SOI BULLETIN

A Quarterly Statistics of Income Report

Volume 35, Number 4

The *Statistics of Income* (*SOI*) *Bulletin* is issued quarterly by the Statistics of Income Division of the Internal Revenue Service. The report provides the earliest published annual financial statistics obtained from the various types of tax and information returns filed, as well as information from periodic or special analytical studies of particular interest to students of the U.S. tax system, tax policymakers, and tax administrators. Selected historical and other data tables, previously published in every issue of the *SOI Bulletin*, now are published only in the spring issue of the *Bulletin*. These tables are also available on SOI's pages of the IRS Web site (www.irs.gov/taxstats).

Information on the availability of supplemental data on the topics included in this issue, special tabulations undertaken on a reimbursable basis, or other SOI subjects, may be obtained by telephoning the SOI's Statistical Information Services (202-874-0410), or by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, D.C. 20013-2608.

The *SOI Bulletin* is prepared under the direction of Wayne Kei, Chief, Communications and Data Dissemination Section. Paul Bastuscheck (layout and graphics), Clay Moulton (layout and graphics), Lisa Smith (layout and graphics editor), and Camille Swick (layout and graphics) are the editorial staff who prepare the manuscript. Jim Hobbs, Emily Gross, and Beth Kilss also made major contributions in the production of this issue. Views expressed in the articles are those of the authors and do not necessarily represent the views of the Treasury Department or the Internal Revenue Service.

NOTE: When using information from this report, cite the publication as follows—

Internal Revenue Service
Statistics of Income Bulletin
Spring 2016
Washington, D.C.

Featured Articles:

For Tax Year 2014, taxpayers filed 148.7 million U.S. individual income tax returns, an increase of 0.6 percent from the prior year. Several notable items showed significant increases in 2014. Adjusted gross income (AGI) rose to $9.7 trillion, an increase of 6.1 percent compared to the prior year. Taxable income also increased appreciably by 8 percent to $6.9 trillion in 2014, as did total income tax, which rose by 10 percent to $1.4 trillion.

Municipal bond issuances in 2012 and 2013 totaled $918.4 billion. Almost all of those issuances (99.6 percent) were tax-exempt bonds. Governmental bonds financed almost $729.6 billion in public projects such as schools, transportation infrastructure, and utilities in 2012 and 2013, while private activity bonds accounted for the remaining $185.3 billion of all tax-exempt bonds over the same period.

In the Next Issue

Articles on the following topics are tentatively planned for inclusion in the quarter 2016 issue of the *Statistics of Income Bulletin*, scheduled to be published in August 2016:

- High-Income Tax Returns, Taxz Year 2013
- Individual Noncash Contributions, Tax Year 2013
- Individual Income Tax Shares, Tax Year 2013

Individual Income Tax Returns, Preliminary Data, 2014

Statistics of Income 100th ANNIVERSARY 1916–2016

by Michael Parisi

For Tax Year 2014, taxpayers filed 148.7 million U.S. individual income tax returns, an increase of 0.6 percent from the 147.7 million returns filed for Tax Year 2013. Several notable items showed significant increases in 2014. Adjusted gross income (AGI) increased 6.1 percent from $9.1 trillion to $9.7 trillion. This increase was supported by increases in salaries and wages (4.5 percent), net capital gains (34.4 percent), and ordinary dividends (14.7 percent) along with several other income items. Taxable income also increased appreciably by 8.0 percent to $6.9 trillion in 2014, as did the alternative minimum tax, which rose by 9.4 percent to $24.6 billion. Moreover, total income tax and total tax liability both increased by 10.0 percent to $1.4 trillion.

Adjusted Gross Income

A number of key components contributed to the growth in total adjusted gross income in 2014 (Figure A). The largest component of AGI, salaries and wages, increased 4.5 percent to $6,922.1 billion. The second largest component, taxable pensions and annuities, increased 3.6 percent to $675.6 billion. Other items related to retirement also increased, including taxable Social Security benefits, which rose 7.2 percent to $263.2 billion, and taxable individual retirement arrangement (IRA) distributions, which increased 9.6 percent to $234.2 billion. Some investment components of AGI showed large increases. Net capital gains, for instance, increased 34.4 percent to $586.5 billion, and ordinary dividends increased 14.7 percent to $218.7 billion. Several components of AGI decreased. Unemployment compensation showed the largest decrease, dropping 36.0 percent to $33.4 billion as the number of tax returns reporting taxable unemployment compensation fell 19.9 percent to 7.5 million returns. Furthermore, taxable interest also decreased in 2014, declining 9.3 percent to $72.0 billion.

Adjustments

Statutory adjustments to total income increased 3.7 percent to $138.0 billion for Tax Year 2014. The largest statutory adjustment was the deduction for the self-employment tax, which increased 3.2 percent from $26.0 billion to $26.9 billion. The self-employment health insurance deduction grew to $24.8 billion, a 1.5-percent increase. Payments to self-employed retirement (Keogh) plans rose 3.2 percent to $20.8 billion, while payments to IRAs increased 1.3 percent to $13.4 billion. Other adjustments that grew from 2013 levels were the deductions for alimony paid (10.4 percent), student loan interest deduction (10.2 percent), and health savings account deduction (9.6 percent).

Deductions

Total deductions, the sum of standard deductions (comprised of the basic and additional standard deductions) and total itemized deductions, increased 2.4 percent to $2,037.0 billion in Tax Year 2014. Most taxpayers (69.3 percent) claimed a standard deduction. The total amount claimed rose 3.2 percent although the average deduction increased only 1.6 percent to $8,568. Standard deductions accounted for 43.3 percent of total deductions. Itemized deductions were claimed on only 29.4 percent of all returns for 2014,[1] but they accounted for more than half (56.7 percent) of total deductions. The amount of itemized deductions claimed increased 1.8 percent to $1,154.8 billion while the average increased 3.2 percent to $26,374.

Total taxes paid, the largest itemized deduction, accounted for 44.0 percent of all itemized deductions. For 2014, it increased 4.5 percent to $508.3 billion. Interest paid, the second largest itemized deduction, made up 25.8 percent of the total, but decreased 3.4 percent from the previous year to $297.4 billion. Mortgage interest accounted for 94.5 percent ($281.1 billion) of the total interest paid deduction. Other itemized deductions included the charitable contributions deduction, up 6.1 percent to $189.9 billion, and the medical and dental expenses deduction, which fell 0.9 percent to $81.3 billion.

Tax Credits

Tax credits offset tax liabilities, and when the amount of the credit is greater than the tax liability, the excess, depending on the credit, is often refundable. Examples of credits where the excess is refundable include the earned income tax credit (EIC) and the additional child tax credit. For 2014, the total amount of EIC claimed increased 0.4 percent to $69.7 billion. The portion of the EIC used to offset income tax before credits rose 8.0 percent to $1.4 billion, and the portion of the EIC used to offset other taxes (such as the self-employment tax) rose 5.1 percent to $8.3 billion. The largest part of the EIC, the excess or refundable portion, decreased 0.4 percent to $60.0 billion for 2014.

For 2014, total child tax credits claimed (the sum of the child tax credit and additional child tax credit) declined 1.8 percent to $54.8 billion. The child tax credits are not automatically indexed to inflation, and thus, the income thresholds and the amount of the credit per child were unchanged from 2013. The amount of the child tax credit used to offset income taxes declined slightly to $27.3 billion (0.5 percent), while the additional child tax credit (most of which was refundable) decreased 3.2 percent to $27.5 billion.

[1] The remaining 1.3 percent of the returns did not need to claim either a standard deduction or itemized deductions because no AGI was reported.

Figure A

Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2013 and 2014

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

Item	Number of returns			Amount		
	2013	2014	Percentage change	2013	2014	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	**147,735,801**	**148,686,586**	**0.6**	**N/A**	**N/A**	**N/A**
Form 1040 returns	84,484,712	84,573,730	0.1	N/A	N/A	N/A
Form 1040A returns	39,788,033	40,853,006	2.7	N/A	N/A	N/A
Form 1040EZ returns	23,463,055	23,259,850	-0.9	N/A	N/A	N/A
Electronically filed returns [1]	126,531,029	129,076,138	2.0	N/A	N/A	N/A
Returns of single persons	68,291,366	69,180,408	1.3	N/A	N/A	N/A
Returns of married persons filing jointly	54,502,523	54,321,728	-0.3	N/A	N/A	N/A
Adjusted gross income (less deficit)	**147,735,801**	**148,686,586**	**0.6**	**9,110,586,632**	**9,667,712,667**	**6.1**
Salaries and wages	123,185,623	123,801,130	0.5	6,627,044,931	6,922,129,448	4.5
Taxable interest	45,112,179	43,351,975	-3.9	79,307,517	71,951,118	-9.3
Tax-exempt interest [2]	5,978,830	5,774,871	-3.4	62,246,443	57,016,775	-8.4
Ordinary dividends	27,695,355	27,622,023	-0.3	190,668,767	218,664,608	14.7
Qualified dividends	25,513,727	25,699,638	0.7	141,074,936	165,967,717	17.6
State income tax refunds	21,632,631	20,973,267	-3.0	25,922,917	27,094,453	4.5
Alimony received	441,090	429,517	-2.6	8,940,728	9,599,302	7.4
Business or profession net income	17,962,513	18,229,525	1.5	341,064,794	353,386,072	3.6
Business or profession net loss	5,634,323	5,812,199	3.2	55,392,081	63,967,080	15.5
Business or profession net income less loss	23,596,836	24,041,724	1.9	285,672,713	289,418,992	1.3
Net capital gain [3]	14,939,783	16,575,730	11.0	436,308,574	586,538,691	34.4
Capital gain distributions [3]	12,976,157	13,738,456	5.9	45,220,532	78,993,120	74.7
Net capital loss	8,961,395	7,539,463	-15.9	20,794,828	17,458,667	-16.0
Sales of property other than capital assets, net gain	899,225	983,544	9.4	21,611,541	17,931,591	-17.0
Sales of property other than capital assets, net loss	1,046,033	1,091,590	4.4	21,913,684	22,277,351	1.7
Taxable Individual Retirement Arrangement distributions	13,469,433	13,751,681	2.1	213,556,898	234,164,835	9.6
Taxable pensions and annuities	28,172,019	28,545,699	1.3	651,943,383	675,553,358	3.6
Rent and royalty net income	7,284,195	7,380,669	1.3	106,187,219	114,960,182	8.3
Rent and royalty net loss	5,597,704	5,540,957	-1.0	54,633,898	54,830,462	0.4
Rent and royalty net income less loss	10,901,852	10,911,476	0.1	51,553,321	60,129,720	16.6
Partnership and S corporation net income	5,146,350	5,238,406	1.8	557,259,568	586,368,567	5.2
Partnership and S corporation net loss	2,393,632	2,462,057	2.9	74,746,173	71,291,585	-4.6
Partnership and S corporation net income less loss	7,539,982	7,700,463	2.1	482,513,395	515,076,981	6.7
Estate and trust net income	535,489	522,412	-2.4	22,827,583	27,028,195	18.4
Estate and trust net loss	45,254	45,175	-0.2	3,679,364	1,114,782	-69.7
Estate and trust net income less loss	580,743	567,587	-2.3	19,148,219	25,913,413	35.3
Farm net income	613,206	592,408	-3.4	19,421,491	18,030,674	-7.2
Farm net loss	1,215,052	1,193,483	-1.8	25,884,248	23,890,373	-7.7
Unemployment compensation	9,391,620	7,526,938	-19.9	52,184,191	33,391,100	-36.0
Taxable Social Security benefits	18,640,277	19,191,344	3.0	245,369,544	263,156,415	7.2
Total statutory adjustments	**37,624,405**	**38,209,565**	**1.6**	**133,130,319**	**138,024,579**	**3.7**
Educator expenses	3,926,716	3,829,914	-2.5	987,160	974,538	-1.3
Certain business expenses of reservists, performing artists, and fee-basis government officials	157,410	150,313	-4.5	580,586	537,681	-7.4
Payments to an Individual Retirement Arrangement	2,765,771	2,745,400	-0.7	13,268,417	13,441,567	1.3
Student loan interest deduction	11,605,533	12,216,615	5.3	11,752,918	12,949,100	10.2
Tuition and fees deduction	1,929,404	1,754,042	-9.1	4,405,364	3,887,056	-11.8
Health savings account deduction	1,179,868	1,332,604	12.9	3,602,542	3,947,223	9.6
Moving expenses adjustment	1,244,776	1,141,631	-8.3	3,582,999	3,772,220	5.3
Self-employment tax deduction	18,692,132	19,083,752	2.1	26,040,280	26,885,812	3.2
Self-employed health insurance deduction	3,686,172	3,829,258	3.9	24,433,182	24,788,963	1.5
Payments to a self-employed retirement (Keogh) plan	901,603	927,169	2.8	20,163,195	20,804,233	3.2
Penalty on early withdrawal of savings	689,504	615,897	-10.7	282,651	130,407	-53.9

Footnotes at end of figure.

Figure A

Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2013 and 2014—Continued

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

Item	Number of returns			Amount		
	2013	2014	Percentage change	2013	2014	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Alimony paid	641,718	595,505	-7.2	11,319,486	12,497,192	10.4
Domestic production activities deduction	666,941	653,078	-2.1	11,124,260	11,559,610	3.9
Other adjustments [4]	141,267	124,749	-11.7	1,493,082	1,744,175	16.8
Total exemptions [5]	**291,966,742**	**291,732,583**	**-0.1**	**1,116,232,654**	**1,127,413,961**	**1.0**
Total deductions	**145,691,029**	**146,751,235**	**0.7**	**1,989,470,009**	**2,037,010,300**	**2.4**
Total standard deduction [6]	**101,304,714**	**102,965,820**	**1.6**	**854,600,884**	**882,210,263**	**3.2**
Basic standard deduction	101,304,714	102,965,820	1.6	828,759,969	855,035,834	3.2
Additional standard deduction	14,406,501	14,967,303	3.9	25,839,360	27,171,944	5.2
Total itemized deductions	**44,386,315**	**43,785,415**	**-1.4**	**1,134,869,124**	**1,154,800,037**	**1.8**
Medical and dental expenses deduction	8,926,602	8,500,386	-4.8	82,071,488	81,336,454	-0.9
Taxes paid deduction	44,053,469	43,449,752	-1.4	486,405,284	508,335,971	4.5
State and local taxes [7]	42,738,916	42,102,805	-1.5	303,342,305	315,646,008	4.1
Income taxes	32,949,258	32,595,172	-1.1	287,098,038	299,139,387	4.2
General sales taxes	9,789,658	9,507,633	-2.9	16,244,267	16,506,621	1.6
Interest paid deduction	33,930,522	33,174,006	-2.2	307,763,490	297,369,137	-3.4
Total home mortgage interest paid deduction	33,357,420	32,627,749	-2.2	292,907,615	281,128,173	-4.0
Charitable contributions deduction	36,594,521	36,175,176	-1.1	178,952,904	189,882,422	6.1
Taxable income	**110,905,274**	**112,831,339**	**1.7**	**6,409,682,294**	**6,919,673,678**	**8.0**
Alternative minimum tax	3,973,542	4,284,444	7.8	22,502,417	24,627,471	9.4
Excess advance premium tax credit repayment:	N/A	1,791,088	[8]	N/A	1,399,317	[8]
Income tax before credits	**110,014,112**	**112,161,036**	**2.0**	**1,293,961,330**	**1,414,669,248**	**9.3**
Total tax credits [9]	**48,514,138**	**49,157,443**	**1.3**	**71,541,645**	**72,967,417**	**2.0**
Child care credit	6,419,179	6,425,975	0.1	3,512,842	3,553,853	1.2
Credit for the elderly or disabled	66,307	64,005	-3.5	8,350	7,010	-16.0
Child tax credit	22,738,221	22,539,222	-0.9	27,474,394	27,349,812	-0.5
Education tax credits	10,384,398	10,078,794	-2.9	10,874,001	10,637,335	-2.2
Retirement savings contributions credit	7,508,451	8,040,238	7.1	1,339,926	1,403,781	4.8
Adoption credit	56,104	75,488	34.6	232,094	365,280	57.4
Residential energy credits	3,127,760	2,746,801	-12.2	1,628,443	1,690,753	3.8
Foreign tax credit	7,524,551	7,981,211	6.1	17,372,374	18,831,673	8.4
General business credit	386,168	275,381	-28.7	2,209,075	2,125,609	-3.8
Prior year minimum tax credit	307,832	292,674	-4.9	1,004,475	910,277	-9.4
Total earned income credit (EIC)	**29,125,095**	**28,881,720**	**-0.8**	**69,447,080**	**69,740,827**	**0.4**
EIC used to offset income tax before credits	4,259,665	4,497,589	5.6	1,303,280	1,407,636	8.0
EIC used to offset other taxes	7,109,392	8,665,210	21.9	7,886,826	8,289,129	5.1
EIC refundable portion	25,542,474	25,034,489	-2.0	60,256,974	60,044,063	-0.4
Total additional child tax credit	**21,075,143**	**20,518,813**	**-2.6**	**28,364,887**	**27,466,889**	**-3.2**
Additional child tax credit used to offset other taxes	1,254,415	1,482,936	18.2	1,152,166	1,210,748	5.1
Additional child tax credit refundable portion	20,337,198	19,807,200	-2.6	27,212,721	26,256,141	-3.5
Total refundable American Opportunity credit	**10,570,080**	**10,354,727**	**-2.0**	**9,409,397**	**9,257,858**	**-1.6**
Refundable American Opportunity credit used to offset income tax before credits	5,107,945	4,960,966	-2.9	4,122,614	4,010,963	-2.7
Refundable American Opportunity credit used to offset other taxes	496,691	669,522	34.8	251,948	279,475	10.9
Refundable American Opportunity credit refundable portion	5,921,370	5,855,594	-1.1	5,034,835	4,967,420	-1.3
Total net premium tax credit	**N/A**	**1,505,933**	**[8]**	**N/A**	**1,003,110**	**[8]**
Net premium tax credit used to offset income tax before credits	N/A	490,006	[8]	N/A	194,905	[8]
Net premium tax credit used to offset other taxes	N/A	306,491	[8]	N/A	168,606	[8]
Net premium tax credit refundable portion	N/A	949,859	[8]	N/A	639,599	[8]

Footnotes at end of figure.

Figure A

Individual Income Tax Returns, Preliminary Data: Selected Income and Tax Items, Tax Years 2013 and 2014—Continued

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

Item	Number of returns			Amount		
	2013	2014	Percentage change	2013	2014	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Total Regulated Investment Company credit	**9,618**	**13,429**	**39.6**	**39,301**	**34,263**	**-12.8**
Regulated Investment Company credit used to offset income tax before credits	7,768	10,127	30.4	21,390	15,837	-26.0
Regulated Investment Company credit used to offset other taxes	59	1,066	1,706.8	48	241	402.1
Regulated Investment Company credit refundable portion	2,835	3,292	16.1	17,863	18,185	1.8
Self-employment tax	18,692,132	19,083,752	2.1	51,795,409	53,666,189	3.6
Health care individual responsibility payment:	N/A	8,028,215	[8]	N/A	1,655,759	[8]
Total additonal Medicare tax	2,878,847	3,169,030	10.1	6,637,266	7,712,949	16.2
Net investment income tax	3,084,773	3,562,164	15.5	11,679,306	17,588,758	50.6
Total income tax	**94,851,783**	**96,612,233**	**1.9**	**1,234,098,995**	**1,358,093,169**	**10.0**
Total tax liability	**98,794,787**	**101,021,848**	**2.3**	**1,290,494,472**	**1,419,614,722**	**10.0**

N/A—Not applicable.

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

[2] Not included in adjusted gross income (less deficit).

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

[4] Other adjustments does not include the foreign housing deduction or the medical savings account deduction. However, these are included in total statutory adjustments.

[5] Data shown in columns 1 and 2 are the number of exemptions claimed on returns, rather than the number of returns with exemptions.

[6] Includes additional real estate taxes, motor vehicle taxes, and net disaster loss deductions from prior years, not shown separately.

[7] State and local taxes is the total of both income taxes and general sales taxes.

[8] Percentage not computed.

[9] Includes EIC, American Opportunity credit, regulated investment company credit, net premium tax credit, which are used to offset income tax before credits, shown separately later in this figure. Also includes other credits that are not shown separately in this figure.

NOTES: Detail may not add to totals because of rounding. Definitions for items in the figure can be found at: http://www.irs.gov/pub/irs-soi/13insec4.pdf

These data represent estimates of income and tax items based on a sample of individual income tax returns filed between January and late September of a given processing year. These returns are then weighted to represent a full year of taxpayer reporting. In general, some of the returns processed during the remainder of the year may have somewhat different characteristics compared to these earlier ones. Therefore, these preliminary data are best utilized by comparisons made to the preliminary estimates from the prior year. When available, the estimates from the "complete year data" should be used in place of the preliminary data.

SOURCE: IRS, Statistics of Income Division, Individual Income Tax Returns, Preliminary Data, January 2016.

In all, taxpayers received a total of $91.9 billion of refundable credits for 2014, exceeding the $73.0 billion in total tax credits used against income tax. This refundable amount represented a 0.7-percent decrease from the Tax Year 2013 level of $92.6 billion.

Taxable Income and Total Income Tax

Taxable income, which is the result of AGI less exemptions and deductions, increased 8.0 percent to $6.9 trillion for 2014. With the increase in taxable income, total income tax rose 10.0 percent to $1.4 trillion. The alternative minimum tax (AMT) rose by 9.4 percent to $24.6 billion. The number of returns with AMT liability also increased, rising 7.8 percent from 4.0 million in 2013 to 4.3 million in 2014.

Average AGI reported on all 2014 individual income tax returns was $65,021, and average taxable income was $61,328. These amounts represent increases from the 2013 amounts of $61,668 (5.4 percent) and $57,794 (6.1 percent). Average income tax for taxable returns rose 8.0 percent to $14,057.

The data comparisons for Tax Years 2013 and 2014 in this article are based on preliminary estimates for both years. Even though final estimates for Tax Year 2013 are available, comparing preliminary estimates for Tax Year 2014 to final estimates may yield misleading results because preliminary estimates tend to be underestimated for certain items. Comparisons based entirely on preliminary estimates reduce the likelihood of misinterpreting the data and afford a more accurate representation of year-to-year changes. [Final statistics for Tax Year 2013 are available in Publication 1304, *Individual Income Tax Returns Complete Report, 2013*.]

Changes in Law and Inflationary Adjustments

In general, the definitions used in this article are the same as those in Publication 1304, *Individual Income Tax Returns Complete Report, 2013*. The following is a partial list of tax law and inflationary changes that had an impact on the data presented in this article.

Alternative minimum tax (AMT)—For Tax Year 2014, the maximum AMT exemption increased from $80,800 to $82,100 for a married couple filing a joint return, from $51,900 to $52,800 for single filers and heads of household, and from $40,400 to $41,050 for a married person filing separately. Also for 2014, the 26-percent tax rate applied to the first $182,500 ($91,250 if married filing separately). Previously it applied to the first $179,500 ($89,750).

Earned income credit—The maximum amount of the earned income credit increased, as did the amounts of earned income and investment income an individual could have received and still claim the credit. The maximum credit for taxpayers with no qualifying children rose to $496 from $487. For these taxpayers, earned income and AGI had to be less than $14,590 ($20,020 if married filing jointly) to be eligible for the EIC. For taxpayers with one qualifying child, the maximum credit increased from $3,250 to $3,305, and, for taxpayers with two qualifying children, the maximum credit increased from $5,372 to $5,460. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than $38,511 ($43,941 for married filing jointly) for one qualifying child, or less than $43,756 ($49,186 for married filing jointly) for two qualifying children. The maximum credit for taxpayers with three or more qualifying children increased from $6,044 to $6,143. For these taxpayers, earned income and AGI had to be less than $46,997 ($52,427 if married filing jointly) to be eligible for the EIC. The maximum amount of investment income (interest, dividends, and capital gain income) a taxpayer could have and still claim the credit increased to $3,350 for the year.

Exemption amount—For Tax Year 2014, the exemption amount increased $50 to $3,950. For 2014, the amount was reduced if the taxpayer's adjusted gross income was more than $152,525 ($150,000 in 2013) for married filing separately, $254,200 ($250,000 in 2013) for single, $279,650 ($275,000 in 2013) for head of household, and $305,050 ($300,000 in 2013) for married filing jointly.

Health care: Individual responsibility—Beginning in 2014, taxpayers must have had health care coverage, qualified for a health coverage exemption, or made a shared responsibility payment with their tax return. Over 8.0 million taxpayers had a health care individual responsibility payment amount, which totaled $1.7 billion.

Itemized deductions—For 2014, a taxpayer could have had their itemized deductions limited if adjusted gross income was more than $152,525 for married filing separately, $254,200 for single, $279,650 for head of household, and $305,050 for married filing jointly. The corresponding amounts for 2013 were $150,000 for married filing separately, $250,000 for single, $275,000 for head of household, and $300,000 for married filing jointly.

Net premium tax credit—For 2014, a taxpayer may have been eligible for the premium tax credit if they, their spouse, or a dependent enrolled in health insurance through the Health Insurance Marketplace. The premium tax credit was used to help pay for this health insurance. The net premium tax credit was taken on 1.5 million returns for $1.0 billion. If advance payments of the premium tax credit were made for coverage and were more than the premium tax credit the taxpayer could claim, the taxpayer claimed an excess advance premium tax credit repayment. Almost 1.8 million taxpayers had an excess advance premium tax credit repayment totaling $1.4 billion in 2014.

Standard deduction amount—The standard deduction for people who did not itemize deductions on Schedule A of Form 1040 was higher for 2014 than it was for 2013. The amount depended on filing status, being 65 or older or blind, and whether an exemption could be claimed for a taxpayer by another person. For 2014, the standard deduction increased to $12,400 for joint filers, up from $12,200 for 2013. For single filers and married filing separate filers, the deduction amount increased to $6,200, up from $6,100. For heads of households, the deduction was $9,100, up from $8,950.

Data Sources and Limitations

The preliminary statistics in this data release are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) filed during Calendar Year 2015. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for Treasury Department tax modeling purposes.[2] Returns were then selected at rates ranging from 0.1 percent to 100 percent. The preliminary Tax Year 2014 data are based on a sample of 260,591 returns and an estimated final population of 149,549,711 returns. The corresponding sample and population for the preliminary 2013 data were 252,693 returns and 148,080,484 returns, respectively.

Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To use the statistical data provided properly, the magnitude of the potential sampling error must be known; coefficients of variation (CVs) are used to measure that magnitude. [The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in "SOI Sampling Methodology and Data Limitations," located at http://www.irs.gov/pub/irs-soi/sampling.pdf.]

While the preliminary estimates are intended to represent a full year of taxpayer reporting, they are actually based on returns processed for tax administration purposes, in the case of 2014 returns, between January and late September of 2015. In general, returns processed during the remainder of each year tend to have somewhat different characteristics compared to returns processed earlier. These characteristics include, for example, disproportionately large amounts of investment income, passive losses, and alternative minimum tax.

Michael Parisi is an economist with the Individual Returns Analysis Section. This article was prepared under the direction of Michael Strudler, Chief, Individual Returns Research Section, and Michael Weber, Chief, Individual Returns Analysis Section.

[2] Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit* (*Individual, Fiduciary, or Nonresident Alien Individual*); Schedule C, *Profit or Loss from Business* (*Sole Proprietorship*); and Schedule F, *Profit or Loss from Farming.*

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income

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

Item	All returns	Size of adjusted gross income: Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns, total	**148,686,586**	**36,181,194**	**30,321,571**	**26,110,889**	**32,327,738**	**17,534,600**	**2,192,340**	**4,018,255**
Form 1040 returns	84,573,730	13,251,526	11,132,186	13,150,205	24,027,925	16,801,293	2,192,340	4,018,255
Form 1040A returns	40,853,006	10,673,413	13,959,235	9,110,814	6,473,470	636,075	0	0
Form 1040EZ returns	23,259,850	12,256,254	5,230,150	3,849,870	1,826,343	97,233	0	0
Electronically filed returns [2]	129,076,138	30,370,147	26,648,128	22,871,357	28,295,465	15,426,896	1,948,311	3,515,833
Adjusted gross income (less deficit)	**9,667,712,667**	**90,803,715**	**667,974,467**	**1,023,194,198**	**2,311,371,626**	**2,365,294,280**	**486,433,760**	**2,722,640,621**
Salaries and wages:								
Number of returns	123,801,130	26,415,020	25,468,021	22,904,195	27,972,562	15,534,954	1,951,313	3,555,066
Amount	6,922,129,448	220,043,594	539,450,025	841,309,474	1,769,198,799	1,771,136,124	348,312,676	1,432,678,757
Taxable interest:								
Number of returns	43,351,975	5,170,980	4,541,523	5,716,135	12,659,253	10,223,252	1,626,389	3,414,443
Amount	71,951,118	4,899,409	3,494,786	3,851,646	10,856,804	12,657,918	3,239,729	32,950,826
Tax-exempt interest: [3]								
Number of returns	5,774,871	386,959	347,135	479,365	1,429,470	1,556,879	368,372	1,206,691
Amount	57,016,775	2,218,445	1,538,006	2,299,981	7,455,442	10,942,692	3,362,000	29,200,209
Ordinary dividends:								
Number of returns	27,622,023	3,130,716	2,529,863	3,131,689	7,578,082	6,987,806	1,316,385	2,947,482
Amount	218,664,608	6,968,316	5,592,363	8,517,211	28,669,859	42,636,058	12,884,302	113,396,499
Qualified dividends:								
Number of returns	25,699,638	2,808,452	2,272,807	2,865,807	7,038,570	6,589,095	1,265,997	2,858,909
Amount	165,967,717	4,271,629	3,424,136	5,617,800	19,809,658	31,592,535	9,943,286	91,308,673
State income tax refunds:								
Number of returns	20,973,267	358,181	851,342	2,342,577	7,772,488	7,369,749	935,799	1,343,132
Amount	27,094,453	341,591	479,701	1,454,495	6,447,443	8,543,505	1,580,342	8,247,375
Alimony received:								
Number of returns	429,517	58,152	100,316	110,732	112,655	37,217	4,777	5,669
Amount	9,599,302	378,767	1,155,751	1,515,600	2,875,460	2,160,988	350,287	1,162,450
Business or profession net income:								
Number of returns	18,229,525	5,855,277	3,157,660	2,295,027	3,433,014	2,388,984	350,544	749,018
Amount	353,386,072	44,784,173	41,354,620	33,846,749	58,558,707	68,095,694	17,970,684	88,775,445
Business or profession net loss:								
Number of returns	5,812,199	1,003,571	988,925	949,131	1,551,245	960,345	122,038	236,945
Amount	63,967,080	25,897,306	8,531,492	7,059,729	10,033,412	6,340,012	1,215,123	4,890,007
Net capital gain: [4]								
Number of returns	16,575,730	1,638,352	1,355,248	1,751,661	4,449,314	4,361,762	900,503	2,118,891
Amount	586,538,691	13,060,941	5,534,911	8,873,182	33,694,213	58,892,550	22,175,260	444,307,634
Capital gain distributions: [4]								
Number of returns	13,738,456	1,419,400	1,086,333	1,435,153	3,594,650	3,585,959	743,395	1,873,565
Amount	78,993,120	2,654,110	2,546,565	3,744,332	12,799,364	19,465,372	6,006,685	31,776,693
Net capital loss:								
Number of returns	7,539,463	1,285,244	685,061	833,852	1,831,623	1,759,716	324,757	819,210
Amount	17,458,667	3,022,791	1,527,913	1,879,833	4,174,706	4,023,483	784,411	2,045,531
Sales of property other than capital assets, net gain:								
Number of returns	983,544	105,117	63,069	107,103	205,795	216,622	53,007	232,832
Amount	17,931,591	1,887,282	345,913	651,641	1,906,639	2,735,179	880,672	9,524,265
Sales of property other than capital assets, net loss:								
Number of returns	1,091,590	145,600	93,416	104,315	212,583	250,595	60,696	224,385
Amount	22,277,351	13,269,071	930,935	791,806	1,388,964	1,725,922	466,100	3,704,553

Footnotes at end of table.

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued

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

Item	All returns	Size of adjusted gross income						
		Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Taxable Individual Retirement Arrangement distributions:								
Number of returns	13,751,681	1,771,876	1,920,829	1,915,704	4,309,682	2,799,600	381,157	652,834
Amount	234,164,835	9,239,343	14,980,321	19,765,146	65,012,770	73,391,319	15,564,075	36,211,861
Taxable pensions and annuities:								
Number of returns	28,545,699	3,974,599	4,543,858	4,678,367	8,685,856	5,177,992	612,674	872,353
Amount	675,553,358	26,805,147	56,353,523	81,730,014	224,435,710	206,006,831	30,951,248	49,270,884
Rent and royalty net income:								
Number of returns	7,380,669	863,509	729,221	859,145	1,931,300	1,807,940	326,030	863,523
Amount	114,960,182	6,521,780	4,564,882	6,305,861	16,643,473	23,973,352	6,838,487	50,112,347
Rent and royalty net loss:								
Number of returns	5,540,957	661,856	499,124	699,263	1,720,243	1,356,450	167,726	436,296
Amount	54,830,462	9,571,724	3,836,293	5,139,148	14,541,544	10,427,917	2,021,880	9,291,956
Partnership and S corporation net income:								
Number of returns	5,238,406	313,486	314,132	481,497	1,098,825	1,434,624	360,059	1,235,783
Amount	586,368,567	6,628,526	3,823,630	7,866,754	22,564,611	55,877,110	23,825,059	465,782,877
Partnership and S corporation net loss:								
Number of returns	2,462,057	358,078	200,429	246,972	585,302	598,871	121,939	350,468
Amount	71,291,585	32,090,543	2,014,654	3,081,793	6,064,318	6,965,025	1,906,996	19,168,257
Estate and trust net income:								
Number of returns	522,412	32,017	27,534	41,596	133,819	159,527	28,817	99,102
Amount	27,028,195	503,566	235,421	507,204	1,959,563	3,620,578	1,291,027	18,910,836
Estate and trust net loss:								
Number of returns	45,175	8,605	* 2,943	5,830	6,581	11,105	1,710	8,401
Amount	1,114,782	595,564	* 3,697	26,987	30,726	44,516	9,959	403,332
Farm net income:								
Number of returns	592,408	110,041	63,051	82,688	163,036	119,478	15,316	38,798
Amount	18,030,674	1,037,774	798,122	1,289,725	3,775,407	4,717,890	1,137,329	5,274,426
Farm net loss:								
Number of returns	1,193,483	184,330	135,088	165,198	374,918	231,660	32,317	69,972
Amount	23,890,373	5,813,405	1,791,048	2,575,010	4,819,021	4,089,592	831,422	3,970,875
Unemployment compensation:								
Number of returns	7,526,938	1,289,689	2,015,790	1,477,439	1,809,141	790,840	65,991	78,047
Amount	33,391,100	4,217,643	9,021,777	6,885,559	8,473,416	3,959,958	364,409	468,337
Taxable Social Security benefits:								
Number of returns	19,191,344	172,300	3,346,530	3,972,119	7,012,139	3,579,751	409,652	698,852
Amount	263,156,415	417,673	7,846,058	30,161,194	117,055,995	79,157,838	10,153,144	18,364,513
Total statutory adjustments:								
Number of returns	38,209,565	7,307,125	5,819,064	6,343,231	9,859,964	6,507,381	716,361	1,656,440
Amount	138,024,579	10,649,850	9,333,578	13,104,581	27,472,578	28,353,902	7,337,888	41,772,201
Educator expenses:								
Number of returns	3,829,914	97,694	260,001	689,414	1,377,723	1,196,718	113,846	94,519
Amount	974,538	20,834	58,378	165,919	351,227	324,900	29,443	23,837
Certain business expenses of reservists, performing artists, and fee-basis government officials:								
Number of returns	150,313	14,080	24,522	27,865	42,653	33,140	3,768	4,284
Amount	537,681	57,796	82,205	126,884	117,411	115,204	13,753	24,429
Payments to an Individual Retirement Arrangement:								
Number of returns	2,745,400	121,112	284,231	518,600	982,051	685,962	46,371	107,074
Amount	13,441,567	365,205	935,466	2,025,722	4,835,230	3,805,505	430,941	1,043,498

Footnotes at end of table.

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued

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

Item	All returns	Size of adjusted gross income						
		Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Student loan interest deduction:								
Number of returns	12,216,615	928,241	1,947,002	2,982,130	4,240,655	2,118,587	0	0
Amount	12,949,100	842,408	1,915,013	3,377,350	4,666,458	2,147,872	0	0
Tuition and fees deduction:								
Number of returns	1,754,042	524,357	197,098	167,606	368,349	496,631	0	0
Amount	3,887,056	1,512,200	430,354	329,533	719,076	895,893	0	0
Health savings account deduction:								
Number of returns	1,332,604	24,954	86,102	167,441	419,326	346,351	72,857	215,573
Amount	3,947,223	66,272	155,414	275,892	1,007,197	1,097,211	298,703	1,046,533
Moving expenses adjustment:								
Number of returns	1,141,631	83,881	192,260	228,537	342,666	214,642	35,085	44,559
Amount	3,772,220	439,170	348,096	497,952	1,021,281	936,504	209,640	319,577
Self-employment tax deduction:								
Number of returns	19,083,752	5,738,012	3,199,305	2,379,269	3,598,356	2,645,657	432,507	1,090,646
Amount	26,885,812	3,329,598	3,179,471	2,809,128	4,996,563	5,525,129	1,339,364	5,706,561
Self-employed health insurance deduction:								
Number of returns	3,829,258	450,646	430,085	526,628	906,471	756,796	180,921	577,711
Amount	24,788,963	1,683,165	1,457,590	2,377,913	5,069,490	5,621,752	1,623,450	6,955,602
Payments to a self-employed retirement (Keogh) plan:								
Number of returns	927,169	11,990	18,363	38,642	149,687	277,304	95,788	335,394
Amount	20,804,233	66,074	81,291	318,725	1,639,839	4,525,857	2,107,631	12,064,816
Penalty on early withdrawal of savings:								
Number of returns	615,897	110,035	95,765	91,211	157,919	118,709	17,974	24,283
Amount	130,407	44,057	15,022	11,209	27,055	17,520	2,930	12,614
Alimony paid:								
Number of returns	595,505	51,890	50,147	62,857	188,740	136,504	27,635	77,732
Amount	12,497,192	1,873,880	519,173	555,510	2,150,035	2,234,872	745,251	4,418,469
Domestic production activities deduction:								
Number of returns	653,078	23,847	21,241	48,427	138,238	172,943	49,474	198,908
Amount	11,559,610	275,491	66,682	105,465	408,192	820,255	384,925	9,498,601
Other adjustments [5]:								
Number of returns	124,749	8,482	13,515	27,789	42,398	21,673	3,221	7,672
Amount	1,744,175	53,140	89,215	124,948	449,794	272,394	149,947	604,737
Total exemptions:								
Number of exemptions	291,732,583	45,054,188	56,257,438	51,980,667	73,185,781	47,414,613	6,222,865	11,617,032
Amount	1,127,413,961	177,792,032	222,077,451	205,214,342	288,949,833	187,175,655	24,500,776	21,703,874
Total deductions:								
Number of returns	146,751,235	34,250,362	30,320,560	26,107,721	32,327,738	17,534,588	2,192,328	4,017,937
Amount	2,037,010,300	249,542,465	273,298,106	270,785,364	473,369,559	391,333,985	73,623,664	305,057,157
Total standard deduction [6]:								
Number of returns	102,965,820	32,963,773	27,436,015	20,463,533	17,601,922	4,063,087	181,581	255,908
Amount	882,210,263	229,521,616	228,333,132	182,079,964	187,557,747	49,505,293	2,230,656	2,981,855
Basic standard deduction:								
Number of returns	102,965,820	32,963,773	27,436,015	20,463,533	17,601,922	4,063,087	181,581	255,908
Amount	855,035,834	222,072,417	222,337,715	177,439,465	180,927,293	47,321,636	2,094,304	2,843,004
Additional standard deduction:								
Number of returns	14,967,303	4,324,550	3,300,351	2,552,362	3,570,389	1,081,858	66,458	71,336
Amount	27,171,944	7,448,671	5,993,979	4,639,985	6,630,454	2,183,656	136,351	138,849

Footnotes at end of table.

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued

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

Item	All returns	Size of adjusted gross income: Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total itemized deductions:								
Number of returns	43,785,415	1,286,589	2,884,545	5,644,188	14,725,816	13,471,501	2,010,746	3,762,030
Amount	1,154,800,037	20,020,849	44,964,973	88,705,400	285,811,812	341,828,693	71,393,008	302,075,302
Medical and dental expenses deduction:								
Number of returns	8,500,386	898,184	1,496,664	1,768,927	2,996,885	1,187,495	82,233	69,999
Amount	81,336,454	7,892,446	12,687,770	14,520,589	28,810,619	13,207,908	1,487,726	2,729,396
Taxes paid deduction:								
Number of returns	43,449,752	1,220,536	2,797,522	5,558,977	14,653,707	13,452,108	2,008,754	3,758,147
Amount	508,335,971	4,352,264	9,444,521	22,781,049	97,871,299	147,744,725	35,681,782	190,460,330
State and local income taxes: [7]								
Number of returns	42,102,805	1,060,582	2,593,004	5,308,246	14,245,929	13,196,300	1,981,596	3,717,148
Amount	315,646,008	777,526	2,609,356	9,556,870	45,655,701	84,424,768	22,484,910	150,136,877
Income taxes:								
Number of returns	32,595,172	345,023	1,281,258	3,680,705	11,262,363	11,143,702	1,696,754	3,185,367
Amount	299,139,387	375,206	1,525,685	7,715,809	40,962,102	79,500,233	21,580,710	147,479,643
General sales taxes:								
Number of returns	9,507,633	715,560	1,311,746	1,627,541	2,983,566	2,052,598	284,842	531,781
Amount	16,506,621	402,321	1,083,671	1,841,061	4,693,599	4,924,535	904,201	2,657,234
Interest paid deduction:								
Number of returns	33,174,006	688,236	1,550,425	3,768,175	11,369,969	11,202,385	1,629,342	2,965,474
Amount	297,369,137	4,906,317	10,263,008	24,533,561	85,873,478	102,465,490	18,968,496	50,358,787
Total home mortgage Interest paid deduction:								
Number of returns	32,627,749	665,065	1,518,626	3,718,170	11,255,037	11,074,031	1,595,504	2,801,317
Amount	281,128,173	4,768,693	9,776,661	23,135,979	81,218,056	101,218,459	18,525,997	42,484,327
Charitable contributions deduction:								
Number of returns	36,175,176	766,962	2,029,805	4,179,525	11,961,506	11,887,705	1,839,195	3,510,478
Amount	189,882,422	1,094,506	4,748,321	10,841,564	37,644,705	49,100,170	10,642,204	75,810,952
Taxable income:								
Number of returns	112,831,339	8,519,743	22,936,349	25,472,264	32,181,521	17,515,426	2,190,437	4,015,598
Amount	6,919,673,678	22,125,213	213,795,812	553,217,626	1,558,146,414	1,787,498,797	388,505,222	2,396,384,592
Alternative minimum tax:								
Number of returns	4,284,444	7,606	5,841	425	105,966	649,643	827,166	2,687,798
Amount	24,627,471	119,010	30,214	2,851	158,558	1,512,590	2,168,732	20,635,516
Excess advance premium tax credit repayment:								
Number of returns	1,791,088	191,446	654,410	576,684	325,551	36,980	3,330	2,687
Amount	1,399,317	60,431	247,163	419,819	521,041	128,257	11,043	11,563
Income tax before credits:								
Number of returns	112,161,036	8,314,646	22,723,183	25,349,053	32,073,909	17,494,730	2,189,535	4,015,980
Amount	1,414,669,248	2,340,236	23,777,843	68,436,278	224,851,369	311,238,767	81,573,604	702,451,152
Total tax credits: [8]								
Number of returns	49,157,443	2,912,582	10,421,095	10,742,920	13,884,404	8,282,035	844,614	2,069,793
Amount	72,967,417	428,061	5,011,929	11,736,003	22,465,722	13,171,428	970,753	19,183,521
Child care credit:								
Number of returns	6,425,975	9,564	790,179	1,256,160	2,006,579	1,781,864	236,090	345,539
Amount	3,553,853	789	339,697	744,795	1,119,852	1,020,891	128,719	199,110
Credit for the elderly or disabled:								
Number of returns	64,005	32,828	31,177	0	0	0	0	0
Amount	7,010	4,470	2,541	0	0	0	0	0
Child tax credit:								
Number of returns	22,539,222	52,258	3,563,481	6,266,610	8,994,308	3,660,443	1,785	* 337
Amount	27,349,812	7,879	1,584,306	6,255,192	14,423,874	5,074,895	3,414	* 252

Footnotes at end of table.

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued

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

Item	All returns	Size of adjusted gross income						
		Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Education tax credits:								
Number of returns	10,078,794	676,092	2,306,585	2,318,619	2,938,036	1,839,461	0	0
Amount	10,637,335	161,267	1,701,912	2,383,834	3,729,028	2,661,294	0	0
Retirement savings contributions credit:								
Number of returns	8,040,238	327,501	3,587,199	2,874,823	1,250,714	0	0	0
Amount	1,403,781	51,524	586,064	560,747	205,446	0	0	0
Adoption credit:								
Number of returns	75,488	0	* 1,028	* 9,495	36,508	27,608	669	* 179
Amount	365,280	0	* 718	* 12,783	126,478	218,222	3,450	* 3,630
Residential energy credits:								
Number of returns	2,746,801	26,114	166,004	399,438	1,069,590	836,809	91,858	156,988
Amount	1,690,753	4,481	54,838	146,080	540,189	516,800	108,999	319,366
Foreign tax credit:								
Number of returns	7,981,211	137,679	403,076	690,678	2,118,190	2,430,380	544,447	1,656,760
Amount	18,831,673	9,051	47,255	119,715	410,710	1,533,464	568,030	16,143,447
General business credit:								
Number of returns	275,381	2,399	6,146	10,727	56,954	77,070	22,713	99,372
Amount	2,125,609	7,892	1,549	13,054	99,724	255,330	94,240	1,653,819
Prior year minimum tax credit:								
Number of returns	292,674	* 1,070	* 2,067	8,666	34,071	106,074	39,422	101,303
Amount	910,277	* 384	* 2,917	16,884	41,756	151,091	38,817	658,428
Total earned income credit (EIC):								
Number of returns	28,881,720	14,032,536	9,509,777	5,268,941	70,466	0	0	0
Amount	69,740,827	26,444,388	34,928,332	8,349,651	18,457	0	0	0
EIC used to offset income tax before credits:								
Number of returns	4,497,589	1,723,802	873,183	1,898,547	* 2,057	0	0	0
Amount	1,407,636	166,174	383,628	857,629	* 205	0	0	0
EIC used to offset other taxes:								
Number of returns	8,665,210	4,582,033	2,847,004	1,212,097	24,076	0	0	0
Amount	8,289,129	4,059,313	3,313,410	911,528	4,878	0	0	0
EIC refundable portion:								
Number of returns	25,034,489	11,774,907	9,238,491	3,971,514	49,577	0	0	0
Amount	60,044,063	22,218,901	31,231,294	6,580,494	13,373	0	0	0
Total additional child tax credit:								
Number of returns	20,518,813	6,249,888	8,947,602	4,283,848	1,007,192	30,261	23	0
Amount	27,466,889	6,309,615	13,116,519	6,578,952	1,401,072	60,696	35	0
Additional child tax credit used to offset other taxes:								
Number of returns	1,482,936	192,612	421,256	524,734	330,945	13,382	* 5	0
Amount	1,210,748	160,452	325,459	496,544	214,600	13,686	* 6	0
Additional child tax credit refundable portion:								
Number of returns	19,807,200	6,108,819	8,785,068	4,024,538	865,558	23,198	19	0
Amount	26,256,141	6,149,163	12,791,060	6,082,408	1,186,472	47,010	29	0
Total refundable American Opportunity credit:								
Number of returns	10,354,727	2,550,327	2,288,624	1,663,257	2,170,198	1,682,321	0	0
Amount	9,257,858	2,232,855	1,948,862	1,443,704	1,976,023	1,656,414	0	0
Refundable American Opportunity credit used to offset income tax before credits:								
Number of returns	4,960,966	18,967	540,201	802,034	1,929,612	1,670,152	0	0
Amount	4,010,963	2,232	211,777	535,977	1,624,565	1,636,412	0	0

Footnotes at end of table.

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued

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

Item	All returns	Size of adjusted gross income						
		Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Refundable American Opportunity credit used to offset other taxes:								
Number of returns	669,522	192,392	229,926	142,839	99,007	5,359	0	0
Amount	279,475	66,231	73,469	73,428	61,122	5,225	0	0
Refundable American Opportunity credit refundable portion:								
Number of returns	5,855,594	2,503,647	2,013,421	990,020	336,373	12,133	0	0
Amount	4,967,420	2,164,392	1,663,616	834,299	290,335	14,778	0	0
Total net premium tax credit:								
Number of returns	1,505,933	587,772	612,984	255,140	48,812	* 1,224	0	0
Amount	1,003,110	357,147	356,824	220,972	68,083	* 84	0	0
Net premium tax credit used to offset income tax before credits:								
Number of returns	490,006	78,195	261,731	111,629	37,228	* 1,224	0	0
Amount	194,905	11,913	87,173	60,970	34,765	* 84	0	0
Net premium tax credit used to offset other taxes:								
Number of returns	306,491	145,516	103,908	44,696	12,371	0	0	0
Amount	168,606	59,800	62,683	33,739	12,384	0	0	0
Net premium tax credit refundable portion:								
Number of returns	949,859	451,543	339,769	143,163	15,385	0	0	0
Amount	639,599	285,434	206,968	126,262	20,935	0	0	0
Total Regulated Investment Company Credit:								
Number of returns	13,429	* 4	* 1,045	* 3,212	* 1,371	4,580	* 331	2,886
Amount	34,263	* 75	* 2,364	* 16,110	* 102	1,774	* 29	13,808
Regulated Investment Company Credit used to offset income tax before credits:								
Number of returns	10,127	0	0	* 1,045	* 1,368	* 4,502	* 329	2,883
Amount	15,837	0	0	* 370	* 102	* 1,567	* 23	13,775
Regulated Investment Company Credit used to offset other taxes:								
Number of returns	1,066	* 4	* 1,045	0	**	** 11	0	* 3
Amount	241	* 75	* 158	0	**	** 5	0	* 3
Regulated Investment Company Credit refundable portion:								
Number of returns	3,292	0	* 1,045	* 2,166	**	** 75	* 3	* 3
Amount	18,185	0	* 2,207	* 15,739	**	** 203	* 6	* 30
Self-employment tax:								
Number of returns	19,083,752	5,738,012	3,199,305	2,379,269	3,598,356	2,645,657	432,507	1,090,646
Amount	53,666,189	6,637,035	6,337,478	5,600,646	9,967,250	11,038,900	2,677,839	11,407,042
Health care individual responsibility payment:								
Number of returns	8,028,215	1,215,812	3,514,596	2,093,227	1,008,994	166,043	12,695	16,848
Amount	1,655,759	116,041	419,856	464,466	426,013	156,946	23,091	49,346
Total additional Medicare tax:								
Number of returns	3,169,030	7,028	155	349	5,450	123,344	393,181	2,639,521
Amount	7,712,949	13,178	564	888	2,176	30,328	86,146	7,579,668
Net investment income tax:								
Number of returns	3,562,164	**	**	** 1,086	706	57,515	228,474	3,274,382
Amount	17,588,758	**	**	** 2	104	17,274	108,259	17,463,120

Footnotes at end of table.

Table 1. Individual Income Tax Returns, Tax Year 2014 Preliminary Data: Selected Income and Tax Items, by Size of Adjusted Gross Income—Continued

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

Item	All returns	Size of adjusted gross income						
		Under $15,000 [1]	$15,000 under $30,000	$30,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $250,000	$250,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total income tax:								
Number of returns	96,612,233	6,493,112	15,817,613	19,861,752	30,813,423	17,426,656	2,186,866	4,012,810
Amount	1,358,093,169	1,871,128	18,569,250	56,359,918	201,900,692	297,957,670	80,700,095	700,734,415
Total tax liability:								
Number of returns	101,021,848	9,344,598	16,609,982	20,362,098	31,054,905	17,447,892	2,188,029	4,014,344
Amount	1,419,614,722	4,589,290	22,143,346	61,946,032	214,416,953	311,455,047	83,885,543	721,178,510

* 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 information for specific taxpayers.
[1] Includes returns with adjusted gross deficit.
[2] Included in data for Forms 1040, 1040A, and 1040EZ.
[3] Not included in adjusted gross income (less deficit).
[4] Includes capital gain distributions reported on Form 1040 and Schedule D.
[5] Other adjustments does not include the foreign housing deduction or the medical savings account deduction. However these are included in total statutory deductions.
[6] Includes additional real estate taxes, motor vehicle taxes, and net disaster loss deductions from prior years, not shown separately.
[7] State and local income taxes is the total of both income taxes and general sales taxes.
[8] Includes EIC, American Opportunity credit, regulated investment company credit, net premium tax credit, which are used to offset income tax before credits, shown separately later in this table. Also includes other credits that are not shown separately in this table.

NOTES: Detail may not add to totals because of rounding. Definitions for items in the table can be found at: http://www.irs.gov/pub/irs-soi/13insec4.pdf

These data represent estimates of income and tax items based on a sample of individual income tax returns filed between January and late September of a given processing year. These returns are then weighted to represent a full year of taxpayer reporting. In general, some of the returns processed during the remainder of the year may have somewhat different characteristics compared to these earlier ones. Therefore, these preliminary data are best utilized by comparisons made to the preliminary estimates from the prior year. When available, the estimates from the "complete year data" should be used in place of the preliminary data.

SOURCE: IRS, Statistics of Income Division, Individual Income Tax Returns, Preliminary Data, January 2016.

Municipal Bonds, 2012–2013

by Kelly Dauberman and Aaron Barnes

Overall municipal bond issuances fell from $496.0 billion in 2012 to $422.4 billion in 2013 (Figure A).[1] The majority of municipal bond issuances in 2012 and 2013 came from tax-exempt bonds. Because of this, the article will mainly focus on the tax-exempt bond issuances for those years. At the end of the article, there is an additional section on credit payments made to issuers of direct payment bonds from 2009 to 2013.[2] However, the article excludes analysis of direct payment and tax credit bonds due to their low overall issuances during this period.

State and local governments issue tax-exempt bonds to finance operational and infrastructure needs.[3] Tax-exempt bonds have a longstanding history and provide bondholders (investors) interest payments exempt from Federal taxation and, often, State and local taxation. Tax-exempt bonds are classified as either "governmental" or "private activity," depending on whether the proceeds are used and secured by public or private entities and resources.

The tax-exempt bond data presented here are compiled from the populations of Forms 8038, *Information Return for Tax-Exempt Private Activity Bond Issues*, and Forms 8038-G, *Information Return for Tax-Exempt Governmental Obligations*, filed with the Internal Revenue Service (IRS) for bonds issued during the given calendar years.[4] Data for issuers of direct payment bonds requesting credit payments are based on the population of Forms 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*, filed in a given calendar year.

The following sections discuss several defining characteristics of tax-exempt bonds and provide an overview of the market for tax-exempt bonds during the 2-year period 2012 through 2013.

Background Information on Tax-Exempt Bonds

When a bond is issued, the issuer is obligated to repay the borrowed funds at a specified interest rate, by a specific date. For Federal income tax purposes, investors who purchase governmental bonds and certain types of qualified private activity bonds are able to exclude the interest they earn from their gross incomes.[5,6] This tax exemption lowers the borrowing cost incurred by the issuers, since holders of tax-exempt bonds are generally willing to accept an interest rate that is lower than that earned on comparable taxable bonds.[7] The "spread" between high-grade municipal bonds and high-grade corporate bonds varied from 0.5 percent to 1.5 percent, depending on the bonds' maturity dates. Spread is a measure of the difference between the two investment yields. Investors in higher tax brackets have a greater tax incentive to invest in tax-exempt bonds than investors in lower brackets because the required yield on a taxable bond needs to be even greater than a tax-exempt bond for a comparable after-tax benefit.[8]

This tax exemption lowers the borrowing cost incurred by the issuers, since holders of tax-exempt bonds are generally willing to accept an interest rate that is lower than that earned on comparable taxable bonds.

Tax-exempt bonds fall into two classifications: "governmental" or "private activity." Governmental bond proceeds finance government operations, facilities, and services for general public

Highlights for 2012 and 2013

- Municipal bond issuances totaled $918.4 billion, 99.6 percent of which were tax-exempt bonds.
- Governmental bonds financed almost $729.6 billion in public projects such as schools, transportation infrastructure, and utilities in 2012 and 2013, while private activity bonds accounted for the remaining 20.3 percent of all tax-exempt bonds over the same period.
- Long-term bonds accounted for more than 80 percent of all governmental bonds and over 99 percent of all private activity bonds issued in 2012 and 2013.
- Over three-fifths (61 percent) of all long-term, governmental bond proceeds financed education, utilities, and transportation projects in 2012 and 2013, and nearly two-thirds (63.9 percent) of long-term private activity bonds financed qualified section 501(c)(3) bonds.
- The top 5 States issued 43.1 percent of the total "new money" long-term tax-exempt governmental bonds.

[1] For Calendar Year 2011 data, see Barnes, Aaron, "Municipal Bonds, 2011," *Statistics of Income Bulletin*, Summer 2014.
[2] Issuers of direct payment bonds and specified tax credit bonds may request credit payments from the Treasury based upon interest payments made to bondholders using Form 8038-CP.
[3] The term "State" includes the District of Columbia and any possessions of the United States. The term "State" also includes Federally recognized Indian Tribal governments.
[4] Bond issuers were required to file these information returns by the 15th day of the second calendar month after the close of the calendar quarter in which the bond was issued.
[5] In addition, for State income tax purposes, most States allow for the exclusion of interest on bonds issued by government agencies within their own States, thus increasing the benefit to the bondholder.
[6] The extent of exclusion of interest income can vary with taxpayer characteristics. For example, banks and insurance companies may be limited as to how much tax-exempt interest they can exclude.
[7] The interest exclusion for tax-exempt bonds is not allowed for arbitrage bonds or unregistered bonds. An arbitrage bond is one in which any portion of the proceeds is used to purchase higher-yielding investments or is used to replace proceeds that have been used to purchase higher-yielding investments. Certain rules allow for arbitrage earnings with respect to tax-exempt bonds within a specified period, as long as these earnings are rebated to the Department of the Treasury.
[8] For more information on taxable and tax-exempt rate comparisons see: http://www.investinginbonds.com/learnmore.asp?catid=8&subcatid=53&id=206.

Figure A

Tax-Exempt, Taxable Direct Payment, and Tax Credit Bonds, 2011–2013

[Money amounts are in millions of dollars]

Type of bond	2011			2012			2013		
	Number	Amount	Percentage of total amount	Number	Amount	Percentage of total amount	Number	Amount	Percentage of total amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total [1]	**24,282**	**390,629**	**100.0**	**27,926**	**496,047**	**100.0**	**26,162**	**422,391**	**100.0**
Tax-exempt bonds	23,612	384,257	98.4	27,652	493,800	99.5	25,995	421,131	99.7
Taxable direct payment bonds [2]	614	6,156	1.6	239	2,155	0.4	93	1,016	0.2
Tax credit bonds [3]	56	216	[4]	35	92	[4]	74	244	0.1

[1] Includes combined data from all governmental, private activity bond, and specified tax credit and tax credit bond returns (Form 8038-G, *Information Return for Tax-Exempt Governmental Obligations;* Form 8038, *Information Return for Tax-Exempt Private Activity Bond Issues* ; and Form 8038-TC, *Information Return for Tax Credit Bonds and Specified Tax Credit Bonds*).
[2] Includes specified tax credit bonds reported on Form 8038-TC that indicate the issuer elected to apply section 6431(f) to receive a refundable credit in lieu of tax credits under section 54(A). Issuers who elect to apply section 6431(f) are eligible to receive Federal direct payments and the bonds are classified as "taxable direct payment bonds" for purposes of this table.
[3] Excludes bonds reported on Form 8038-TC that indicate the issuer elected to apply section 6431(f) to receive a refundable credit in lieu of tax credits under section 54(A). See footnote 2, above.
[4] Less than 0.05 percent.
NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Tax-Exempt Bonds, November 2015.

use. Governmental sources pay the debt service on these bonds.[9] Private activity bonds are issued by, or on behalf of, State or local governments to finance a project sponsored by a private user. Since private activity bond proceeds are used by one or more private entities, the debt service is paid or secured by one or more private entities.[10] Interest income on most private activity bonds is taxable. However, Congress has deemed certain types of private activities necessary for the public good and, therefore, interest earned on “qualified private activity bonds,” as defined in IRC section 141(e), is generally tax exempt. [11,12] The total annual amount of tax-exempt bond issuances for the years covered in this article was $493.8 billion (Calendar Year 2012) and $421.1 billion (Calendar Year 2013). During this time, governmental bonds accounted for roughly 80 percent of total tax-exempt bond proceeds, while private activity bonds accounted for the remaining 20 percent.

Most Tax-Exempt Bonds Are Long-Term Issuances

Bonds are classified as either short term or long term, depending on the length of time from issuance to maturity. Bonds typically classified as short term mature in less than 13 months, while bonds classified as long term mature in 13 months or more. Long-term bonds make up the majority of the tax-exempt bond market because they are generally used to finance construction or other capital improvement projects. Of the tax-exempt governmental bonds issued in 2012 ($389.8 billion) and 2013 ($339.7 billion), long-term bonds accounted for $324.3 billion and $283.4 billion. This made up more than four-fifths (83.2 percent and 83.4 percent) of all governmental bond proceeds.

Tax-exempt bonds issued for short-term projects accounted for nearly 17 percent of governmental bond issuances and less than 1 percent of the private activity issuances. Most short-term governmental bonds are issued in the form of tax anticipation notes (TANs), revenue anticipation notes (RANs), or bond anticipation notes (BANs). TANs and RANs generally mature within 1 year of issuance, at which time the proceeds are paid from specific tax receipts or other revenue sources. BAN proceeds are typically used to pay for start-up costs associated with a future, long-term, bond-financed project. A renewal BAN can be issued on maturity of an outstanding BAN, until the proceeds of the future bond issue are used to pay off, or retire, the outstanding BAN. In total, BANs, TANs, and RANs accounted for almost $62.1 billion in 2012 and $55.5 billion in 2013, or nearly 15.9 percent (2012) and 16.3 percent (2013) of the total governmental bond proceeds.[13]

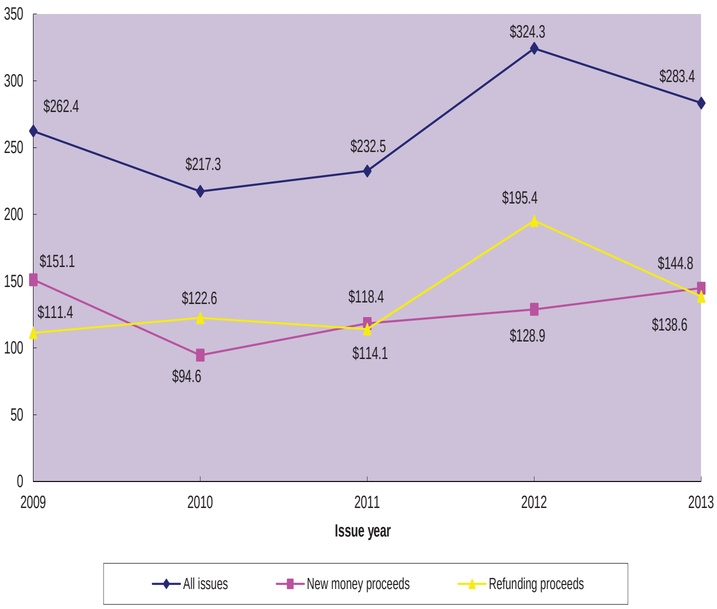
Long-term bonds make up the majority of the tax-exempt bond market because they are generally used to finance construction or other capital improvement projects.

[9] See section 7871(c) of the Internal Revenue Code for tax-exempt bond requirements for Indian Tribal governments.
[10] Section 141(a) of the Internal Revenue Code (IRC) provides that the term private activity bond means any bond issued as part of an issue that meets: 1) the private business tests set forth in the IRC section 141(b); or 2) the private loan financing test set forth in IRC section 141(c). The private business tests of IRC section 141(b) define a bond as a private activity bond if both of the following criteria are met: 1) more than 10 percent of the bond proceeds are used for a private business purpose; and 2) more than 10 percent of the bond debt service is derived from private business use and is secured by privately used property. The private loan-financing test of IRC section 141(c) defines a bond as a private activity bond if the amount of proceeds used to (directly or indirectly) finance loans to nongovernmental persons exceeds the lesser of $5 million or 5 percent of the proceeds.
[11] Tax-exempt private activity bonds include exempt facility bonds, qualified mortgage bonds, qualified veterans’ mortgage bonds, qualified small issue bonds, qualified student loan bonds, qualified redevelopment bonds, and qualified section 501(c)(3) bonds, all of which are defined in the “Explanation of Terms” section of this article. Examples of exempt facilities include airports; docks and wharves; sewage facilities; solid waste disposal facilities; qualified residential rental projects; and facilities for the local furnishing of electricity or gas. Qualified section 501(c)(3) bonds are issued by State and local governments to finance the activities of charitable and similar organizations that are tax exempt under IRC section 501(c)(3). The primary beneficiaries of these bonds are hospitals, universities, and organizations that provide low-income housing or assisted living facilities.
[12] The interest income from qualified private activity bonds (other than qualified section 501(c)(3) bonds) is considered a tax preference for the alternative minimum tax calculations.
[13] Data compiled for BAN/RAN/TAN include short-term issues and are not comparable to tables found in the SOI Tax Stats Tax-Exempt Bonds Statistics Webpage.

Figure B

Long-Term Governmental Bonds Issued, by Type and Issue Year, 2009–2013

[Billions of dollars]

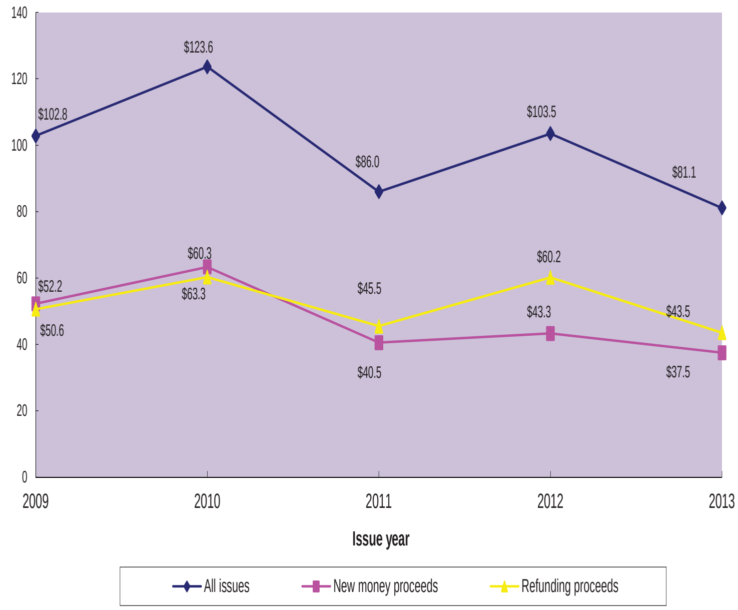


NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Tax-Exempt Bonds, November 2015.

Figure C

Long-Term Private Activity Bonds Issued, by Type and Issue Year, 2009–2013

[Billions of dollars]



NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Tax-Exempt Bonds, November 2015.

Refunding Bond Issuances Increased Sharply in 2012 Then Declined in 2013

Total bond issuances are composed of both nonrefunding ("new money") issues and refunding issues. New money proceeds finance new capital projects, while refunding proceeds retire outstanding bonds. During the refunding process, newly issued bond proceeds are used to pay off the outstanding balance of a previously issued bond(s). A bond issue can include both new money and refunding proceeds. Figures B (governmental) and C (private activity) show total long-term bond issuances, as well as their distribution between new money and refunding proceeds, between 2009 and 2013. Within Figure B, 2012 stands out as a peak year, with long-term governmental bond issuances totaling $324.3 billion, an increase of 39.5 percent over 2011. Long-term private activity bond issuances increased 20.3 percent from 2011 to 2012; however, the 2012 bond issuance amount remained below its 2010 level (Figure C). These increases in bond issuances in 2012 were largely driven by an increase in refunding issues, which may be due to State and local governments taking advantage of the low interest rate environment. Moreover, interest rates were also near historical lows in 2013, and refunding bond issuances decreased in that year. One possible explanation is that there were fewer refunding opportunities, due to the prolonged period of low interest rates, so refunding volumes declined.

Most Long-Term, Tax-Exempt Bonds Are Issued for a Few Select Purposes

Figures D (governmental) and E (private activity) each display long-term, tax-exempt bond proceeds by selected purpose and type of issue for 2012 and 2013. In both years, more than 60 percent of long-term, governmental bond proceeds financed education, utilities, and transportation projects (Figure D). In 2012 and 2013 combined, States and local governments used 29.4 percent of proceeds for "other bond purposes" not separately allocated by the issuer, or for issues that do not apply to any of the specific purposes listed on Form 8038-G. For example, filers often categorize bonds for capital improvements, which are bonds issued to fund multiple purposes, in the other bond purpose line.

More than 60 percent of long-term, governmental bond proceeds financed education, utilities, and transportation projects.

Qualified 501(c)(3) bonds are private activity bonds issued by 501(c)(3) organizations that meet the requirements of section 145(a). Generally, a 501(c)(3) organization must be organized and operated exclusively for educational, religious, or charitable purposes, and no part of the organization's net earnings may inure to or for the benefit of any private shareholders or individuals.[14] Two types of qualified 501(c)(3) bonds—qualified hospital bonds and qualified nonhospital bonds—accounted for

[14] For additional information on qualified section 501(c)(3) private activity bonds, see https://www.irs.gov/pub/irs-pdf/p4077.pdf.

Figure D1

Long-Term Tax-Exempt Governmental Bonds, by Selected Bond Purpose and Type of Issue, 2012

[Billions of dollars]

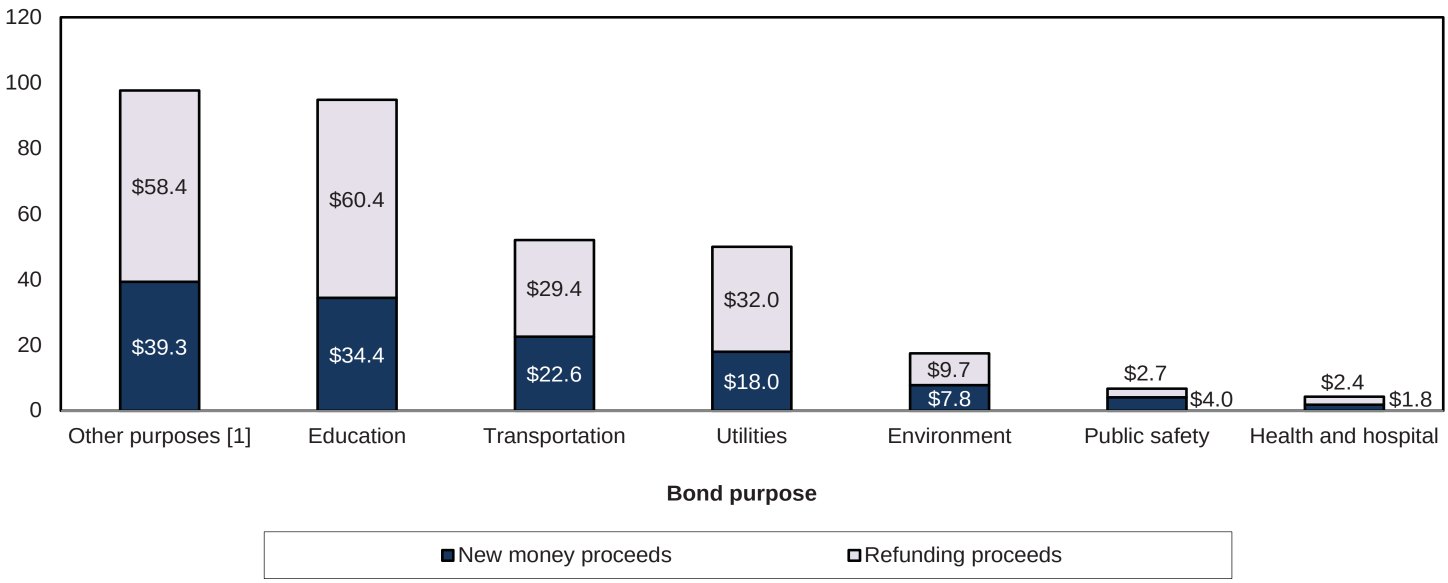
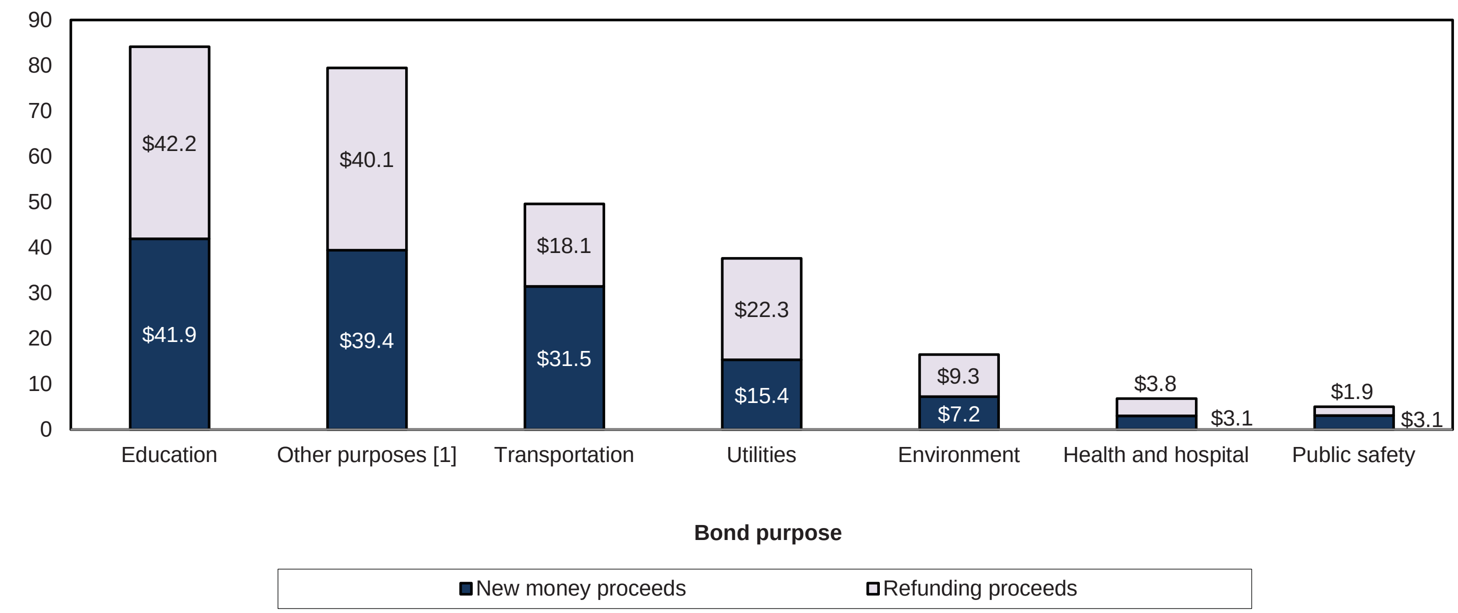


Figure D2

Long-Term Tax-Exempt Governmental Bonds, by Selected Bond Purpose and Type of Issue, 2013

[Billions of dollars]



[1] "Other purposes" refers to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G. It does not include specific purposes, such as housing and bond and tax/revenue anticipation notes, that are not shown separately in this figure. See Table 2.

SOURCE: IRS, Statistics of Income Division, Tax-Exempt Bonds, November 2015.

Figure E1

Long-Term Tax-Exempt Private Activity Bonds, by Selected Bond Purpose and Type of Issue, 2012

[Billions of dollars]

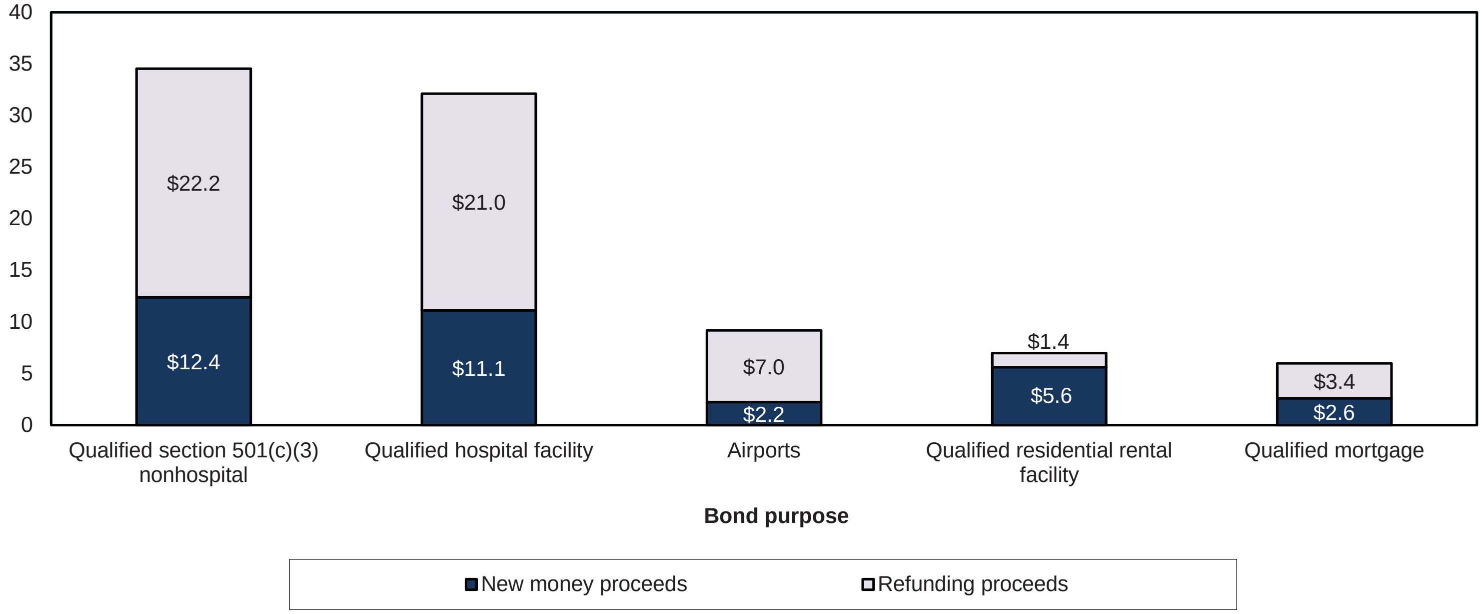
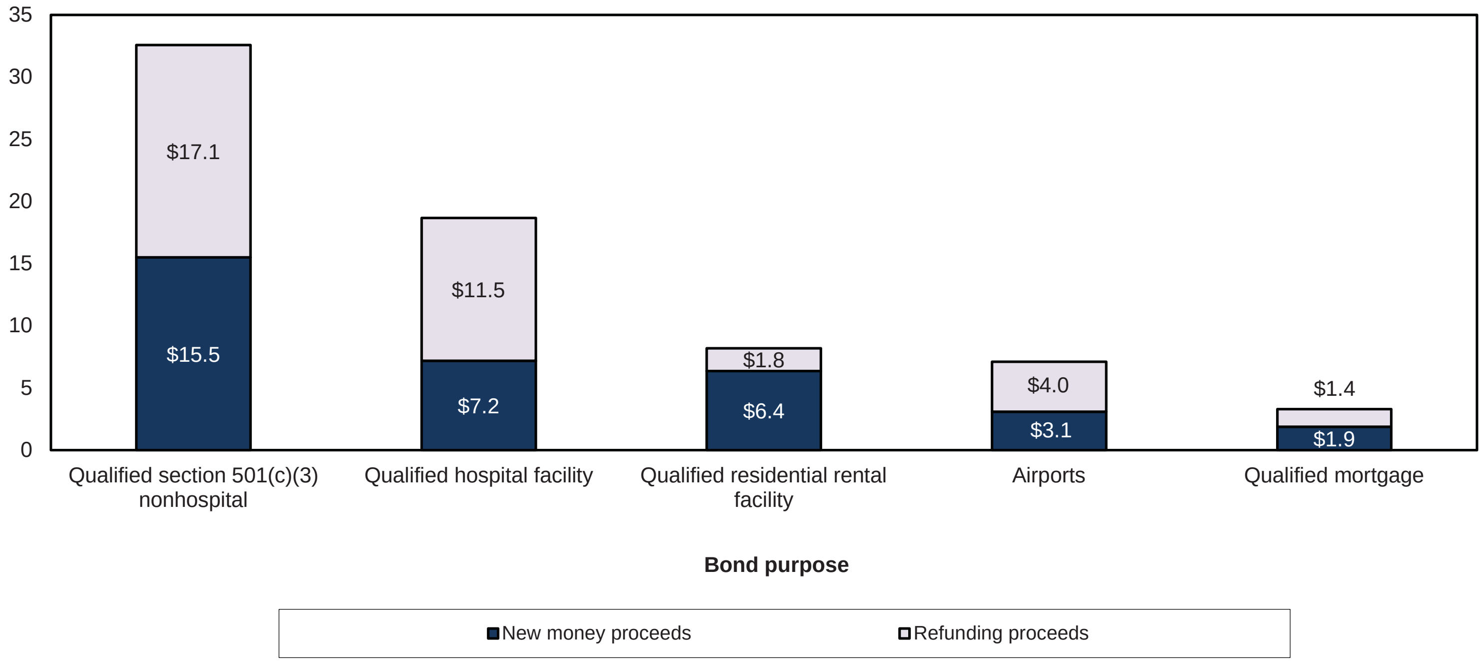


Figure E2

Long-Term Tax-Exempt Private Activity Bonds, by Selected Bond Purpose and Type of Issue, 2013

[Billions of dollars]



SOURCE: IRS, Statistics of Income Division, Tax-Exempt Bonds, November 2015.

Figure F

States with Largest Decreases and Increases in Amount of New Money Long-Term Tax-Exempt Governmental Bonds Issued, 2012 and 2013

[Billions of dollars]

State of issue	2012 amount	2013 amount	Change in amount	Percentage change in amount
	(1)	(2)	(3)	(4)
All States, total	**128,877**	**144,824**	**15,947**	**12.4**
States with decreases:				
Virginia	4,711	3,076	-1,635	-34.7
Colorado	3,640	2,081	-1,559	-42.8
Pennsylvania	7,847	6,608	-1,239	-15.8
Illinois	6,245	5,468	-777	-12.4
Nebraska	1,595	855	-740	-46.4
States with increases:				
California	12,892	20,442	7,550	58.6
New York	14,068	16,498	2,430	17.3
Texas	12,896	15,090	2,194	17.0
New Jersey	3,205	4,876	1,671	52.1
Oregon	1,196	2,503	1,307	109.3

SOURCE: IRS, Statistics of Income Division, Tax-Exempt Bonds, November 2015.

nearly two-thirds of long-term, private activity bond proceeds in both 2012 (64.4 percent) and 2013 (63.3 percent). However, total qualified hospital facility bond issuances decreased by 41.7 percent, from $32.1 billion in 2012 to $18.7 billion in 2013 (Figure E).

States with Large Populations Issue Most Tax-Exempt Bonds

Figure F presents data for States with the largest net decreases and net increases in the dollar amount of new money long-term, tax-exempt governmental bonds issued in 2012 and 2013. Large changes in this type of bond issuance may indicate a change in State-level investment in new capital projects. For all the States, total new money long-term, governmental bond proceeds increased slightly more than $15.9 billion (12.4 percent) from 2012 to 2013, rising to $144.8 billion. Virginia and Colorado decreased their net proceeds in dollar terms by more than all other States in 2013. California increased (by $7.6 billion) its net proceeds more than all other States, issuing $20.4 billion in 2013.

The amount of governmental bond proceeds for the top 15 States in terms of total dollar volume of new money long-term, tax-exempt bonds issued for 2012 and 2013 combined was 69.8 percent of the $273.7 billion total (Figure G). Authorities in the

Figure G

New Money Long-Term Tax-Exempt Governmental Bond Proceeds, by Selected Bond Purpose, for Top 15 States, Ranked by Total Issuances, 2012 and 2013 Combined [1]

[Money amounts are in millions of dollars]

State of issue	Total amount	Selected bond purpose									
		Other purposes [2]		Education		Transportation		Utilities		Environment	
		Amount	Percent of State total	Amount	Percent of State total	Amount	Percent of State total	Amount	Percent of State total	Amount	Percent of State total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All States, total	**273,701**	**94,848**	**34.7**	**76,320**	**27.9**	**54,124**	**19.8**	**33,391**	**12.2**	**15,016**	**5.5**
California	33,334	7,999	24.0	12,810	38.4	5,879	17.6	5,073	15.2	1,574	4.7
New York	30,566	18,525	60.6	2,489	8.1	8,773	28.7	503	1.6	276	0.9
Texas	27,986	6,517	23.3	9,464	33.8	5,320	19.0	6,455	23.1	229	0.8
Pennsylvania	14,455	7,480	51.7	2,404	16.6	2,173	15.0	580	4.0	1,817	12.6
Illinois	11,713	3,575	30.5	3,355	28.6	3,502	29.9	597	5.1	685	5.8
Ohio	10,029	2,578	25.7	3,606	36.0	1,749	17.4	1,837	18.3	261	2.6
Washington	8,583	2,787	32.5	2,099	24.5	2,101	24.5	979	11.4	617	7.2
Florida	8,480	3,389	40.0	1,050	12.4	2,542	30.0	1,257	14.8	242	2.9
New Jersey	8,081	1,872	23.2	1,615	20.0	d	d	64	0.8	187	2.3
Virginia	7,787	2,328	29.9	2,405	30.9	2,103	27.0	481	6.2	468	6.0
Massachusetts	7,429	3,279	44.1	1,959	26.4	1,481	19.9	186	2.5	523	7.0
Connecticut	6,011	2,167	36.1	1,838	30.6	1,457	24.2	246	4.1	302	5.0
Maryland	5,897	1,941	32.9	1,614	27.4	918	15.6	66	1.1	1,358	23.0
Colorado	5,721	753	13.2	2,311	40.4	1,618	28.3	565	9.9	d	d
Minnesota	4,983	2,265	45.5	1,185	23.8	985	19.8	346	6.9	203	4.1

d—Data deleted to avoid disclosure of information about specific bonds. However, the data are included in the appropriate totals.

[1] Figure includes bonds issued during 2012 and 2013 and reported on the Form 8038-G.

[2] "Other purposes" refers to obligations for which a specific purpose either did not apply or was not clearly indicated on the Form 8038-G. It does not include specific purposes, such as public safety and housing, that are not shown separately in this figure. See Table 2.

SOURCE: IRS, Statistics of Income Division,Tax-Exempt Bonds, November 2015.

Figure H

States with Largest Decreases and Increases in Amount of New Money Long-Term Tax-Exempt Private Activity Bonds, 2012 and 2013

[Money amounts are in millions of dollars]

State of issue	2012 amount	2013 amount	Change in amount	Percentage change in amount
	(1)	(2)	(3)	(4)
All States, total	**43,259**	**37,545**	**-5,714**	**-13.2**
States with decreases:				
Iowa	2,365	505	-1,860	-78.6
Virginia	2,627	796	-1,831	-69.7
Indiana	2,517	1,251	-1,266	-50.3
California	4,973	4,141	-832	-16.7
Ohio	1,971	1,148	-823	-41.8
States with increases:				
Colorado	787	1,736	949	120.6
New Jersey	716	1,265	549	76.7
New York	3,169	3,662	493	15.6
Massachusetts	1,597	2,027	430	26.9
Maryland	666	1,038	372	55.9

NOTE: Some States were excluded due to disclosure.
SOURCE: IRS, Statistics of Income Division,Tax-Exempt Bonds, November 2015.

top 5 States—California, New York, Texas, Pennsylvania, and Illinois—issued about $118.1 billion (43.1 percent) of the total proceeds during the 2-year period. According to 2013 Census estimates, these 5 States accounted for almost 34.8 percent of the total U.S. population.[15]

Figure H presents States with the largest net decreases and net increases in the amount of new money long-term, tax-exempt private activity bonds for 2012 and 2013. For all States, total new money long-term, tax-exempt private activity bond proceeds decreased by approximately $5.7 billion (down 13.2 percent). Iowa accounted for the largest net decrease ($1.8 billion) in bond proceeds, while Colorado had the largest net increase ($949 million).

New money long-term, tax-exempt private activity bonds issued for the top 15 States during 2012 and 2013 combined accounted for 72.8 percent of the $80.8 billion total proceeds (Figure I).[16] Authorities in the following top 5 States issued almost $30.1 billion (37.3 percent) of the total proceeds: California (11.3 percent), New York (8.5 percent), Texas (8.0 percent), Pennsylvania (4.8 percent), and Indiana (4.7 percent). According to 2013 Census estimates, these 5 States accounted for almost 32.8 percent of the total U.S. population.

Figure I

New Money Long-Term Tax-Exempt Private Activity Bond Proceeds, by Selected Bond Purpose, for Top 15 States, Ranked by Total Issuances, 2012 and 2013 Combined [1]

[Money amounts are in millions of dollars]

State of issue	Total amount	Selected bond purpose: Qualified section 501(c)(3) nonhospital		Qualified hospital facility		Qualified residential rental facility	
		Amount	Percent of State total	Amount	Percent of State total	Amount	Percent of State total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All States, total	**80,804**	**27,893**	**34.5**	**18,285**	**22.6**	**11,968**	**14.8**
California	9,114	3,936	43.2	d	d	2,631	28.9
New York	6,831	2,142	31.4	650	9.5	3,699	54.2
Texas	6,491	1,439	22.2	d	d	d	d
Pennsylvania	3,915	2,053	52.4	1,356	34.6	167	4.3
Indiana	3,768	544	14.4	d	d	107	2.8
Massachusetts	3,624	1,526	42.1	604	16.7	892	24.6
Florida	3,614	1,827	50.6	449	12.4	357	9.9
Virginia	3,423	d	d	760	22.2	253	7.4
Ohio	3,119	635	20.4	2,009	64.4	135	4.3
Iowa	2,870	386	13.4	316	11.0	d	d
Illinois	2,793	1,329	47.6	853	30.5	255	9.1
Wisconsin	2,587	1,222	47.2	813	31.4	d	d
Colorado	2,523	1,317	52.2	d	d	186	7.4
Washington	2,191	235	10.7	d	d	491	22.4
New Jersey	1,981	309	15.6	335	16.9	d	d

d—Data deleted to avoid disclosure of information about specific bonds. However, the data are included in the appropriate totals.
[1] Figure includes bonds issued during 2012 and 2013 and reported on the Form 8038.
SOURCE: IRS, Statistics of Income Division,Tax-Exempt Bonds, November 2015.

[15] The resident population estimates for July 1, 2013, were produced by the U.S. Bureau of the Census and are available at http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmkxls.
[16] Given that qualified private activity bond authority is generally allocated to States based on population, States with larger populations are more likely to appear in Figure I.

Summary

Overall bond issuances fell from $496.0 billion in 2012 to $422.4 billion in 2013. The majority of municipal bond issuances in 2012 and 2013 came from the nearly 25,000 tax-exempt governmental bonds issued in 2012 and 23,000 issued in 2013. These governmental bonds raised a combined total of almost $729.5 billion of proceeds for public projects pertaining to schools, transportation, infrastructure, and utilities in 2012 and 2013. Of the combined 2012 and 2013 total of $607.7 billion for long-term governmental bonds issued, just over $273.7 billion (45 percent) of proceeds financed new projects, while the remaining $334.0 billion (55 percent) of proceeds were used to refund prior governmental bond issues. In addition, approximately 5,700 tax-exempt private activity bonds were issued in 2012 and 2013, for a total of almost $185.4 billion in proceeds. These tax-exempt private activity bond proceeds financed projects for qualified private facilities (such as residential rental facilities, single-family housing, and airports), as well the facilities of IRC section 501(c)(3) organizations (hospitals and private universities, for example). Just over 43.8 percent of proceeds of long-term private activity bonds issued ($184.6 billion) were used to finance new projects, while the remaining 56.2 percent of proceeds refunded prior tax-exempt private activity bond issues.

Data Sources and Limitations

SOI based the data presented in this article on the populations of Forms 8038, 8038-G, and 8038-TC filed with the Internal Revenue Service for bonds issued during Calendar Years 2012 and 2013. Tax-exempt bond data exclude returns filed for commercial paper transactions, as well as issues that are loans from the proceeds of another tax-exempt bond issue, an arrangement known as pooled financing. Data for tax credit bonds and specified tax credit bonds were compiled from Forms 8038-TC. Data for credit payments were compiled from the population of Forms 8038-CP filed for interest paid to bondholders during Calendar Years 2009 through 2013.

Bond issuers were required to file Forms 8038, 8038-G, and 8038-TC by the 15th day of the second calendar month after the close of the calendar quarter in which the bond was issued. The filing deadline for Form 8038-CP varied based on the structure of the interest payments. In an effort to include as many applicable returns for a particular year as possible, each of the respective study periods extended well beyond established filing deadlines. The Forms 8038, 8038-G, and 8038-TC data include

Credit Payment to Issuers of Direct Payment Bonds

The American Recovery and Reinvestment Act (ARRA) authorized direct payment bond issuance through the Build America Bonds (BAB) and the Recovery Zone Economic Development Bond (RZED) programs. These programs were created to provide an incentive for State and local governments to undertake new capital projects during a period of national recession. ARRA allowed issuers of these bonds to elect (in lieu of issuing tax-credit bonds) to receive a direct refundable credit payment from the Federal government equal to a percentage of the interest payments made to bondholders. The bond programs authorized by ARRA expired for new issues on January 1, 2011; however, issuers of bonds created under ARRA continue to request credit payments for previously issued bonds by filing Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*. Direct payment bond issuers are required to file Form 8038-CP to request credit payments as interest payments are made throughout the term of the bond.

The Hiring Incentives to Restore Employment Act of 2010 (HIRE), enacted on March 18, 2010, extended the direct payment provision to certain issuers of specified tax credit bonds. In lieu of issuing bonds with a tax credit to the bondholder, issuers of specified tax credit bonds may elect to receive a Federal direct payment on an interest payment date equal to a certain percentage of the interest paid.[17] Once an issuer elected to treat a bond as a direct payment bond, the bondholders received taxable interest payments from the issuer, instead of a tax credit.

Figure J includes credit payment requests to issuers of direct payment bonds from 2009 through 2013. Since the inception of the Form 8038-CP, the number of returns, as well as the amount of credit payment outlays, have steadily grown. In 2009, only issuers of BABs and RZEDs were able to file the Form 8038-CP. A small number of QZABs and QSCBs were filed in 2010.[18] As of December 31, 2010, no new BABs or RZEDs were permitted, so the number and amount of credit payment requests have remained relatively constant from 2011 (nearly $3.8 billion) to 2013 (slightly more than $3.9 billion). The number and amount of credit payment requests for BABs and RZEDs are anticipated to decrease over time as bonds mature, issuers refund the debt, and as credit payment requests decrease in amount due to principal reduction. In contrast, issuers of specified tax credit bonds may still be eligible to issue bonds, so the number and amount of credit payment outlays will likely continue to grow or remain constant for several more years. The total amount of credit

[17] Internal Revenue Notice 2010-35 states, "Section 301 of the Hiring Incentives to Restore Employment Act, Pub. L. No. 111-147, 124 Stat. 71 (2010) (the "HIRE Act") added subsection (f) to section 6431 of the Code, which authorizes issuers to irrevocably elect to receive Federal direct payments of allowances of refundable tax credits to subsidize a prescribed portion of their borrowing costs instead of the Federal tax credits that otherwise would be allowed to holders of certain qualified tax credit bonds under section 54A. For more information regarding the HIRE Act see Internal Revenue Notice 2010-35.

[18] In general, bond issuers may structure debt repayment on their own terms; however, most issuers of municipal bonds opt to make debt repayments biannually. Because most issuers of direct payment bonds choose to repay debt biannually, it is has been observed that accompanying Forms 8038-CP are filed shortly after issuance.

Credit Payment to Issuers of Direct Payment Bonds (Continued)

payments for BABs and RZEDs has remained near $4.0 billion from 2011 to 2013, while the credit payments for bonds created under HIRE grew from nearly $472 million in 2011 to $812 million in 2013 (Figure J).[19]

Figure J1
Composition of Credit Payment Outlays to Issuers of Direct Payment Bonds Under ARRA, by Bond Type, 2009–2013 [1][2]

[Billions of dollars]

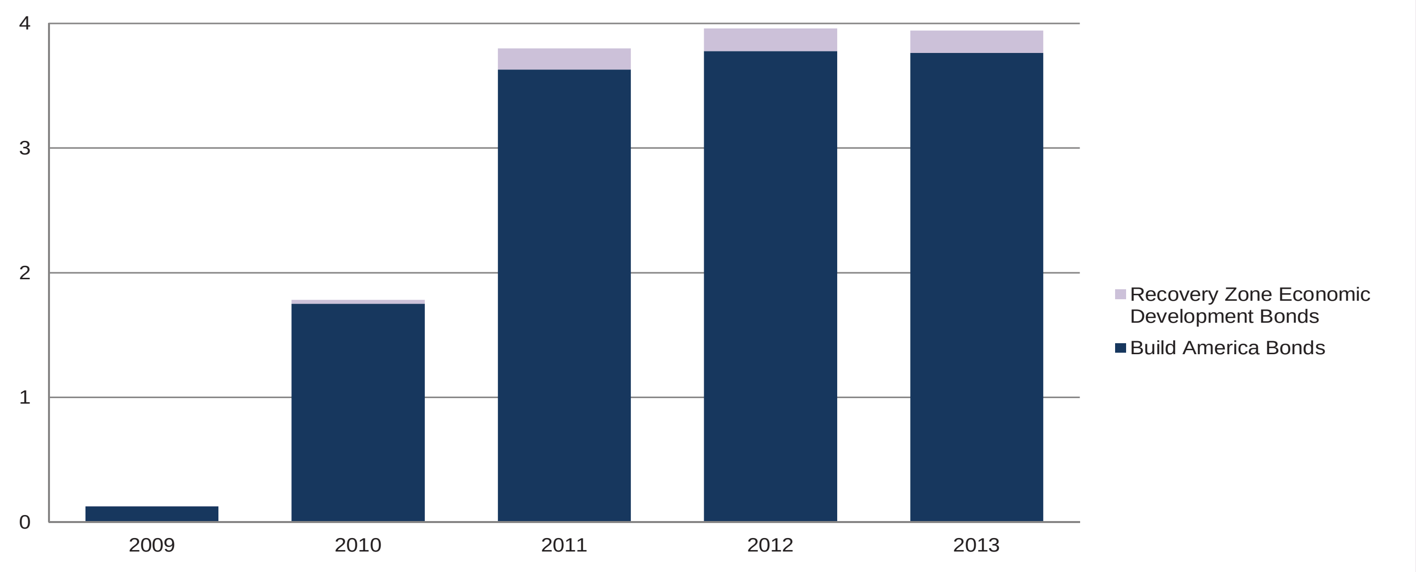
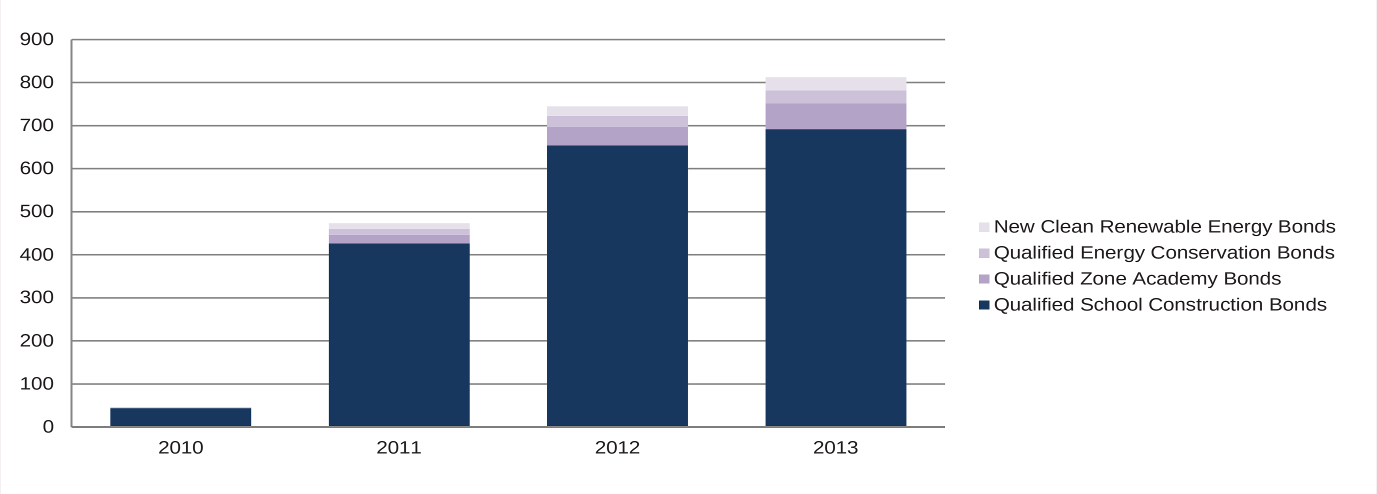


Figure J2
Composition of Credit Payment Outlays to Issuers of Direct Payment Bonds Under ARRA, by Bond Type, 2009–2013 [1][2]

[Millions of dollars]



[1] Form 8038-CP, *Return for Credit Payment to Issuers of Qualified Bonds* , is used by issuers of Build America bonds, recovery zone economic development bonds, and specified tax credit bonds who elect to receive a direct payment from the Federal Government equal to a percentage of the interest payments on these bonds. Specifically, issuers of Build America bonds receive a credit payment equal to 35 percent of interest payable, and issuers of recovery zone economic development bonds receive a credit payment equal to 45 percent of interest payable. For specified tax credit bonds the amount of refundable credit payments for qualified zone academy bonds and qualified school construction bonds is the lesser of 100 percent of the interest payable or 100 percent of the amount of interest determined at the applicable tax credit rate under Internal Revenue Code section 54A(b)(3). The amount of refundable credit payments for new clean renewable energy bonds and qualified energy conservation bonds is the lesser of 70 percent of the interest payable or 70 percent of the amount of interest determined at the applicable tax credit rate under section 54A(b)(3).

[2] Credit payment outlays are not subject to sequestration reductions in 2012. Credit payment outlays in 2013 are subject to sequestration reductions; however, the data shown for 2013 do not reflect the rate reduction. This is due to the fact that preparers are instructed to complete the Form 8038-CP in the manner provided by the Form 8038-CP Instructions. For more information see: http://www.irs.gov/Tax-Exempt-Bonds/Effect-of-Sequestration-on-Certain-State-and-Local-Government-Filers-of-Form-8038CP.

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

SOURCE: IRS, Statistics of Income Division,Tax-Exempt Bonds, November 2015.

[19] Issuers of BABs were not subject to volume cap limitations. Issuers of RZEDs, as well as all direct payment tax credit bonds, were subject to volume cap limitations. Issuers of QSCBs were allocated $11 billion for each of Calendar Years 2009 and 2010; unused cap could be carried forward. Issuers of QZABs were allocated $1.4 billion for each of Calendar Years 2009 and 2010; unused cap could be carried forward up to 2 years. An additional $400 million was allocated to States for each of Calendar Years 2011 through 2013. Issuers of NEWCREBs were allocated $800 million with no restriction on year of issuance and issuers of QECBs were allocated $3.2 billion total with no restriction on year of issuance.

returns processed from January 1, 2012, to April 30, 2015, for bonds issued in 2012 and 2013. The Form 8038-CP data include returns processed from April 1, 2009, to July 1, 2015, for interest paid during 2009 through 2013. Where possible, SOI included data from amended returns filed and processed before the cutoff, and excluded late-filed returns processed after the respective cutoff dates.

During statistical processing, returns were subject to thorough testing and correction procedures to ensure data accuracy and validity. SOI conducted additional checks to identify and exclude duplicate returns, and wherever possible, edited returns with incomplete information, mathematical errors, or other reporting anomalies to resolve internal inconsistencies. However, in other cases, it was not possible to reconcile reporting discrepancies. Thus, some reporting and processing errors may remain.

Explanation of Selected Terms

American Recovery and Reinvestment Act of 2009 (ARRA)—An act of the 111th Congress passed on February 17, 2009, in response to the economic crisis. The passage of ARRA added to the Internal Revenue Code (IRC) sections 54AA and 1400U-1 through 1400U-3. These IRC sections authorize State and local governments to issue two general types of Build America Bonds, recovery zone economic development bonds, and recovery zone exempt facility bonds.

Build America Bond (BAB)—The American Recovery and Reinvestment Act (ARRA) added IRC section 54AA to enable State and local governments to issue bonds for authorized purposes to promote economic recovery and job creation. These new types of bonds would be issued as taxable governmental bonds with Federal subsidies to help offset a portion of issuers' borrowing costs. The two distinct types of Build America Bonds—Build America Bond tax credit and Build America Bond direct payment subsidy—vary by the structure of Federal subsidy. For Calendar Year 2010, issuers of Build America Bonds were required to file IRS Form 8038-B, *Information Return for Build America Bonds and Recovery Zone Economic Development Bonds*.

Build America Bond direct payment bond—This type of BAB provides a refundable credit payment to State or local governmental issuers in an amount equal to 35 percent of the total coupon interest payable to investors.

Clean renewable energy bond (CREB)—A type of tax credit bond used to finance eligible clean renewable energy projects, which are subject to a national volume cap. Issuers of clean renewable energy bonds under IRC section 54 must be eligible to apply for volume cap allocations. Clean renewable energy bonds were first authorized under the Energy Tax Incentive Act of 2005. For additional information, see Internal Revenue Notice 2007–26.

Commercial paper—Commercial paper consists of short-term notes that are continually rolled over. Maturities average about 30 days but can extend up to 270 days. Many localities use commercial paper to raise cash needed for current transactions.

Exempt facility bond—Bond issue of which 95 percent or more of the net proceeds are used to finance a tax-exempt facility (as listed in IRC sections 142(a)(1) through (15) and 142(k)). These facilities include airports, docks and wharves, mass commuting facilities, facilities for the furnishing of water, sewage facilities, solid waste disposal facilities, and qualified residential rental projects. They also include facilities for the local furnishing of electric energy or gas, local district heating or cooling facilities, qualified hazardous waste facilities, high-speed intercity rail facilities, environmental enhancements of hydroelectric generating facilities, and qualified public educational facilities.

Governmental bond—Any obligation that is not a private activity bond (see below) and is issued by a State or local government unit. The interest on a governmental bond is excluded from gross income under IRC section 103.

The Hiring Incentives to Restore Employment Act of 2010 (HIRE)—Enacted on March 18, 2010, HIRE provides an option for issuers of certain qualified tax credit bonds ("specified tax credit bonds") to irrevocably elect to issue the bonds with a direct pay subsidy, in the same manner as the build America bonds direct pay subsidy. The issuer of these bonds will receive an interest payment subsidy from the Federal government. Bondholders will receive a taxable interest payment from the issuer instead of a tax credit. For additional information, please see Internal Revenue Notice 2010-35.

Private activity bond—Bond issue of which more than 10 percent of the proceeds is used for any private business use and more than 10 percent of the payment of the principal or interest is either secured by an interest in property to be used for private business use (or payment for such property) or is derived from payments for property (or borrowed money) used for a private business use. A bond is also considered a private activity bond if the amount of the proceeds used to make or finance loans (other than loans described in IRC section 141(c)(2)) to persons other than governmental units exceeds the lesser of 5 percent of the proceeds or $5 million.

Qualified energy conservation bond—Any bond issued as part of an issue if: (1) 100 percent of the available project proceeds of such issue are to be used for one or more qualified conservation purposes; (2) the bond is issued by a State or local government; and (3) the issuer designates such bond for purposes of IRC section 54D.

Issuers of qualified energy conservation bonds receive 70 percent of the interest paid to the borrower if the interest were determined at the tax credit bond rate determined under section 54A(b)(3) for qualified tax credit bonds. If a qualified energy conservation bond was issued as a specified tax credit bond issuers can receive the lesser of 70 percent of their interest payment or the amount of interest that would have been paid if the interest rate was determined at the tax credit bond rate. For more information on new, clean renewable energy bonds, see IRC section 54D and Internal Revenue Notice 2010–35.

Qualified hospital bond—Type of qualified section 501(c)(3) bond issue of which 95 percent or more of the net proceeds are to be used to finance a hospital.

Qualified mortgage bond—Bond issue of which the proceeds (except issuance costs and reasonably required reserves) are used to provide financing assistance for single-family residential property, and which meets the additional requirements in IRC section 143. Bond proceeds can be applied toward the purchase, improvement, or rehabilitation of owner-occupied residences, as well as to finance qualified home-improvement loans.

Qualified school construction bond (QSCB)—A type of tax credit bond, of which 100 percent of the bond proceeds are to be used for construction, rehabilitation, repair, or land acquisition in connection with a public school facility, which is issued by a State or local government within the jurisdiction of where the school is located. QSCBs are subject to a national volume cap to be allocated by the Treasury among the States. The American Recovery and Reinvestment Act of 2009 (ARRA) created IRC section 54F authorizing QSCBs.

The Hiring Incentives to Restore Employment Act of 2010 allowed issuers of QSCBs to receive 100 percent of the interest paid to the borrower if the interest were determined at the tax credit bond rate determined under section 54A(b)(3) for qualified tax credit bonds. If a QSCB was issued as a specified tax credit bond, issuers can receive the lesser of 100 percent of their interest payment or the amount of interest that would have been paid if the interest rate was determined at the tax credit bond rate. For more information on QSCBs, see IRC section 54E and Internal Revenue Notice 2010–35.

Qualified section 501(c)(3) bond—Bonds issued by State and local governments to finance the activities of charitable organizations that are tax exempt under IRC section 501(c)(3). A bond must meet the following conditions to be classified as a section 501(c)(3) bond: 1) all property financed by the net proceeds of the bond issue is to be owned by a section 501(c)(3) organization or a governmental unit; and 2) the bond would not be a private activity bond if section 501(c)(3) organizations were treated as governmental units with respect to their activities that are not related trades or businesses, and the private activity bond definition was applied using a 5-percent threshold rather than a 10-percent threshold. The primary beneficiaries of these bonds are private, nonprofit hospitals, colleges, and universities. A qualified hospital bond issue is one in which 95 percent or more of the net proceeds are to be used for a hospital.

Qualified zone academy bond (QZAB)—A type of tax credit bond issued by a State or local government to finance certain eligible public school purposes authorized under IRC section 54E. QZABs are subject to a national volume cap to be allocated by the Treasury among the States.

Issuers of QZABs receive 100 percent of the interest paid to the borrower if the interest were determined at the tax credit bond rate determined under section 54A(b) (3) for qualified tax credit bonds. If a QZAB was issued as a specified tax credit bond, issuers can receive the lesser of 100 percent of their interest payment or the amount of interest that would have been paid if the interest rate was determined at the tax credit bond rate. For more information on QZABs, see IRC section 54E and Internal Revenue Notice 2010–35.

Recovery zone bond—The American Recovery and Reinvestment Act (ARRA) added IRC sections 1400U–1 through 1400U–3 authorizing State and local governments to issue recovery zone bonds. These bonds provide tax incentives through lower borrowing costs and are intended to promote job creation and economic recovery in targeted areas particularly affected by employment declines. See Internal Revenue Notice 2009–50 for additional information.

Recovery zone economic development bond—Authorized under IRC section 1400U–2, this type of bond provides for a deeper Federal subsidy through a refundable credit payment to State or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors. A recovery zone economic development bond must be a Build America Bond, the proceeds of which must be used for one or more qualified economic development purposes. Recovery zone economic development bonds are allocated under a $10-billion national bond volume cap. For Calendar Year 2010, issuers of recovery zone exempt facility bonds were required to file IRS Form 8038-B, *Information Return for Build America Bonds and Recovery Zone Economic Development Bonds*.

Recovery zone exempt facility bond—Authorized under IRC section 1400U–3, which expanded the definition of the term "exempt facility bond" to include any recovery zone facility bond. A recovery zone exempt facility bond must be a qualified private activity bond under IRC Section 142, the proceeds of which may be used to finance certain "recovery zone property." Recovery zone exempt facility bonds are allocated under a $15-billion national bond volume cap. For Calendar Year 2011, issuers of recovery zone exempt facility bonds were required to file IRS Form 8038, *Information Return for Tax-Exempt Private Activity Bonds.*

Specified tax credit bonds—New clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, and qualified school construction bonds are specified tax credit bonds for purposes of IRC section 6431(f). As a result of legislation in the HIRE Act, issuers of these bonds can elect to receive the tax credit in the form of a direct payment subsidy instead of the bondholder (investor) receiving the tax credits. Issuers are required to file IRS Form 8038-TC, *Information Return for Tax Credit Bonds and Specified Tax Credit Bonds*, to report such issues. See IRC section 54 and Internal Revenue Notice 2010–35.

Tax credit bond—Tax credit bonds are not interest-bearing obligations. The holder of a tax credit bond is generally allowed an annual Federal income tax credit while the bond is outstanding. The amount of the credit is equal to the face amount of the bond multiplied by the credit rate of the bond. Unique to all other tax credit bonds, issuers of certain qualified tax credit bonds, specifically new clean renewable energy bonds and qualified energy conservation bonds, pay bondholders taxable interest payments in addition to the tax credit the bondholder receives. For additional information, see Internal Revenue Notice 2009–15 and "Frequently Asked Questions on Qualified Tax Credit Bonds and Specified Tax Credit Bonds" at http://www.irs.gov/pub/irs-tege/tc_and_stcb_q-a._09-07-10_1.5.pdf.

Additional Tabular Data on Tax Stats

SOI conducts annual studies on tax-exempt governmental bonds, tax-exempt private activity bonds, and tax credit bonds using data collected from Forms 8038, 8038-G, and 8038-TC filed by bond issuers. Additional tax-exempt bond data, including data for prior years, are available on SOI's Tax Stats Webpage: http//www.irs.gov/taxstats. Click on "Tax-Exempt Bonds." The direct link for SOI's tax-exempt bond statistics is: http://www.irs.gov/uac/SOI-Tax-Stats-Tax-Exempt-Bond-Statistics.

Kelly Dauberman and Aaron Barnes are economists with the Special Studies Special Projects Section. This data release was prepared under the direction of Brian Raub, Chief.

Publication 1136 (Rev. 5-2016) Catalogue Number 46996F Department of the Treasury **Internal Revenue Service** www.irs.gov