High-Income Tax Returns, Tax Year 2010

Background

- The Tax Reform Act of 1976 instructed the Secretary of the Treasury to publish statistics on the tax liability of people with total incomes of $200,000 or more. This annual study includes the number of returns reporting no income tax liability and the importance of the various tax provisions in making these returns nontaxable.
- Measures of income were statutorily set in 1976 at $200,000 and have not been indexed over the years.
- $200,000 in 1976 is equal to $766,453 in 2010.

Highlights

- Based on AGI as measured in 1976 constant dollars, the number of high-income returns in 2010 was 9.2 times higher than in 1977. In current year dollars, the number was 80.5 times as large compared to 1977.
- For 2010, taxpayers filed 4,296,307 high-income tax returns. Of these, 19,003 (0.442 percent) showed no U.S. income tax liability and 8,046 (0.187 percent) showed no worldwide tax liability.
- While 2.4 percent of high-income returns had either no worldwide income tax liability or a liability of less than 10 percent of AGI, 19.8 percent had effective tax rates of 25 percent or more.
- The proportion of nontaxable high-income returns decreased from 0.5 percent in 2009 to 0.4 percent in 2010.
- It is possible for certain itemized deductions and certain exclusions from income to lead to nontaxability by themselves, but high-income returns are more often nontaxable for a combination of reasons, none of which alone would result in nontaxability.


<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Current dollars no U.S. income tax</th>
<th>1976 constant dollars no U.S. income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>1,000</td>
<td>0</td>
</tr>
<tr>
<td>1980</td>
<td>1,500</td>
<td>0</td>
</tr>
<tr>
<td>1985</td>
<td>2,000</td>
<td>0</td>
</tr>
<tr>
<td>1990</td>
<td>2,500</td>
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<tr>
<td>1995</td>
<td>3,000</td>
<td>0</td>
</tr>
<tr>
<td>2000</td>
<td>3,500</td>
<td>0</td>
</tr>
<tr>
<td>2005</td>
<td>4,000</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>4,500</td>
<td>0</td>
</tr>
</tbody>
</table>

Number of High-Income Returns with No Worldwide Income Tax by Primary Reasons for Reduced Tax Liabilities, Tax Year 2010

- Total miscellaneous deductions
- Charitable contributions deduction
- Medical and dental expense deduction
- Partnership and S Corporation net losses
- Investment interest expense deduction
- Refundable prior-year minimum tax credit used to offset income tax before credits
- Taxes paid deduction
- Net casualty or theft loss deduction

NOTE: A high-income return is one with an adjusted gross income of $200,000 or more.

1976 constant dollars were calculated using the U.S. Bureau of Labor Statistics’ consumer price index for urban consumers.

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