

Individual Income Tax Rates and Shares, 2006

by Kyle Mudry and Justin Bryan

Taxpayers filed 138.4 million individual income tax returns for Tax Year 2006, of which 92.7 million (or 67.0 percent) were classified as taxable returns. A taxable return is a one that has total income tax greater than \$0. This represents an increase of 2.4 percent in taxable returns from 2005. Adjusted gross income (AGI) on these taxable returns rose 8.5 percent to \$7,439 billion for 2006, while total income tax rose 9.5 percent to \$1,024 billion. The average tax rate for taxable returns rose, approximately 0.2 percentage points to 13.8 percent for 2006.

Taxpayers with an AGI of at least \$388,806, the top 1 percent of taxpayers, accounted for 22.1 percent of AGI for 2006. This represents an increase in income share of 0.9 percentage points from the previous year. These taxpayers accounted for 39.9 percent of the total income tax reported, an increase from 39.4 percent in 2005. The top 5 percent of taxpayers accounted for 36.7 percent of AGI and 60.1 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported AGI of at least \$153,542, whereas, in 2005, the cutoff for this group was \$145,283.

This article discusses individual income tax rates and tax shares and the computation of “total income tax” for 2006. It provides explanations of selected terms and describes income tax structure, certain tax law changes, income and tax concepts (the “1979 Income Tax Concept,” “modified” taxable income, and marginal tax rates), the computation of “alternative minimum taxable income,” and data sources and limitations.

Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income. For statistics in this article, the average tax rate is “total income tax” (see *Explanation of Selected Terms*) divided by AGI reported on returns showing some income tax liability.

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Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is the statutory rate at which the last dollar of taxable income is taxed (see *Income and Tax Concept*).

The following sections describe the measurement of the average and marginal tax rates in more detail and discuss statistics based on these rates for 2006.

Average Tax Rates

Figure A presents income statistics for 1986 through 2006 (based on each year’s definition of AGI and on the common 1979 Income Concept) and taxes reported (see *Income and Tax Concepts*). These tax years can be partitioned into seven distinct periods:

- (1) Tax Year 1986 was the last year under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under the Tax Reform Act of 1986 (TRA86). For 1987, a 1-year, transitional, five-rate tax bracket structure was established with a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.
- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure.¹ The phase-in of the provisions of TRA86 continued with a maximum tax rate of 33 percent.
- (4) Tax Years 1991 and 1992 brought a three-rate tax bracket structure (with a maximum tax rate of 31 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions for some upper-income taxpayers.
- (5) Tax Years 1993 through 1996 had a five-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions for some upper-income taxpayers.

¹ For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to a 33-percent tax rate to phase out the benefit of the 15-percent tax bracket (as compared to the 28-percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.

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Figure A

Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-2006

[Money amounts are in billions of dollars, except where indicated]

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns [1]	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) [2], [3]	Average per return (whole dollars) [3]			
							Current dollars		Constant dollars [4]	
							Adjusted gross income (less deficit)	Total income tax	Adjusted gross income (less deficit)	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1986	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
1996	120,351,208	90,929,350	75.6	4,342	658	15.2	47,750	7,239	30,433	4,614
1997	122,421,991	93,471,200	76.4	4,765	731	15.3	50,980	7,824	31,763	4,875
1998	124,770,662	93,047,898	74.6	5,160	789	15.3	55,458	8,475	33,836	5,171
1999	127,075,145	94,546,080	74.4	5,581	877	15.7	59,028	9,280	35,431	5,570
2000	129,373,500	96,817,603	74.8	6,083	981	16.1	62,832	10,129	36,488	5,882
2001	130,255,237	94,763,530	72.8	5,847	888	15.2	61,702	9,370	34,840	5,291
2002	130,076,443	90,963,896	69.9	5,641	797	14.1	62,015	8,762	34,472	4,870
2003	130,423,626	88,921,904	68.2	5,747	748	13.0	64,625	8,412	35,122	4,572
2004	132,226,042	89,101,934	67.4	6,266	832	13.3	70,318	9,337	37,225	4,943
2005	134,372,678	90,593,081	67.4	6,857	935	13.6	75,687	10,319	38,754	5,284
2006	* 138,394,754	92,740,927	67.0	7,439	1,024	13.8	80,218	11,041	39,791	5,477
Using 1979 Income Concept [5]										
1986	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995	118,218,327	89,252,989	75.5	4,075	588	14.4	45,655	6,593	29,957	4,326
1996	120,351,208	90,929,350	75.6	4,418	658	14.9	48,582	7,239	30,964	4,614
1997	122,421,991	93,471,200	76.4	4,849	731	15.1	51,875	7,824	32,321	4,875
1998	124,770,662	93,047,898	74.6	5,299	789	14.9	56,947	8,475	34,745	5,171
1999	127,075,145	94,546,080	74.4	5,736	877	15.3	60,666	9,280	36,414	5,570
2000	129,373,500	96,817,603	74.8	6,294	981	15.6	65,012	10,129	37,754	5,882
2001	130,255,237	94,763,530	72.8	5,943	888	14.9	62,716	9,370	35,413	5,291
2002	130,076,443	90,963,896	69.9	5,758	797	13.8	63,297	8,762	35,184	4,870
2003	130,423,626	88,921,904	68.2	5,849	748	12.8	65,777	8,412	35,749	4,572
2004	132,226,042	89,101,934	67.4	6,399	832	13.0	71,817	9,337	38,019	4,943
2005	134,372,678	90,593,081	67.4	7,016	935	13.3	77,448	10,319	39,656	5,284
2006	* 138,394,754	92,740,927	67.0	7,640	1,024	13.4	82,379	11,041	40,863	5,477

* Includes 742,859 Form 1040 EZ-T returns.

[1] Number of taxable returns (column 2) divided by total number of returns (column 1).

[2] Average tax rate is "total income tax" (column 5) divided by "adjusted gross income less deficit (AGI)" (column 4).

[3] The average adjusted gross income (less deficit), average total income tax, and average tax rate were calculated from unrounded data.

[4] Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[5] These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see Statistics of Income-Individual Income Tax Returns, for 1986-2005. See Figure G for components of the 1979 Income Concept.

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(6) Tax Years 1997 through 2000 were subject to the Taxpayer Relief Act of 1997 which added three new capital gain tax rates to the previous rate structure to form a new eight-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent) (see *Income and Tax Concepts*).

(7) Tax Years 2001 through 2006 were affected by two new laws, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). EGTRRA included a new 10-percent tax rate bracket, as well as reductions in tax rates for brackets higher than 15 percent of one-half percentage point for 2001 and 1 percentage point for 2002. It also included increases in the child tax credit and an increase in alternative minimum tax exemptions. Tax Year 2003, under JGTRRA, saw additional rate reductions in ordinary marginal tax rates higher than the 15-percent rate, as well as expansions to particular income thresholds in the rates from 15 percent and below. Also, the rate for most long-term capital gains was reduced from 20 percent to 15 percent. Further, qualified dividends were taxed at this same 15-percent rate. These changes are detailed in the previously published article, *Individual Income Tax Rates and Shares, 2003*, in Appendix C (under *Tax Rate Reduction*). Beginning in 2004, the Working Families Tax Relief Act increased the additional child tax credit refundability rate from 10 percent to 15 percent.

About 92.7 million, or 67.0 percent, of the 138.4 million individual returns filed for 2006 were classified as taxable returns. This was a 2.4-percent increase in taxable returns from 2005. Total AGI reported on taxable returns increased 8.5 percent to \$7,439 billion. Total income on taxable returns rose using the 1979 Income Concept as well, increasing 8.9 percent to \$7,640 billion for 2006. Total income tax rose by over \$89 billion (9.5 percent) to \$1,024 billion for 2006. Average AGI for taxable returns rose to \$80,218 for 2006, a 6.0-percent increase from 2005. Average income tax also rose by 7.0 percent to \$11,041 for 2006.

In order to analyze the average tax rate over time, it is necessary to use a more consistent measure of income than AGI because some tax law changes resulted in the definition of AGI changing from year to year. The 1979 Income Concept controls for much of this variation in tax law, and its use provides a more consistent estimate of the average tax rate across years. Under the 1979 Concept, the average tax rate for 2006 rose to 13.4 percent from 13.3 percent for the previous year.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 13.8 percent for 2006. The average tax rate for the AGI-size classes ranged from 2.7 percent for the “\$1 under \$10,000” AGI-size class to 23.6 percent for the “\$500,000 under \$1,000,000” AGI-size class.

The average tax rate of 13.8 percent for 2006 for all income classes combined was an increase of approximately 0.2 percentage points from 13.6 percent for 2005. The average tax rate for taxable returns fell in every AGI-size class except for the \$1 under \$10,000 class, which increased by 0.2 percentage point from 2005 to 2.7 percent. The overall average rate increased despite this decline in each AGI class because individuals tended to move to higher income classes which, in turn, faced higher tax rates. For example, in 2006, the number of taxable returns in every positive AGI class between \$1 and under \$30,000 decreased, while all others increased, especially at the higher income levels. Also, the number of taxable returns reporting AGI of \$1 million or more increased by 16.6 percent from 2005.

Marginal Tax Rate Classifications

A return’s marginal tax rate is the highest statutory tax rate bracket applicable to that tax return. Marginal tax rate statistics are presented in Figure C and Table 1. These statistics are based on individual income tax returns showing a positive taxable income amount based on “tax generated” and items of income that were subject to the regular income tax, generally those included in AGI.² The *Income and Tax Concepts* section of this article explains the determination of the marginal tax rate bracket into which a return is assumed to fall. Table 2 contains additional data based on ordinary tax rates and pres-

² Nontaxable (i.e., tax-exempt) forms of income, such as interest on State and local government obligations, were not included in AGI and generally did not affect the marginal tax rate. However, in some situations, the receipt of some forms of tax-exempt income, such as tax-exempt interest, could have influenced the taxability of other income, in particular Social Security benefits. When this situation occurred, income made taxable by the receipt of other forms of nontaxable income was included in AGI.

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Figure B

Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 2005 and 2006

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

Tax year, item	Total	Size of adjusted gross income									
		Under \$1 [1]	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax Year 2006:											
Number of taxable returns	92,741	6	4,225	11,496	11,630	20,486	28,799	12,041	3,115	588	353
Adjusted gross income (less deficit)	7,439,473	-5,988	27,753	172,504	290,722	808,020	2,044,851	1,600,506	893,337	398,745	1,209,023
Total income tax	1,023,920	181	743	7,132	17,898	59,803	184,463	209,381	177,041	94,214	273,064
Average tax rate (percent) [2]	13.8	[3]	2.7	4.1	6.2	7.4	9.0	13.1	19.8	23.6	22.6
Tax Year 2005:											
Number of taxable returns	90,593	5	4,524	11,741	11,745	20,432	27,821	10,767	2,732	523	303
Adjusted gross income (less deficit)	6,856,723	-6,680	30,448	176,775	293,474	804,970	1,967,468	1,425,108	787,269	354,471	1,023,421
Total income tax	934,836	133	746	7,386	18,371	60,162	178,811	189,468	159,395	84,700	235,664
Average tax rate (percent) [2]	13.6	[3]	2.5	4.2	6.3	7.5	9.1	13.3	20.2	23.9	23.0
Change in:											
Number of taxable returns	2,148	1	-299	-245	-114	54	978	1,274	383	65	50
Percent	2.4	29.1	-6.6	-2.1	-1.0	0.3	3.5	11.8	14.0	12.4	16.6
Adjusted gross income (less deficit)	582,750	693	-2,695	-4,271	-2,752	3,050	77,383	175,398	106,069	44,274	185,602
Percent	8.5	-10.4	-8.9	-2.4	-0.9	0.4	3.9	12.3	13.5	12.5	18.1
Total income tax	89,084	48	-3	-253	-472	-359	5,652	19,913	17,646	9,514	37,400
Percent	9.5	35.9	-0.5	-3.4	-2.6	-0.6	3.2	10.5	11.1	11.2	15.9
Average tax rate:											
Percentage point change	0.1	[4]	0.2	[5]	-0.1	-0.1	-0.1	-0.2	-0.4	-0.3	-0.4

[1] Includes returns with adjusted gross deficit. Tax in these returns represents some combination of alternative minimum tax, Form 4972 tax on lump-sum distributions from qualified retirement plans, and Form 8814 tax on a child's interest and dividends not reflected in adjusted gross income or taxable income.

[2] Average tax rate is "total income tax" as a percentage of adjusted gross income less deficit (AGI). The average tax rate was calculated from unrounded data.

[3] Percentage not computed.

[4] Change not computed.

[5] Less than 0.05 percent.

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

ents statistics on income and tax generated at each ordinary tax rate by size of AGI.

For 2006, the number of individual returns with modified taxable income rose 2.2 percent to 106.7 million.³ The amount of modified taxable income reported on these returns increased 8.6 percent to \$5,580.4 billion. The tax generated on taxable returns rose by 9.1 percent to \$1,061.3 billion. Figure C presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal tax rate categories (defined in *Income and Tax Concepts*).

Returns with modified taxable income in the "15-percent" (ordinary income) marginal tax rate bracket contained the largest share of returns for 2006, at 38.7 percent. These returns reported 19.2 percent of

modified taxable income for 2006 and 13.0 percent of income tax generated. Conversely, taxpayers in the "35-percent" (ordinary income) marginal rate, the least represented bracket, accounted for only 0.9 percent of returns, but reported 22.0 percent of modified taxable income and 33.0 percent of tax generated (the largest of any tax bracket). The "10-percent" (ordinary income) marginal rate bracket reported the second largest share of returns at 24.1 percent. However, it only accounted for 2.5 percent of modified taxable income and 1.3 percent of tax generated. With a 20.9-percent share of returns, making it the third largest, the "25-percent" (ordinary income) marginal rate bracket reported 27.0 percent of modified taxable income and 23.9 percent of tax generated. Returns in the "28-percent" (ordinary income) marginal rate bracket represented 3.8 percent of the

³ The 2005 data are from Mudry, Kyle and Justin Bryan, "Individual Income Tax Rates and Shares, 2005," *Statistics of Income Bulletin*, Winter 2008, Volume 27, Number 3, pp. 8-47.

Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2006

[Money amounts are in thousands of dollars]

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	106,658,774	100.0	5,580,354,544	100.0	1,061,283,363	100.0
5 percent	1,151,527	1.1	8,346,340	0.1	417,350	[1]
10 percent	25,752,688	24.1	138,754,410	2.5	13,365,867	1.3
10 percent (Form 8814) [2]	19,240	[1]	17,907	[1]	1,796	[1]
15 percent	41,304,877	38.7	1,069,736,810	19.2	137,673,528	13.0
15 percent (capital gains) [3]	8,639,561	8.1	536,927,394	9.6	70,077,993	6.6
25 percent	22,314,164	20.9	1,503,962,573	27.0	253,145,760	23.9
25 percent (capital gains)	442,189	0.4	80,060,597	1.4	13,260,613	1.2
28 percent	4,020,037	3.8	568,137,742	10.2	117,747,721	11.1
28 percent (capital gains)	71,581	0.1	11,294,494	0.2	2,078,922	0.2
33 percent	1,587,873	1.5	431,351,363	7.7	102,570,049	9.7
35 percent	1,002,051	0.9	1,226,989,916	22.0	350,015,255	33.0
Form 8615 [4]	352,987	0.3	4,774,997	0.1	928,508	0.1

[1] Less than 0.05 percent.

[2] Form 8814 was filed for a dependent child under age 18 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[3] The 15 percent capital gains rate also includes qualified dividends.

[4] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

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

total share of returns and accounted for 10.2 percent of modified taxable income and 11.1 percent of tax generated. Returns in the “33-percent” (ordinary income) marginal rate bracket represented the second smallest share of ordinary tax rate returns at 1.5 percent. It also accounted for 7.7 percent of modified taxable income, as well as 9.7 percent of tax generated. Returns in the capital gain and dividends, 15-percent, 25-percent, and 28-percent tax brackets represented 8.6 percent of returns (with modified taxable income), and reported a total of 11.3 percent of modified taxable income and 8.0 percent of tax generated.

As shown in Table 2, the total tax generated for 2006 at the 15-percent rate was more than any other rate. The 32.7 percent of income taxed at this rate was reported by 74.1 percent of returns with modified taxable income, producing 25.8 percent of tax generated. The 35-percent rate generated the next largest amount of income tax. Tax in that bracket was reported on only 0.9 percent of returns. However, 11.2 percent of all modified taxable income was taxed at this rate, generating 20.5 percent of tax generated. The 25-percent rate had the third largest

amount of tax generated. Tax in that bracket was reported on 27.5 percent of returns, with 14.1 percent of all modified taxable income taxed at this rate, generating 18.5 percent of tax generated.

Components of Total Income Tax

Regular Tax

Regular tax is generally tax determined from a taxpayer's taxable income based on statutory tax rates. It does not include the “alternative minimum tax” (AMT) nor does it exclude allowable tax credits. Figure D illustrates the derivation of the aggregate tax generated for 2005 and 2006 returns. Table 1 includes two tax amounts: “tax generated” and “income tax after credits.” Tables 5 through 8 and Figures A and B include an additional measure of tax, “total income tax,” which also includes distributed tax on trust accumulations.

As shown (Figure D and column 5 of Table 1), the tax generated by applying statutory ordinary income and capital gain tax rates to modified taxable income was \$1,061.3 billion, a 9.1-percent increase from 2005.⁴ For most taxpayers, tax generated was

⁴ Tax generated does not include certain other taxes reported on individual returns, such as self-employment tax (the Social Security and Medicare tax on income from self-employment), the Social Security tax on certain tip income, household employment taxes, tax from the recapture of prior-year investment, low-income housing, or other credits, penalty tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified retirement plans, and tax on trusts, accumulation, and distributions. The statistics for “total tax liability,” shown in Bryan, Justin, “Individual Income Tax Returns: 2006,” *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2, include these taxes.

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equal to income tax before credits. However, for some taxpayers, income tax before credits included the alternative minimum tax (AMT) and/or special taxes on lump-sum distributions from qualified retirement plans (when a 10-year averaging method was used).⁵ The AMT increased sharply by 23.8 percent to \$21.6 billion for 2006.

Income tax before credits was \$1,082.9 billion for 2006, up from \$990.2 billion, representing a 9.4-percent increase from 2005. Taxpayers used \$58.9 billion of tax credits to reduce their income tax before credits. The earned income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer because it exceeds the taxpayer's liability and any portion of the EIC used to reduce taxes other than income taxes are excluded from the computation of income tax after credits.⁶ Income tax after credits (Figure D) totaled \$1,023.9 billion as did total income tax (the sum of income tax after credits and tax on trust accumulation distributions). These taxes both represented a 9.5-percent increase from 2005.

Table 4 provides estimates of income tax before credits by type of tax computation for returns with modified taxable income. For 2006, the number of returns with the Schedule D and qualified dividend tax computation increased 3.6 percent, from 21.7 million to 22.5 million. Along with this was an increase in income tax before credits and tax generated at these lower rates. These taxpayers paid \$107.2 billion (column 8) less in tentative taxes than they would have if they had not received the benefits of the lower capital gain and qualified dividend tax rates. This was up from the \$91.7 billion in savings from using these rates for 2005 (column 8). The average tax savings for those who had these capital gains rose from \$4,228 per return for 2005 to \$4,776 for 2006.

Tax Year 2006 saw an increase of 1.3 million returns that calculated taxes with a regular tax computation only. For 2006, the number of returns filed by children under age 18 with Form 8615 for reporting investment income over \$1,700 increased 149 per-

Figure D

Derivation of Tax Years 2005 and 2006 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

Item	2005	2006	Percentage change
	(1)	(2)	(3)
Tax generated from tax rate schedules or tax table	972.7	1,061.3	9.1
PLUS:			
Tax on lump-sum distributions from qualified retirement plans	[1]	[1]	[2]
Alternative minimum tax	17.4	21.6	23.8
EQUALS:			
Income tax before credits	990.2	1,082.9	9.4
LESS: Tax credits, total [3]	55.3	58.9	6.5
Child-care credit	3.5	3.5	0.7
Child tax credit [3]	32.0	31.7	-1.0
Education credit	6.1	7.0	14.8
Foreign tax credit	9.4	11.0	17.1
General business credit	0.9	1.3	48.4
Earned income credit (limited to the amount needed to reduce total income tax to zero)	0.7	0.8	7.0
Credit for prior-year minimum tax	1.1	1.0	-4.6
Retirement savings contribution credit	0.9	0.9	-5.4
Other credits [4]	0.7	1.7	152.0
EQUALS:			
Income tax after credits	934.8	1,023.9	9.5
PLUS: Trusts accumulation distribution	[1]	[1]	[2]
EQUALS:			
Total income tax	934.8	1,023.9	9.5

[1] Less than \$0.05 billion.

[2] Percentage not computed.

[3] Does not include the additional child tax credit that for 2006 was \$16.25 billion which was refunded to taxpayers and not included in total income tax.

[4] Includes the elderly or disabled credit, empowerment zone and community renewal employment credit, mortgage interest credit, adoption credit, DC first time home buyer's credit, nonconventional source fuel credit, and other credits.

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

cent to just under 353 thousand. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children generated just over \$885.7 million at their parents' rates (column 7) of tax revenue which is \$17.3 million (column 8) less than the \$903.0 million (column 6) of tax that would have been generated using ordinary tax computations at the children's rates.

Alternative Minimum Tax

The Revenue Act of 1978 established the alternative minimum tax to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise be able to legally reduce, or totally eliminate, their tax burdens. The AMT provisions may recapture some of the tax reductions under the ordinary

⁵ The income amounts on which these special computations for lump-sum distributions were based were not reflected in current-year AGI or current-year taxable income.

⁶ For 2006, the total earned income credit was \$44.4 billion. This amount includes the amount used to reduce income tax (\$0.8 billion), the amount used to reduce other taxes reported on individual income tax returns (\$4.5 billion), and the amount refunded to taxpayers (\$39.1 billion). Table 4 in Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2, shows these amounts.

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income tax. Form 6251, *Alternative Minimum Tax—Individuals*, is used to calculate AMT (see *Computation of Alternative Minimum Taxable Income*).

Figure E presents statistics, by size of AGI, on AMT reported by taxpayers filing Form 6251 with their returns. Some taxpayers included Form 6251 even though their tax liabilities were not increased due to AMT. The tabulations in Figure E include such forms. For 2006, AMT liability rose 23.8 percent to \$21.6 billion from \$17.4 billion in 2005. However, the number of returns that were subject to AMT actually decreased by 38,216 for the period. Alternative Minimum Taxable Income (AMTI) increased 13.0 percent from 2005. In addition, AMT increased tax liability for some taxpayers who did

not have any AMT liability by limiting certain business tax credits.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2006. Much of the variation in the number of taxpayers affected by AMT and in the amount of AMT liability during the mid-to-late 1980s and early 1990s was attributable to tax law changes such as TRA86, RRA90 (Revenue Reconciliation Act of 1990), and OBRA93, which altered AMT. Since then, the impact of AMT has increased partially because AMT exemptions have not been automatically indexed annually for the effects of inflation, whereas various parameters of the ordinary income tax (such as tax brackets, exemptions,

Figure E

Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, by Size of Adjusted Gross Income, Tax Years 2005 and 2006

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences [1]		Alternative minimum taxable income [1]		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Year 2006						
All returns	7,649,456	193,574,256	8,681,086	2,171,427,757	3,966,540	21,564,586
Under \$1 [2]	100,438	2,059,227	130,121	-9,237,984	6,751	184,922
\$1 under \$10,000	115,896	180,034	340,907	924,822	3,226	2,594
\$10,000 under \$20,000	146,532	313,176	300,401	3,243,402	3,055	4,785
\$20,000 under \$30,000	191,041	554,570	308,991	6,368,615	4,180	14,627
\$30,000 under \$40,000	189,913	891,725	287,734	8,425,735	3,811	11,992
\$40,000 under \$50,000	228,166	1,338,984	297,476	11,597,576	7,816	17,190
\$50,000 under \$75,000	687,982	6,009,902	821,835	44,535,540	87,680	105,899
\$75,000 under \$100,000	699,213	7,455,989	762,821	57,955,216	129,240	180,430
\$100,000 under \$200,000	2,181,882	37,335,931	2,261,719	296,296,237	1,096,666	2,128,778
\$200,000 under \$500,000	2,470,712	62,142,281	2,519,195	674,603,146	2,242,146	10,982,445
\$500,000 under \$1,000,000	411,222	21,511,690	420,183	260,007,906	284,262	3,230,498
\$1,000,000 or more	226,457	53,780,747	229,704	816,707,547	97,710	4,700,425
Tax Year 2005						
All returns	7,433,534	174,509,523	8,270,156	1,922,027,257	4,004,756	17,421,071
Under \$1 [2]	96,769	1,473,947	131,785	-8,129,282	6,152	137,419
\$1 under \$10,000	115,963	279,577	314,427	1,023,238	2,739	10,585
\$10,000 under \$20,000	180,647	417,569	301,303	3,231,288	924	2,075
\$20,000 under \$30,000	174,965	576,229	266,899	5,261,458	3,989	8,236
\$30,000 under \$40,000	193,244	807,603	245,302	6,877,303	2,806	9,267
\$40,000 under \$50,000	230,223	1,428,357	273,595	10,617,629	20,439	29,940
\$50,000 under \$75,000	707,022	6,165,540	822,719	44,814,981	127,175	128,416
\$75,000 under \$100,000	687,090	7,946,629	730,989	55,644,816	180,455	266,632
\$100,000 under \$200,000	2,364,847	40,373,226	2,434,996	316,140,733	1,453,782	2,661,737
\$200,000 under \$500,000	2,152,921	54,598,446	2,202,913	586,897,315	1,934,237	8,842,035
\$500,000 under \$1,000,000	337,485	17,779,102	347,968	215,844,422	201,570	2,333,727
\$1,000,000 or more	192,359	42,663,296	197,259	683,803,357	70,487	2,991,005

[1] See Figures I and J for the calculation of alternative minimum taxable income and the list of alternative minimum tax adjustments and preferences.

[2] Includes returns with adjusted gross deficit.

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

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Figure F

Alternative Minimum Tax, Tax Years 1986-2006

[Tax rates are in percentages—money amounts are in thousands of dollars]

Tax year	Highest statutory alternative minimum tax rate	Alternative minimum tax	
		Number of returns	Amount
	(1)	(2)	(3)
1986	20	608,907	6,713,149
1987	21	139,779	1,674,898
1988	21	113,562	1,027,884
1989	21	117,483	831,012
1990	21	132,103	830,313
1991	24	243,672	1,213,426
1992	24	287,183	1,357,063
1993	28	334,615	2,052,790
1994	28	368,964	2,212,094
1995	28	414,106	2,290,576
1996	28	477,898	2,812,746
1997	[1] 28	618,072	4,005,101
1998	[1] 28	853,433	5,014,549
1999	[1] 28	1,018,063	6,477,697
2000	[1] 28	1,304,197	9,600,840
2001	[1] 28	1,120,047	6,756,705
2002	[1] 28	1,910,789	6,853,901
2003	[1] 28	2,357,975	9,469,803
2004	[1] 28	3,096,299	13,029,239
2005	[1] 28	4,004,756	17,421,071
2006	[1] 28	3,966,540	21,564,586

[1] Top rate on most long-term capital gains was 20 percent, for 2003-06, 15 percent.

etc.) have been indexed annually for inflation. In both EGTRRA in 2001 and JGTRRA in 2003, AMT exemptions were increased, while ordinary tax rates declined. For 2004, 2005, and 2006, AMT levels rose to \$13.0 billion, \$17.4 billion, and \$21.6 billion respectively.

The amount in 2006 set the all-time high paid by individual taxpayers, surpassing the previous high set last year. This marks the fifth consecutive year of increases in AMT levels. Since 2001, the generated amount of AMT has increased by a total of 219.2 percent. Also, during this same time, the number of returns paying AMT has more than tripled from 1.1 million to 4.0 million.

Income and Tax Shares

Historical statistics from 1986 through 2006 on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year, and tax or income item, by descending and ascend-

ing cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among tax years beginning in 1986.

Tables 5 and 7 are based on percentiles of returns cumulated downward from the highest-income returns. The data in Tables 5 and 7 are shown for the top 1 percent, 5 percent, 10 percent, 25 percent, and 50 percent of returns. Tables 6 and 8 are based on returns cumulated upward from the lowest-income returns. Data are shown for the bottom 50 percent, 75 percent, 90 percent, 95 percent, and 99 percent of all returns.

Consider, for example, the data in Table 5 for the 135.7 million returns filed for 2006 with positive AGI.⁷ The average tax rate for these returns was 12.6 percent, a 0.15-percentage point increase from 2005. (A sizable portion of returns with positive AGI are nontaxable, accounting for the difference in the computation of this particular average tax rate versus the 13.8-percent average tax rate for taxable returns only. See Figure A.) The average tax rate increased for the third year in a row after having fallen for 3 previous years, bottoming out at 11.9 percent in 2003.

Despite 3 years of overall tax rate increases, the average tax rate paid by the top 1 percent has decreased for the past 5 years, while the rates paid by the top 10 percent, 25 percent, and 50 percent all increased from 2005. The top 1 percent, 5 percent, 10 percent, 25 percent, and 50 percent all also recorded a larger share of the income tax burden than their respective shares of AGI. For 2006, returns in the top 1 percent reported 22.1 percent of total AGI and 39.9 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$388,806. For 2005, the returns in this percentile group (i.e., those with at least \$364,657 in AGI) reported 21.2 percent of total AGI and 39.4 percent of total income tax.

For 2006, returns in the top 5-percent group (returns reporting AGI of \$153,542 or more) reported 36.7 percent of total AGI and 60.1 percent of income tax, compared to 35.7 percent and 59.7 percent, respectively, for 2005 (when the AGI floor was \$145,283). For 2006, returns in the top 10-percent group (returns with AGI of at least \$108,904) earned 47.3 percent of AGI and paid 70.8 percent of income

⁷ The percentile groupings of tax filers exclude returns with zero or negative AGI.

tax. For 2006, returns in this percentile group (with AGI of \$103,912 or more) reported 46.4 percent of total AGI and 70.3 percent of income tax. The top 50-percent group (earning \$31,987 or more) accounted for 87.5 percent of income and paid almost all (97.0 percent) of the income tax for 2005.

The statistics by percentile in Tables 5 and 6 for years prior to 1991 and in Tables 7 and 8 for years prior to 1994 were estimated, using a mathematical technique called “osculatory interpolation,” applied to aggregated data tabulated by income-size classes, in order to distribute tax returns within each class.⁸ For 1991 and later years, the statistics by percentiles in Tables 5 and 6, and Tables 7 and 8 for 1994 through 2006 were computed based on an actual ranking of returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. Differences under the two methods were judged to be minor enough so that pre-1991 and post-1990 data are believed to be comparable.

Explanation of Selected Terms

This appendix provides brief explanations of the major tax concepts discussed. For more extensive definitions, see *Individual Income Tax Returns 2006*, Statistics of Income Division, Internal Revenue Service, Publication 1304.

Adjusted gross income—Adjusted gross income is “total income,” as defined by the Tax Code, less “statutory adjustments” (primarily business, investment, or certain other deductions, such as payments to a Keogh self-employed retirement plan, certain deductible contributions to an Individual Retirement Arrangement (IRA), self-employed health insurance deductions, and one-half of Social Security taxes for the self-employed). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and net amounts from such sources as business income, rents and royalties, and sales of capital assets.

Difference due to special tax computation—For this article, the tax difference is the amount of tax resulting from using provisions of one of the special tax computations (Form 8615 or Schedule D and qualified dividends) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

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

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

Qualified dividends are the ordinary dividends received in tax years beginning after 2002 that met certain conditions. These conditions include: the dividend must have been paid by a U.S. corporation or a “qualified” foreign corporation; the stock ownership must have met certain holding period requirements; the dividends were not from certain institutions, such as mutual savings banks, cooperative banks, credit unions, tax-exempt organizations, or farmer cooperatives; and the dividends were not for any share of stock which was part of an employee stock ownership plan (ESOP). The maximum tax rate for qualified dividends was 15 percent generally (or 5 percent for amounts that would otherwise have been taxed at the 10-percent or 15-percent regular income rate).

Form 8615 tax computation—Form 8615 was used to compute the tax on investment income of children under age 18 who had investment income of more than \$1,700. Generally, such income was taxed as the marginal income of the parents. Before 2006, this form was only for children under the age of 14.

Income tax before credits—This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Schedule D tax worksheet, foreign-earned income tax worksheet, Schedule J, or Form 8615, plus Form (s) 8814, any additional taxes from Form 4972, and the alternative minimum tax.

Income tax before credits (regular tax computation)—This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate

⁸ For an explanation of the osculatory interpolation technique, see Oh, H. Lock (1978), “Osculatory Interpolation with a Monotonicity Constraint,” *1977 Proceedings of the American Statistical Association, Section on Statistical Computing*.

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schedules, plus any additional tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child's rate rather than at the rate of the parents. When Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 5-percent, 15-percent, 25-percent, or 28-percent tax rate for capital gains. When tax was payable on a qualified dividend, the tax was based on regular tax rates instead of the maximum tax rate for qualified dividends, 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent tax bracket). This is in contrast to the computation of Income Tax Before Credits (see above), in which special tax computations such as those involved on Form 8615, Schedule D and qualified dividends are taken into account. See Table 4.

Marginal tax rate—See *Income and Tax Concepts*.

Modified taxable income—See *Income and Tax Concepts*.

Regular tax computation—Depending on marital status and size of taxable income, the taxpayer used one of the four tax rate schedules (or an approximation from the tax table) to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

Schedule D and qualified dividend tax computation—Schedule D was used to compute the 5-percent, 15-percent, 25-percent, and 28-percent taxes on net long-term capital gains (in excess of net short-term capital losses) if such computations were beneficial to the taxpayer. Any investment interest allocated to long-term capital gains (on Form 4952) was excluded from this computation. Qualified dividends were taxed at a maximum tax rate of 15 percent (5 percent for amounts that would otherwise have been taxed in the 15-percent bracket).

Taxable income—Taxable income is AGI less the sum of personal exemption amounts and either the standard deduction for nonitemizers or total itemized deductions. The amounts for personal exemptions and total itemized deductions are net of any reduc-

tions because of taxpayers' incomes exceeding certain income thresholds.

Taxable returns—A return is classified as "taxable" based on the presence of "total income tax." The following additional taxes were not taken into account for this purpose: self-employment, household employment, Social Security, Railroad Retirement Tax Act (RRTA) taxes, tax from recomputing prior-year investment, low-income housing and a few other business credits, penalty taxes on Individual Retirement Arrangements, section 72 penalty taxes, advance earned income credit payments, or "golden parachute" payments (made to key employees as compensation under certain circumstances).

Tax generated—This is the amount of tax computed on modified taxable income either from the tax rate schedules or the tax table. Tax generated does not take into account the alternative minimum tax or the effect of tax credits. For most returns (those without the special tax on lump-sum distributions from qualified retirement plans or alternative minimum tax), tax generated equals "income tax before credits."

Total income tax—This is the sum of income tax after credits and tax on accumulated trust distribution from Form 4970, less the portion of EIC used to offset other taxes as well as the refundable portion of EIC (with tax limited to zero).

Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 2006 generally were based on the amount of "gross income," filing status, age, dependency, and blindness.⁹ Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file a return for Tax Year 2006 if they had net earnings from self-employment of at least \$400; liability for Social Security or Medicare tax on unreported tip income; Social Security, Medicare, or Rail-

⁹ Taxpayers fall into one of five filing statuses: single; married filing jointly; married filing separately; head of household; or surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on general filing requirements, see Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2.

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road Retirement tax on reported tip income or group-term life insurance; “alternative minimum tax”; tax on qualified retirement plan distributions, including an Individual Retirement Arrangement (IRA) or a Medical Savings Account (MSA); recapture tax on investment credit, low-income housing credit, or a few other business credits; recapture tax on the disposition of a home purchased with a Federally subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from Social Security taxes.

Gross income includes all income received as money, goods, property, or services that was not expressly exempt from tax.¹⁰ Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses.¹¹ “Taxable income,” the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: tax tables or tax rate schedules, both of which vary with taxpayer filing status (single, married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children’s investment income; Schedule J for farmers and fishermen to income-average; foreign-earned income worksheet; Schedule D and Qualified Dividends worksheet for net long-term capital gains and qualified dividends; or some combination of the above. For 2006, the tax rates for each filing status were 5 percent, 10 percent, 15 percent, 25 percent, 26 percent, 28 percent, 33 percent, and 35 percent. The tax rates of 5 percent and 15 percent were used for net long-term capital gains (in excess of net short-term capital losses). The 26-percent tax rate was only for the alternative minimum tax.

Income tax before credits includes any alternative minimum tax.¹²

To calculate their Federal income tax liability for 2006, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax “brackets” up to \$50 wide.¹³ The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar. As a result, the tax tables and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax tables could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax tables with taxable income that was subject to the 33-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$8.25.¹⁴ However, for most taxpayers, the actual difference in tax was smaller.

Changes in Law for 2006

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 to \$31,275 for a married person filing separately, up from \$29,000.

Earned income credit (EIC)—The maximum amount of the earned income credit increased, as

¹⁰ As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross income from sole proprietorships and farming, income from partnerships and S corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, U.S. Individual Income Tax Return, concept of “total income,” which is a component of the adjusted gross income (AGI) calculation on Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from such items as business income and rents and royalties.

¹¹ As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, moving expenses, the health insurance deduction for certain self-employed taxpayers, or one-half of self-employment tax.

¹² Income tax before credits includes tax on lump-sum distributions from qualified retirement plans.

¹³ For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. For taxable income above \$3,000, the brackets were \$50 wide.

¹⁴ For example, assume a taxpayer filing as “married filing separately” reported taxable income of \$98,000. Using the tax table, the tax would be \$22,339, but, using the tax rate schedules, the tax would be \$22,330.75, a difference of \$8.25.

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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 for married persons filing separately, \$150,500 for single individuals, \$188,150 for heads of household, and \$225,750 for married persons filing jointly or qualifying widow(er)s). For 2006, taxpayers could lose no more than two-thirds of the dollar amount of their exemptions, so that the amount of each exemption could not be reduced to less than \$1,100. For 2005 and previous years, exemption amounts could be reduced to zero.

Federal telephone excise tax credit—Taxpayers who were billed after February 28, 2003, and before August 1, 2006, for Federal telephone excise tax on long distance or bundled telephone service may have taken a credit or refund for Tax Year 2006. Individuals were eligible to receive this credit even if they owed no tax or if they had not received a refund of this excise tax from their service providers. Taxpayers could request the standard amount of the credit 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 the actual amount shown on their bills. Individuals who did not otherwise have to file an income tax return filed Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, in order to obtain their refunds. A total of 742,859 Form 1040 EZ-T returns were filed for

Tax Year 2006, and a total of 96.9 million taxpayers claimed the tax credit for a total of \$4.2 billion.

Foreign-earned income—Taxpayers who claimed the foreign-earned income exclusion or the foreign housing deduction on Form 2555, *Foreign-Earned Income*, had to use the foreign-earned income tax worksheet to figure their tax. Taxpayers had to refigure their tax on nonexcluded income using the tax tables that would have applied had they not claimed the exclusion. This change in the law affected 138.9 thousand taxpayers for Tax Year 2006, and they had to pay an additional \$806.5 million in taxes because of this.

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.

Health savings account deduction—The deduction was limited to the annual deductible on the qualifying high-deductible health plan, but not more than \$2,700 (\$5,450 if family coverage), an increase from \$2,650 (\$5,250 if family coverage) in 2005. These limits were \$700 higher if the taxpayer was age 55 or older (\$1,400 if both spouses were 55 or older). For 2005, these higher amounts for age 55 or older were \$600 and \$1,200 respectively.

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 partial phaseout of personal exemptions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

Individual retirement arrangement deduction—For 2006, a taxpayer or both taxpayers for taxpayers filing jointly were able to take an IRA deduction up to \$4,000 (\$5,000 if age 50 or older—up from \$4,500 for 2005) if not covered by a retirement plan, or if covered by a retirement plan but their modified AGI was less than \$60,000 (\$85,000 if married filing jointly or qualifying widow(er)). This was up from \$80,000 if married filing jointly or qualifying widow(er) for 2005. Military members serving in combat zone localities could count 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.

Itemized deductions—If a taxpayer's AGI was greater than \$150,500 (\$75,250 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$145,950 (\$72,975 if married filing separately) for 2005, as a result of inflation indexing. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. To arrive at allowable itemized deductions, total itemized deductions were reduced by the smaller of: (a) 53.33 percent of the nonexempt deductions, or (b) 2 percent of the amount of AGI in excess of the limitation threshold. For Tax Year 2006, this reduction was only two-thirds of the amount of the reduction that would have otherwise applied for 2005.

Katrina Emergency Tax Relief Act of 2005—The Katrina Emergency Tax Relief Act of 2005 provided an additional exemption of \$500 in 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 is displaced from that home, and (3) who is provided housing free of charge in the taxpayer's main home for a period of 60 consecutive days which end in the taxable year in which the exemption is 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 parents' higher marginal rates increased from 14 to 18. Also, the amount of taxable investment income a child could have before being taxed at the parents' rate rose to \$1,700, up from \$1,600. Due to this change, approximately 353.0

thousand taxpayers generated taxes of \$885.7 million at their parents' rates in 2006 compared to 2005 when 141.6 thousand taxpayers generated \$419.4 million.

Residential energy credit—For 2006, taxpayers could receive a 10-percent credit for buying qualified energy efficiency improvements for their main homes. The maximum credit was \$500, and no more than \$200 of the credit could be attributable to expenses for windows. Over 4.3 million taxpayers claimed this credit for a total of \$1.0 billion.

Income and Tax Concepts

As discussed in the *Income Tax Structure* section, gross income is all income received that is not specifically excluded. Total income is the net amount of gross income after certain expenses (i.e., business or rent and royalty expenses) have been deducted. Adjusted gross income (AGI) is total income less statutory adjustments to income (i.e., deductible contributions to an IRA or Keogh plan).

1979 Income Concept

To analyze changes in income and taxes over a period of years, a consistent definition of income should be used. Because the components of AGI may vary from year to year as the law changes, the "1979 Income Concept" was developed to provide a more uniform measure of income across tax years. By including the same income and deduction items in each year's income calculation and using only items available on Federal individual income tax returns, the definition of the 1979 Income Concept is consistent throughout the base years and can be used for future years to compare income by including only income components common to all years.

Tax Years 1979 through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 2005 includes many income and deduction items that are also components of AGI (Figure G). However, unlike AGI, the 1979 Income Concept also includes some nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax returns and disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept.¹⁵

¹⁵ For more details on the income computation under the 1979 Income Concept for 2006, see *Individual Income Tax Returns 2006*, Statistics of Income Division, Internal Revenue Service, Publication 1304.

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Figure G

Components of the 1979 Income Concept, Tax Year 2006

Income or loss:

- Salaries and wages [1]
- Interest [1]
- Dividends [1]
- Taxable refunds [1]
- Alimony received [1]
- Capital gain distributions not reported on Schedule D [1]
- Capital gains reported on Schedule D minus allowable losses [1]
- Other gains and losses (Form 4797) [1]
- Business net income or loss [1]
- Farm net income or loss [1]
- Rent net income or loss [1]
- Royalty net income or loss [1]
- Partnership net income or loss [1]
- S corporation net income or loss [1]
- Farm rental net income or loss [1]
- Estate or trust net income or loss [1]
- Unemployment compensation [1]
- Depreciation in excess of straight-line depreciation [2]
- Total pension income [3], [4]
- Other net income or loss [5]
- Net operating loss [1]

Deductions:

- Disallowed passive losses (Form 8582) [6]
- Moving expenses [1]
- Alimony paid [1]
- Unreimbursed business expenses [6]

[1] Included in adjusted gross income (less deficit) (AGI) for Tax Year 2006.

[2] Adjustment to add back excess depreciation (accelerated over straight-line depreciation) deducted in the course of a trade or business and included in net income (loss) amounts shown above.

[3] Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

[4] Not fully included in AGI for Tax Year 2006.

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

[6] Not included in AGI for Tax Year 2006.

Modified Taxable Income

This concept is relevant only for "prior-year returns" (about 4.5 million returns) or certain farm sole proprietor returns using income-averaging on Schedule J (about 45 thousand returns) or those returns with foreign-earned income having to use a worksheet to determine their taxes (about 138.9 thousand returns). For all other returns, modified taxable income is identical to taxable income.

This is the term used in the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax year are being selected for the *Statistics of Income* sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year.

The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable incomes reported on these prior-year returns and those filed with a Schedule J or foreign-earned income are modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

Marginal Tax Rates

Under the progressive U.S. income tax rate structure, different portions of taxable income are taxed at different rates. Figure H illustrates how income tax is determined for a single taxpayer with AGI of \$407,000 who used the standard deduction. As shown in the example, six different tax rates were applied to the taxable income to arrive at total tax. The first \$7,550 of taxable income were taxed at the 10-percent rate; the next \$23,100 of taxable income were taxed at the 15-percent rate; the next \$43,550 were taxed at the 25-percent rate; the next \$80,600 were taxed at the 28-percent rate; the next \$181,750 were taxed at the 33-percent rate; and the remaining \$64,200 were taxed at the 35-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. In the example, the marginal tax rate is 35 percent.

Figure H

Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 2006

[Money amounts are in dollars]

Item	Amount
Adjusted gross income	407,000
Less: Exemption	[1] 1,100
Standard deduction	5,150
Equals: Taxable income	400,750
Tax based on tax rates for single taxpayers:	
First \$7,550 taxed at 10 percent	755
Next \$23,100 taxed at 15 percent	3,465
Next \$43,550 taxed at 25 percent	10,887.50
Next \$80,600 taxed at 28 percent	22,568
Next \$181,750 taxed at 33 percent	59,977.50
Next \$64,200 taxed at 35 percent	22,470
Total tax from tax rate schedule	120,123

[1] The exemption amount was limited to \$1,100 because AGI exceeded \$273,000.

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Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes which are not subject to the same treatment under tax laws, the marginal tax rate is not always apparent. For instance, investment income of a dependent under age 18 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,700 was taxed at the marginal tax rate of the parents, whereas the salaries and wages were taxed at the dependent's own rate.

Calculating marginal tax rates for a specific individual income tax return generally depends both on the types and amounts of income reported and the assumptions made about the order in which the income is taxed, in particular, which type of income is assumed to be received "last." Additional complexity is added by the presence of such items as the alternative minimum tax and various tax credits.

For this article, it is assumed that the income taxed at the marginal (highest) rate was the "last" income received. The alternative minimum tax and income tax credits, such as the earned income credit, are excluded in determining the marginal tax rates. The marginal tax rate is defined as follows:

- (1) If a return showed taxable income, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had no taxable income except for net long-term capital gains or qualified dividends and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having a "5-percent" marginal tax rate. If the return had taxable income (from other than net long-term capital gains) to which only the 15-percent tax rate applied, as well as net long-term capital gains to which the 25-percent rate on the net gain applied, the return was defined as having a marginal tax rate equal to the maximum rate at which the net gains were taxed. If the return had taxable income (from other than net long-term capital gains) to which the 25-percent tax rate applied as the highest rate, as well as net long-term capital gains

to which the maximum 28-percent rate on net gain applied, the return was defined as having a "28-percent" marginal tax rate. However, if the return had taxable income (from other than net long-term capital gains) above the maximum amount to which the 25-percent applied, as well as net long-term capital gains to which the 28-percent rate on the net gain applied, the return was classified as having the highest rate at which any amount of taxable income reported on the return was taxed.

- (3) For returns of dependents with a Form 8615 attached when the use of this form resulted in the taxation of some of the dependent's income as if it were that of the parents, the return was classified as having a "Form 8615" marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest, dividend, and capital gain distribution income of their dependents under age 18 on their own (i.e., the parents') returns using Form 8814, when the dependent's income generated the only tax liability on the parent's return, the return was classified with a "Form 8814" marginal tax rate of 10 percent.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses) and/or qualified dividends, and presence of Form 8615 or Form 8814. Returns were classified into one of the following twelve mutually exclusive marginal tax rate categories: (1) 5-percent rate (capital gains); (2) 10-percent rate; (3) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent's income); (4) 15-percent rate; (5) 15-percent (capital gains); (6) 25-percent rate; (7) 25-percent (capital gains); (8) 28-percent rate; (9) 28-percent (capital gains); (10) 33-percent rate; (11) 35-percent rate; and (12) Form 8615 (with income taxed at any rate).¹⁶

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

¹⁶ For some taxpayers, the statutory marginal tax rate may differ from the effective marginal tax rate. For example, extra income received by certain taxpayers may result in the partial phaseout of their personal exemptions, as well as some of their itemized deductions. Therefore, an extra \$1 of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 35 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.

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fied taxable income. For each marginal rate classification, modified taxable income and “income tax generated” were computed “at all rates” and “at marginal rate.” The “at all rates” computations (columns 3 and 5) show the total amounts of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The “at marginal rate” computations (columns 4 and 6) show the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. The alternative minimum tax was not included in the statistics by marginal tax rate.

For example, consider returns in the “joint returns and returns of surviving spouses” filing status that were included in the “35-percent” marginal tax rate classification. The total modified taxable income for the estimated 845,900 returns in this classification “at all rates” was \$1,021.5 billion (column 3), and the total tax generated was \$290.9 billion (column 5). Approximately \$514.4 billion (column 4) of the modified taxable income were subject to tax at the marginal tax rate of 35 percent. This modified taxable income generated \$180.1 billion (column 6) in tax at the 35-percent tax rate, with the remainder generated at some or all of the lower eight tax rates.

Table 2 provides statistics on the tax generated, in total and at each tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI. The tax generated at each tax rate was computed based on the modified taxable income for each individual return.

For example, the 3.1 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$732.3 billion and generated total tax of \$168.4 billion. Of this \$732.3 billion of modified taxable income, \$42.7 billion were taxed at 10 percent (ordinary tax rate); \$128.0 billion were taxed at 15 percent (ordinary tax rate); \$168.0 billion were taxed at 25 percent (ordinary tax rate); \$152.0 billion were taxed at 28 percent (ordinary tax rate); \$121.1 billion were taxed at 33 percent rate; and \$12.9 billion were taxed at 35 percent. Approximately \$6.3 billion were taxed at the 5-percent rate; \$97.7 billion were taxed at the 15-percent capital gain and qualified dividend rate; \$3.2 billion were taxed at the 25-percent capital gain rate; \$0.2 billion were taxed at the 28-percent capital gain rate, with the remainder from tax related

to special capital gain tax rates and Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each tax rate by filing status, for returns with modified taxable income. Over 0.8 million of the 45.4 million returns with modified taxable income filed jointly (including surviving spouses) had some income taxed at the 35-percent tax rate. For these returns, the taxable income subject to this rate was \$514.4 billion, and the tax generated was \$180.1 billion.

Computation of Alternative Minimum Taxable Income (AMTI)

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions were taken for personal exemptions (Figures I and J). Although itemized deductions for some taxpayers were limited for regular tax purposes, the full amounts of such itemized deductions were included as adjustments. (To compensate for this, the overall limitation on itemized deductions was then subtracted from taxable income for AMT purposes.) The “net operating loss deduction” was recomputed to allow for the exclusion of the “tax preference items” and “adjustments” used to reduce regular tax liability. The recomputed net operating loss deduction, termed the “alternative net operating loss deduction,” was limited to 90 percent of AMTI (with certain minor exceptions for 2006).

Figure I

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2006

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences (see Figure J)
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction [1]
EQUALS:	Alternative minimum taxable income

[1] Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In this case, AMTI is recalculated, and the alternative tax net operating loss deduction is limited to 90 percent of the recalculated amount.

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AMTI was reduced by an exemption amount which depended on the filing status of the individual and which was subject to phaseout at higher AMTI levels. The AMTI exemption for single filers (and heads of households) for 2006 was \$42,500; for joint filers and surviving spouses, \$62,550; and for married persons filing separately, \$31,275. The exemption was reduced (but not below zero) by 25 percent of the amount by which the AMTI exceeded threshold levels of \$112,500 for single filers and heads of households, \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single or head of household, married filing jointly, and married filing separately, at \$282,500, \$400,200, and \$200,100, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI was subject to tax at a 26-percent rate, with any excess taxed at a 28-percent rate. However, capital gains and qualified dividends (recalculated for AMT purposes) that were taxed at lower rates (5 percent, 15 percent, and 25 percent) were taxed at these same rates for the AMT, with the rest of AMTI being taxed at the rates mentioned above (26 percent or 28 percent). The resulting tax was reduced by the “alternative minimum tax foreign tax credit,” which produced a “tentative minimum tax.” Tentative minimum tax was further reduced by the individual’s regular tax before credits (excluding tax on lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 18 with investment income over a certain amount who filed their own returns were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have

paid if the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$6,050 plus their “earned incomes.” The dependent’s AMT could be reduced if the parents had regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 18 of the same parents had regular tax greater than this dependent’s own tentative minimum tax.)

Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) filed during Calendar Year 2007. Returns in the sample were stratified based on: (1) the larger of positive income or negative income (absolute value); (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for tax policy modeling purposes.¹⁷ Returns were then selected at rates ranging from 0.10 percent to 100 percent. The 2006 data are based on a sample of 321,006 returns and an estimated final population of 138,485,446 returns. The corresponding sample and population for the 2005 data were 292,966 and 134,494,440 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. Figure K shows estimated CVs for the numbers of returns and money amounts for selected income items. The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in *SOI Sampling Methodology and Data Limitations*, found near the back of this issue.

¹⁷ 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*.

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Figure K

Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2006

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated	Income tax after credits	Total income tax
	Number of returns	Amount			
	(1)	(2)	(3)	(4)	(5)
Total	0.12	0.12	0.17	0.18	0.18
Under \$2,000 [1]	5.13	6.29	6.62	25.36	25.36
\$2,000 under \$4,000	4.66	5.59	6.61	6.61	6.61
\$4,000 under \$6,000	3.23	4.85	5.56	5.52	5.52
\$6,000 under \$8,000	2.82	3.09	3.43	3.47	3.47
\$8,000 under \$10,000	2.12	2.87	3.06	3.34	3.34
\$10,000 under \$12,000	1.89	2.18	2.22	2.43	2.43
\$12,000 under \$14,000	1.85	2.00	2.08	2.23	2.23
\$14,000 under \$16,000	1.75	1.94	1.98	2.18	2.18
\$16,000 under \$18,000	1.72	1.90	1.95	2.18	2.18
\$18,000 under \$20,000	1.62	1.84	1.88	2.17	2.17
\$20,000 under \$25,000	0.97	1.10	1.15	1.37	1.37
\$25,000 under \$30,000	1.01	1.11	1.16	1.37	1.37
\$30,000 under \$40,000	0.76	0.82	0.85	0.97	0.97
\$40,000 under \$50,000	0.78	0.83	0.87	0.98	0.98
\$50,000 under \$75,000	0.50	0.54	0.58	0.64	0.64
\$75,000 under \$100,000	0.71	0.73	0.77	0.81	0.81
\$100,000 under \$200,000	0.58	0.58	0.60	0.60	0.60
\$200,000 under \$500,000	0.69	0.65	0.67	0.66	0.66
\$500,000 under \$1,000,000	0.95	0.85	0.88	0.88	0.88
\$1,000,000 under \$1,500,000	1.16	1.12	1.16	1.17	1.17
\$1,500,000 under \$2,000,000	0.86	0.88	0.92	0.92	0.92
\$2,000,000 under \$5,000,000	0.99	1.23	1.53	1.55	1.55
\$5,000,000 under \$10,000,000	0.54	0.45	0.49	0.49	0.49
\$10,000,000 or more	0.02	0.01	0.02	0.02	0.02

[1] Includes returns with adjusted gross deficit.

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Table 1. Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2006

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

Filing status, tax rate classes	Classified by the highest marginal rate at which tax was computed								
	Number of returns	Adjusted gross income less deficit	Modified taxable income		Tax generated		Income tax after credits		
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of	
								Adjusted gross income less deficit	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All returns									
All tax rates	106,658,774	7,842,167,353	5,580,354,544	1,986,699,246	1,061,283,363	462,956,708	1,023,300,348	13.0	18.3
5 percent	1,151,527	27,701,952	8,346,340	8,346,231	417,350	417,312	383,080	1.4	4.6
10 percent	25,752,688	526,398,164	138,754,410	128,511,169	13,365,867	12,851,117	7,122,378	1.4	5.1
10 percent (Form 8814) [1]	19,240	-7,919	17,907	17,907	1,796	1,796	6,826	[4]	38.1
15 percent	41,304,877	1,805,310,493	1,069,736,810	613,977,076	137,673,528	92,096,561	110,746,584	6.1	10.4
15 percent (capital gains) [2]	8,639,561	774,171,191	536,927,394	217,345,910	70,077,993	32,601,887	68,241,017	8.8	12.7
25 percent	22,314,164	2,017,884,595	1,503,962,573	254,642,952	253,145,760	63,660,738	246,911,616	12.2	16.4
25 percent (capital gains)	442,189	94,804,743	80,060,597	6,861,803	13,260,613	1,715,451	13,832,445	14.6	17.3
28 percent	4,020,037	703,069,357	568,137,742	41,499,306	117,747,721	11,619,806	120,719,611	17.2	21.2
28 percent (capital gains)	71,581	13,754,748	11,294,494	1,045,431	2,078,922	292,721	2,188,233	15.9	19.4
33 percent	1,587,873	509,361,358	431,351,363	87,525,981	102,570,049	28,883,574	107,380,555	21.1	24.9
35 percent	1,002,051	1,364,567,706	1,226,989,916	622,722,005	350,015,255	217,952,702	344,894,798	25.3	28.1
Form 8615 [3]	352,987	5,150,965	4,774,997	4,203,477	928,508	863,043	873,205	17.0	18.3
Joint returns and returns of surviving spouses									
All tax rates	45,391,852	5,287,113,548	3,849,427,406	1,319,780,255	758,086,750	326,792,949	733,754,945	13.9	19.1
5 percent	321,946	15,402,702	4,488,252	4,488,142	224,429	224,407	205,909	1.3	4.6
10 percent	7,359,293	240,118,797	61,282,226	55,279,464	5,829,274	5,527,946	2,907,005	1.2	4.7
10 percent (Form 8814) [1]	9,863	-104,232	10,368	10,368	1,040	1,040	6,826	[4]	65.8
15 percent	16,576,126	1,045,032,131	611,973,278	361,661,915	79,280,787	54,249,287	61,484,987	5.9	10.0
15 percent (capital gains) [2]	5,544,510	581,936,154	400,873,976	153,635,831	52,393,252	23,045,375	50,315,306	8.6	12.6
25 percent	10,852,508	1,296,629,277	952,338,858	134,718,007	158,650,461	33,679,502	153,403,341	11.8	16.1
25 percent (capital gains)	281,664	69,949,557	58,855,331	4,987,803	9,733,657	1,246,951	10,179,707	14.6	17.3
28 percent	2,326,638	481,786,640	384,204,622	21,708,180	78,201,477	6,078,290	80,612,729	16.7	21.0
28 percent (capital gains)	46,340	10,191,242	8,280,609	694,495	1,497,884	194,459	1,591,454	15.6	19.2
33 percent	1,227,064	409,711,044	345,663,286	68,146,293	81,340,285	22,488,277	85,476,312	20.9	24.7
35 percent	845,900	1,136,460,236	1,021,456,602	514,449,757	290,934,203	180,057,415	287,571,371	25.3	28.2
Form 8615 [3]	0	0	0	0	0	0	0	[4]	[4]
Returns of married persons filing separately									
All tax rates	2,174,867	153,813,933	117,178,658	53,984,899	24,540,501	14,280,102	23,943,022	15.6	20.4
5 percent	8,451	276,885	69,938	69,938	3,496	3,497	2,804	1.0	4.0
10 percent	314,014	4,914,125	1,319,516	1,254,716	128,736	125,472	103,012	2.1	7.8
10 percent (Form 8814) [1]	* 7	* -15,049	* 3	* 3	0	0	0	[4]	[4]
15 percent	1,027,096	31,408,803	18,783,198	11,028,622	2,429,774	1,654,293	2,139,772	6.8	11.4
15 percent (capital gains) [2]	102,197	13,051,538	9,760,131	7,353,048	1,371,958	1,102,957	1,470,046	11.3	15.1
25 percent	528,841	31,086,547	23,190,920	5,003,001	3,880,325	1,250,750	3,841,070	12.4	16.6
25 percent (capital gains)	7,771	2,168,329	1,838,007	240,747	305,127	60,187	336,209	15.5	18.3

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 1. Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2006—Continued

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

Filing status, tax rate classes	Classified by the highest marginal rate at which tax was computed								
	Number of returns	Adjusted gross income less deficit	Modified taxable income		Tax generated		Income tax after credits		
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of	
								Adjusted gross income less deficit	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Returns of married persons filing separately									
28 percent	104,988	10,847,239	8,692,950	704,571	1,739,211	197,280	1,785,977	16.5	20.5
28 percent (capital gains)	657	168,691	144,179	63,869	31,887	17,883	32,817	19.5	22.8
33 percent	49,667	8,175,581	6,872,881	1,272,536	1,607,607	419,937	1,662,129	20.3	24.2
35 percent	31,179	51,731,245	46,506,934	26,993,847	13,042,380	9,447,846	12,569,187	24.3	27.0
Form 8615 [3]	0	0	0	0	0	0	0	[4]	[4]
Returns of heads of households									
All tax rates	13,526,875	556,591,736	301,094,986	133,491,009	46,806,599	23,245,904	36,803,628	6.6	12.2
5 percent	28,690	1,046,889	325,331	325,331	16,268	16,267	8,883	0.8	2.7
10 percent	5,775,685	130,405,313	30,229,898	29,932,369	3,008,571	2,993,237	306,851	0.2	1.0
10 percent (Form 8814) [1]	7,729	80,958	6,218	6,218	623	623	0	[4]	[4]
15 percent	5,857,705	233,991,461	126,937,735	63,965,766	15,892,220	9,594,865	9,358,725	4.0	7.4
15 percent (capital gains) [2]	365,107	25,161,559	16,631,159	6,085,493	2,146,889	912,824	1,922,799	7.6	11.6
25 percent	1,329,939	109,708,855	78,494,249	17,297,541	13,279,346	4,324,385	12,669,803	11.5	16.1
25 percent (capital gains)	13,080	2,811,099	2,429,329	249,475	404,939	62,369	427,253	15.2	17.6
28 percent	87,051	15,360,267	12,277,922	1,150,528	2,634,227	322,148	2,816,963	18.3	22.9
28 percent (capital gains)	* 3,036	* 321,834	* 253,537	* 27,198	* 47,644	* 7,615	* 47,224	* 14.7	* 18.6
33 percent	37,260	11,516,443	9,904,583	2,315,504	2,444,123	764,116	2,569,479	22.3	25.9
35 percent	21,595	26,187,055	23,605,026	12,135,587	6,931,750	4,247,455	6,675,649	25.5	28.3
Form 8615 [3]	0	0	0	0	0	0	0	[4]	[4]
Returns of single persons									
All tax rates	45,565,179	1,844,648,135	1,312,653,493	479,443,084	231,849,512	98,637,752	228,798,753	12.4	17.4
5 percent	792,440	10,975,477	3,462,819	3,462,819	173,157	173,141	165,485	1.5	4.8
10 percent	12,303,695	150,959,929	45,922,770	42,044,620	4,399,285	4,204,462	3,805,510	2.5	8.3
10 percent (Form 8814) [1]	* 1,642	* 30,405	* 1,318	* 1,318	* 133	* 133	0	[4]	[4]
15 percent	17,843,951	494,878,097	312,042,600	177,320,772	40,070,748	26,598,116	37,763,101	7.6	12.1
15 percent (capital gains) [2]	2,627,748	154,021,939	109,662,128	50,271,538	14,165,893	7,540,731	14,532,866	9.4	13.3
25 percent	9,602,877	580,459,916	449,938,546	97,624,402	77,335,628	24,406,101	76,997,403	13.3	17.1
25 percent (capital gains)	139,674	19,875,758	16,937,930	1,383,778	2,816,890	345,945	2,889,277	14.5	17.1
28 percent	1,501,361	195,075,211	162,962,248	17,936,028	35,172,807	5,022,088	35,503,942	18.2	21.8
28 percent (capital gains)	21,547	3,072,982	2,616,170	259,868	501,506	72,763	516,738	16.8	19.8
33 percent	273,882	79,958,290	68,910,613	15,791,648	17,178,035	5,211,244	17,672,635	22.1	25.6
35 percent	103,377	150,189,166	135,421,355	69,142,814	39,106,922	24,199,985	38,078,592	25.4	28.1
Form 8615 [3]	352,987	5,150,965	4,774,997	4,203,477	928,508	863,043	873,205	17.0	18.3

* Estimate should be used with caution due to the small number of sample returns on which it is based.

[1] Form 8814 was filed for a dependent child under age 18 for whom the parents made the election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15 percent capital gains rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

[4] Percentage not computed.

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

Individual Income Tax Rates and Shares, 2006

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Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006

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

Size of adjusted gross income	Number of returns	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate		
					5 percent		
					Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Total	106,658,774	5,579,105,232	5,580,354,544	1,061,283,363	12,761,691	71,118,752	3,556,337
Under \$2,000 [1]	333,185	148,463	152,384	10,867	215,970	93,830	4,696
\$2,000 under \$4,000	393,372	520,951	528,454	52,708	242,077	204,417	10,221
\$4,000 under \$6,000	887,021	863,366	867,382	83,024	204,368	261,830	13,091
\$6,000 under \$8,000	1,180,325	2,363,844	2,370,326	238,533	146,683	208,017	10,410
\$8,000 under \$10,000	2,011,905	4,089,984	4,102,339	406,204	165,502	292,318	14,618
\$10,000 under \$12,000	2,529,783	7,624,699	7,630,993	754,870	247,395	288,787	14,443
\$12,000 under \$14,000	2,621,735	11,954,530	11,967,972	1,193,483	274,899	469,347	23,477
\$14,000 under \$16,000	2,940,733	16,061,007	16,073,701	1,609,722	263,628	538,281	26,918
\$16,000 under \$18,000	3,057,122	20,474,244	20,489,929	2,140,998	241,451	510,594	25,536
\$18,000 under \$20,000	3,443,534	25,444,391	25,467,224	2,795,763	290,701	575,386	28,773
\$20,000 under \$25,000	8,828,262	84,958,925	85,056,763	9,784,387	815,192	1,799,186	89,979
\$25,000 under \$30,000	8,251,278	111,591,561	111,656,367	13,325,950	845,048	2,414,786	120,764
\$30,000 under \$40,000	13,731,528	265,072,833	265,293,734	32,970,635	1,597,122	5,194,359	259,795
\$40,000 under \$50,000	10,512,281	284,971,930	285,177,742	38,102,778	1,353,523	5,455,865	272,836
\$50,000 under \$75,000	18,708,956	743,782,211	744,232,638	107,343,865	2,969,845	14,809,963	740,597
\$75,000 under \$100,000	11,102,049	660,318,278	660,681,476	99,607,990	1,851,338	14,118,365	705,956
\$100,000 under \$200,000	12,067,873	1,181,233,546	1,181,992,599	213,889,256	772,440	14,372,204	718,643
\$200,000 under \$500,000	3,116,220	731,857,395	732,277,004	168,370,440	190,501	6,309,725	315,502
\$500,000 under \$1,000,000	588,226	348,055,997	347,985,796	92,728,417	40,768	1,637,192	81,864
\$1,000,000 under \$1,500,000	150,189	161,556,432	161,483,285	44,152,720	12,202	530,982	26,551
\$1,500,000 under \$2,000,000	63,848	98,151,682	98,061,076	26,816,518	5,985	279,244	13,963
\$2,000,000 under \$5,000,000	98,500	265,082,448	264,771,604	72,283,115	9,577	466,103	23,306
\$5,000,000 under \$10,000,000	24,917	153,833,151	153,612,831	39,972,419	3,025	157,300	7,865
\$10,000,000 or more	15,931	399,093,365	398,420,925	92,648,701	2,451	130,671	6,534

Size of adjusted gross income	Tax generated at specified rate—continued					
	10 percent			10 percent (from Form 8814) [2]		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(8)	(9)	(10)	(11)	(12)	(13)	
Total	105,189,855	1,033,637,088	103,363,709	175,397	139,646	13,993
Under \$2,000 [1]	177,160	49,508	4,951	2,562	3,761	376
\$2,000 under \$4,000	287,459	183,568	18,357	* 698	* 542	* 55
\$4,000 under \$6,000	803,707	444,138	44,414	0	0	0
\$6,000 under \$8,000	1,153,419	2,025,705	202,571	* 866	* 298	* 30
\$8,000 under \$10,000	1,944,233	3,636,187	363,619	* 1,925	* 937	* 94
\$10,000 under \$12,000	2,445,717	7,236,113	723,611	* 2,355	* 1,725	* 173
\$12,000 under \$14,000	2,554,894	11,205,642	1,120,564	4,063	3,468	349
\$14,000 under \$16,000	2,887,247	14,958,266	1,495,827	* 2,564	* 2,514	* 252
\$16,000 under \$18,000	3,020,719	17,689,478	1,768,948	* 2,947	* 2,126	* 214
\$18,000 under \$20,000	3,387,513	19,341,366	1,934,137	* 2,538	* 1,061	* 107
\$20,000 under \$25,000	8,709,674	56,123,440	5,612,344	* 2,325	* 1,428	* 144
\$25,000 under \$30,000	8,182,866	63,896,258	6,389,626	* 2,982	* 1,818	* 184
\$30,000 under \$40,000	13,646,327	126,953,412	12,695,341	6,945	4,872	489
\$40,000 under \$50,000	10,454,320	112,209,998	11,221,000	10,294	6,375	641
\$50,000 under \$75,000	18,602,026	226,336,105	22,633,611	28,978	21,319	2,138
\$75,000 under \$100,000	11,037,241	149,144,766	14,914,477	21,959	16,231	1,625
\$100,000 under \$200,000	11,955,091	167,018,658	16,701,866	40,841	30,510	3,053
\$200,000 under \$500,000	3,048,380	42,724,743	4,272,474	25,869	24,194	2,421
\$500,000 under \$1,000,000	564,629	7,915,923	791,592	8,293	9,033	904
\$1,000,000 under \$1,500,000	141,612	1,977,465	197,747	2,567	3,063	306
\$1,500,000 under \$2,000,000	59,371	825,167	82,517	1,141	1,243	124
\$2,000,000 under \$5,000,000	90,548	1,248,284	124,828	1,834	2,088	209
\$5,000,000 under \$10,000,000	22,144	306,459	30,646	472	588	59
\$10,000,000 or more	13,559	186,439	18,644	378	451	45

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

Size of adjusted gross income	Tax generated at specified rate—continued					
	15 percent			15 percent (capital gains and qualified dividends)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(14)	(15)	(16)	(17)	(18)	(19)
Total	78,987,673	1,827,399,429	274,109,914	13,103,694	710,432,860	106,565,265
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	* 698	* 1,253	* 188	0	0	0
\$8,000 under \$10,000	* 7,635	* 9,172	* 1,376	0	0	0
\$10,000 under \$12,000	* 1,804	* 2,110	* 317	0	0	0
\$12,000 under \$14,000	182,982	129,539	19,431	0	0	0
\$14,000 under \$16,000	205,545	430,519	64,578	0	0	0
\$16,000 under \$18,000	1,785,231	2,189,813	328,472	0	0	0
\$18,000 under \$20,000	1,909,351	5,516,272	827,441	0	0	0
\$20,000 under \$25,000	4,582,979	26,953,407	4,043,011	0	0	0
\$25,000 under \$30,000	5,277,035	45,144,215	6,771,632	0	0	0
\$30,000 under \$40,000	10,553,498	132,645,630	19,896,845	28,090	16,323	2,450
\$40,000 under \$50,000	9,665,238	151,333,366	22,700,005	632,136	1,297,976	194,714
\$50,000 under \$75,000	18,088,522	409,890,691	61,483,604	1,641,186	7,976,307	1,196,487
\$75,000 under \$100,000	10,935,293	392,666,860	58,900,029	2,127,929	11,685,615	1,752,896
\$100,000 under \$200,000	11,878,481	494,916,604	74,237,491	5,572,059	61,931,958	9,289,940
\$200,000 under \$500,000	3,026,977	127,998,233	19,199,735	2,272,456	97,684,463	14,652,727
\$500,000 under \$1,000,000	560,896	23,833,857	3,575,079	507,109	72,998,494	10,949,784
\$1,000,000 under \$1,500,000	140,727	5,969,672	895,451	134,917	43,107,734	6,466,163
\$1,500,000 under \$2,000,000	59,028	2,490,726	373,609	58,372	29,463,986	4,419,599
\$2,000,000 under \$5,000,000	90,162	3,778,560	566,784	90,271	88,775,562	13,316,337
\$5,000,000 under \$10,000,000	22,057	930,937	139,641	23,728	65,141,852	9,771,278
\$10,000,000 or more	13,536	567,994	85,199	15,439	230,352,590	34,552,889

Size of adjusted gross income	Tax generated at specified rate—continued					
	25 percent			25 percent (capital gains)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(20)	(21)	(22)	(23)	(24)	(25)
Total	29,370,033	785,142,547	196,285,637	855,216	15,384,573	3,846,240
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	0	0	0	0	0	0
\$8,000 under \$10,000	0	0	0	0	0	0
\$10,000 under \$12,000	0	0	0	0	0	0
\$12,000 under \$14,000	0	0	0	0	0	0
\$14,000 under \$16,000	0	0	0	0	0	0
\$16,000 under \$18,000	0	0	0	0	0	0
\$18,000 under \$20,000	* 48	* 659	* 165	0	0	0
\$20,000 under \$25,000	* 917	* 9,929	* 2,482	0	0	0
\$25,000 under \$30,000	1,562	5,508	1,377	0	0	0
\$30,000 under \$40,000	301,909	208,356	52,089	* 1,007	* 4	* 1
\$40,000 under \$50,000	3,147,302	14,689,828	3,672,457	11,120	1,200	301
\$50,000 under \$75,000	5,808,570	84,896,035	21,224,009	51,452	64,096	16,028
\$75,000 under \$100,000	5,502,205	89,749,848	22,437,462	80,700	152,427	38,114
\$100,000 under \$200,000	10,854,279	377,411,401	94,352,850	329,317	1,335,992	334,034
\$200,000 under \$500,000	2,897,382	167,985,415	41,996,354	230,971	3,153,101	788,304
\$500,000 under \$1,000,000	540,275	31,721,514	7,930,379	79,651	2,318,597	579,659
\$1,000,000 under \$1,500,000	136,452	7,986,168	1,996,542	24,505	1,158,486	289,625
\$1,500,000 under \$2,000,000	57,006	3,345,482	836,371	12,261	732,376	183,096
\$2,000,000 under \$5,000,000	87,543	5,104,543	1,276,136	22,094	2,160,495	540,127
\$5,000,000 under \$10,000,000	21,432	1,259,055	314,764	7,005	1,340,285	335,072
\$10,000,000 or more	13,151	768,807	192,202	5,133	2,967,515	741,879

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

Size of adjusted gross income	Tax generated at specified rate—continued					
	28 percent			28 percent (capital gains)		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(26)	(27)	(28)	(29)	(30)	(31)
Total	6,626,142	270,372,582	75,704,323	97,447	2,339,269	654,998
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	0	0	0	0	0	0
\$8,000 under \$10,000	0	0	0	0	0	0
\$10,000 under \$12,000	0	0	0	0	0	0
\$12,000 under \$14,000	0	0	0	0	0	0
\$14,000 under \$16,000	0	0	0	0	0	0
\$16,000 under \$18,000	0	0	0	0	0	0
\$18,000 under \$20,000	0	0	0	0	0	0
\$20,000 under \$25,000	0	0	0	0	0	0
\$25,000 under \$30,000	0	0	0	0	0	0
\$30,000 under \$40,000	0	0	0	0	0	0
\$40,000 under \$50,000	* 48	* 780	* 218	* 2,021	* 47	* 13
\$50,000 under \$75,000	8,384	30,320	8,490	* 7,265	* 7,004	* 1,961
\$75,000 under \$100,000	436,127	2,682,927	751,220	9,313	7,333	2,054
\$100,000 under \$200,000	2,689,377	62,572,623	17,520,334	44,273	127,974	35,833
\$200,000 under \$500,000	2,671,122	151,986,274	42,556,157	20,580	200,734	56,206
\$500,000 under \$1,000,000	515,690	33,361,697	9,341,275	7,079	201,432	56,401
\$1,000,000 under \$1,500,000	130,574	8,432,599	2,361,128	2,525	146,624	41,055
\$1,500,000 under \$2,000,000	55,261	3,581,570	1,002,840	1,112	55,610	15,571
\$2,000,000 under \$5,000,000	85,414	5,510,506	1,542,942	2,033	546,318	152,969
\$5,000,000 under \$10,000,000	21,124	1,371,091	383,905	705	354,114	99,152
\$10,000,000 or more	13,022	842,196	235,815	541	692,078	193,782

Size of adjusted gross income	Tax generated at specified rate—continued					
	33 percent			35 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(32)	(33)	(34)	(35)	(36)	(37)
Total	2,589,923	237,462,316	78,362,564	1,002,051	622,722,005	217,952,702
Under \$2,000 [1]	0	0	0	0	0	0
\$2,000 under \$4,000	0	0	0	0	0	0
\$4,000 under \$6,000	0	0	0	0	0	0
\$6,000 under \$8,000	0	0	0	0	0	0
\$8,000 under \$10,000	0	0	0	0	0	0
\$10,000 under \$12,000	0	0	0	0	0	0
\$12,000 under \$14,000	0	0	0	0	0	0
\$14,000 under \$16,000	0	0	0	0	0	0
\$16,000 under \$18,000	0	0	0	0	0	0
\$18,000 under \$20,000	0	0	0	0	0	0
\$20,000 under \$25,000	0	0	0	0	0	0
\$25,000 under \$30,000	0	0	0	0	0	0
\$30,000 under \$40,000	0	0	0	0	0	0
\$40,000 under \$50,000	0	0	0	0	0	0
\$50,000 under \$75,000	* 96	* 1,457	* 481	0	0	0
\$75,000 under \$100,000	564	7,025	2,318	0	0	0
\$100,000 under \$200,000	101,382	1,885,491	622,212	1,437	10,625	3,719
\$200,000 under \$500,000	1,697,958	121,062,409	39,950,595	272,377	12,894,416	4,513,046
\$500,000 under \$1,000,000	494,241	71,350,085	23,545,528	448,687	102,301,308	35,805,458
\$1,000,000 under \$1,500,000	125,696	18,318,581	6,045,132	117,644	73,700,373	25,795,131
\$1,500,000 under \$2,000,000	53,312	7,812,853	2,578,241	50,403	49,418,977	17,296,642
\$2,000,000 under \$5,000,000	83,092	12,097,580	3,992,201	79,085	144,810,466	50,683,663
\$5,000,000 under \$10,000,000	20,690	3,032,145	1,000,608	19,821	79,616,978	27,865,942
\$10,000,000 or more	12,892	1,894,690	625,248	12,597	159,968,864	55,989,102

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

Size of adjusted gross income	Tax generated at specified rate—continued		
	Form 8615 [3]		
	Number of returns	Income taxed at rate	Tax generated at rate
	(38)	(39)	(40)
Total	352,987	4,203,477	863,043
Under \$2,000 [1]	31,466	5,285	832
\$2,000 under \$4,000	118,109	139,928	24,059
\$4,000 under \$6,000	54,996	161,414	25,463
\$6,000 under \$8,000	31,964	135,053	25,264
\$8,000 under \$10,000	24,547	163,725	26,404
\$10,000 under \$12,000	12,409	102,259	16,219
\$12,000 under \$14,000	15,954	159,975	29,507
\$14,000 under \$16,000	11,522	144,121	21,977
\$16,000 under \$18,000	* 6,555	* 97,919	* 17,700
\$18,000 under \$20,000	* 1,972	* 32,480	* 5,005
\$20,000 under \$25,000	9,577	169,372	36,064
\$25,000 under \$30,000	7,543	193,781	42,016
\$30,000 under \$40,000	8,489	270,778	63,051
\$40,000 under \$50,000	* 4,179	* 182,307	* 40,101
\$50,000 under \$75,000	* 3,430	* 199,343	* 35,804
\$75,000 under \$100,000	* 5,873	* 450,079	* 101,647
\$100,000 under \$200,000	* 2,862	* 378,560	* 68,498
\$200,000 under \$500,000	* 761	* 253,296	* 66,718
\$500,000 under \$1,000,000	* 521	* 336,665	* 70,445
\$1,000,000 under \$1,500,000	* 122	* 151,539	* 37,882
\$1,500,000 under \$2,000,000	* 33	* 53,842	* 13,939
\$2,000,000 under \$5,000,000	83	271,098	63,604
\$5,000,000 under \$10,000,000	** 20	** 150,658	** 30,844
\$10,000,000 or more	**	**	**

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

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

[1] Includes returns with adjusted gross deficit.

[2] Form 8814 was filed for a dependent child under age 18 for whom the parents made the election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

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

Individual Income Tax Rates and Shares, 2006

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Table 3. Returns with Modified Taxable Income: Taxable Income and Tax, Classified by Tax Rate and by Filing Status, Tax Year 2006

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

Tax rate class	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately	
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All tax rates	106,658,774	5,580,354,544	1,061,277,890	45,391,852	3,849,427,406	758,084,535	2,174,867	117,178,658
5 percent	12,761,691	71,118,752	3,555,938	7,105,969	47,201,096	2,360,055	129,275	705,381
10 percent	105,189,855	1,033,637,088	103,363,709	44,930,813	622,134,651	62,213,465	2,157,296	15,168,422
10 percent (Form 8814) [1]	175,397	139,646	13,993	146,302	123,309	12,352	147	127
15 percent	78,987,673	1,827,399,429	274,109,914	37,501,697	1,210,659,130	181,598,870	1,841,905	28,869,004
15 percent (capital gains) [2]	13,103,694	710,432,860	106,564,929	8,466,662	532,085,641	79,812,846	195,768	25,535,216
25 percent	29,370,033	785,142,547	196,285,637	15,531,094	522,206,066	130,551,517	721,910	11,912,753
25 percent (capital gains)	855,216	15,384,573	3,846,143	576,487	11,738,561	2,934,640	16,552	525,433
28 percent	6,626,142	270,372,582	75,704,323	4,409,201	193,771,718	54,256,081	185,834	3,738,943
28 percent (capital gains)	97,447	2,339,269	654,995	67,238	1,633,442	457,364	1,136	148,195
33 percent	2,589,923	237,462,316	78,362,564	2,072,964	193,424,034	63,829,931	80,846	3,581,338
35 percent	1,002,051	622,722,005	217,952,702	845,900	514,449,757	180,057,415	31,179	26,993,847
Form 8615 [3]	352,987	4,203,477	863,043	0	0	0	0	0

Tax rate class	Returns of married persons filing separately—continued	Returns of heads of households			Returns of single persons		
	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
All tax rates	24,540,390	13,526,875	301,094,986	46,806,046	45,565,179	1,312,653,493	231,846,919
5 percent	35,269	496,751	2,216,652	110,833	5,029,697	20,995,622	1,049,781
10 percent	1,516,842	13,478,568	112,701,455	11,270,145	44,623,178	283,632,560	28,363,256
10 percent (Form 8814) [1]	13	24,325	13,527	1,358	4,624	2,683	271
15 percent	4,330,351	7,697,144	114,360,061	17,154,009	31,946,927	473,511,234	71,026,685
15 percent (capital gains) [2]	3,830,282	359,663	15,441,129	2,316,169	4,081,600	137,370,874	20,605,631
25 percent	2,978,188	1,489,080	31,979,513	7,994,878	11,627,948	219,044,214	54,761,054
25 percent (capital gains)	131,358	20,151	393,496	98,374	242,026	2,727,084	681,771
28 percent	1,046,904	145,909	5,943,713	1,664,240	1,885,198	66,918,208	18,737,098
28 percent (capital gains)	41,495	3,146	33,349	9,338	25,927	524,284	146,799
33 percent	1,181,842	58,855	5,876,505	1,939,247	377,259	34,580,440	11,411,545
35 percent	9,447,846	21,595	12,135,587	4,247,455	103,377	69,142,814	24,199,985
Form 8615 [3]	0	0	0	0	352,987	4,203,477	863,043

[1] Form 8814 was filed for a dependent child under age 18 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between \$850 and \$8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15 percent capital gains rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of \$1,700. The returns in this rate classification are not distributed by tax rate.

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

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Table 4. Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2005 and 2006

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

Type of tax computation by size of adjusted gross income	Tax Year 2005				Tax Year 2006			
	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with regular tax computation only								
Total	81,028,120	396,300,504	396,026,640	0	82,283,552	419,758,698	419,499,609	0
Under \$5,000 [3]	284,018	21,359	21,359	0	288,786	19,731	19,731	0
\$5,000 under \$10,000	3,850,619	624,301	624,301	0	3,482,283	558,817	558,816	0
\$10,000 under \$15,000	6,039,149	2,528,026	2,528,026	0	5,964,638	2,453,627	2,453,565	0
\$15,000 under \$20,000	7,579,909	5,599,169	5,599,135	0	7,279,957	5,347,153	5,346,923	0
\$20,000 under \$25,000	7,938,918	9,086,914	9,085,825	0	8,003,582	8,971,731	8,971,513	0
\$25,000 under \$30,000	7,454,831	12,367,596	12,367,382	0	7,395,670	12,092,082	12,090,886	0
\$30,000 under \$40,000	11,841,642	29,119,400	29,117,809	0	12,107,304	29,382,767	29,380,711	0
\$40,000 under \$50,000	8,663,652	32,148,799	32,144,409	0	8,717,227	31,871,571	31,870,452	0
\$50,000 under \$75,000	14,015,996	81,055,445	81,044,529	0	14,338,006	82,057,678	82,049,505	0
\$75,000 under \$100,000	7,076,366	64,200,816	64,182,788	0	7,549,229	67,565,889	67,547,352	0
\$100,000 under \$200,000	5,506,370	94,578,674	94,511,559	0	6,240,777	105,211,314	105,171,199	0
\$200,000 under \$500,000	687,214	38,339,802	38,285,795	0	815,335	43,592,552	43,530,488	0
\$500,000 under \$1,000,000	67,230	11,811,280	11,771,546	0	74,251	12,911,894	12,866,394	0
\$1,000,000 under \$1,500,000	11,573	4,064,837	4,046,290	0	13,332	4,589,295	4,578,779	0
\$1,500,000 under \$2,000,000	4,316	2,242,679	2,227,404	0	4,736	2,409,127	2,396,978	0
\$2,000,000 under \$5,000,000	5,090	4,441,339	4,418,794	0	7,115	6,531,176	6,501,066	0
\$5,000,000 under \$10,000,000	879	1,833,448	1,822,538	0	967	1,998,088	1,978,024	0
\$10,000,000 or more	347	2,236,622	2,227,150	0	356	2,194,206	2,187,226	0
Returns with Form 8615 tax computation								
Total	141,612	443,840	419,425	-24,414	352,987	902,985	885,659	-17,326
Under \$5,000 [3]	75,994	14,233	18,545	4,312	181,301	39,027	47,623	8,596
\$5,000 under \$10,000	30,456	18,043	29,306	11,263	79,780	46,170	69,668	23,498
\$10,000 under \$15,000	13,373	15,450	18,249	2,798	33,649	43,483	58,843	15,360
\$15,000 under \$20,000	* 4,553	* 8,614	* 14,033	* 5,419	14,763	27,655	35,832	8,177
\$20,000 under \$25,000	* 3,213	* 8,887	* 14,336	* 5,449	9,577	24,562	37,631	13,069
\$25,000 under \$30,000	* 3,240	* 11,754	* 18,576	* 6,821	7,543	26,983	42,337	15,354
\$30,000 under \$40,000	* 2,549	* 12,425	* 17,239	* 4,814	8,489	40,875	63,337	22,462
\$40,000 under \$50,000	* 1,872	* 10,764	* 14,354	* 3,590	* 4,179	* 31,903	* 40,304	* 8,401
\$50,000 under \$75,000	* 2,528	* 29,939	* 27,754	* -2,185	* 3,430	* 38,356	* 35,872	* -2,484
\$75,000 under \$100,000	* 624	* 9,548	* 13,259	* 3,710	* 5,873	* 96,782	* 102,207	* 5,426
\$100,000 under \$200,000	* 1,549	* 44,966	* 33,637	* -11,329	* 2,862	* 91,601	* 68,564	* -23,038
\$200,000 under \$500,000	1,228	96,553	75,326	-21,227	* 761	* 73,915	* 66,722	* -7,193
\$500,000 under \$1,000,000	* 305	* 62,680	* 54,636	* -8,044	* 521	* 107,362	* 70,447	* -36,915
\$1,000,000 under \$1,500,000	* 82	* 33,970	* 28,066	* -5,904	* 122	* 50,575	* 37,882	* -12,693
\$1,500,000 under \$2,000,000	* 16	* 7,785	* 3,477	* -4,307	* 33	* 18,179	* 13,939	* -4,240
\$2,000,000 under \$5,000,000	* 19	* 21,829	* 17,161	* -4,667	83	93,232	63,606	-29,625
\$5,000,000 under \$10,000,000	* 8	* 18,603	* 9,525	* -9,078	** 20	** 52,324	** 30,844	** -21,480
\$10,000,000 or more	* 3	* 17,795	* 11,946	* -5,850	**	**	**	**

Footnotes at end of table.

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Table 4. Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2005 and 2006—Continued

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

Type of tax computation by size of adjusted gross income	Tax Year 2005				Tax Year 2006			
	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]	Income tax before credits (regular tax computation) [1]		Tax generated	Difference due to special tax computation [2]
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with Schedule D and qualified dividends tax computation								
Total	21,677,179	648,370,905	556,720,072	-91,650,833	22,454,716	718,631,459	611,385,367	-107,246,092
Under \$5,000 [3]	138,271	19,243	14,837	-4,407	111,011	15,628	11,468	-4,160
\$5,000 under \$10,000	289,597	82,031	65,888	-16,143	242,149	68,368	54,123	-14,245
\$10,000 under \$15,000	514,733	222,687	189,952	-32,735	452,701	197,873	168,989	-28,883
\$15,000 under \$20,000	612,188	477,144	418,206	-58,938	545,920	442,355	378,009	-64,346
\$20,000 under \$25,000	738,478	848,330	755,385	-92,945	691,658	818,782	725,292	-93,490
\$25,000 under \$30,000	786,326	1,330,149	1,181,694	-148,455	774,299	1,309,110	1,150,340	-158,770
\$30,000 under \$40,000	1,627,410	3,992,041	3,656,318	-335,723	1,519,769	3,779,834	3,418,595	-361,238
\$40,000 under \$50,000	1,745,402	6,727,356	6,217,918	-509,438	1,723,174	6,623,279	6,077,079	-546,200
\$50,000 under \$75,000	4,126,681	26,026,832	24,312,251	-1,714,581	4,242,132	26,806,712	24,869,995	-1,936,716
\$75,000 under \$100,000	3,280,362	32,201,106	30,273,964	-1,927,143	3,468,933	33,797,175	31,508,122	-2,289,054
\$100,000 under \$200,000	5,148,904	103,374,429	96,938,906	-6,435,523	5,687,194	114,413,162	107,019,167	-7,393,996
\$200,000 under \$500,000	1,976,715	125,508,287	112,396,952	-13,111,335	2,213,703	135,163,659	121,345,632	-13,818,027
\$500,000 under \$1,000,000	433,693	81,225,172	70,387,989	-10,837,183	484,755	88,966,725	76,975,222	-11,991,503
\$1,000,000 under \$1,500,000	108,253	38,821,657	33,221,144	-5,600,513	126,768	44,892,947	37,817,421	-7,075,526
\$1,500,000 under \$2,000,000	48,490	25,438,981	21,234,478	-4,204,503	54,002	27,989,726	23,213,317	-4,776,409
\$2,000,000 under \$5,000,000	72,054	67,247,286	54,962,574	-12,284,712	82,486	76,242,725	62,056,547	-14,186,177
\$5,000,000 under \$10,000,000	18,189	39,775,810	31,286,880	-8,488,930	20,987	45,474,554	35,326,266	-10,148,288
\$10,000,000 or more	11,433	95,052,365	69,204,737	-25,847,628	13,076	111,628,845	79,269,782	-32,359,064

* Estimate should be used with caution due to the small number of sample returns on which it is based.

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

[1] Includes special taxes (tax on lump sum distributions from Form 4972 and tax on election to report child's interest and dividends, Form 8814) not included in tax generated.

[2] The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

[3] Includes returns with adjusted gross deficit.

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

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Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
1996	119,441,767	1,194,418	5,972,088	11,944,177	29,860,442	59,720,884
1997	121,503,284	1,215,033	6,075,164	12,150,328	30,375,821	60,751,642
1998	123,775,831	1,237,758	6,188,792	12,377,583	30,943,958	61,887,915
1999	126,008,974	1,260,090	6,300,449	12,600,897	31,502,244	63,004,487
2000	128,227,143	1,282,271	6,411,357	12,822,714	32,056,786	64,113,572
2001	128,817,051	1,288,171	6,440,853	12,881,705	32,204,263	64,408,526
2002	128,323,986	1,283,240	6,416,199	12,832,399	32,080,997	64,161,993
2003	128,609,786	1,286,098	6,430,489	12,860,979	32,152,447	64,304,893
2004	130,371,156	1,303,712	6,518,558	13,037,116	32,592,789	65,185,578
2005	132,611,637	1,326,116	6,630,582	13,261,164	33,152,909	66,305,819
2006	135,719,160	1,357,192	6,785,958	13,571,916	33,929,790	67,859,580
Adjusted gross income floor on percentiles (current dollars):						
1986	N/A	118,818	62,377	48,656	32,242	17,302
1987	N/A	139,289	68,414	52,921	33,983	17,768
1988	N/A	157,136	72,735	55,437	35,398	18,367
1989	N/A	163,869	76,933	58,263	36,839	18,993
1990	N/A	167,421	79,064	60,287	38,080	19,767
1991	N/A	170,139	81,720	61,944	38,929	20,097
1992	N/A	181,904	85,103	64,457	40,378	20,803
1993	N/A	185,715	87,386	66,077	41,210	21,179
1994	N/A	195,726	91,226	68,753	42,742	21,802
1995	N/A	209,406	96,221	72,094	44,207	22,344
1996	N/A	227,546	101,141	74,986	45,757	23,174
1997	N/A	250,736	108,048	79,212	48,173	24,393
1998	N/A	269,496	114,729	83,220	50,607	25,491
1999	N/A	293,415	120,846	87,682	52,965	26,415
2000	N/A	313,469	128,336	92,144	55,225	27,682
2001	N/A	292,913	127,904	92,754	56,085	28,528
2002	N/A	285,424	126,525	92,663	56,401	28,654
2003	N/A	295,495	130,080	94,891	57,343	29,019
2004	N/A	328,049	137,056	99,112	60,041	30,122
2005	N/A	364,657	145,283	103,912	62,068	30,881
2006	N/A	388,806	153,542	108,904	64,702	31,987

Footnotes at end of table.

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Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income floor on percentiles (constant dollars) [2]:						
1986	N/A	108,411	56,913	44,394	29,418	15,786
1987	N/A	122,614	60,224	46,585	29,915	15,641
1988	N/A	132,828	61,484	46,861	29,922	15,526
1989	N/A	132,152	62,043	46,986	29,709	15,317
1990	N/A	128,096	60,493	46,126	29,135	15,124
1991	N/A	124,919	60,000	45,480	28,582	14,756
1992	N/A	129,654	60,658	45,942	28,780	14,828
1993	N/A	128,522	60,475	45,728	28,519	14,657
1994	N/A	132,069	61,556	46,392	28,841	14,711
1995	N/A	137,406	63,137	47,306	29,007	14,661
1996	N/A	145,026	64,462	47,792	29,163	14,769
1997	N/A	156,222	67,320	49,353	30,014	15,198
1998	N/A	164,427	69,999	50,775	30,877	15,553
1999	N/A	176,119	72,537	52,630	31,792	15,855
2000	N/A	182,038	74,527	53,510	32,070	16,075
2001	N/A	165,394	72,221	52,374	31,669	16,108
2002	N/A	158,657	70,331	51,508	31,351	15,928
2003	N/A	160,595	70,696	51,571	31,165	15,771
2004	N/A	173,663	72,555	52,468	31,785	15,946
2005	N/A	186,716	74,390	53,206	31,781	15,812
2006	N/A	192,860	76,162	54,020	32,094	15,867
Adjusted gross income (millions of current dollars):						
1986	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542
1996	4,590,527	736,545	1,393,805	1,909,149	2,952,637	3,944,383
1997	5,023,457	872,826	1,597,107	2,151,401	3,267,600	4,327,992
1998	5,469,211	1,010,245	1,796,647	2,393,716	3,589,600	4,721,430
1999	5,909,329	1,152,820	2,011,763	2,652,835	3,927,308	5,126,164
2000	6,423,977	1,336,773	2,267,403	2,955,386	4,313,786	5,589,755
2001	6,241,036	1,094,296	1,996,492	2,690,589	4,071,034	5,379,286
2002	6,113,778	985,781	1,867,787	2,553,475	3,935,504	5,244,029
2003	6,287,586	1,054,567	1,960,676	2,663,470	4,078,227	5,407,851
2004	6,875,123	1,306,417	2,299,595	3,049,275	4,546,401	5,952,781
2005	7,507,958	1,591,711	2,683,934	3,487,010	5,069,455	6,544,824
2006	8,122,040	1,791,886	2,977,714	3,843,144	5,535,830	7,105,599

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [3]:						
1986	366,979	94,491	156,240	200,703	278,976	343,289
1987	369,046	91,559	159,642	205,230	283,857	346,655
1988	412,761	113,841	188,303	236,411	321,297	389,145
1989	432,838	109,259	190,188	241,458	334,258	407,599
1990	447,061	112,338	195,088	247,514	344,340	421,075
1991	448,349	111,267	194,480	250,282	346,511	423,759
1992	476,163	131,156	218,479	276,213	373,700	452,070
1993	502,720	145,836	238,083	297,808	398,516	478,563
1994	534,754	154,337	254,106	317,902	425,402	509,256
1995	588,331	178,035	287,741	357,402	472,808	561,225
1996	658,124	212,626	335,433	411,404	535,164	629,684
1997	727,303	241,239	377,241	459,639	594,007	696,161
1998	788,452	274,009	424,506	512,836	651,964	755,240
1999	877,292	317,419	486,464	583,002	732,890	842,168
2000	980,521	366,929	553,670	660,150	823,706	942,179
2001	887,882	300,898	472,823	576,163	736,053	852,642
2002	796,862	268,608	428,680	523,812	668,558	768,963
2003	747,939	256,340	406,597	492,452	627,380	722,027
2004	831,890	306,902	475,224	567,273	705,915	804,471
2005	934,703	368,132	557,759	657,085	803,772	906,028
2006	1,023,739	408,369	615,680	724,740	883,153	993,176
Average tax rate (percentage) [4]:						
1986	14.54	33.13	25.68	22.64	18.72	16.32
1987	13.12	26.41	22.10	19.77	16.61	14.60
1988	13.21	24.04	21.14	19.18	16.47	14.64
1989	13.12	23.34	20.71	18.77	16.27	14.53
1990	12.95	23.25	20.46	18.50	16.06	14.36
1991	12.75	24.37	20.62	18.63	15.93	14.20
1992	12.94	25.05	21.19	19.13	16.25	14.44
1993	13.32	28.01	22.71	20.20	16.90	14.90
1994	13.50	28.23	23.04	20.48	17.15	15.11
1995	13.86	28.73	23.53	20.97	17.58	15.47
1996	14.34	28.87	24.07	21.55	18.12	15.96
1997	14.48	27.64	23.62	21.36	18.18	16.09
1998	14.42	27.12	23.63	21.42	18.16	16.00
1999	14.85	27.53	24.18	21.98	18.66	16.43
2000	15.26	27.45	24.42	22.34	19.09	16.86
2001	14.23	27.50	23.68	21.41	18.08	15.85
2002	13.03	27.25	22.95	20.51	16.99	14.66
2003	11.90	24.31	20.74	18.49	15.38	13.35
2004	12.10	23.49	20.67	18.60	15.53	13.51
2005	12.45	23.13	20.78	18.84	15.86	13.84
2006	12.60	22.79	20.68	18.86	15.95	13.98

Footnotes at end of table.

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Table 5. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986	100.00	11.30	24.11	35.12	59.04	83.34
1987	100.00	12.32	25.67	36.90	60.75	84.37
1988	100.00	15.16	28.51	39.45	62.44	85.07
1989	100.00	14.19	27.84	39.00	62.28	85.04
1990	100.00	14.00	27.62	38.77	62.13	84.97
1991	100.00	12.99	26.83	38.20	61.85	84.87
1992	100.00	14.23	28.01	39.23	62.47	85.08
1993	100.00	13.79	27.76	39.05	62.45	85.08
1994	100.00	13.80	27.85	39.19	62.64	85.11
1995	100.00	14.60	28.81	40.16	63.37	85.46
1996	100.00	16.04	30.36	41.59	64.32	85.92
1997	100.00	17.38	31.79	42.83	65.05	86.16
1998	100.00	18.47	32.85	43.77	65.63	86.33
1999	100.00	19.51	34.04	44.89	66.46	86.75
2000	100.00	20.81	35.30	46.01	67.15	87.01
2001	100.00	17.53	31.99	43.11	65.23	86.19
2002	100.00	16.12	30.55	41.77	64.37	85.77
2003	100.00	16.77	31.18	42.36	64.86	86.01
2004	100.00	19.00	33.45	44.35	66.13	86.58
2005	100.00	21.20	35.75	46.44	67.52	87.17
2006	100.00	22.06	36.66	47.32	68.16	87.49
Total income tax share (percentage):						
1986	100.00	25.75	42.57	54.69	76.02	93.54
1987	100.00	24.81	43.26	55.61	76.92	93.93
1988	100.00	27.58	45.62	57.28	77.84	94.28
1989	100.00	25.24	43.94	55.78	77.22	94.17
1990	100.00	25.13	43.64	55.36	77.02	94.19
1991	100.00	24.82	43.38	55.82	77.29	94.52
1992	100.00	27.54	45.88	58.01	78.48	94.94
1993	100.00	29.01	47.36	59.24	79.27	95.19
1994	100.00	28.86	47.52	59.45	79.55	95.23
1995	100.00	30.26	48.91	60.75	80.36	95.39
1996	100.00	32.31	50.97	62.51	81.32	95.68
1997	100.00	33.17	51.87	63.20	81.67	95.72
1998	100.00	34.75	53.84	65.04	82.69	95.79
1999	100.00	36.18	55.45	66.45	83.54	96.00
2000	100.00	37.42	56.47	67.33	84.01	96.09
2001	100.00	33.89	53.25	64.89	82.90	96.03
2002	100.00	33.71	53.80	65.73	83.90	96.50
2003	100.00	34.27	54.36	65.84	83.88	96.54
2004	100.00	36.89	57.13	68.19	84.86	96.70
2005	100.00	39.38	59.67	70.30	85.99	96.93
2006	100.00	39.89	60.14	70.79	86.27	97.01

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 5. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] For Table 5, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

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

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Table 6. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
1996	119,441,767	59,720,883	89,581,325	107,497,590	113,469,679	118,247,349
1997	121,503,284	60,751,642	91,127,463	109,352,956	115,428,120	120,288,251
1998	123,775,831	61,887,916	92,831,873	111,398,248	117,587,039	122,538,073
1999	126,008,974	63,004,487	94,506,731	113,408,077	119,708,525	124,748,884
2000	128,227,143	64,113,572	96,170,357	115,404,429	121,815,786	126,944,872
2001	128,817,051	64,408,526	96,612,788	115,935,346	122,376,198	127,528,880
2002	128,323,986	64,161,993	96,242,990	115,491,587	121,907,787	127,040,746
2003	128,609,786	64,304,893	96,457,340	115,748,807	122,179,297	127,323,688
2004	130,371,156	65,185,578	97,778,367	117,334,040	123,852,598	129,067,444
2005	132,611,637	66,305,819	99,458,728	119,350,473	125,981,055	131,285,521
2006	135,719,160	67,859,580	101,789,370	122,147,244	128,933,202	134,361,968
Adjusted gross income (millions of current dollars):						
1986	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
1996	4,590,527	646,144	1,637,891	2,681,378	3,196,723	3,853,983
1997	5,023,457	695,465	1,755,857	2,872,056	3,426,350	4,150,631
1998	5,469,211	747,781	1,879,611	3,075,495	3,672,564	4,458,967
1999	5,909,329	783,164	1,982,021	3,256,494	3,897,565	4,756,509
2000	6,423,977	834,222	2,110,190	3,468,590	4,156,573	5,087,204
2001	6,241,036	861,750	2,170,001	3,550,447	4,244,543	5,146,740
2002	6,113,778	869,750	2,178,274	3,560,303	4,245,991	5,127,997
2003	6,287,586	879,735	2,209,359	3,624,117	4,326,911	5,233,019
2004	6,875,123	922,342	2,328,722	3,825,848	4,575,529	5,568,706
2005	7,507,958	963,135	2,438,504	4,020,948	4,824,024	5,916,248
2006	8,122,040	1,016,441	2,586,209	4,278,895	5,144,325	6,330,153

Footnotes at end of table.

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Table 6. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [2]:						
1986	366,979	23,690	88,002	166,276	210,739	272,488
1987	369,046	22,391	85,189	163,816	209,404	277,488
1988	412,761	23,616	91,464	176,350	224,459	298,920
1989	432,838	25,239	98,580	191,380	242,650	323,579
1990	447,061	25,986	102,721	199,547	251,973	334,723
1991	448,349	24,554	101,837	198,067	253,869	337,081
1992	476,163	24,093	102,463	199,950	257,683	345,007
1993	502,720	24,157	104,203	204,912	264,637	356,884
1994	534,754	25,499	109,353	216,852	280,648	380,418
1995	588,331	27,106	115,523	230,929	300,590	410,296
1996	658,124	28,440	122,960	246,720	322,691	445,498
1997	727,303	31,134	133,296	267,664	350,062	486,064
1998	788,452	33,212	136,488	275,615	363,946	514,442
1999	877,292	35,126	144,402	294,290	390,828	559,874
2000	980,521	38,343	156,816	320,371	426,851	613,592
2001	887,882	35,239	151,826	311,719	415,059	586,984
2002	796,862	27,899	128,304	273,050	368,182	528,254
2003	747,939	25,912	120,564	255,486	341,341	491,597
2004	831,890	27,418	125,973	264,617	356,666	524,988
2005	934,703	28,673	130,930	277,618	376,942	566,571
2006	1,023,739	30,561	140,586	298,999	408,058	615,370
Average tax rate (percentage) [3]:						
1986	14.54	5.63	8.51	10.15	11.00	12.17
1987	13.12	5.09	7.71	9.23	10.01	11.25
1988	13.21	5.06	7.80	9.32	10.05	11.28
1989	13.12	5.11	7.92	9.51	10.19	11.43
1990	12.95	5.01	7.86	9.44	10.09	11.28
1991	12.75	4.61	7.59	9.12	9.87	11.04
1992	12.94	4.39	7.42	8.94	9.73	10.93
1993	13.32	4.29	7.35	8.90	9.70	10.96
1994	13.50	4.32	7.39	9.00	9.82	11.14
1995	13.86	4.39	7.43	9.09	9.95	11.32
1996	14.34	4.40	7.51	9.20	10.09	11.56
1997	14.48	4.48	7.59	9.32	10.22	11.71
1998	14.42	4.44	7.26	8.96	9.91	11.54
1999	14.85	4.49	7.29	9.04	10.03	11.77
2000	15.26	4.60	7.43	9.24	10.27	12.06
2001	14.23	4.09	7.00	8.78	9.78	11.41
2002	13.03	3.21	5.89	7.67	8.67	10.30
2003	11.90	2.95	5.46	7.05	7.89	9.39
2004	12.10	2.97	5.41	6.92	7.80	9.43
2005	12.45	2.98	5.37	6.90	7.81	9.58
2006	12.60	3.01	5.44	6.99	7.93	9.72

Footnotes at end of table.

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Table 6. Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986	100.00	16.66	40.96	64.88	75.89	88.70
1987	100.00	15.63	39.25	63.10	74.33	87.68
1988	100.00	14.93	37.56	60.55	71.49	84.84
1989	100.00	14.96	37.72	61.00	72.16	85.81
1990	100.00	15.03	37.87	61.23	72.38	86.00
1991	100.00	15.13	38.15	61.80	73.17	87.01
1992	100.00	14.92	37.53	60.77	71.99	85.77
1993	100.00	14.92	37.55	60.95	72.24	86.21
1994	100.00	14.89	37.36	60.81	72.15	86.20
1995	100.00	14.54	36.63	59.84	71.19	85.40
1996	100.00	14.08	35.68	58.41	69.64	83.96
1997	100.00	13.84	34.95	57.17	68.21	82.63
1998	100.00	13.67	34.37	56.23	67.15	81.53
1999	100.00	13.25	33.54	55.11	65.96	80.49
2000	100.00	12.99	32.85	53.99	64.70	79.19
2001	100.00	13.81	34.77	56.89	68.01	82.47
2002	100.00	14.23	35.63	58.23	69.45	83.88
2003	100.00	13.99	35.14	57.64	68.82	83.23
2004	100.00	13.42	33.87	55.65	66.55	81.00
2005	100.00	12.83	32.48	53.56	64.25	78.80
2006	100.00	12.51	31.84	52.68	63.34	77.94
Total income tax share (percentage):						
1986	100.00	6.46	23.98	45.31	57.43	74.25
1987	100.00	6.07	23.08	44.39	56.74	75.19
1988	100.00	5.72	22.16	42.72	54.38	72.42
1989	100.00	5.83	22.78	44.22	56.06	74.76
1990	100.00	5.81	22.98	44.64	56.36	74.87
1991	100.00	5.48	22.71	44.18	56.62	75.18
1992	100.00	5.06	21.52	41.99	54.12	72.46
1993	100.00	4.81	20.73	40.76	52.64	70.99
1994	100.00	4.77	20.45	40.55	52.48	71.14
1995	100.00	4.61	19.64	39.25	51.09	69.74
1996	100.00	4.32	18.68	37.49	49.03	67.69
1997	100.00	4.28	18.33	36.80	48.13	66.83
1998	100.00	4.21	17.31	34.96	46.16	65.25
1999	100.00	4.00	16.46	33.55	44.55	63.82
2000	100.00	3.91	15.99	32.67	43.53	62.58
2001	100.00	3.97	17.10	35.11	46.75	66.11
2002	100.00	3.50	16.10	34.27	46.20	66.29
2003	100.00	3.46	16.12	34.16	45.64	65.73
2004	100.00	3.30	15.14	31.81	42.87	63.11
2005	100.00	3.07	14.01	29.70	40.33	60.62
2006	100.00	2.99	13.73	29.21	39.86	60.11

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest, dividends or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

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Table 7. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	101,988,805	1,019,888	5,099,440	10,198,881	25,497,201	50,994,402
1987	106,191,624	1,061,916	5,309,581	10,619,162	26,547,906	53,095,812
1988	108,879,154	1,088,792	5,443,958	10,887,915	27,219,788	54,439,577
1989	111,328,835	1,113,288	5,566,442	11,132,884	27,832,209	55,664,418
1990	112,717,959	1,127,180	5,635,898	11,271,796	28,179,490	56,358,980
1991	113,823,123	1,138,231	5,691,156	11,382,312	28,455,781	56,911,562
1992	112,687,747	1,126,877	5,634,387	11,268,775	28,171,937	56,343,874
1993	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
1996	119,487,813	1,194,878	5,974,391	11,948,781	29,871,953	59,743,906
1997	121,555,156	1,215,552	6,077,758	12,155,516	30,388,789	60,777,578
1998	123,852,016	1,238,520	6,192,601	12,385,202	30,963,004	61,926,008
1999	126,107,596	1,261,076	6,305,380	12,610,760	31,526,899	63,053,798
2000	128,340,271	1,283,403	6,417,014	12,834,027	32,085,068	64,170,135
2001	128,863,007	1,288,630	6,443,150	12,886,301	32,215,752	64,431,504
2002	128,415,184	1,284,152	6,420,759	12,841,518	32,103,796	64,207,592
2003	128,757,145	1,287,571	6,437,857	12,875,715	32,189,286	64,378,573
2004	130,508,966	1,305,090	6,525,448	13,050,897	32,627,242	65,254,483
2005	132,730,734	1,327,307	6,636,537	13,273,073	33,182,684	66,365,367
2006	135,854,749	1,358,547	6,792,737	13,585,475	33,963,687	67,927,375
Income floor on percentiles (current dollars):						
1986	N/A	147,863	68,362	52,035	33,623	17,909
1987	N/A	145,624	69,222	53,094	34,165	17,959
1988	N/A	161,774	73,451	55,532	35,432	18,534
1989	N/A	169,603	77,542	58,429	36,783	19,152
1990	N/A	174,813	80,400	60,623	38,026	19,947
1991	N/A	180,268	83,300	62,413	38,913	20,302
1992	N/A	197,031	87,370	65,283	40,423	21,041
1993	N/A	199,698	88,992	66,685	41,013	21,390
1994	N/A	210,742	93,186	69,118	42,480	22,000
1995	N/A	224,523	98,420	72,210	43,860	22,575
1996	N/A	246,268	103,489	75,574	45,508	23,378
1997	N/A	268,889	110,949	79,598	47,738	24,551
1998	N/A	301,513	120,262	84,904	50,232	25,612
1999	N/A	332,253	126,643	89,172	52,399	26,487
2000	N/A	353,945	134,128	93,715	54,592	27,647
2001	N/A	323,861	131,728	93,633	55,203	28,404
2002	N/A	315,937	132,253	93,833	55,695	28,541
2003	N/A	327,160	134,818	96,021	56,573	28,896
2004	N/A	363,905	142,975	100,957	59,112	29,899
2005	N/A	402,354	152,048	105,958	61,055	30,588
2006	N/A	437,036	162,043	111,560	63,694	31,693

Footnotes at end of table.

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[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income floor on percentiles (constant dollars) [2]:						
1986	N/A	134,912	62,374	47,477	30,678	16,340
1987	N/A	128,190	60,935	46,738	30,075	15,809
1988	N/A	136,749	62,089	46,942	29,951	15,667
1989	N/A	136,777	62,534	47,120	29,664	15,445
1990	N/A	133,751	61,515	46,383	29,094	15,262
1991	N/A	132,355	61,160	45,825	28,571	14,906
1992	N/A	140,436	62,274	46,531	28,812	14,997
1993	N/A	138,199	61,586	46,149	28,383	14,803
1994	N/A	142,201	62,879	46,638	28,664	14,845
1995	N/A	147,325	64,580	47,382	28,780	14,813
1996	N/A	156,959	65,959	48,167	29,004	14,900
1997	N/A	167,532	69,127	49,594	29,743	15,297
1998	N/A	183,962	73,375	51,802	30,648	15,627
1999	N/A	199,432	76,016	53,525	31,452	15,899
2000	N/A	205,543	77,891	54,422	31,703	16,055
2001	N/A	182,869	74,381	52,870	31,171	16,038
2002	N/A	175,618	73,515	52,158	30,959	15,865
2003	N/A	177,804	73,271	52,185	30,746	15,704
2004	N/A	192,644	75,688	53,445	31,293	15,828
2005	N/A	206,018	77,854	54,254	31,262	15,662
2006	N/A	216,784	80,378	55,337	31,594	15,721
Income (millions of current dollars):						
1986	2,804,691	427,513	796,935	1,097,550	1,732,231	2,368,620
1987	2,856,118	363,880	749,240	1,067,438	1,741,747	2,411,715
1988	3,153,639	484,675	911,170	1,255,108	1,973,061	2,683,524
1989	3,336,571	486,976	947,363	1,317,619	2,085,003	2,838,481
1990	3,497,118	504,687	987,582	1,376,162	2,182,091	2,973,847
1991	3,577,337	478,756	985,590	1,390,924	2,224,979	3,038,428
1992	3,763,002	556,421	1,090,019	1,509,728	2,369,701	3,206,490
1993	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267
1996	4,670,644	772,868	1,462,979	1,984,931	3,025,107	4,015,461
1997	5,112,706	918,007	1,679,877	2,242,353	3,353,245	4,409,075
1998	5,626,390	1,072,779	1,925,214	2,542,399	3,742,006	4,869,467
1999	6,082,931	1,236,081	2,166,370	2,825,789	4,099,929	5,290,805
2000	6,601,494	1,424,436	2,430,957	3,138,299	4,495,910	5,758,808
2001	6,361,523	1,159,037	2,121,055	2,828,677	4,202,776	5,491,703
2002	6,262,714	1,057,775	2,005,658	2,712,226	4,092,069	5,383,263
2003	6,429,711	1,122,582	2,091,401	2,813,645	4,226,517	5,539,087
2004	7,044,141	1,383,978	2,453,830	3,228,229	4,726,625	6,111,786
2005	7,701,103	1,678,406	2,863,229	3,694,152	5,278,659	6,729,456
2006	8,365,645	1,900,311	3,202,445	4,101,178	5,798,340	7,340,135

Footnotes at end of table.

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[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [3]:						
1986	366,763	93,128	155,553	198,862	277,578	342,296
1987	368,924	89,908	158,485	204,050	282,970	346,228
1988	412,549	112,208	186,793	235,121	320,152	388,631
1989	432,643	107,508	188,588	240,229	333,285	407,106
1990	446,906	110,530	192,991	245,856	342,926	420,345
1991	448,177	107,926	192,548	246,745	345,168	423,180
1992	476,067	127,361	216,303	272,361	372,352	451,494
1993	502,638	142,329	235,908	294,238	397,261	477,997
1994	534,693	150,133	250,770	314,909	423,743	508,540
1995	588,292	173,877	284,036	354,427	471,035	560,748
1996	658,059	208,071	331,404	407,726	532,750	628,918
1997	731,123	238,978	376,046	459,674	595,060	699,131
1998	783,437	262,464	413,303	503,577	644,182	749,547
1999	877,199	307,382	479,531	577,903	729,679	841,172
2000	980,459	355,911	546,102	654,155	819,937	941,304
2001	887,770	291,907	466,057	570,430	732,094	851,539
2002	796,763	259,192	420,834	517,937	664,670	767,890
2003	747,800	248,107	400,202	487,657	624,070	720,861
2004	831,815	297,199	467,728	562,092	702,203	803,521
2005	934,524	359,060	549,667	651,220	800,022	904,857
2006	1,023,556	396,274	605,877	717,713	878,565	991,763
Average tax rate (percentage) [4]:						
1986	13.08	21.78	19.52	18.12	16.02	14.45
1987	12.92	24.71	21.15	19.12	16.25	14.36
1988	13.08	23.15	20.50	18.73	16.23	14.48
1989	12.97	22.08	19.91	18.23	15.98	14.34
1990	12.78	21.90	19.54	17.87	15.72	14.13
1991	12.53	22.54	19.54	17.74	15.51	13.93
1992	12.65	22.89	19.84	18.04	15.71	14.08
1993	13.06	25.69	21.35	19.14	16.40	14.58
1994	13.26	25.90	21.58	19.47	16.65	14.80
1995	13.63	26.60	22.11	19.99	17.10	15.19
1996	14.09	26.92	22.65	20.54	17.61	15.66
1997	14.30	26.03	22.39	20.50	17.75	15.86
1998	13.92	24.47	21.47	19.81	17.21	15.39
1999	14.42	24.87	22.14	20.45	17.80	15.90
2000	14.85	24.99	22.46	20.84	18.24	16.35
2001	13.96	25.19	21.97	20.17	17.42	15.51
2002	12.72	24.50	20.98	19.10	16.24	14.26
2003	11.63	22.10	19.14	17.33	14.77	13.01
2004	11.81	21.47	19.06	17.41	14.86	13.15
2005	12.13	21.39	19.20	17.63	15.16	13.45
2006	12.24	20.85	18.92	17.50	15.15	13.51

Footnotes at end of table.

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[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986	100.00	15.24	28.41	39.13	61.76	84.45
1987	100.00	12.74	26.23	37.37	60.98	84.44
1988	100.00	15.37	28.89	39.80	62.56	85.09
1989	100.00	14.60	28.39	39.49	62.49	85.07
1990	100.00	14.43	28.24	39.35	62.40	85.04
1991	100.00	13.38	27.55	38.88	62.20	84.94
1992	100.00	14.79	28.97	40.12	62.97	85.21
1993	100.00	14.39	28.71	39.93	62.93	85.18
1994	100.00	14.37	28.81	40.09	63.08	85.19
1995	100.00	15.14	29.76	41.06	63.81	85.52
1996	100.00	16.55	31.32	42.50	64.77	85.97
1997	100.00	17.96	32.86	43.86	65.59	86.24
1998	100.00	19.07	34.22	45.19	66.51	86.55
1999	100.00	20.32	35.61	46.45	67.40	86.98
2000	100.00	21.58	36.82	47.54	68.10	87.23
2001	100.00	18.22	33.34	44.47	66.07	86.33
2002	100.00	16.89	32.03	43.31	65.34	85.96
2003	100.00	17.46	32.53	43.76	65.73	86.15
2004	100.00	19.65	34.84	45.83	67.10	86.76
2005	100.00	21.79	37.18	47.97	68.54	87.38
2006	100.00	22.72	38.28	49.02	69.31	87.74
Total income tax share (percentage):						
1986	100.00	25.39	42.41	54.22	75.68	93.33
1987	100.00	24.37	42.96	55.31	76.70	93.85
1988	100.00	27.20	45.28	56.99	77.60	94.20
1989	100.00	24.85	43.59	55.53	77.03	94.10
1990	100.00	24.73	43.18	55.01	76.73	94.06
1991	100.00	24.08	42.96	55.06	77.02	94.42
1992	100.00	26.75	45.44	57.21	78.21	94.84
1993	100.00	28.32	46.93	58.54	79.04	95.10
1994	100.00	28.08	46.90	58.90	79.25	95.11
1995	100.00	29.56	48.28	60.25	80.07	95.32
1996	100.00	31.62	50.36	61.96	80.96	95.57
1997	100.00	32.69	51.43	62.87	81.39	95.62
1998	100.00	33.50	52.76	64.28	82.23	95.67
1999	100.00	35.04	54.67	65.88	83.18	95.89
2000	100.00	36.30	55.70	66.72	83.63	96.01
2001	100.00	32.88	52.50	64.25	82.46	95.92
2002	100.00	32.53	52.82	65.01	83.42	96.38
2003	100.00	33.18	53.52	65.21	83.45	96.40
2004	100.00	35.73	56.23	67.57	84.42	96.60
2005	100.00	38.42	58.82	69.68	85.61	96.83
2006	100.00	38.72	59.19	70.12	85.83	96.89

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 7. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] For Table 7, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest, dividends, or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

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

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Table 8. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns [1]:						
1986	101,988,805	50,994,402	76,491,604	91,789,924	96,889,365	100,968,917
1987	106,191,624	53,095,812	79,643,718	95,572,462	100,882,043	105,129,708
1988	108,879,154	54,439,577	81,659,366	97,991,239	103,435,196	107,790,362
1989	111,328,835	55,664,417	83,496,626	100,195,951	105,762,393	110,215,547
1990	112,717,959	56,358,980	84,538,469	101,446,163	107,082,061	111,590,779
1991	113,823,123	56,911,562	85,367,342	102,440,811	108,131,967	112,684,892
1992	112,687,747	56,343,874	84,515,810	101,418,972	107,053,360	111,560,870
1993	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
1996	119,487,813	59,743,907	89,615,860	107,539,032	113,513,422	118,292,935
1997	121,555,156	60,777,578	91,166,367	109,399,640	115,477,398	120,339,604
1998	123,852,016	61,926,008	92,889,012	111,466,814	117,659,415	122,613,496
1999	126,107,596	63,053,798	94,580,697	113,496,836	119,802,216	124,846,520
2000	128,340,271	64,170,135	96,255,203	115,506,243	121,923,257	127,056,868
2001	128,863,007	64,431,504	96,647,255	115,976,706	122,419,857	127,574,377
2002	128,415,184	64,207,592	96,311,388	115,573,666	121,994,425	127,131,032
2003	128,757,145	64,378,573	96,567,859	115,881,431	122,319,288	127,469,574
2004	130,508,966	65,254,483	97,881,725	117,458,069	123,983,518	129,203,876
2005	132,730,734	66,365,367	99,548,051	119,457,661	126,094,197	131,403,427
2006	135,854,749	67,927,375	101,891,062	122,269,274	129,062,012	134,496,202
Income (millions of current dollars):						
1986	2,804,691	436,071	1,072,460	1,707,142	2,007,756	2,377,178
1987	2,856,118	444,403	1,114,372	1,788,680	2,106,878	2,492,238
1988	3,153,639	470,115	1,180,578	1,898,531	2,242,469	2,668,964
1989	3,336,571	498,089	1,251,567	2,018,952	2,389,207	2,849,595
1990	3,497,118	523,271	1,315,027	2,120,956	2,509,535	2,992,431
1991	3,577,337	538,910	1,352,358	2,186,413	2,591,748	3,098,582
1992	3,763,002	556,512	1,393,300	2,253,273	2,672,983	3,206,581
1993	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
1996	4,670,644	655,183	1,645,537	2,685,713	3,207,665	3,897,777
1997	5,112,706	703,631	1,759,461	2,870,353	3,432,828	4,194,699
1998	5,626,390	756,923	1,884,384	3,083,991	3,701,176	4,553,611
1999	6,082,931	792,125	1,983,002	3,257,142	3,916,561	4,846,850
2000	6,601,494	842,686	2,105,584	3,463,195	4,170,537	5,177,058
2001	6,361,523	869,820	2,158,748	3,532,846	4,240,468	5,202,486
2002	6,262,714	879,451	2,170,646	3,550,488	4,257,056	5,204,939
2003	6,429,711	890,624	2,203,193	3,616,066	4,338,310	5,307,129
2004	7,044,141	932,354	2,317,516	3,815,911	4,590,311	5,660,163
2005	7,701,103	971,647	2,422,444	4,006,951	4,837,875	6,022,698
2006	8,365,645	1,025,509	2,567,304	4,264,467	5,163,200	6,465,334

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 8. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of current dollars) [2]:						
1986	366,763	24,467	89,186	167,901	211,210	273,635
1987	368,924	22,696	85,954	164,874	210,439	279,016
1988	412,549	23,918	92,397	177,429	225,756	300,341
1989	432,643	25,537	99,358	192,414	244,055	325,135
1990	446,906	26,562	103,980	201,050	253,915	336,376
1991	448,177	24,997	103,009	201,432	255,629	340,251
1992	476,067	24,573	103,715	203,706	259,764	348,706
1993	502,638	24,641	105,377	208,400	266,730	360,309
1994	534,693	26,153	110,950	219,783	283,923	384,560
1995	588,292	27,544	117,257	233,864	304,256	414,415
1996	658,059	29,142	125,310	250,333	326,655	449,988
1997	731,123	31,992	136,063	271,450	355,078	492,146
1998	783,437	33,889	139,249	279,860	370,134	520,973
1999	877,199	36,027	147,520	299,294	397,669	569,817
2000	980,459	39,155	160,521	326,304	434,357	624,548
2001	887,770	36,230	155,676	317,341	421,713	595,863
2002	796,763	28,872	132,093	278,827	375,930	537,571
2003	747,800	26,939	123,731	260,143	347,598	499,694
2004	831,815	28,294	129,610	269,723	364,087	534,616
2005	934,524	29,668	134,499	283,305	384,857	575,464
2006	1,023,556	31,796	144,991	305,843	417,680	627,282
Average tax rate (percentage) [3]:						
1986	13.08	5.61	8.32	9.84	10.52	11.51
1987	12.92	5.11	7.71	9.22	9.99	11.20
1988	13.08	5.09	7.83	9.35	10.07	11.25
1989	12.97	5.13	7.94	9.53	10.21	11.41
1990	12.78	5.08	7.91	9.48	10.12	11.24
1991	12.53	4.64	7.62	9.21	9.86	10.98
1992	12.65	4.42	7.44	9.04	9.72	10.87
1993	13.06	4.32	7.38	9.01	9.72	10.93
1994	13.26	4.38	7.45	9.10	9.89	11.13
1995	13.63	4.41	7.50	9.19	10.03	11.31
1996	14.09	4.45	7.62	9.32	10.18	11.54
1997	14.30	4.55	7.73	9.46	10.34	11.73
1998	13.92	4.48	7.39	9.07	10.00	11.44
1999	14.42	4.55	7.44	9.19	10.15	11.76
2000	14.85	4.65	7.62	9.42	10.41	12.06
2001	13.96	4.17	7.21	8.98	9.95	11.45
2002	12.72	3.28	6.09	7.85	8.83	10.33
2003	11.63	3.02	5.62	7.19	8.01	9.42
2004	11.81	3.03	5.59	7.07	7.93	9.45
2005	12.13	3.05	5.55	7.07	7.96	9.55
2006	12.24	3.10	5.65	7.17	8.09	9.70

Footnotes at end of table.

Individual Income Tax Rates and Shares, 2006

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Table 8. Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-2006—Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986	100.00	15.55	38.24	60.87	71.59	84.76
1987	100.00	15.56	39.02	62.63	73.77	87.26
1988	100.00	14.91	37.44	60.20	71.11	84.63
1989	100.00	14.93	37.51	60.51	71.61	85.40
1990	100.00	14.96	37.60	60.65	71.76	85.57
1991	100.00	15.06	37.80	61.12	72.45	86.62
1992	100.00	14.79	37.03	59.88	71.03	85.21
1993	100.00	14.82	37.07	60.07	71.29	85.61
1994	100.00	14.81	36.92	59.91	71.19	85.63
1995	100.00	14.48	36.19	58.94	70.24	84.86
1996	100.00	14.03	35.23	57.50	68.68	83.45
1997	100.00	13.76	34.41	56.14	67.14	82.04
1998	100.00	13.45	33.49	54.81	65.78	80.93
1999	100.00	13.02	32.60	53.55	64.39	79.68
2000	100.00	12.77	31.90	52.46	63.18	78.42
2001	100.00	13.67	33.93	55.53	66.66	81.78
2002	100.00	14.04	34.66	56.69	67.97	83.11
2003	100.00	13.85	34.27	56.24	67.47	82.54
2004	100.00	13.24	32.90	54.17	65.16	80.35
2005	100.00	12.62	31.46	52.03	62.82	78.21
2006	100.00	12.26	30.69	50.98	61.72	77.28
Total income tax share (percentage):						
1986	100.00	6.67	24.32	45.78	57.59	74.61
1987	100.00	6.15	23.30	44.69	57.04	75.63
1988	100.00	5.80	22.40	43.01	54.72	72.80
1989	100.00	5.90	22.97	44.47	56.41	75.15
1990	100.00	5.94	23.27	44.99	56.82	75.27
1991	100.00	5.58	22.98	44.94	57.04	75.92
1992	100.00	5.16	21.79	42.79	54.56	73.25
1993	100.00	4.90	20.96	41.46	53.07	71.68
1994	100.00	4.89	20.75	41.10	53.10	71.92
1995	100.00	4.68	19.93	39.75	51.72	70.44
1996	100.00	4.43	19.04	38.04	49.64	68.38
1997	100.00	4.38	18.61	37.13	48.57	67.31
1998	100.00	4.33	17.77	35.72	47.24	66.50
1999	100.00	4.11	16.82	34.12	45.33	64.96
2000	100.00	3.99	16.37	33.28	44.30	63.70
2001	100.00	4.08	17.54	35.75	47.50	67.12
2002	100.00	3.62	16.58	34.99	47.18	67.47
2003	100.00	3.60	16.55	34.79	46.48	66.82
2004	100.00	3.40	15.58	32.43	43.77	64.27
2005	100.00	3.17	14.39	30.32	41.18	61.58
2006	100.00	3.11	14.17	29.88	40.81	61.28

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 8. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest, dividends or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.