of returns.....	41,868,743	2,852,146	10,959,821	10,067,395	12,891,367	3,918,321	1,179,691
Amount.....	51,389,855	453,342	6,523,354	11,470,325	21,949,406	5,034,535	5,958,892
Child care credit:							
Number of returns.....	6,400,794	70,835	1,135,140	1,368,249	2,615,676	1,015,103	195,791
Amount.....	3,380,224	7,930	566,643	803,419	1,363,695	538,700	99,840
Credit for the elderly or disabled:							
Number of returns.....	107,271	72,816	34,452	--	--	--	--
Amount.....	18,292	14,340	3,952	--	--	--	--
Child tax credit:							
Number of returns.....	26,070,095	369,221	5,944,533	6,929,023	10,246,061	2,580,035	1,224
Amount.....	32,426,392	44,240	3,338,955	8,187,381	17,261,324	3,593,769	722
Education tax credits:							
Number of returns.....	7,253,234	641,088	1,970,286	1,986,654	2,606,261	48,945	--
Amount.....	6,076,920	210,644	1,420,578	1,807,230	2,630,920	7,550	--
Retirement savings contributions credit:							
Number of returns.....	5,361,813	290,425	2,464,608	2,604,707	2,073	--	--
Amount.....	1,026,889	66,735	525,951	433,994	209	--	--

Footnotes at end of table.

# Individual Income Tax Returns, Preliminary Data, 2004

**Table 1.--Individual Income Tax Returns, Tax Year 2004 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income--Continued**

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

Item	All returns	Size of adjusted gross income					
		Under \$15,000 <sup>1</sup>	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Adoption credit:</b>							
Number of returns.....	69,673	**	**1,018	8,864	43,772	15,645	375
Amount.....	299,669	**	**445	14,419	180,519	102,133	2,153
<b>Foreign tax credit:</b>							
Number of returns.....	4,696,787	249,732	367,331	541,478	1,434,329	1,160,045	943,872
Amount.....	5,754,318	6,375	30,883	80,450	260,272	565,497	4,810,841
<b>General business credit:</b>							
Number of returns.....	230,905	5,171	12,578	38,658	78,385	47,387	48,723
Amount.....	507,705	1,389	6,643	29,382	110,216	56,791	303,285
<b>Prior year minimum tax credit:</b>							
Number of returns.....	262,159	1,004	3,694	13,207	50,068	89,798	104,388
Amount.....	842,683	18	293	13,132	56,878	143,405	628,953
<b>Self-employment tax:</b>							
Number of returns.....	15,763,127	4,506,475	2,787,599	2,333,304	3,502,928	1,699,599	933,221
Amount.....	40,289,242	4,597,111	5,188,479	5,355,984	9,809,531	7,673,250	7,664,888
<b>Total earned income credit (EIC):</b>							
Number of returns.....	22,479,207	12,305,164	9,016,464	1,157,581	--	--	--
Amount.....	40,616,952	21,952,979	18,089,267	574,706	--	--	--
<b>EIC used to offset income tax before credits:</b>							
Number of returns.....	2,988,349	1,233,368	1,557,118	197,862	--	--	--
Amount.....	772,269	101,477	623,397	47,395	--	--	--
<b>EIC used to offset other taxes:</b>							
Number of returns.....	4,680,510	3,028,196	1,456,512	195,801	--	--	--
Amount.....	4,045,464	2,383,974	1,590,533	70,961	--	--	--
<b>Excess EIC, refundable portion:</b>							
Number of returns.....	19,674,899	10,681,861	8,064,715	928,323	--	--	--
Amount.....	35,799,219	19,467,531	15,875,336	456,350	--	--	--
<b>Additional child tax credit:</b>							
Number of returns.....	14,609,435	2,816,331	7,903,604	3,244,408	641,315	**3,779	**
Amount.....	14,523,694	1,318,901	8,217,727	4,204,137	780,023	**2,905	**
<b>Total income tax:</b>							
Number of returns.....	89,206,556	10,308,997	17,941,450	20,798,885	27,414,450	9,738,337	3,004,437
Amount.....	830,419,041	3,305,831	23,749,088	62,190,349	178,486,295	176,172,526	386,514,950
<b>Total tax liability:</b>							
Number of returns.....	92,817,241	12,641,627	18,652,696	21,217,533	27,556,736	9,743,505	3,005,145
Amount.....	870,346,902	5,748,938	27,239,254	67,615,023	189,674,874	184,885,795	395,183,017

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

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

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

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

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

<sup>5</sup> State and local taxes are the total of both income taxes and general sales taxes.

<sup>6</sup> Includes EIC used to offset income tax before credits, shown separately later in this table.

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