

Individual Income Tax Returns, Preliminary Data, 2006

by Brian Balkovic

For 2006, taxpayers filed 138.4 million U.S. individual income tax returns, an increase of 2.9 percent from the 134.5 million returns filed for 2005. Adjusted Gross Income (AGI) increased from the previous year by 8.4 percent to \$8.0 trillion for 2006. Taxable income increased 9.0 percent to \$5.6 trillion; the alternative minimum tax rose 21.3 percent to \$19.3 billion; total income tax increased by 10.6 percent to \$1.0 trillion; and total tax liability rose by 10.3 percent to \$1.1 trillion.

Figure A shows that the largest component of AGI, salaries and wages, increased 6.5 percent to \$5,578.1 billion for Tax Year 2006, while the next largest component of AGI, net capital gains, rose by 13.4 percent to \$685.3 billion. Other income items with notable percentage changes included capital gain distributions (part of net capital gains), which increased from \$35.5 billion for 2005 to \$62.3 billion for 2006, partnership and S corporation net income, which increased by 10.2 percent to \$468.1 billion, and ordinary dividends, which increased 21.0 percent to \$186.0 billion.

Of this dividend total, about 70 percent were reported as qualified dividends. Qualified dividends, which receive preferential tax rates, were reported on 26.5 million returns and totaled \$130.1 billion, an increase of 16.6 percent from 2005. Taxable interest income rose by 37.7 percent to \$192.8 billion. For 2006, taxable pensions and annuities, the fourth largest income item, increased 7.6 percent to \$460.6 billion.

The other items related to retirement, taxable Social Security benefits and IRA distributions, also rose for 2006, by 16.2 percent and 11.9 percent, respectively. Declining income items included unemployment compensation at \$26.8 billion (falling by 4.4 percent) and farm net income, which decreased by 9.1 percent from Tax Year 2005.

Statutory adjustments to total income increased 5.7 percent to \$110.1 billion for Tax Year 2006. The largest statutory adjustment was the deduction for

one-half of self-employment tax, representing 20.4 percent of the total. This adjustment to income increased 5.1 percent to \$22.5 billion. The self-employment health insurance deduction increased 2.7 percent to \$18.5 billion. Payments to self-employed retirement (Keogh) plans rose 4.3 percent to \$20.2 billion, while deductible contributions to Individual Retirement Arrangements (IRAs) increased 4.6 percent to \$12.8 billion.

Tax Year 2006 law changes increased the contribution limits for both Roth and traditional IRAs for those age 50 and over (see Changes in Law section for details). The deduction for student loan interest increased 21.9 percent to \$6.2 billion, while the deduction for tuition and fees fell 11.9 percent to \$9.6 billion for Tax Year 2006. This was the first decline in this adjustment since its inception in 2002. Over 351,000 taxpayers who made contributions to qualified health savings accounts took an adjustment totaling nearly \$0.8 billion. The domestic production activities deduction for Tax Year 2006 benefited nearly 403,000 taxpayers for a total deduction of \$3.3 billion (a 54.3-percent increase from 2005).

The Katrina Emergency Tax Relief Act of 2005 continued to provide favorable tax legislation for Tax Year 2006 taxpayers. For instance, taxpayers who housed individuals displaced by Hurricane Katrina could claim up to four additional exemptions totaling \$2,000 (see Changes in Law section for details). An estimated 27,000 returns reported almost 48,500 exemptions for taxpayers providing housing for these victims. Altogether, the amount deducted for total exemptions increased by 6.3 percent from \$842.3 billion for 2005 to \$895.7 billion for 2006. This increase is larger than usual because of the change in the law allowing high-income taxpayers who previously were unable to take any exemption deduction to take a \$1,100 deduction per exemption for 2006 (see Changes in Law section for details).

Total deductions, the sum of the standard deductions and total itemized deductions (after limitation), equaled \$1,793.7 billion, an increase of 7.7 percent from Tax Year 2005. The number of returns claiming the standard deduction increased 2.0 percent, accounting for 62.7 percent of all returns filed and 34.1 percent of the total deductions amount.¹ Mostly due

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¹ The remaining 1.9 percent of the returns did not need to claim either a standard deduction or itemized deductions because no AGI was reported.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Figure A

Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2005 and 2006

[Money amounts are in thousands of dollars]

Item	Number of returns			Amount		
	2005	2006	Percentage change	2005	2006	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	134,462,537	138,420,499	2.9	N/A	N/A	N/A
Form 1040 returns	81,144,182	83,518,153	2.9	N/A	N/A	N/A
Form 1040A returns	31,607,574	32,250,392	2.0	N/A	N/A	N/A
Form 1040EZ returns [1]	21,710,782	22,651,954	4.3	N/A	N/A	N/A
Electronically-filed returns [2]	74,813,073	81,536,629	9.0	N/A	N/A	N/A
Adjusted gross income (less deficit)	134,462,537	138,420,499	2.9	7,363,648,396	7,982,660,690	8.4
Salaries and wages	114,595,809	116,832,397	2.0	5,236,515,411	5,578,112,649	6.5
Taxable interest	59,326,291	62,500,172	5.3	140,024,777	192,779,487	37.7
Tax-exempt interest [3]	4,469,929	6,036,087	35.0	54,410,697	69,505,527	27.7
Ordinary dividends	31,089,911	31,538,899	1.4	153,736,864	185,974,188	21.0
Qualified dividends	25,797,647	26,527,893	2.8	111,592,163	130,083,446	16.6
State income tax refunds	22,281,894	23,117,093	3.7	20,961,408	22,670,071	8.2
Alimony received	457,751	437,222	-4.5	7,943,058	7,854,640	-1.1
Business or profession net income	15,702,731	16,171,389	3.0	300,591,401	316,776,424	5.4
Business or profession net loss	5,335,832	5,464,904	2.4	43,083,206	47,456,970	10.2
Net capital gain [4]	16,048,768	17,884,072	11.4	604,352,228	685,331,194	13.4
Capital gain distributions [4]	13,447,772	14,581,370	8.4	35,457,864	62,333,008	75.8
Net capital loss	9,994,323	8,612,023	-13.8	22,075,818	18,691,022	-15.3
Sales of property other than capital assets, net gain	863,391	848,344	-1.7	11,421,195	12,220,069	7.0
Sales of property other than capital assets, net loss	810,196	828,441	2.3	7,747,570	9,275,159	19.7
Taxable Individual Retirement Arrangement distributions	9,462,567	10,064,480	6.4	111,709,278	125,057,748	11.9
Taxable pensions and annuities	23,549,681	24,467,625	3.9	428,025,371	460,647,534	7.6
Rent and royalty net income	5,664,697	5,607,719	-1.0	74,425,992	77,337,722	3.9
Rent and royalty net loss	5,140,616	5,203,752	1.2	48,353,595	55,133,308	14.0
Partnership and S corporation net income	4,543,703	4,516,531	-0.6	424,863,423	468,113,804	10.2
Partnership and S corporation net loss	2,256,974	2,305,876	2.2	61,665,756	65,866,290	6.8
Estate and trust net income	460,575	503,385	9.3	15,159,317	17,404,639	14.8
Estate and trust net loss	30,538	33,932	11.1	756,271	738,487	-2.4
Farm net income	631,116	564,085	-10.6	9,237,072	8,395,511	-9.1
Farm net loss	1,356,681	1,400,682	3.2	19,842,812	22,519,021	13.5
Unemployment compensation	7,943,765	7,457,645	-6.1	27,995,669	26,777,624	-4.4
Taxable Social Security benefits	12,808,594	13,946,403	8.9	126,409,367	146,855,542	16.2
Total statutory adjustments	33,421,578	33,832,756	1.2	104,151,627	110,079,073	5.7
Educator expenses	3,562,069	3,205,761	-10.0	893,327	816,224	-8.6
Certain business expenses of reservists, performing artists, and fee-basis government officials	102,683	120,005	16.9	290,381	368,850	27.0
Payments to an Individual Retirement Arrangement	3,293,501	3,286,760	-0.2	12,207,511	12,768,170	4.6
Student loan interest deduction	8,118,415	8,605,148	6.0	5,075,930	6,187,425	21.9
Tuition and fees deduction	4,731,924	4,028,959	-14.9	10,928,436	9,632,076	-11.9
Health savings account deduction	211,766	351,170	65.8	488,782	845,431	73.0
Medical savings account deduction	18,391	17,011	-7.5	40,398	29,908	-26.0
Moving expenses adjustment	1,127,511	1,087,129	-3.6	3,055,362	3,157,994	3.4
Self-employment tax deduction	16,507,523	16,892,682	2.3	21,368,314	22,451,883	5.1
Self-employed health insurance deduction	3,670,561	3,537,194	-3.6	17,982,362	18,469,428	2.7
Payments to a self-employed retirement (Keogh) plan	1,197,774	1,176,905	-1.7	19,406,380	20,243,044	4.3
Penalty on early withdrawal of savings	798,900	1,172,267	46.7	267,260	433,716	62.3
Alimony paid	583,305	578,779	-0.8	8,523,911	8,701,183	2.1
Domestic production activities deduction	317,810	402,710	26.7	2,123,938	3,277,003	54.3
Other adjustments	256,855	136,308	-46.9	1,425,226	1,066,677	-25.2

Footnotes at end of figure.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Figure A—Continued

Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2005 and 2006—Continued

[Money amounts are in thousands of dollars]

Item	Number of returns			Amount		
	2005	2006	Percentage change	2005	2006	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Total exemptions	269,699,249	276,280,206	2.4	842,320,994	895,678,748	6.3
Total deductions	132,762,014	135,806,268	2.3	1,665,601,292	1,793,667,050	7.7
Total standard deduction	85,109,566	86,788,384	2.0	584,209,412	611,274,926	4.6
Basic standard deduction	85,109,566	86,788,384	2.0	567,428,479	594,041,953	4.7
Additional standard deduction	11,131,858	11,419,381	2.6	16,780,934	17,232,969	2.7
Total itemized deductions (after limitation)	47,652,448	49,017,884	2.9	1,081,391,880	1,182,392,125	9.3
Itemized deductions in excess of limitation	6,322,163	6,827,652	8.0	42,549,206	33,562,088	-21.1
Medical and dental expenses deduction	9,871,839	10,121,720	2.5	66,086,920	69,090,147	4.5
Taxes paid deduction	47,267,305	48,565,862	2.7	390,944,404	423,257,838	8.3
State and local income taxes [5]	45,935,853	46,847,080	2.0	237,687,278	258,058,659	8.6
Income taxes	34,744,476	35,846,674	3.2	220,687,451	239,126,293	8.4
General sales taxes	11,191,378	11,000,405	-1.7	16,999,827	18,932,366	11.4
Interest paid deduction	38,884,591	40,110,187	3.2	390,375,165	450,398,602	15.4
Charitable contributions deduction	41,381,479	41,427,765	0.1	172,025,442	173,018,464	0.6
Taxable income	104,511,849	106,803,674	2.2	5,092,405,537	5,553,096,928	9.0
Alternative minimum tax	4,045,459	4,037,074	-0.2	15,874,227	19,252,710	21.3
Income tax before credits	104,520,737	106,823,754	2.2	982,560,689	1,083,780,725	10.3
Total tax credits [6]	42,426,730	46,331,299	9.2	54,297,474	57,450,072	5.8
Child care credit	6,549,739	6,524,616	-0.4	3,487,785	3,519,410	0.9
Credit for the elderly or disabled	101,227	99,044	-2.2	13,787	14,847	7.7
Child tax credit	26,050,925	25,818,992	-0.9	32,184,128	31,836,114	-1.1
Education tax credits	7,133,854	7,819,470	9.6	6,194,770	7,128,447	15.1
Retirement savings contributions credit	5,365,195	5,261,485	-1.9	962,976	908,521	-5.7
Adoption credit	83,681	90,684	8.4	303,397	334,705	10.3
Residential energy credits	N/A	4,452,576	N/A	N/A	1,023,719	N/A
Foreign tax credit	5,373,540	6,392,372	19.0	8,340,820	9,430,601	13.1
General business credit	225,238	362,918	61.1	658,970	1,114,077	69.1
Prior year minimum tax credit	271,909	334,017	22.8	1,080,361	1,012,865	-6.2
Self-employment tax	16,507,523	16,892,682	2.3	42,728,376	44,895,363	5.1
Total earned income credit (EIC)	23,003,703	23,392,886	1.7	43,091,796	45,364,048	5.3
EIC used to offset income tax before credits	2,911,791	2,983,077	2.4	752,954	808,517	7.4
EIC used to offset other taxes	4,834,823	4,972,285	2.8	4,279,188	4,645,878	8.6
Excess EIC, refundable portion	20,357,850	20,639,026	1.4	38,059,653	39,909,653	4.9
Additional child tax credit	15,334,228	15,723,997	2.5	15,588,969	16,354,979	4.9
Credit for Federal telephone excise tax paid	N/A	97,260,127	N/A	N/A	4,180,071	N/A
Total income tax	90,659,349	92,762,414	2.3	928,263,735	1,026,331,685	10.6
Total tax liability	94,346,561	96,671,006	2.5	970,951,374	1,071,236,902	10.3

N/A—Not applicable.

[1] For 2006, the total number of returns includes Form 1040EZ -T returns.

[2] Included in data for Forms 1040, 1040A, and 1040EZ.

[3] Not included in adjusted gross income.

[4] Includes capital gain distributions reported on Form 1040 and Schedule D.

[5] State and local income taxes are the total of both income taxes and general sales taxes.

[6] 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.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

to inflation indexing, the average standard deduction (comprised of the basic and additional standard deductions for age and blindness) increased 2.6 percent from \$6,864 for 2005 to \$7,043 for 2006.

Itemized deductions were claimed on 35.4 percent of all returns filed for 2006 and represented 65.9 percent of the total deductions amount. The average total for itemized deductions (after limitation) was \$24,122, a 6.3-percent increase from the 2005 average of \$22,693. Due to the AGI limitation on itemized deductions, 6.8 million higher-income taxpayers were unable to deduct \$33.6 billion in itemized deductions, a decrease of 21.1 percent from 2005. This large decrease was due to a change in the law that reduced this limitation by one-third for 2006 (see Changes in Law section for details).

The interest paid deduction was the largest deduction, comprising 37.0 percent of total itemized deductions (before limitation). For 2006, it increased 15.4 percent to \$450.4 billion. The Tax Relief and Health Care Act of 2006 extended the election to deduct State and local general sales taxes instead of State and local income taxes. For 2006, an estimated 11.0 million taxpayers took advantage of this, deducting \$18.9 billion.

Including taxpayers who deducted State and local sales taxes, 2.0 percent more taxpayers took a deduction for State and local income and sales taxes, and the total amount of this deduction increased 8.6 percent from 2005 levels. The total taxes paid deduction accounted for 34.8 percent of all itemized deductions and increased 8.3 percent to \$423.3 billion. The deduction for medical and dental expenses went up by 4.5 percent to \$69.1 billion, while the charitable contributions deduction increased slightly, 0.6 percent, to \$173.0 billion for 2006.

Total tax credits used to offset income tax liabilities increased 5.8 percent to \$57.5 billion. About 25.8 million taxpayers claimed \$31.8 billion in child tax credits, down 1.1 percent from \$32.2 billion in 2005. However, the additional child tax credit (a refundable separate credit) increased by 4.9 percent to \$16.4 billion in 2006. The combined \$48.2 billion of the child tax credit and the additional child tax credit represented a slight, 0.9-percent increase from 2005 and was greater than the \$45.4 billion of total EIC (see below).

Other notable percentage increases for major tax credits included a 15.1-percent rise in education tax

credits to \$7.1 billion (as opposed to the decrease in the deduction for tuition and fees cited above) and a 13.1-percent rise in the foreign tax credit to \$9.4 billion. Smaller credits, such as the general business credit and the adoption credit, also had significant increases from 2005, 69.1 percent and 10.3 percent, respectively. The large percentage increase in the general business credit can be partially attributed to the Energy Policy Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 (see Changes in Law section for details).

In addition, Tax Year 2006 introduced two new credits: the residential energy credit and the credit for Federal telephone excise taxes previously collected erroneously (see Changes in Law section for details). Taxpayers on nearly 4.5 million returns took advantage of the residential energy credits and reduced their taxes by over \$1.0 billion, while 97.3 million returns claimed credits of \$4.2 billion for the Federal telephone excise tax.

The total earned income credit (EIC) increased 5.3 percent to \$45.4 billion for Tax Year 2006. The portion of the EIC used to offset income tax before credits increased 7.4 percent to \$0.8 billion, and the portion of the EIC used to offset other taxes (such as the self-employment tax) rose 8.6 percent to \$4.6 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 4.9 percent to \$39.9 billion for 2006.

The comparisons of data for Tax Years 2005 and 2006 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. Final statistics for Tax Year 2005 are available in the Fall 2006 issue of the *Bulletin*.

Changes in Law

In general, the definitions used in this article are the same as those in *Statistics of Income—2005, Individual Income Tax Returns*. The following is a partial list of tax law and Internal Revenue Service admin-

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

istrative changes that had a major bearing on the Tax Year 2006 preliminary data presented in this article.

Additional Child Tax Credits—Modifications were made to the additional child tax credit for 2006. In Tax Year 2005, the credit limit based on earned income was 15 percent of a taxpayers earned income that exceeded \$11,000. For 2006, the limit was 15 percent of a taxpayer's earned income that exceeded \$11,300.

Alternative Minimum Tax (AMT)—For Tax Year 2006, the minimum exemption rose to \$62,550 for a married couple filing a joint return, up from \$58,000 in 2005, and to \$42,500 for singles and heads of household, up from \$40,250, and \$31,275 from \$29,000 for a married person filing separately.

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 \$2,800 from \$2,700. The maximum credit for taxpayers with no qualifying children increased to \$412 from \$399. For these taxpayers, earned income and AGI had to be less than \$12,120 (\$14,120 if married filing jointly) to get any EIC. For taxpayers with one qualifying child, the maximum credit increased \$85 to \$2,747, and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,536 from \$4,400. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$32,001 (\$34,001 for married filing jointly) for one qualifying child, or less than \$36,348 (\$38,348 for married filing jointly) for two or more qualifying children.

Exemption Amount—For Tax Year 2006, the exemption amount increased by \$100 to \$3,300. Taxpayers could have lost a portion of their exemption benefits if their adjusted gross incomes were above certain amounts (\$112,875 married persons filling separately, \$150,500 single individuals, \$188,150 for heads of household, and \$225,750 for married persons filling jointly or qualifying widow(er)s). For 2006, a taxpayer could lose no more than two-thirds of the dollar amount of their exemption, so the amount of each exemption could not be reduced to less than \$1,100. For 2005 and previous years, exemption amounts could be limited to zero.

Credit for Federal Telephone Excise Tax—Taxpayers who were billed after February 28, 2003, and before August 1, 2006, for Federal telephone excise tax on long distance or bundled service may have taken credit for those payments on their Tax Year 2006 income tax returns. Individuals were eligible to receive this credit if they had not received a refund from their service providers. They could claim a credit for these telephone excise payments even if they had no income tax liability. Taxpayers could request either a standard amount based on the number of exemptions claimed on their returns (number of exemptions: 0 = \$0, 1 = \$30, 2 = \$40, 3 = \$50, 4 or more = \$60), or they could claim the actual amounts as shown on their long distance telephone records. Individuals who did not otherwise have to file an income tax return filed a Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, in order to obtain their refunds. A total of 739,206 Form 1040EZ-T returns were filed for Tax Year 2006.

General Business Credits—The Energy Tax Incentives Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 provided tax incentives for energy efficient buildings and appliances, alternative and clean fuel vehicle credits, and other incentives and credits related to energy production and excise taxes. Of these, the new alternative motor vehicle credit had a large effect on the statistics for the general business credit for Tax Year 2006. A total of 145,000 sole proprietorships reported over \$291.0 million for the tentative alternative motor vehicle credit.

Health Savings Account Deduction—For Tax Year 2006, the maximum HSA deduction increased by \$50 to \$2,700 (\$5,450, if family coverage, up from \$5,250). These limits were \$700 higher if the taxpayer was age 55 or older.

Katrina Emergency Tax Relief Act of 2005—The new law provides an additional exemption of \$500 in taxable years 2005 or 2006 for each Hurricane Katrina displaced individual claimed by the taxpayer. The total additional exemption claimed for all years cannot exceed: \$2,000 for married taxpayers filing jointly, \$1,000 for married taxpayers filing separately, and \$2,000 for all other taxpayers. A Hurricane Katrina displaced individual is a person (1) whose main home on August 28, 2005, was in the Hurricane Katrina disaster area, (2) who was displaced from the home, and (3) who was provided housing free of

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

charge in the taxpayer's main home for a period of at least 60 consecutive days which ended in the taxable year in which the exemption was claimed. The additional exemption is not subject to the income-based phaseouts applicable to personal exemptions, and is allowed as a deduction in computing alternative minimum taxable income.

Kiddie Tax—For Tax Year 2006, the age limit for children who received taxable income and needed to figure tax using their parent's higher marginal rates increased from 14 to 18. Also, the amount of taxable investment income a child could have before being taxed at their parents' rate rose to \$1,700, up from \$1,600. Because of the age change, the number of children filing Form 8615 increased from 142 thousand to 331 thousand. The kiddie tax paid on these returns increased 107.3 percent to \$645.2 million for 2006.

Indexing—The following items increased due to indexing for inflation: personal exemption amounts, basic standard deduction amounts, tax bracket boundaries, beginning income amounts for limiting certain itemized deductions and for the reduction of personal exemption deductions. 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 2006, the contribution limit for Roth and traditional IRAs increased to \$5,000, up from \$4,500 in 2005, for taxpayers age 50 or over. For taxpayers under 50, the limit remained unchanged at \$4,000. The \$10,000 phaseout range for IRA deductions for those covered by a retirement plan began at income of \$75,000 if married filing jointly or a qualifying window(er), up from \$70,000 in 2005. It remained at \$50,000 for single person or head of household and at \$0 for a married person filing a separate return. Military members serving in combat zone localities could use tax free combat pay in figuring how much to contribute to a Roth or traditional IRA. This allowed members of the military with no taxable earned income to make contributions, unlike in previous years.

Limit on Itemized Deductions Increased—Taxpayers who had adjusted gross income above

\$150,500 (\$75,250 if married filing separately) could have lost part of their deduction for itemized deductions. This was an increase from 2005 amounts of \$145,950 (\$72,975 if married filing separately). For Tax Year 2006, the amount by which the deduction was reduced was only two-thirds of the amount of the reduction that would have otherwise applied (for 2005 and previous years).

Residential Energy Credit—For 2006, a taxpayer could receive a 10 percent credit for buying qualified energy efficiency improvements for their main home. The maximum nonbusiness energy property credit for all tax years is \$500, and no more than \$200 of the credit can be attributable to expenses for windows. An estimated 45 thousand taxpayers took an additional 30 percent credit for cost related to residential energy efficient property (qualified solar electric costs, solar water heating costs, and fuel cell costs) totaling \$44.0 million. Also, the credit for cost related to residential energy-efficient property was not limited to \$500.

Standard Deduction Amount Increased—The standard deduction for people who did not itemize deductions on Schedule A of Form 1040 was, in most cases, higher for 2006 than it was in 2005. The amount depended on filing status, being 65 or older or blind, and whether an exemption could be claimed for a taxpayer by another person. For 2006, the standard deduction increased to \$10,300 for joint filers, up from \$10,000 in 2005. For single filers and married filing separately the deduction amount increased to \$5,150. For heads of households, the deduction was \$7,550.

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 2007. 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 0.1 percent to

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 Nonresident 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, 2006

Statistics of Income Bulletin | Spring 2008

100 percent. The preliminary Tax Year 2006 data are based on a sample of 243,548 returns and an estimated final population of 138,503,310 returns. The corresponding sample and population for the preliminary 2005 data were 231,171 and 134,577,117 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 (CVs) are used to measure that magnitude. The reliability of estimates based on samples, and the use of coef-

ficients 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 2006 returns, between January and late September of 2007. 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.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Table 1. Individual Income Tax Returns, Tax Year 2006 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 [1]	\$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)
Number of returns, total	138,420,499	37,614,447	29,648,886	24,906,995	30,052,882	12,109,523	4,087,767
Form 1040 returns	83,518,153	14,582,112	12,373,341	15,141,911	25,392,622	11,940,400	4,087,767
Form 1040A returns	32,250,392	9,906,316	11,931,339	6,694,879	3,571,505	146,356	0
Form 1040EZ returns [2]	22,651,954	13,126,017	5,344,207	3,070,207	1,088,755	22,766	0
Electronically-filed returns [3]	81,536,629	20,317,735	18,863,279	15,639,751	18,020,528	6,834,881	1,860,452
Adjusted gross income (less deficit)	7,982,660,690	188,623,915	655,386,215	973,569,175	2,123,893,982	1,610,028,478	2,431,158,925
Salaries and wages:							
Number of returns	116,832,397	27,988,707	25,291,726	22,183,773	26,927,990	10,919,775	3,520,432
Amount	5,578,112,649	219,570,526	532,165,023	801,742,594	1,677,698,996	1,213,106,852	1,133,828,658
Taxable interest:							
Number of returns	62,500,172	9,398,553	8,602,386	10,511,262	19,722,637	10,359,139	3,906,193
Amount	192,779,487	12,304,484	14,119,134	16,732,081	41,636,859	33,840,034	74,146,896
Tax-exempt interest [4]:							
Number of returns	6,036,087	448,064	421,142	615,311	1,662,698	1,486,817	1,402,058
Amount	69,505,527	2,292,581	1,871,539	3,309,087	9,636,030	11,576,836	40,819,457
Ordinary dividends:							
Number of returns	31,538,899	4,407,519	3,556,147	4,330,807	9,524,467	6,508,529	3,211,432
Amount	185,974,188	6,341,798	6,689,039	9,222,334	27,672,117	32,611,674	103,437,225
Qualified dividends:							
Number of returns	26,527,893	3,603,463	2,852,224	3,536,339	7,906,716	5,657,809	2,971,341
Amount	130,083,446	3,162,063	3,498,261	5,025,537	16,890,337	21,585,258	79,921,990
State income tax refunds:							
Number of returns	23,117,093	558,024	1,453,674	3,916,292	10,204,589	5,595,597	1,388,919
Amount	22,670,071	523,101	718,430	2,249,332	7,644,525	5,886,385	5,648,298
Alimony received:							
Number of returns	437,222	76,799	113,223	113,749	102,865	22,911	7,677
Amount	7,854,640	469,202	1,009,563	1,489,962	2,383,400	1,117,011	1,385,501
Business or profession net income:							
Number of returns	16,171,389	4,935,087	2,706,877	2,376,501	3,526,978	1,804,635	821,312
Amount	316,776,424	33,961,648	33,215,671	32,464,292	63,147,507	62,402,672	91,584,635
Business or profession net loss:							
Number of returns	5,464,904	1,007,477	809,904	978,345	1,658,693	745,155	265,331
Amount	47,456,970	15,599,583	5,728,321	5,695,514	9,522,642	5,043,176	5,867,735
Net capital gain reported on Schedule D:							
Number of returns	13,234,954	1,478,097	1,240,184	1,623,365	3,787,531	3,052,189	2,053,589
Amount	676,753,504	10,391,627	5,684,784	9,558,503	37,553,097	64,964,904	548,600,585
Capital gain distributions reported on Form 1040:							
Number of returns	4,649,118	775,280	543,387	742,085	1,510,198	847,662	230,507
Amount	8,577,690	847,073	718,607	1,053,251	2,649,260	2,087,711	1,221,785
Net capital loss:							
Number of returns	8,612,023	1,598,634	969,085	1,056,643	2,363,620	1,734,632	889,410
Amount	18,691,022	3,472,291	2,062,755	2,134,173	5,015,656	3,786,854	2,219,293
Sales of property other than capital assets, net gain:							
Number of returns	848,344	90,397	94,484	107,550	228,166	147,590	180,157
Amount	12,220,069	1,048,176	591,014	663,544	1,952,986	2,034,101	5,930,251
Sales of property other than capital assets, net loss:							
Number of returns	828,441	126,553	85,881	96,260	178,999	143,458	197,292
Amount	9,275,159	3,981,291	422,228	467,207	737,206	889,728	2,777,500
Taxable Individual Retirement Arrangement distributions:							
Number of returns	10,064,480	1,423,477	1,842,487	1,771,601	3,115,328	1,440,935	470,649
Amount	125,057,748	6,221,499	11,303,977	14,286,937	39,815,789	33,060,219	20,369,325
Taxable pensions and annuities:							
Number of returns	24,467,625	3,829,440	4,728,589	4,596,298	7,334,198	3,104,743	874,355
Amount	460,647,534	24,269,588	55,138,473	73,632,304	164,388,444	103,222,185	39,996,539

Footnotes at end of table.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Table 1. Individual Income Tax Returns, Tax Year 2006 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 [1]	\$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)
Rent and royalty net income:							
Number of returns	5,607,719	725,924	719,681	757,176	1,594,246	1,060,025	750,673
Amount	77,337,722	4,482,710	3,824,814	4,710,615	13,617,142	14,778,200	35,924,239
Rent and royalty net loss:							
Number of returns	5,203,752	713,691	631,171	841,616	1,719,422	870,231	427,624
Amount	55,133,308	10,210,169	5,531,704	7,275,150	15,405,088	7,820,917	8,890,280
Partnership and S corporation net income:							
Number of returns	4,516,531	288,170	301,191	467,256	1,142,593	1,070,014	1,247,310
Amount	468,113,804	3,455,771	3,430,145	7,255,776	23,042,128	43,998,462	386,931,518
Partnership and S corporation net loss:							
Number of returns	2,305,876	398,433	207,033	283,490	594,637	457,195	365,090
Amount	65,866,290	26,188,819	2,247,787	3,013,156	6,488,869	6,601,529	21,326,132
Estate and trust net income:							
Number of returns	503,385	49,424	36,484	57,386	132,976	124,515	102,600
Amount	17,404,639	259,211	210,515	341,676	1,494,250	2,295,795	12,803,195
Estate and trust net loss:							
Number of returns	33,932	6,485	4,537	1,748	5,971	7,854	7,338
Amount	738,487	265,926	13,161	25,675	22,817	76,801	334,107
Farm net income:							
Number of returns	564,085	109,452	99,286	106,470	153,517	68,575	26,785
Amount	8,395,511	778,825	979,284	1,135,370	2,297,502	1,446,075	1,758,456
Farm net loss:							
Number of returns	1,400,682	267,426	209,619	241,489	424,577	176,888	80,685
Amount	22,519,021	6,113,665	2,386,289	2,880,151	4,995,433	2,791,222	3,352,262
Unemployment compensation:							
Number of returns	7,457,645	1,429,953	2,052,217	1,572,763	1,846,829	477,912	77,973
Amount	26,777,624	4,028,738	7,206,757	5,927,645	7,103,259	2,077,452	433,774
Taxable Social Security benefits:							
Number of returns	13,946,403	75,561	2,511,932	3,601,008	5,139,053	1,892,217	726,631
Amount	146,855,542	290,198	5,006,852	22,940,476	71,339,323	33,219,136	14,059,558
Total statutory adjustments:							
Number of returns	33,832,756	6,547,060	5,278,518	6,005,506	9,425,236	4,861,861	1,714,576
Amount	110,079,073	8,611,968	9,040,544	12,377,704	26,381,764	23,789,113	29,877,980
Educator expenses:							
Number of returns	3,205,761	83,980	212,258	583,505	1,404,912	810,570	110,534
Amount	816,224	18,068	49,667	139,110	362,069	220,294	27,020
Certain business expenses of reservists, performing artists, and fee-basis government officials:							
Number of returns	120,005	15,317	21,367	17,998	38,897	23,251	3,179
Amount	368,850	78,420	54,808	65,275	99,722	58,080	12,543
Payments to an Individual Retirement Arrangement:							
Number of returns	3,286,760	178,443	491,755	778,811	1,129,318	558,773	149,661
Amount	12,768,170	472,522	1,385,278	2,629,202	4,476,408	2,714,408	1,090,352
Student loan interest deduction:							
Number of returns	8,605,148	799,712	1,572,827	2,200,386	3,141,256	890,968	0
Amount	6,187,425	497,263	1,056,644	1,650,012	2,427,939	555,569	0
Tuition and fees deduction:							
Number of returns	4,028,959	786,010	358,634	433,246	1,116,338	1,334,732	0
Amount	9,632,076	2,229,087	832,231	989,390	2,418,219	3,163,148	0
Health savings account deduction:							
Number of returns	351,170	12,193	24,594	52,053	118,650	79,831	63,846
Amount	845,431	25,402	37,404	91,876	255,657	209,772	225,323
Medical savings account deduction:							
Number of returns	17,011	366	1,704	4,466	4,268	3,328	2,881
Amount	29,908	363	1,959	3,888	10,342	4,745	8,613

Footnotes at end of table.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Table 1. Individual Income Tax Returns, Tax Year 2006 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 [1]	\$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)
Moving expenses adjustment:							
Number of returns	1,087,129	97,993	219,402	217,877	331,540	173,608	46,712
Amount	3,157,994	230,899	410,145	471,685	1,009,558	790,413	245,294
Self-employment tax deduction:							
Number of returns	16,892,682	4,847,756	2,751,743	2,437,181	3,673,542	2,004,715	1,177,744
Amount	22,451,883	2,539,574	2,579,976	2,675,869	5,217,133	4,358,707	5,080,625
Self-employed health insurance deduction:							
Number of returns	3,537,194	486,051	519,305	541,133	835,069	593,492	562,143
Amount	18,469,428	1,690,861	1,937,536	2,237,559	4,120,228	3,600,987	4,882,256
Payments to a self-employed retirement (Keogh) plan:							
Number of returns	1,176,905	21,891	35,507	82,013	253,636	385,950	397,911
Amount	20,243,044	114,498	132,705	546,245	2,208,683	5,812,185	11,428,728
Penalty on early withdrawal of savings:							
Number of returns	1,172,267	206,265	202,145	238,170	315,955	159,774	49,957
Amount	433,716	81,515	70,368	69,700	117,092	57,481	37,563
Alimony paid:							
Number of returns	578,779	37,739	51,145	87,032	200,109	118,940	83,817
Amount	8,701,183	455,843	406,037	687,352	1,814,032	1,813,597	3,524,321
Domestic production activities deduction:							
Number of returns	402,710	8,396	14,348	35,238	85,632	95,022	164,075
Amount	3,277,003	1,863	6,736	24,893	89,566	183,254	2,970,693
Other adjustments:							
Number of returns	136,308	13,915	23,691	26,592	36,289	24,872	10,952
Amount	1,066,677	154,352	72,159	82,416	235,184	232,571	289,992
Total deductions:							
Number of returns	135,806,268	35,010,184	29,646,832	24,902,939	30,050,155	12,108,440	4,087,716
Amount	1,793,667,050	219,938,507	244,698,207	259,106,584	469,953,668	311,346,592	288,623,494
Total standard deduction:							
Number of returns	86,788,384	33,132,063	25,035,792	16,008,030	10,954,420	1,442,339	215,740
Amount	611,274,926	192,576,599	177,811,464	123,100,918	101,049,207	14,618,909	2,117,831
Basic standard deduction:							
Number of returns	86,788,384	33,132,063	25,035,792	16,008,030	10,954,420	1,442,339	215,740
Amount	594,041,953	187,246,043	173,020,725	120,131,694	97,813,107	13,841,621	1,988,758
Additional standard deduction:							
Number of returns	11,419,381	3,735,598	3,137,026	1,952,605	2,046,588	468,724	78,839
Amount	17,232,969	5,330,553	4,790,733	2,969,222	3,236,100	777,288	129,072
Total itemized deductions (after limitation):							
Number of returns	49,017,884	1,878,122	4,611,040	8,894,908	19,095,734	10,666,100	3,871,976
Amount	1,182,392,125	27,361,908	66,886,742	136,005,666	368,904,461	296,727,683	286,505,663
Itemized deductions in excess of limitation:							
Number of returns	6,827,652	0	0	0	102,259	2,854,004	3,871,390
Amount	33,562,088	0	0	0	23,548	1,275,777	32,262,764
Medical and dental expenses deduction:							
Number of returns	10,121,720	1,198,624	2,094,087	2,566,113	3,358,984	814,888	89,025
Amount	69,090,147	8,605,357	14,073,218	14,859,988	21,344,251	7,580,273	2,627,055
Taxes paid deduction:							
Number of returns	48,565,862	1,786,455	4,470,749	8,761,972	19,025,427	10,653,668	3,867,589
Amount	423,257,838	4,810,268	12,682,925	32,111,521	110,636,971	111,275,862	151,740,293
State and local income taxes [5]:							
Number of returns	46,847,080	1,573,754	4,126,506	8,351,937	18,491,140	10,470,750	3,832,993
Amount	258,058,659	1,133,894	4,100,589	13,956,090	57,314,601	64,276,889	117,276,598
Income taxes:							
Number of returns	35,846,674	587,785	2,377,349	6,153,913	14,821,496	8,711,236	3,194,895
Amount	239,126,293	589,572	2,750,263	11,430,636	51,151,106	59,692,890	113,511,827
General sales taxes:							
Number of returns	11,000,405	985,968	1,749,157	2,198,024	3,669,644	1,759,514	638,100
Amount	18,932,366	544,322	1,350,325	2,525,455	6,163,495	4,583,999	3,764,769

Footnotes at end of table.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Table 1. Individual Income Tax Returns, Tax Year 2006 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 [1]	\$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)
Interest paid deduction:							
Number of returns	40,110,187	1,206,964	3,105,372	6,888,558	16,367,162	9,332,120	3,210,013
Amount	450,398,602	10,574,132	25,965,861	58,215,543	160,618,658	120,314,309	74,710,104
Charitable contributions deduction:							
Number of returns	41,427,765	1,179,148	3,262,742	6,926,596	16,486,384	9,891,158	3,681,738
Amount	173,018,464	1,619,116	6,190,357	14,706,167	44,069,662	38,178,579	68,254,587
Taxable income:							
Number of returns	106,803,674	11,344,628	25,074,747	24,330,098	29,883,128	12,089,990	4,081,084
Amount	5,553,096,928	34,742,527	250,711,104	551,385,341	1,409,304,270	1,187,091,681	2,119,862,003
Alternative minimum tax:							
Number of returns	4,037,074	10,023	6,117	10,697	219,535	1,132,178	2,658,522
Amount	19,252,710	81,650	19,488	27,197	272,525	2,141,751	16,710,101
Income tax before credits:							
Number of returns	106,823,754	11,353,195	25,074,981	24,330,101	29,888,144	12,093,831	4,083,501
Amount	1,083,780,725	3,534,141	28,876,222	71,230,518	207,895,254	217,060,887	555,183,703
Total tax credits [6]:							
Number of returns	46,331,299	2,612,210	11,035,421	10,634,048	14,362,114	5,765,181	1,922,326
Amount	57,450,072	392,661	6,314,560	11,384,119	22,875,797	6,523,387	9,959,547
Child care credit:							
Number of returns	6,524,616	32,606	1,158,838	1,363,553	2,416,598	1,274,787	278,235
Amount	3,519,410	4,614	600,325	803,006	1,282,657	686,508	142,298
Credit for the elderly or disabled:							
Number of returns	99,044	56,056	42,987	0	0	0	0
Amount	14,847	10,406	4,441	0	0	0	0
Child tax credit:							
Number of returns	25,818,992	231,421	5,532,472	6,782,577	10,165,509	3,105,352	1,662
Amount	31,836,114	26,241	2,935,137	7,688,856	16,876,668	4,307,676	1,539
Education tax credits:							
Number of returns	7,819,470	591,175	2,097,080	2,099,279	2,880,739	151,196	0
Amount	7,128,447	183,375	1,590,445	1,995,076	3,287,047	72,505	0
Retirement savings contributions credit:							
Number of returns	5,261,485	302,371	2,455,945	2,502,518	651	0	0
Amount	908,521	65,226	450,252	392,997	46	0	0
Adoption credit:							
Number of returns	90,684	**	** 3,823	22,130	47,532	16,298	901
Amount	334,705	**	** 2,444	29,250	164,824	132,007	6,175
Residential energy credits:							
Number of returns	4,452,576	36,272	290,575	788,993	1,971,839	1,082,415	282,480
Amount	1,023,719	4,035	57,309	164,205	439,585	272,507	86,078
Foreign tax credit:							
Number of returns	6,392,372	330,261	419,423	663,904	1,804,546	1,704,651	1,469,584
Amount	9,430,601	10,500	42,768	81,359	414,109	674,590	8,207,274
General business credit:							
Number of returns	362,918	6,144	11,829	40,711	130,406	106,583	67,247
Amount	1,114,077	1,074	9,440	64,217	263,407	170,008	605,930
Prior year minimum tax credit:							
Number of returns	334,017	1,463	10,253	12,102	55,565	148,009	106,627
Amount	1,012,865	114	6,047	17,123	56,906	159,657	773,019
Self-employment tax:							
Number of returns	16,892,682	4,847,756	2,751,743	2,437,181	3,673,542	2,004,715	1,177,744
Amount	44,895,363	5,076,735	5,158,588	5,350,527	10,432,451	8,716,400	10,160,659
Total earned income credit (EIC):							
Number of returns	23,392,886	12,396,250	8,963,542	2,033,092	0	0	0
Amount	45,364,048	22,920,782	21,107,675	1,335,592	0	0	0
EIC used to offset income tax before credits:							
Number of returns	2,983,077	1,086,868	1,358,391	537,820	0	0	0
Amount	808,517	86,583	605,753	116,179	0	0	0

Footnotes at end of table.

Individual Income Tax Returns, Preliminary Data, 2006

Statistics of Income Bulletin | Spring 2008

Table 1. Individual Income Tax Returns, Tax Year 2006 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 [1]	\$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)
EIC used to offset other taxes:							
Number of returns	4,972,285	3,247,574	1,400,473	324,238	0	0	0
Amount	4,645,878	2,724,744	1,750,799	170,336	0	0	0
Excess EIC, refundable portion:							
Number of returns	20,639,026	10,804,666	8,346,920	1,487,439	0	0	0
Amount	39,909,653	20,109,454	18,751,122	1,049,077	0	0	0
Additional child tax credit:							
Number of returns	15,723,997	2,753,186	8,286,213	3,674,218	989,158	21,224	0
Amount	16,354,979	1,266,585	8,671,525	5,075,484	1,307,461	33,924	0
Credit for Federal telephone excise tax paid:							
Number of returns	97,260,127	18,193,693	20,015,816	18,932,562	25,344,153	10,956,847	3,817,058
Amount	4,180,071	723,444	824,876	783,685	1,134,889	524,961	188,219
Total income tax:							
Number of returns	92,762,414	9,902,429	17,305,918	20,519,800	28,883,062	12,071,006	4,080,197
Amount	1,026,331,685	3,141,480	22,561,661	59,846,400	185,019,469	210,537,500	545,225,176
Total tax liability:							
Number of returns	96,671,006	12,396,501	18,035,187	21,004,343	29,074,807	12,078,369	4,081,801
Amount	1,071,236,902	5,670,230	25,846,422	65,043,172	196,955,952	220,670,589	557,050,537

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

[1] Includes returns with adjusted gross deficit.

[2] For 2006, the total number of Form 1040EZ returns includes 739,206 Form 1040EZ-T returns.

[3] Included in data for Forms 1040, 1040A, and 1040EZ.

[4] Not included in adjusted gross income.

[5] State and local income taxes are the total of both income taxes and general sales taxes.

[6] 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.