

High-Income Tax Returns for 1995

by Therese Cruciano

The Tax Reform Act of 1976 required annual publication of data on individual income tax returns reporting income of \$200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable [1]. This article presents detailed data for the 1.3 million high-income returns for 1995, as well as summary data for the period 1977 to 1995. Detailed data for the years 1974 through 1994 have been published previously [2].

Two income concepts are used in this article to classify tax returns as high-income: the statutory concept of adjusted gross income (AGI) and the expanded income concept [3]. Expanded income uses items reported on tax returns to obtain a more comprehensive measure of income than AGI. Specifically, expanded income is AGI plus tax-exempt interest, nontaxable Social Security benefits, the foreign-earned income exclusion, and items of "tax preference" for "alternative minimum tax" purposes; less unreimbursed employee business expenses, moving expenses, investment interest expense to the extent it does not exceed investment income, and miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor [4, 5]. Note that although expanded income is a more comprehensive measure of income than AGI, for some taxpayers, the subtractions from AGI to arrive at expanded income exceed the additions, with the result that expanded income is less than AGI.

Number of High-Income Returns

Table 1 shows that for 1995, there were 1,272,508 individual income tax returns reporting AGI of \$200,000 or more, and 1,319,382 with expanded income of \$200,000 or more. These returns represented, respectively, 1.076 percent and 1.116 percent of all returns for 1995.

Since 1977, the number of returns reporting income of \$200,000 or more has increased at a much more rapid rate than the total number of returns filed. This pattern is true under both income concepts. Between 1994 and 1995, while the total number of tax returns increased 2.0 percent, the number of high AGI returns increased 14.7 percent, and the number of high expanded-income returns rose 14.3 percent. As a result, for each year, returns with income of \$200,000 or more have comprised a larger share of all returns than for the preceding year.

The difference in the number of high-income returns

between the two income concepts significantly decreased beginning with 1987, when AGI began to include 100 percent of long-term capital gains. That change in the definition of AGI made the income concepts of AGI and expanded income more comparable. In addition, as a result of the inclusion of tax-exempt interest in expanded income starting with 1987, expanded income for years after 1986 is not strictly comparable to expanded income for years before 1987.

In the top panel of Figure A, the \$200,000 threshold for high-income returns is measured in current-year (nominal) dollars. As a result of inflation, the real (constant) dollar level of the threshold fell over time, and some returns are classified as high-income that would not have been classified as high-income for earlier years. To maintain the comparability of the real threshold over time, the nominal \$200,000 threshold has been adjusted for inflation to 1976 constant dollars for all years, and the number of high-income tax returns has been recomputed in the lower panel of Figure A [6].

When measured in 1976 constant dollars, under the expanded income concept, the total number of high-income returns was only 4.2 times the number for 1977. However, the number of high-income returns for 1995 measured in current-year dollars was 19.5 times as large as for 1977. Since 1977, the percentage of returns with expanded income of \$200,000 or more in current dollars increased every year. Although the share of high expanded-income returns in 1976 constant dollars increased from 1994 to 1995, it has fallen for five of the most recent eight years, from a high of 0.220 percent for 1988 to 0.210 percent for 1995. Figure B shows the difference between the constant and current-dollar shares of high income returns.

Based on AGI, the number of high-income returns for 1995 measured in current-year dollars was 23.8 times as large as for 1977. Measured in 1976 constant dollars, the number of returns for 1995 was only 5.2 times the number for 1977. Between 1988 and 1994, the share of such returns fell from 0.214 percent to 0.176 percent of all returns, before increasing to 0.201 for 1995.

Nontaxable High-Income Returns

Two tax concepts are used in this article to classify tax returns as taxable or nontaxable. The first concept, "U.S. income tax," is total Federal income tax liability (including the "alternative minimum tax (AMT)," less all credits against income tax. Since the U.S. income tax applies to worldwide income and since a credit (subject to certain limits) is allowed against U.S. income tax for income

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Figure A

All Returns and Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Income Concept, Tax Years 1977-1995

Tax year	All returns	\$200,000 income threshold measured in current dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)
1977.....	88,634,640	53,403	67,580	0.060	0.076
1978.....	89,771,551	68,506	85,137	0.076	0.095
1979.....	92,694,302	93,731	122,231	0.101	0.132
1980.....	93,902,459	117,250	149,826	0.125	0.160
1981.....	96,396,123	138,136	175,092	0.143	0.182
1982.....	95,337,432	169,367	207,291	0.178	0.217
1983.....	96,321,310	198,608	249,319	0.206	0.259
1984.....	99,438,708	243,760	310,042	0.245	0.312
1985.....	101,660,287	296,507	370,340	0.292	0.364
1986.....	103,045,170	374,363	529,460	0.363	0.514
1987.....	106,996,270	539,967	557,848	0.505	0.521
1988.....	109,708,280	725,345	737,659	0.661	0.672
1989.....	112,135,673	786,063	814,152	0.701	0.726
1990.....	113,717,138	834,957	860,940	0.734	0.757
1991.....	114,730,123	846,707	892,178	0.738	0.778
1992.....	113,604,503	954,747	989,522	0.840	0.871
1993.....	114,601,819	993,326	1,043,213	0.867	0.910
1994.....	115,943,131	1,109,498	1,153,829	0.957	0.995
1995.....	118,218,327	1,272,508	1,319,382	1.076	1.116

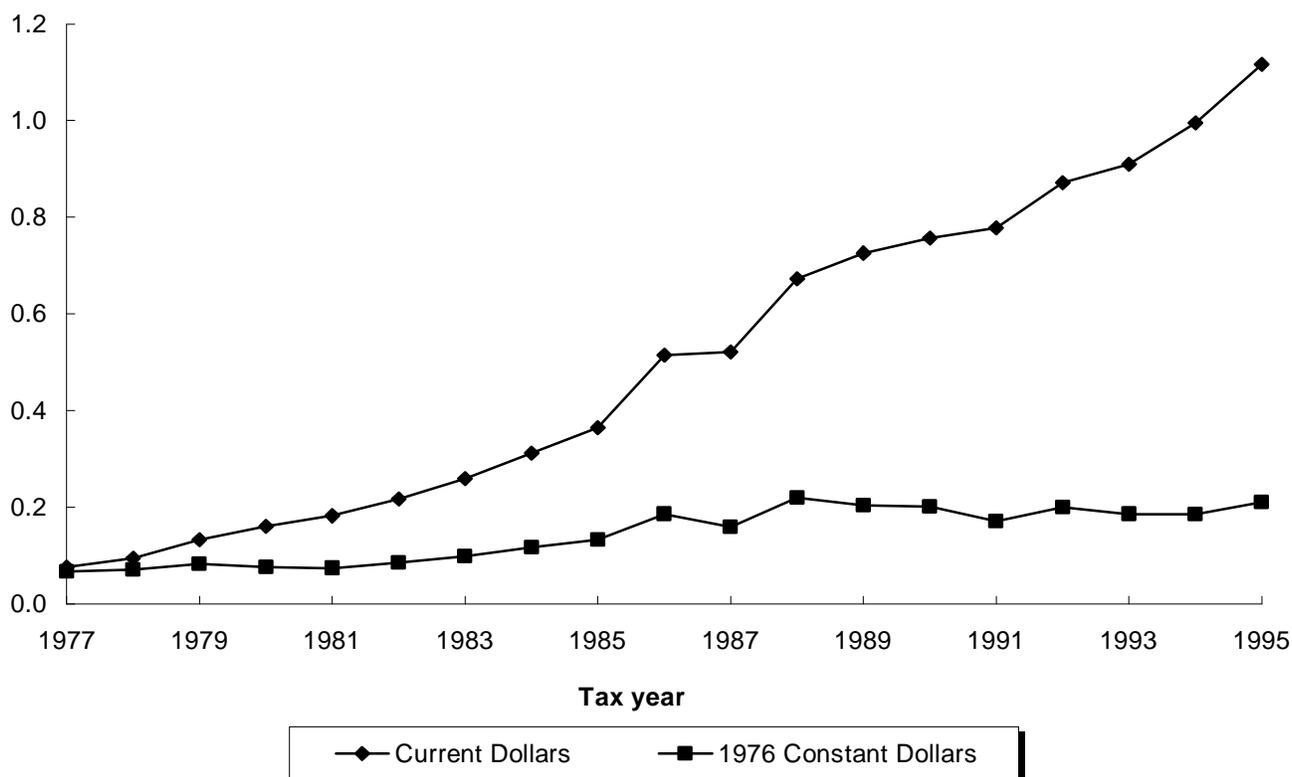
Tax year	Current dollar income threshold equal to \$200,000 in 1976 constant dollars (whole dollars)	\$200,000 income threshold measured in 1976 constant dollars			
		Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(6)	(7)	(8)	(9)	(10)
1977.....	213,005	45,931	58,991	0.052	0.067
1978.....	229,174	49,388	62,556	0.055	0.070
1979.....	255,184	55,542	76,479	0.060	0.083
1980.....	289,631	52,512	71,704	0.056	0.076
1981.....	319,508	50,880	71,146	0.053	0.074
1982.....	339,192	59,411	81,297	0.062	0.085
1983.....	350,088	67,310	93,977	0.070	0.098
1984.....	365,202	80,800	116,389	0.081	0.117
1985.....	378,207	95,740	134,715	0.094	0.133
1986.....	385,237	119,550	191,596	0.116	0.186
1987.....	399,297	161,408	169,942	0.151	0.159
1988.....	415,817	235,051	241,201	0.214	0.220
1989.....	435,852	217,685	228,530	0.194	0.204
1990.....	459,400	216,716	228,659	0.191	0.201
1991.....	478,735	183,442	195,743	0.160	0.171
1992.....	493,146	213,783	227,354	0.188	0.200
1993.....	507,909	201,236	212,853	0.176	0.186
1994.....	520,914	204,532	214,673	0.176	0.185
1995.....	535,677	237,770	248,077	0.201	0.210

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Figure B

Returns with Expanded Income of \$200,000 or More: Percentage of All Returns Measured in Current and 1976 Constant Dollars, Tax Years 1977-1995

Percentage of returns



taxes paid to foreign governments, a return could be classified as nontaxable under this first concept even though income taxes had been paid to a foreign government. The second tax concept, “worldwide income tax,” addresses this circumstance by adding to U.S. income tax the allowed foreign tax credit and foreign taxes paid on excluded foreign-earned income [7, 8].

For 1995, of the 1,272,508 income tax returns with AGI of \$200,000 or more, 998, or 0.078 percent, showed no U.S. income tax liability; and 896, or 0.070 percent, showed no worldwide income tax liability (the top panel of Figure C). For 1994, there were 1,137 returns (0.102 percent) with AGI of \$200,000 or more with no U.S. income tax liability; and 1,061 returns (0.096 percent) with no worldwide income tax liability.

Of the 1,319,382 tax returns with expanded income of \$200,000 or more, 2,676, or 0.203 percent, had no U.S.

income tax liability; and 1,746, or 0.132 percent, had no worldwide income tax liability [9]. Of the 1,153,829 returns with expanded income of \$200,000 or more for 1994, there were 2,574 (0.223 percent) with no U.S. income tax liability and 2,161 (0.187 percent) with no worldwide income tax liability.

Thus, the proportion of nontaxable returns both in terms of expanded income or AGI and whether measured by absence of U.S. income tax or absence of worldwide income tax fell between 1994 and 1995.

Although the number of nontaxable high expanded-income returns, as measured by absence of U.S. income tax, increased in all but six years since 1977, most of that increase was attributable to the growth in the overall number of all returns--taxable and nontaxable--with income of \$200,000 or more. As mentioned previously, because of the inclusion of tax-exempt interest in expanded

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Figure C

Nontaxable Returns with Income of \$200,000 or More Measured in Current Dollars and in 1976 Constant Dollars, by Tax and Income Concept, Tax Years 1977-1995

Tax year	\$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1977.....	60	85	37	64	0.112	0.126	0.069	0.095
1978.....	98	105	60	67	0.143	0.123	0.088	0.079
1979.....	70	114	28	64	0.075	0.093	0.030	0.052
1980.....	143	198	56	114	0.122	0.132	0.048	0.076
1981.....	226	304	79	114	0.164	0.174	0.057	0.065
1982.....	262	299	109	153	0.155	0.144	0.064	0.074
1983.....	447	579	321	437	0.225	0.232	0.162	0.175
1984.....	532	325	471	271	0.218	0.105	0.193	0.087
1985.....	612	613	442	454	0.206	0.166	0.149	0.123
1986.....	659	595	437	379	0.176	0.112	0.117	0.072
1987.....	857	472	740	364	0.159	0.085	0.137	0.065
1988.....	822	397	731	309	0.113	0.054	0.101	0.042
1989.....	1,081	779	987	691	0.138	0.096	0.126	0.085
1990.....	1,219	1,183	1,114	1,087	0.146	0.137	0.133	0.126
1991.....	1,253	1,933	1,131	1,740	0.148	0.217	0.134	0.195
1992.....	909	1,896	823	1,799	0.095	0.192	0.086	0.182
1993.....	1,022	2,392	932	1,950	0.103	0.229	0.094	0.187
1994.....	1,137	2,574	1,061	2,161	0.102	0.223	0.096	0.187
1995.....	998	2,676	896	1,746	0.078	0.203	0.070	0.132

Tax year	\$200,000 income threshold measured in 1976 constant dollars							
	Number of nontaxable returns with income of \$200,000 or more				Percentage of all returns with income of \$200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	
1977.....	54	75	32	56	0.118	0.127	0.070	0.095
1978.....	62	70	31	39	0.126	0.112	0.063	0.062
1979.....	38	71	15	39	0.068	0.093	0.027	0.051
1980.....	56	71	22	39	0.107	0.099	0.042	0.054
1981.....	53	87	21	55	0.104	0.122	0.041	0.077
1982.....	58	68	27	36	0.098	0.084	0.045	0.044
1983.....	138	135	113	108	0.205	0.144	0.168	0.115
1984.....	170	78	160	66	0.210	0.067	0.198	0.057
1985.....	190	155	137	99	0.198	0.115	0.143	0.073
1986.....	201	189	138	120	0.168	0.099	0.115	0.063
1987.....	312	126	271	85	0.193	0.074	0.168	0.050
1988.....	277	141	251	116	0.118	0.058	0.107	0.048
1989.....	293	128	269	106	0.135	0.056	0.124	0.046
1990.....	339	169	307	137	0.156	0.074	0.142	0.060
1991.....	301	305	273	277	0.164	0.156	0.149	0.142
1992.....	171	288	148	264	0.080	0.127	0.069	0.116
1993.....	180	323	160	300	0.089	0.152	0.080	0.141
1994.....	227	345	209	329	0.113	0.161	0.104	0.153
1995.....	202	281	174	252	0.085	0.113	0.073	0.102

income starting with 1987, the concept of expanded income is no longer strictly comparable to expanded income calculated for years before 1987 [10].

Regardless of the income measure (AGI or expanded

income) or the tax concept (U.S. income tax or worldwide income tax) used, the numbers of 1995 nontaxable high-income returns in 1976 constant dollars were much lower than the numbers in current dollars. The percentages of

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nontaxable, high-AGI returns are not substantially different regardless of whether measured in constant or current dollars. For high expanded-income returns, however, the percentage of nontaxable constant-dollar returns was much lower than for current-dollar returns. Of returns with AGI of \$200,000 or more in current dollars, 0.078 percent reported no U.S. income tax for 1995; and 0.070 percent had no worldwide income tax. For returns in 1976 constant dollars, the percentage without U.S. income tax liability was 0.085; the percentage without worldwide income tax liability was 0.073 (see the lower panel of Figure C).

Of returns with expanded income of \$200,000 or more in current dollars, 0.203 percent reported no U.S. income tax, and 0.132 percent reported no worldwide income tax. When looking at these same returns using 1976 constant dollars, the percentage without U.S. tax liability was

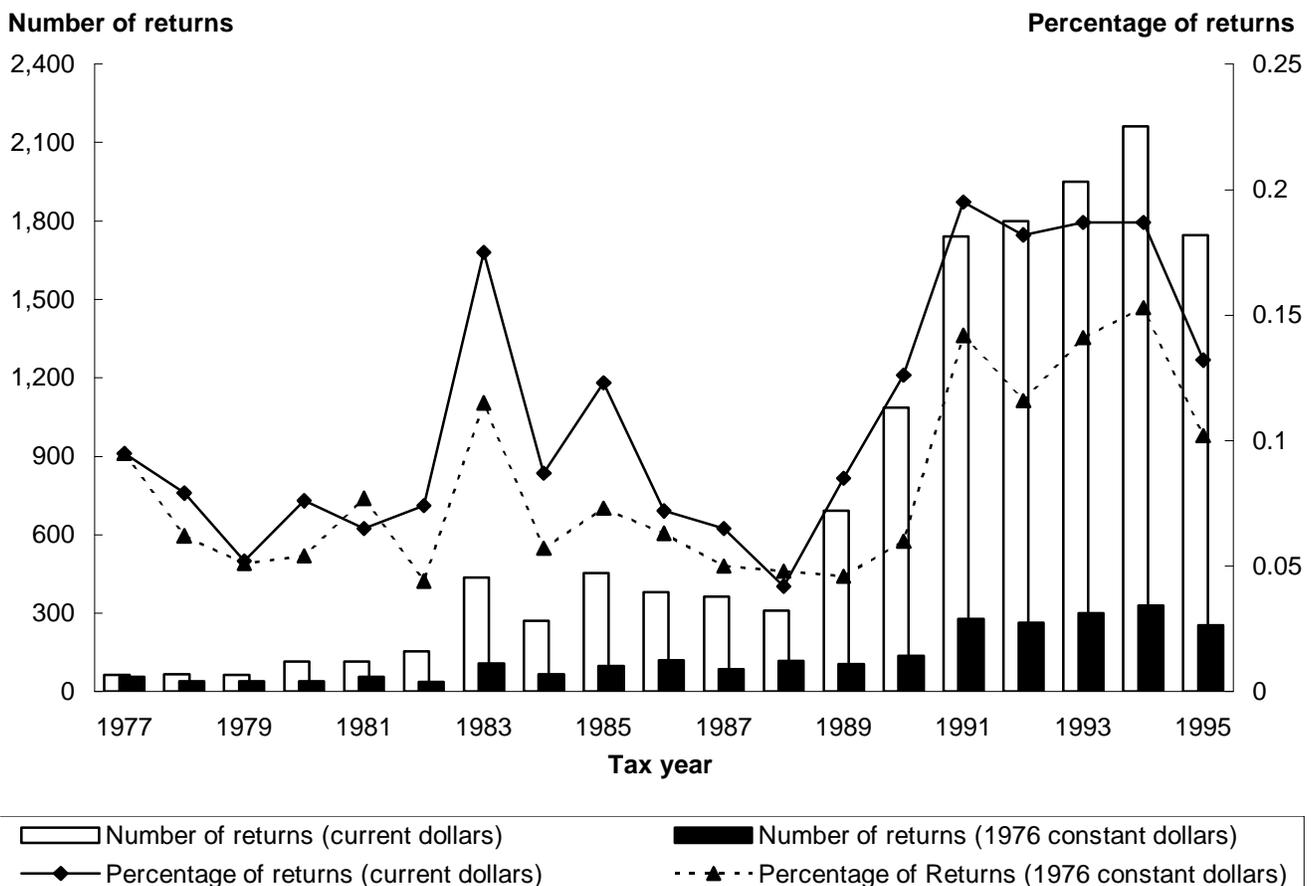
0.113; the percentage without worldwide income tax liability was 0.102.

Note that because the number of nontaxable returns with expanded income of \$200,000 or more is based on samples, year-to-year differences in the numbers and percentages of nontaxable returns with expanded income of \$200,000 or more may represent sampling variability, in addition to actual changes in the numbers of such returns. Beginning with Tax Year 1991, nontaxable returns with expanded income of \$200,000 or more were sampled at higher rates for *Statistics of Income*, which reduced the sampling variability of these returns and, therefore, provided improved estimates. Thus, data for returns prior to 1991 are not entirely comparable with data for more recent years.

Figure D shows the number of returns with no world-

Figure D

Number and Percentage of Returns with No Worldwide Income Tax and with Expanded Income of \$200,000 or More, Tax Years 1977-1995



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wide income tax and with expanded income of \$200,000 or more and their proportion of all high-income returns for 1977 through 1995. These data are shown in both current-year and 1976 constant dollars. In this figure, the spread between the two percentage lines was small for the late 1970's, showed an increase for the early 1980's, and then narrowed before widening again after 1988. The spread narrowed again for 1994 and 1995.

Detailed Data for 1995

Tables 1 through 12 present data based on income tax returns for 1995, mainly those with income of \$200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

- The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded income-size classes (Tables 1 and 2);
- The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income tax (Tables 7 and 8);
- The frequencies with which various itemized deductions, tax credits, and tax preference items occur as certain percentages of income (Tables 9 and 10); and
- The distributions of effective tax rates, i.e., income tax under each definition as a percentage of income, by broad income-size classes (Tables 11 and 12).

Tables 1, 3, 5, 7, 9, and 11 use the U.S. income tax concept to classify returns as taxable or nontaxable, whereas Tables 2, 4, 6, 8, 10, and 12 use the worldwide income tax concept.

Size of Income

Tables 1 and 2 show the number of all returns, taxable returns, and nontaxable returns, cross-classified by broad AGI and expanded income-size classes. The tables show that most returns fall in the same broad income-size class under both income concepts, but that expanded income tends to be a broader measure of income and, therefore, classifies more total and taxable returns in each of the \$50,000-and-over income-size classes. Table 1 shows that 998 returns with no U.S. income tax had an AGI of \$200,000 or more; and 2,676 returns with no U.S. income tax had an expanded income of \$200,000 or more.

Distribution of Tax Levels

Tables 3 and 4 show the distributions of high-income returns by the ratios of "adjusted" taxable income to AGI or expanded income. Taxable income has been "adjusted" for these tables by subtracting from taxable income the deduction equivalents of tax credits and other items [11]. Thus, the tables show the extent to which AGI or expanded income, respectively, are reduced before taxes are imposed on the remaining income. The tables also illustrate three important facts about high-income tax returns. (The examples in the paragraphs below are drawn from the "expanded income" columns in Table 4.)

- As already described, only a small portion of high-income taxpayers were able to escape all income taxes (0.132 percent, which is rounded to 0.1 percent in Table 4).
- Another group of high-income taxpayers--small, but larger than the nontaxable group--was able to offset a very substantial fraction of its income before being subject to tax. This type of high-income taxpayer pays income tax equal to only a small share of his or her income. Such taxpayers may be called "nearly nontaxables." (About 0.6 percent of high expanded-income taxpayers reported some tax liability, but were able to reduce their taxable incomes to less than 25 percent of their expanded incomes.)
- Overall, a large portion of high-income taxpayers were subject to tax on a large share of their incomes and, consequently, reported very substantial amounts of tax. (More than 70 percent had taxable income equal to 80 percent or more of expanded income; and almost 97

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percent had taxable income equal to 50 percent or more of expanded income.)

Tables 11 and 12 show the distributions of tax returns in another way: by tax burden. These two tables classify all tax returns by both size of income and effective tax rate, i.e., income tax as a percentage of either adjusted gross income or expanded income. These tables show that, on average, high-income taxpayers did have higher effective tax rates. The tables also illustrate the wide dispersion of effective tax rates for high-income returns. For example, Table 12 shows that while 1.8 percent of returns with expanded income of \$200,000 or more had either no worldwide income tax or worldwide income tax of less than 10 percent of expanded income, 58.2 percent had effective tax rates of 25 percent or more. In addition, 84.8 percent of high-income taxpayers had average tax rates ranging from 20 percent to 35 percent, while 37.4 percent had effective tax rates between 25 and 30 percent.

Characteristics of Tax Returns

Tables 5 and 6 show, in the aggregate, the frequencies and amounts of the types of income, the items of tax preference, and the various deductions, credits, and income taxes shown on high-income returns. By comparing the columns for nontaxable returns with those for taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, nontaxable returns, under the expanded-income concept, were much more likely to have tax-exempt interest than were taxable returns, and when they do have it, the average amount is much higher. Similarly, nontaxable returns were much less likely to have any income from salaries and wages.

Reasons for Nontaxability

It is possible for certain itemized deductions and certain exclusions from income to cause nontaxability by themselves, but high-income returns are more often nontaxable as a result of a combination of reasons, none of which, by itself, would result in nontaxability. Moreover, some items, which singly or in combination may eliminate "regular tax" liability, i.e., income tax excluding the alternative minimum tax (AMT), cannot eliminate an AMT liability, since these items give rise to adjustments or preferences for AMT purposes.

Because they do not generate AMT adjustments or preferences, tax-exempt bond interest, itemized deductions for interest expense, miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor, casualty or theft losses, and medical expenses (exceeding 10 percent

of AGI) could, by themselves, produce nontaxability [12].

Due to the AMT exclusion of \$45,000 on joint returns (\$33,750 on single and head-of-household returns and \$22,500 on returns of married taxpayers filing separately), a return could have been nontaxable, even though it included some items that produced AMT adjustments or preferences [13]. Further, since the starting point for "alternative minimum taxable income" was taxable income for regular tax purposes, a taxpayer could have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation could occur if taxable income for regular tax purposes was sufficiently negative, due to itemized deductions and personal exemptions exceeding AGI, so that the taxpayer's AMT adjustments and preferences are less than the sum of the AMT exclusion and the amount by which regular taxable income is below zero. Note that because of the AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

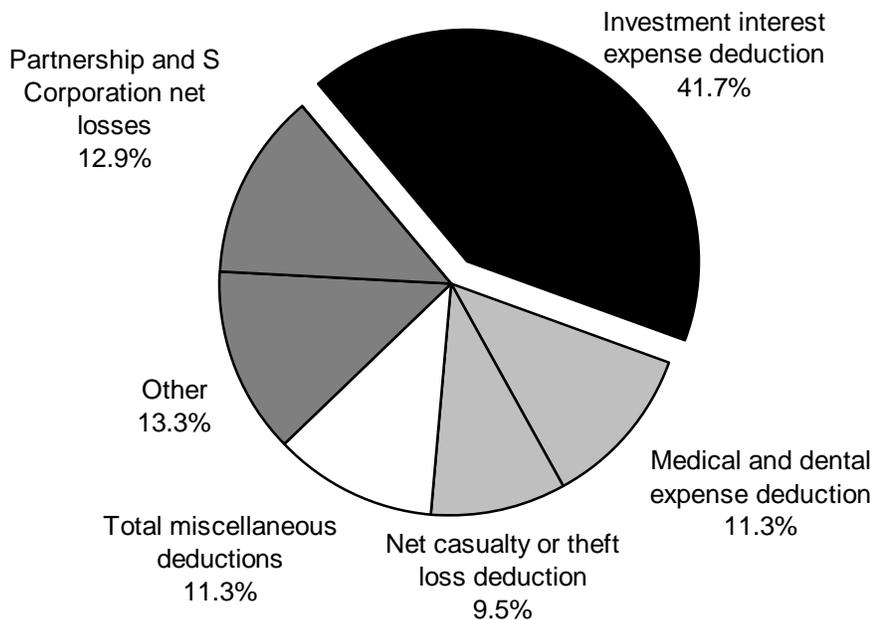
Tables 7 and 8 classify tax returns by the items that had the largest and second largest effects in reducing or eliminating income tax. For returns on which each of the largest effects was identified, the tables show each of the second largest effects [14]. For example, Table 7 shows that on taxable returns with some U.S. income tax and expanded income of \$200,000 or more, the taxes paid deduction was the most important item 49.7 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 57.4 percent of the time, and the charitable contributions deduction was the second most important item 25.6 percent of the time.

Table 8 shows that on taxable returns with some worldwide tax and expanded income of \$200,000 or more, the most important item in reducing the tax, reported on 50.5 percent of the returns, was the itemized deduction for taxes paid. For these returns, the itemized deduction for interest paid was the second most important item 57.6 percent of the time, and the deduction for charitable contributions was the second most important reason 25.9 percent of the time.

The four categories with the largest effect in reducing taxes on high adjusted gross income returns with no worldwide income tax were the investment interest expense deduction (374 returns, or 41.7 percent of the 896 tabulated returns with AGI of \$200,000 or more and with no worldwide tax liability); partnership and S Corporation net losses (116 returns, or 12.9 percent); medical and

Figure E

Returns with No Worldwide Income Tax with Adjusted Gross Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1995



dental expense deductions (101 returns, or 11.3 percent); and total miscellaneous deductions (101 returns, or 11.3 percent). These effects are also shown graphically in Figure E.

The four categories that most frequently had the largest effect in reducing taxes for high expanded-income returns with no worldwide income tax were tax-exempt interest (1,206 returns, or 69.2 percent of the 1,742 tabulated returns with expanded income of \$200,000 or more and with no worldwide tax liability); medical and dental expense deductions (207 returns, or 11.9 percent); partnership and S Corporation net losses (98 returns, or 5.6 percent); and net casualty or theft loss deduction (84 returns, or 4.8 percent). These effects are also shown in Figure F. Table 8 also shows the two items that most frequently had the second largest effect in reducing regular tax liability for high expanded-income returns with no worldwide tax. These were the deduction for medical and dental expenses and the deduction for taxes paid.

Tables 9 and 10 present another way of illustrating the importance of various tax provisions in reducing or eliminating income tax. Unlike Tables 7 and 8, these

tables cover only nontaxable returns, i.e., returns showing no income tax liability, including AMT. Tables 9 and 10 show the number of times that various items reduced income by different fractions of income. The items shown are the various categories of itemized deductions, the deduction equivalents of two different types of tax credits, and total tax preferences excluded from income. For example, for high expanded-income returns with no worldwide income tax (Table 10), the itemized deduction for casualty or theft losses exceeded 100 percent of expanded income on 60 of the 1,742 returns, but there was no casualty or theft loss deduction on 1,646 returns. The medical expense deduction exceeded total expanded income on 34 returns and amounted to between 50 percent and 100 percent of expanded income on an additional 172 returns.

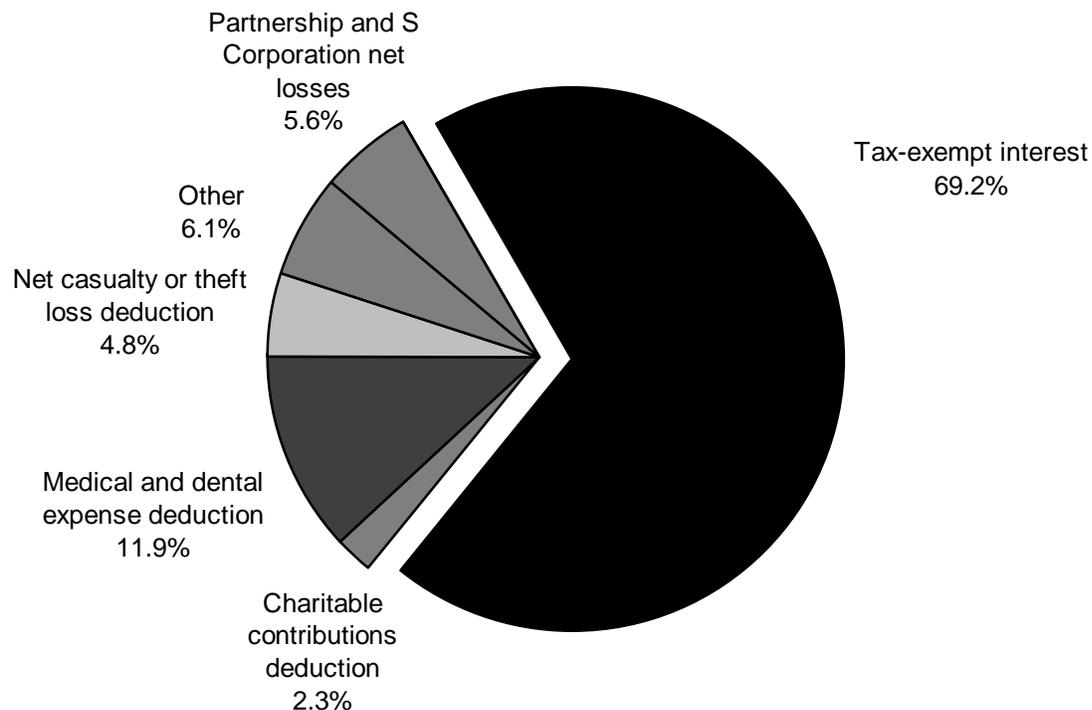
Notes and References

- [1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).
- [2] Lerman, Allen H., "High-Income Tax Returns: 1974

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Figure F

Returns with No Worldwide Income Tax with Expanded Income of \$200,000 or More: Primary Reasons for Reduced Income Tax Liabilities, Tax Year 1995



NOTE: Detail may not add to 100 percent because of rounding.

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Volume 16, Number 3, pp. 64-101; and “High-Income Tax Returns, for 1994,” *Statistics of Income Bulletin*, Winter 1997-1998, Volume 17, Number 3, pp. 31-69.

- [3] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded tax preference items, and AGI less investment interest expense not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (90 Stat. at 815) eliminated the requirement to use the last two income concepts.
- [4] The definition of adjustments to AGI to obtain the expanded income given in the text is for 1995. See Appendix A for a discussion of AGI and expanded income and a list of adjustments covering all years since 1977.
- [5] See Notes to Appendix A, A4.
- [6] Inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.
- [7] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income--Individual Income Tax Returns* (see footnote 2), the “U.S. income tax” concept was described as “total income tax,” and the “worldwide income tax” concept was described as “modified total income tax.”
- [8] The inclusion of foreign taxes paid on excluded foreign-earned income, beginning with Tax Year 1990, represents an improvement in the worldwide income tax concept. It does, however, represent a slight break in the year-to-year comparability of data for worldwide income tax. However, the number of returns with foreign taxes paid on excluded foreign-earned income is extremely small compared to the number of returns with the foreign tax credit.
- [9] Includes returns on which income tax was entirely offset by the earned income credit.

- [10] Tax-exempt interest had to be reported on the individual income tax return starting with Tax Year 1987 and is included in expanded income starting with that year. Beginning with Tax Year 1991, tax-exempt interest was incorporated into the criteria used for sampling returns for Statistics of Income, thus increasing the reliability of the estimates of expanded income.
- [11] See Appendix B for a description of how the deduction equivalent of credits was computed.
- [12] The deduction for charitable contributions could also fall into this class if it were not limited to 50 percent of AGI.
- [13] The AMT exclusion phases out above certain levels of “alternative minimum taxable income,” based on filing status, but since taxpayers will have some AMT liability in the phaseout range, the phaseout income is not relevant for nontaxable returns.
- [14] Tax-exempt interest and the foreign-earned income exclusion were not included in Tables 7 and 8 as possible tax effects before Tax Year 1994. Thus, caution should be exercised in making comparisons between data prior to 1994 and after 1993.

Appendix A: Income Concepts

Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI), but that was based entirely on items already reported on income tax returns. In order to derive such an income concept, it was necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns identified.

This appendix begins by defining “Haig-Simons income,” a very broad concept of income used by economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts are listed. The final section defines “expanded income,” a more comprehensive income measure than AGI, based entirely on tax return data.

Haig-Simons Income

The broadest measure of annual income generally used by economists and others is defined as the value of a household’s consumption plus the change, if any, in its net worth. This income concept is referred to as Haig-Simons income, or H-S income, after the two economists who

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wrote extensively about it [A1]. The H-S income of a household that consumed \$25,000 and saved \$2,000 in a year would be \$27,000. Alternatively, the H-S income of a household that consumed \$25,000 and had no additions to savings, but had assets that declined in value by \$1,000 in a year, would be \$24,000.

H-S income consists of three broad components: labor income, capital income (income from assets), and income from transfer payments. The major elements of each of these three components are as follows:

Labor income.--This includes all forms of employee compensation (including wages and salaries), employee fringe benefits (such as employer-provided health insurance and accrued pension benefits or contributions), and the employer share of payroll taxes (such as Social Security taxes). Labor income also includes the labor share of self-employment income. Expenses of earning labor income would be deducted in arriving at H-S income. Deferred labor income (such as pension benefits) would be counted in the year it was earned, rather than in the year it was received.

Capital income.--This includes all income from assets, including interest, dividends, rents, royalties, accrued capital gains (whether or not realized), the capital income share of self-employment income, and the rental value of consumer durables (most importantly, the rental value of owner-occupied housing). Capital income is measured in real (inflation-adjusted) terms and is net of real, economic depreciation and all other expenses (which could exceed capital income).

Transfer payments.--These include payments in cash (such as Social Security benefits, workers' compensation, unemployment benefits, Aid to Families with Dependent Children (AFDC), and noncash benefits (such as Medicare, Medicaid, and food stamps).

For purposes of tax analysis, H-S income should be measured on a pre-tax basis, the amount that would be earned if there were no Federal income tax in place. Most items of income are unaffected, or little affected, by the income tax and so are reported on a pre-tax basis. However, certain income items from tax-preferred sources may be reduced because of their preferential treatment. An example is interest from tax-exempt State and local Government bonds. The interest rate on tax-exempt bonds is generally lower than the interest rate on taxable bonds of the same maturity and risk, with the difference approximately equal to the tax rate of the typical investor in tax-exempt bonds. Thus, investors in tax-exempt bonds are effectively paying a tax, referred to as an "implicit tax," and tax-exempt interest as reported is measured on

an after-tax, rather than a pre-tax, basis. Income from all tax-preferred sources should be "grossed up" by implicit taxes to properly measure H-S income.

Adjusted Gross Income

AGI is the statutory definition of income for Federal income tax purposes. AGI differs from H-S income by excluding some components of H-S income and by allowing accelerated business deductions and deductions unrelated to income, but also by disallowing or limiting certain expenses of earning income and certain losses. In addition, AGI is not "grossed up" for implicit taxes.

The components of H-S income excluded from AGI include most employee fringe benefits, the employer share of payroll taxes, accrued but deferred employee compensation, accrued but unrealized real capital gains, the rental value of consumer durables, most Social Security benefits, most other cash transfers, all noncash transfers, and the real income of borrowers due to inflation [A2].

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated. AGI also excludes contributions to Individual Retirement Arrangements (IRA's) and self-employed retirement (Keogh) plans, which are not expenses related to earning income.

AGI generally *exceeds* H-S income to the extent that expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible *from* AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions and then, in some cases, only to the extent that the sum of all such items exceeds 2 percent of AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on the job but not reimbursed by the employer; and the employees' travel, meal, and entertainment expenses); Tax Year 1994 job-related moving expenses (for prior-year moves only); and expenses attributable to a taxpayer's (passive) investments (as opposed to active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses. Although some job-

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related moving expenses have been deducted in calculating AGI, the deductions for some related expenses, such as expenses for temporary quarters and expenses for selling a former residence, are limited.

Although net capital losses reduce economic income, only the first \$3,000 of net realized capital losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years. In a somewhat similar manner, “passive” losses (from investments in a trade or business in which the taxpayer does not materially participate) can also reduce economic income, but, in computing AGI, they can only be deducted from “passive” income from other, similar investments (although a larger amount may be deducted when the losses are from rental real estate activities).

AGI can also exceed H-S income because of differences in the timing of income between the two concepts. For example, a taxpayer may realize more capital gains in a year than he or she accrues in capital gains. Since AGI includes only realizations of capital gains, whereas H-S income includes only accruals, AGI in this circumstance would exceed H-S income.

Finally, just as AGI understates the income of borrowers due to inflation, it overstates the income of lenders, who include bond owners and owners of bank deposits.

Expanded Income

Expanded income is meant to be a measure of income that is conceptually closer to H-S income than AGI, but which is derived entirely from items already reported on income tax returns. Figure G shows the adjustments made to AGI to arrive at expanded income. Since the definition of AGI was changed by legislation several times since 1977, and certain reporting requirements also changed, the adjustments differ over the years, as indicated for each item [A4]. Most of these adjustments are relatively straightforward, but the adjustment for investment requires some explanation.

Investment Interest

In measuring H-S income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments, without limit. Investment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and capital gains.)

If all income has not been included currently, full deduction of investment expenses might represent a

Figure G

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977-1995

Adjusted gross income (AGI)

PLUS:	<ul style="list-style-type: none">o Excluded capital gains (tax years prior to 1987)o Tax-exempt interest (1987 and later tax years)o Nontaxable Social Security benefits (1987 and later tax years)o Tax preferences for alternative minimum tax purposes [A5]o Foreign-earned income exclusion (1990 and later tax years)
MINUS:	<ul style="list-style-type: none">o Unreimbursed employee business expenses [A6]o Nondeductible rental losses (Tax Year 1987)o Moving expense deduction (Tax Years 1987 through 1993) [A7]o Investment interest expense deduction to the extent it does not exceed investment incomeo Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)
EQUALS:	o Expanded income

NOTE: Footnotes to Figure G are included with the footnotes to Appendix A.

mismatching of receipts and expenses and might result in *understating* income. For example, if a taxpayer borrowed funds to purchase securities, net income would be understated if the taxpayer deducted all interest payments on the loan, but did not include as income any accrued gains on the securities. A similar mismatching of income and expenses would occur if investment expenses that should properly be capitalized were deducted when paid. In these instances, a more accurate measure of income might be obtained by postponing the deduction of the expense until such time as the income were recognized for tax purposes.

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and non-income-producing assets, such as a vacation home or yacht. It is not possible to determine what portion of the interest expense should be attributed to taxable income-producing assets and, therefore, ought to be deductible against the gross receipts from such taxable assets. As a result of these problems, it has been necessary to set arbitrary limits on the amount of investment expenses that are deductible in calculating expanded income.

Investment expenses that have not been deducted in determining AGI generally can appear on a Federal individual income tax return in two places. Investment

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interest expense is taken into account in the calculation of the itemized deduction for interest paid. Deductible investment interest expense is a separate part of the total interest deduction. Other investment expenses, such as management fees, are included in the miscellaneous category of itemized deductions [A8]. Beginning with 1987, most types of income-producing expenses included as miscellaneous itemized deductions are only deductible to the extent that their total exceeds 2 percent of AGI. To determine expenses that should be deductible in calculating an approximation of H-S income, investment expenses have been defined as deductible investment interest expense. Other investment expenses could not be separated from the remainder of miscellaneous deductions. Hence, they have not been used in the adjustment for investment expenses.

To the extent that interest expenses do *not* exceed investment income, they are generally allowed as a deduction in the computation of deductible investment interest expense and thus expanded income. Investment interest expenses that do *exceed* investment income are *not* deductible in calculating expanded income. One consequence of this definition is that investment expenses can never turn positive investment income into investment losses. Generally, allowing investment expenses to offset all investment income is generous and tends to understate broadly-measured income. However, in some instances, limiting investment expenses to investment income may *overstate* income by disallowing genuine investment losses.

Notes to Appendix A

[A1] Haig, Robert M. (ed.), *The Federal Income Tax*, Columbia University Press, 1921, and Simons, Henry C., *Personal Income Taxation*, University of Chicago Press, 1938.

[A2] Borrowers receive income due to inflation because the real value of debt is reduced by inflation. Even though inflation may be anticipated and reflected in interest rates, tax deductions for nominal interest payments overstate interest costs because part of these payments represent a return of principal to the lender, rather than interest.

[A3] See Notes and References, footnote 4.

[A4] For 1977, 50 percent of net long-term capital gains were included in AGI. During 1978, the inclusion ratio was changed to 40 percent. This inclusion ratio remained unchanged through 1986. Beginning

with 1987, there was no exclusion allowed for capital gains in computing AGI, and, thus, this adjustment was not made in computing expanded income for returns for years after 1986.

From this time forward, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest income from State and local Government bonds. Since 1987, tax-exempt interest has been included in expanded income.

Taxpayers are also required to report Social Security benefits. Since 1988, nontaxable Social Security benefits have been included in expanded income. However, if none of a particular taxpayer's Social Security benefits are taxable, then gross Social Security benefits are not required to be shown on the income tax return. In such instances, which generally only affect lower and middle income taxpayers, Social Security benefits are not included in expanded income.

The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. All current-year moving expenses beginning with Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment.

Due to subtracting non-limited miscellaneous deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is not strictly comparable to expanded income for 1988. Nor is the expanded income concept for 1990 strictly comparable to expanded income for 1989 because of the addition of the foreign-earned income exclusion. Specific details on the definition of expanded income for any given year are available in the reports and publications enumerated in footnote 2, under Notes and References.

[A5] The "tax preferences" (obtained from Form 6251, *Alternative Minimum Tax Computation*) excluded from adjusted gross income and tabulated in Tables 5 and 6 include the following items: the excess of accelerated depreciation over straight-line depreciation on certain real property and property subject to a lease (for property placed in service before 1987); the appreciated portion of the value of certain

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property contributed to charitable organizations; the excess of percentage depletion over the "adjusted basis" of the property; certain intangible drilling costs to the extent that they exceed otherwise allowable amortization deductions; and related adjustments, refigured for AMT purposes, such as section 179 expense deductions, expenses for business or rental use of the home, taxable IRA distributions, etc.

Preferences obtained through itemized deductions do not represent omitted income. Hence, they have not been counted as preference items in calculating a broader measure of income. The preference from tax-exempt interest on certain private activity bonds was not included, since the interest for *all* tax-exempt State and local Government bonds is considered to be omitted income. Specific details on the tax preference items obtained from Form 6251 for earlier years are available in the reports and publications enumerated in footnote 2, under Notes and References.

[A6] Includes deductible meal and entertainment expenses. Deductible expenses are limited to 50 percent of total meal and entertainment expenses, beginning with Tax Year 1994.

[A7] Certain moving expenses, such as expenses for temporary quarters and expenses for selling a former residence, are limited.

[A8] Some income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from S Corporations, only the net amounts of which are included in adjusted gross income.

Appendix B: Tax Concepts

This appendix provides a brief summary of the U.S. taxation of worldwide income and the foreign tax credit. The two tax concepts used in this article are then defined. The following section explains the computation of the deduction equivalent of credits and other items. A final section discusses the possible implications of the use of unaudited tax return data for this article.

U.S. Taxation of Worldwide Income and the Foreign Tax Credit

Citizens and residents of the United States, regardless of where they physically reside, must generally include in

income for Federal income tax purposes income from all geographic sources. Thus, for example, dividends and interest received from a foreign corporation or income earned working abroad is subject to Federal income tax in the same manner as income received from sources inside the United States [B1]. Income from sources outside the United States may also be subject to tax by foreign governments.

To reduce, if not eliminate, the possibility of double taxation of the foreign-source income of U.S. citizens and residents, the Federal income tax allows a credit for income taxes paid to foreign governments. This foreign tax credit is generally limited to the amount of (pre-credit) U.S. tax liability attributable to foreign-source income. This limit prevents the foreign tax credit from offsetting the U.S. tax on U.S.-source income.

As a result of taxing citizens and residents on a worldwide basis but allowing a foreign tax credit, some Federal income tax returns may report substantial income but little or no U.S. tax liability after credits. This may occur, for example, if a taxpayer has income only from foreign sources (the taxpayer may live abroad the entire year and have no income-producing assets in the United States), or if a taxpayer has foreign-source income that exceeds a net loss from U.S. sources and pays income taxes to a foreign government that are comparable to the U.S. tax [B2].

For taxpayers with income from foreign sources, these procedures understate the taxpayers' true worldwide income tax liabilities and effective income tax rates. For such taxpayers, it does not seem appropriate to classify U.S. income tax credits for foreign tax payments as reducing tax liabilities. This is particularly true for tax filers who appear to be nontaxable because they do not have any U.S. tax liability, but who have paid foreign income taxes. A more accurate measure of overall income tax burden, as well as the numbers of nontaxable returns, can be obtained by considering all income taxes--U.S. as well as foreign. Thus, a second tax concept, worldwide income tax, has been used in addition to the traditional U.S. income tax.

Two Tax Concepts

Two tax concepts are used in this article to classify tax returns as taxable (i.e., returns showing an income tax liability) or nontaxable (i.e., returns showing no income tax liability) and to measure the tax burdens on taxable returns: U.S. income tax and worldwide income tax. Worldwide income tax is defined for purposes of this article as U.S. income tax plus the foreign tax credits reported on the U.S. income tax return and foreign taxes

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paid on excluded foreign-earned income (obtained from Form 1116, *Foreign Tax Credit*). The amount of the foreign tax credits and foreign taxes paid on excluded foreign-earned income is used as a proxy for foreign tax liabilities [B3]. The relationship of U.S. income tax to tax items reported on individual income tax returns, and to worldwide income tax, is shown in Figure H.

Figure H

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 1995

Tax at regular rates (tax generated)	
PLUS:	Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)
EQUALS:	Income tax before credits
MINUS:	Tax credits
PLUS:	Alternative minimum tax (Form 6251)
EQUALS:	U.S. income tax
PLUS:	Foreign tax credit
PLUS:	Foreign taxes paid on excluded foreign-earned income (Form 1116)
EQUALS:	Worldwide income tax

Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations

In order to compare the importance of various exclusions, deductions, tax credits, and special tax computations (such as the alternative minimum tax on tax preferences), the different types of items must be placed on the same basis. One way of doing so is to calculate the size of the deduction that would reduce (or increase) income tax by the same amount as a tax credit or special computation. This amount is called the "deduction equivalent" of the tax credit or special computation.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using the ordinary tax rate schedules, would yield the actual tax before the provision in question is considered and the actual tax after the provision. For example, the "deduction equivalent of all tax credits" is equal to the

difference between "taxable income that would yield income tax before credits" and "taxable income that would yield income tax after credits."

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated may affect the value of their deduction equivalents. Because the tax rate schedules are progressive, with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first, unless all relevant taxable income amounts are within a single tax-rate bracket.

The deduction equivalents of tax credits shown in Tables 9 and 10 were computed by assuming that deductions and exclusions reduce taxes before credits. As a result, the deduction equivalent of tax credits may be overstated.

Unaudited Data

Tax return data used for *Statistics of Income* have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). Certain obvious arithmetic errors have been corrected and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not reflect any changes that may have been or could be made as a result of IRS audits. While this is true of data throughout the entire *Statistics of Income* program, it is particularly relevant for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

The fact that the data have been drawn from unaudited returns is of even greater importance for those high-income returns that are nontaxable. Almost any audit changes would make such returns taxable. Even where the tax consequences are minor, such returns could be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

Notes to Appendix B

[B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article include such excluded income in expanded income. Foreign

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taxes paid on such income are reflected in worldwide income tax, as discussed later.

[B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset pre-credit U.S. income tax liability with foreign tax credit.

[B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate *or* understate worldwide taxes on current-year income.

Source: IRS, *Statistics of Income Bulletin*, Publication 1136, Summer 1998.

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Table 1.--Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	118,218,327	93,817,456	19,053,511	4,074,852	1,272,508
Under \$50,000 ¹	93,320,031	92,909,445	407,276	2,260	1,050
\$50,000 under \$100,000.....	19,508,698	887,153	18,469,369	151,357	819
\$100,000 under \$200,000.....	4,070,216	19,784	171,691	3,851,404	27,336
\$200,000 or more.....	1,319,382	1,074	5,175	69,830	1,243,303
Returns with U.S. income tax					
Total.....	94,040,800	69,679,872	19,017,629	4,071,790	1,271,510
Under \$50,000 ¹	69,257,514	68,850,499	404,324	1,998	693
\$50,000 under \$100,000.....	19,405,036	814,056	18,439,339	150,894	747
\$100,000 under \$200,000.....	4,061,544	14,999	169,109	3,850,190	27,246
\$200,000 or more.....	1,316,706	318	4,857	68,707	1,242,824
Returns without U.S. income tax					
Total.....	24,177,526	24,137,585	35,882	3,062	998
Under \$50,000 ¹	24,062,517	24,058,946	2,952	262	357
\$50,000 under \$100,000.....	103,662	73,097	30,030	463	72
\$100,000 under \$200,000.....	8,672	4,786	2,582	1,214	90
\$200,000 or more.....	2,676	756	318	1,123	479

¹ Includes returns with adjusted gross deficit or with negative expanded income.

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

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Table 2.--Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under \$50,000 ¹	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total.....	118,218,327	93,817,456	19,053,511	4,074,852	1,272,508
Under \$50,000 ¹	93,320,031	92,909,445	407,276	2,260	1,050
\$50,000 under \$100,000.....	19,508,698	887,153	18,469,369	151,357	819
\$100,000 under \$200,000.....	4,070,216	19,784	171,691	3,851,404	27,336
\$200,000 or more.....	1,319,382	1,074	5,175	69,830	1,243,303
Returns with worldwide income tax					
Total.....	94,063,600	69,699,936	19,019,442	4,072,611	1,271,612
Under \$50,000 ¹	69,271,442	68,864,424	404,324	1,998	696
\$50,000 under \$100,000.....	19,410,110	818,038	18,440,428	150,894	750
\$100,000 under \$200,000.....	4,064,413	17,146	169,824	3,850,191	27,251
\$200,000 or more.....	1,317,636	328	4,866	69,527	1,242,915
Returns without worldwide income tax					
Total.....	24,154,727	24,117,520	34,070	2,241	896
Under \$50,000 ¹	24,048,589	24,045,021	2,952	262	354
\$50,000 under \$100,000.....	98,588	69,115	28,942	463	69
\$100,000 under \$200,000.....	5,803	2,638	*1,867	1,213	85
\$200,000 or more.....	1,746	746	309	303	388

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

¹ Includes returns with adjusted gross deficit or with negative expanded income.

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

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Table 3.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	1,272,508	100.0	--	1,319,382	100.0	--
Returns without U.S. income tax.....	998	0.1	--	2,676	0.2	--
Returns with U.S. income tax:						
Total.....	1,271,510	99.9	100.0	1,316,706	99.8	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	394	(¹)	(¹)	820	0.1	0.1
5 under 10 percent.....	432	(¹)	0.1	4,532	0.3	0.4
10 under 15 percent.....	2,320	0.2	0.2	5,587	0.4	0.8
15 under 20 percent.....	2,507	0.2	0.4	4,578	0.3	1.2
20 under 25 percent.....	2,607	0.2	0.6	5,483	0.4	1.6
25 under 30 percent.....	1,347	0.1	0.8	6,571	0.5	2.1
30 under 35 percent.....	1,852	0.1	0.9	6,182	0.5	2.6
35 under 40 percent.....	3,214	0.3	1.2	6,863	0.5	3.1
40 under 45 percent.....	3,892	0.3	1.5	10,110	0.8	3.9
45 under 50 percent.....	6,064	0.5	1.9	11,652	0.9	4.7
50 under 60 percent.....	19,074	1.5	3.4	36,985	2.8	7.5
60 under 70 percent.....	53,226	4.2	7.6	72,049	5.5	13.0
70 under 80 percent.....	234,521	18.4	26.1	242,201	18.4	31.4
80 percent or more.....	940,061	73.9	100.0	903,093	68.6	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 1995

Table 4.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total.....	1,272,508	100.0	--	1,319,382	100.0	--
Returns without worldwide income tax.....	896	0.1	--	1,746	0.1	--
Returns with worldwide income tax:						
Total.....	1,271,612	99.9	100.0	1,317,636	99.9	100.0
Ratio of adjusted taxable income to income per concept:						
Under 5 percent.....	416	(¹)	(¹)	703	0.1	0.1
5 under 10 percent.....	294	(¹)	0.1	1,678	0.1	0.2
10 under 15 percent.....	703	0.1	0.1	1,155	0.1	0.3
15 under 20 percent.....	229	(¹)	0.1	1,595	0.1	0.4
20 under 25 percent.....	988	0.1	0.2	3,255	0.2	0.6
25 under 30 percent.....	904	0.1	0.3	4,586	0.3	1.0
30 under 35 percent.....	1,261	0.1	0.4	5,066	0.4	1.4
35 under 40 percent.....	2,371	0.2	0.6	5,186	0.4	1.8
40 under 45 percent.....	3,150	0.2	0.8	9,059	0.7	2.5
45 under 50 percent.....	4,804	0.4	1.2	9,118	0.7	3.1
50 under 60 percent.....	17,329	1.4	2.6	37,907	2.9	6.0
60 under 70 percent.....	49,888	3.9	6.5	69,031	5.2	11.3
70 under 80 percent.....	231,623	18.2	24.7	244,562	18.6	29.8
80 percent or more.....	957,651	75.3	100.0	924,734	70.2	100.0

¹ Less than 0.05 percent.

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

High-Income Tax Returns for 1995

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages.....	1,088,804	305,395,930	1,088,303	305,286,294	501	109,635
Business or profession:						
Net income.....	286,691	35,012,505	286,506	34,982,342	185	30,163
Net loss.....	77,604	1,986,794	77,470	1,967,752	134	19,042
Farm:						
Net income.....	10,654	475,112	10,647	475,018	7	94
Net loss.....	32,362	1,466,216	32,296	1,454,440	66	11,776
Partnership and S Corporation net income after Section 179 property deduction: ¹						
Net income.....	511,796	112,936,444	511,586	112,915,047	210	21,398
Net loss.....	179,708	11,699,127	179,266	11,405,685	442	293,442
Sales of capital assets:						
Net gain.....	761,603	106,230,853	761,029	105,980,124	574	250,730
Net loss.....	259,761	609,370	259,472	608,555	289	815
Sales of property other than capital assets:						
Net gain.....	65,429	1,444,352	65,331	1,438,536	98	5,816
Net loss.....	119,279	1,561,709	119,111	1,537,572	168	24,137
Taxable interest received.....	1,255,407	35,622,429	1,254,476	35,278,668	931	343,762
Tax-exempt interest.....	529,642	18,188,936	529,241	18,141,792	401	47,144
Dividends.....	1,050,818	30,784,392	1,050,008	30,605,104	810	179,288
Pensions and annuities in adjusted gross income.....	227,368	6,952,027	227,195	6,945,466	173	6,561
Rent:						
Net income.....	237,582	10,154,417	237,377	10,133,597	205	20,821
Net loss, total (deductible and nondeductible).....	203,614	2,459,700	203,384	2,448,004	230	11,697
Nondeductible rental loss.....	133,948	1,405,107	133,805	1,402,028	143	3,079
Royalty:						
Net income.....	90,877	2,144,014	90,746	2,140,121	131	3,893
Net loss.....	5,614	24,147	5,601	23,961	13	187
Estate or trust:						
Net income.....	53,675	3,848,714	53,596	3,844,991	79	3,722
Net loss.....	6,722	458,789	6,701	452,887	21	5,902
State income tax refunds.....	611,816	2,784,060	611,485	2,773,674	331	10,386
Alimony received.....	3,336	263,584	**	**	**	**
Social Security benefits in adjusted gross income.....	168,294	2,389,651	168,004	2,385,771	290	3,880
Social Security benefits (nontaxable).....	168,303	423,648	168,013	422,937	290	712
Unemployment compensation.....	14,453	54,277	14,443	54,242	10	35
Other income.....	224,856	6,936,722	224,623	6,923,861	233	12,861
Other loss.....	17,579	725,346	17,545	722,527	34	2,819
Foreign-earned income exclusion.....	12,830	880,962	12,793	878,180	37	2,782
Total income.....	1,272,508	646,969,640	1,271,510	646,328,966	998	640,674
Statutory adjustments, total.....	630,313	6,922,044	629,934	6,917,783	379	4,261
Payments to Individual Retirement Arrangements.....	102,468	309,408	102,431	309,310	37	98
Payments to self-employed retirement (Keogh) plans.....	165,695	3,031,497	165,664	3,031,024	31	473
Moving expenses adjustment.....	16,550	100,266	16,547	100,201	3	64
Adjusted gross income.....	1,272,508	640,047,596	1,271,510	639,411,183	998	636,413
Investment interest expense deduction.....	323,694	7,172,713	323,047	6,733,192	647	439,521
Total tax preferences excluded from adjusted gross income.....	541,322	18,604,553	540,906	18,557,080	416	47,473
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	25,784	433,580	25,749	433,122	35	458
Passive activity loss (alternative minimum tax adjustment).....	213,781	1,018,838	213,538	1,020,116	243	-1,278
Expanded income.....	1,272,480	649,640,074	1,271,510	649,453,930	970	186,144

Footnotes at end of table.

High-Income Tax Returns for 1995

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept--Continued						
Exemption amount.....	586,959	2,027,703	586,538	2,026,496	421	1,206
Itemized deductions:						
Total per adjusted gross income concept.....	1,190,742	78,293,737	1,189,782	77,540,444	960	753,293
Charitable contributions deduction.....	1,148,156	19,523,521	1,147,320	19,443,411	836	80,110
Interest paid deduction:						
Total per adjusted gross income concept.....	983,513	24,439,515	982,715	23,968,022	798	471,493
Total home mortgage interest.....	913,158	17,138,171	912,543	17,106,343	615	31,828
Medical and dental expense deduction.....	13,485	518,422	13,345	491,743	140	26,680
Net casualty or theft loss deduction.....	1,276	119,950	1,188	69,394	88	50,556
Taxes paid deduction.....	1,187,449	42,661,043	1,186,555	42,611,661	894	49,382
Net limited miscellaneous deductions per adjusted gross income concept.....	181,282	3,128,575	180,895	3,099,977	387	28,598
Non-limited miscellaneous deductions.....	42,248	1,235,293	42,105	1,174,729	143	60,564
Excess of exemptions and deductions over adjusted gross income.....	1,485	356,952	712	177,297	773	179,655
Taxable income.....	1,270,999	559,566,392	1,270,797	559,505,043	202	61,349
Tax at regular rates.....	1,271,008	183,641,013	1,270,807	183,621,497	201	19,516
Income tax before credits.....	1,271,014	183,702,526	1,270,811	183,682,980	203	19,546
Tax credits:						
Total.....	401,382	2,776,941	401,179	2,757,395	203	19,546
Child care credit.....	60,204	29,707	**	**	**	**
Minimum tax credit.....	34,602	350,687	34,499	344,137	103	6,551
Foreign tax credit.....	297,482	2,024,542	297,380	2,012,454	102	12,088
General business credit.....	46,964	302,555	46,925	302,001	39	555
Alternative minimum tax (Form 6251).....	129,287	1,559,646	129,287	1,559,646	--	--
U.S. total income tax.....	1,271,510	182,485,232	1,271,510	182,485,232	--	--
Taxable income which would yield:						
Income tax before credits.....	1,271,014	536,301,586	1,270,811	536,243,769	203	57,817
Income tax after credits.....	1,270,474	528,985,015	1,270,474	528,985,015	--	--
U.S. total income tax.....	1,271,510	533,126,096	1,271,510	533,126,096	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,272,508	640,047,596	1,271,510	639,411,183	998	636,413
plus: Total tax preferences excluded from adjusted gross income ²	541,322	18,604,553	540,906	18,557,080	416	47,473
Social Security benefits (nontaxable).....	168,303	423,648	168,013	422,937	290	712
Foreign-earned income exclusion.....	12,830	880,962	12,793	878,180	37	2,782
minus: Investment interest expense deduction.....	323,694	7,172,713	323,047	6,733,192	647	439,521
Non-limited miscellaneous deductions.....	42,248	1,235,293	42,105	1,174,729	143	60,564
Unreimbursed employee business expenses.....	229,876	1,908,678	229,792	1,907,528	84	1,150
Equals: Expanded income.....	1,272,480	649,640,074	1,271,510	649,453,930	970	186,144

Footnotes at end of table.

High-Income Tax Returns for 1995

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept						
Salaries and wages.....	1,104,398	307,038,092	1,103,074	306,778,143	1,324	259,949
Business or profession:						
Net income.....	294,399	35,342,169	294,227	35,314,742	172	27,427
Net loss.....	80,186	2,035,867	80,012	2,010,557	174	25,310
Farm:						
Net income.....	11,377	477,782	11,356	477,516	21	266
Net loss.....	34,101	1,510,721	34,009	1,496,322	92	14,398
Partnership and S Corporation net income after Section 179 property deduction: ¹						
Net income.....	523,652	112,982,291	523,332	112,960,222	319	22,069
Net loss.....	193,413	11,659,343	192,800	11,470,179	613	189,165
Sales of capital assets:						
Net gain.....	797,734	107,013,692	796,794	106,845,030	940	168,662
Net loss.....	269,666	638,590	268,866	636,315	800	2,275
Sales of property other than capital assets:						
Net gain.....	66,668	1,425,506	66,547	1,421,836	121	3,670
Net loss.....	124,204	1,574,276	123,986	1,545,687	218	28,588
Taxable interest received.....	1,301,999	36,429,970	1,299,364	36,240,763	2,635	189,207
Tax-exempt interest.....	587,477	23,664,149	585,841	23,150,273	1,636	513,876
Dividends.....	1,101,492	32,454,099	1,099,820	32,327,908	1,672	126,191
Pensions and annuities in adjusted gross income.....	252,358	7,806,910	251,916	7,797,460	442	9,450
Rent:						
Net income.....	251,812	10,365,986	251,516	10,349,693	296	16,294
Net loss, total (deductible and nondeductible).....	208,339	2,464,774	208,036	2,454,478	303	10,296
Nondeductible rental loss.....	137,680	1,429,052	137,545	1,425,535	135	3,518
Royalty:						
Net income.....	97,921	2,290,145	97,647	2,286,559	273	3,586
Net loss.....	6,483	32,343	6,462	32,226	21	117
Estate or trust:						
Net income.....	60,070	3,896,245	59,870	3,891,543	200	4,702
Net loss.....	6,727	460,158	6,685	453,993	42	6,165
State income tax refunds.....	628,664	2,829,062	628,074	2,819,963	590	9,099
Alimony received.....	3,338	263,601	3,334	263,555	4	47
Social Security benefits in adjusted gross income.....	206,461	2,980,415	205,381	2,966,419	1,080	13,995
Social Security benefits (nontaxable).....	206,470	527,866	205,390	525,354	1,080	2,512
Unemployment compensation.....	13,534	50,476	13,529	50,457	5	19
Other income.....	227,532	6,907,094	227,252	6,898,524	280	8,571
Other loss.....	29,920	1,111,304	29,889	1,104,664	31	6,640
Foreign-earned income exclusion.....	29,391	1,995,226	28,539	1,921,025	852	74,201
Total income.....	1,319,382	652,065,307	1,316,706	651,583,439	2,676	481,868
Statutory adjustments, total.....	638,875	6,940,221	638,459	6,935,363	416	4,857
Payments to Individual Retirement Arrangements.....	103,004	309,258	102,949	309,121	55	137
Payments to self-employed retirement (Keogh) plans.....	165,386	3,046,848	165,358	3,046,528	28	319
Moving expenses adjustment.....	17,124	99,815	**	**	**	**
Adjusted gross income.....	1,319,382	645,125,086	1,316,706	644,648,076	2,676	477,011
Investment interest expense deduction.....	324,548	6,257,123	324,005	6,117,197	543	139,925
Total tax preferences excluded from adjusted gross income.....	599,587	24,199,048	597,949	23,673,911	1,638	525,137
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	28,951	554,200	28,891	542,612	60	11,589
Passive activity loss (alternative minimum tax adjustment).....	224,795	1,018,336	224,475	1,020,926	320	-2,590
Expanded income.....	1,319,382	663,377,936	1,316,706	662,441,502	2,676	936,434

Footnotes at end of table.

High-Income Tax Returns for 1995

Table 5.--Returns With and Without U.S. Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept--Continued						
Exemption amount.....	636,474	2,322,716	634,068	2,307,668	2,406	15,048
Itemized deductions:						
Total per adjusted gross income concept.....	1,221,787	77,609,331	1,220,214	77,162,117	1,573	447,214
Total per expanded income concept.....	1,221,604	83,088,968	1,220,031	82,776,645	1,573	312,323
Charitable contributions deduction.....	1,177,590	19,931,999	1,176,185	19,860,809	1,405	71,190
Interest paid deduction:						
Total per adjusted gross income concept.....	991,046	23,445,664	990,174	23,279,079	872	166,585
Total per expanded income concept.....	914,374	17,188,542	913,738	17,161,882	636	26,660
Total home mortgage interest.....	913,516	17,061,834	912,880	17,035,288	636	26,547
Medical and dental expense deduction.....	21,459	703,463	20,567	628,706	892	74,757
Net casualty or theft loss deduction.....	1,438	126,028	1,341	74,748	97	51,280
Taxes paid deduction.....	1,217,091	43,118,375	1,215,575	43,065,567	1,516	52,808
Net limited miscellaneous deductions per adjusted gross income concept.....	183,905	3,025,791	182,840	2,989,640	1,065	36,151
Non-limited miscellaneous deductions.....	38,504	580,662	38,448	578,836	56	1,826
Excess of exemptions and deductions over adjusted gross income.....	2,472	335,915	847	178,194	1,625	157,720
Taxable income.....	1,316,903	564,906,456	1,315,859	564,741,102	1,044	165,355
Tax at regular rates.....	1,316,914	184,964,988	1,315,869	184,919,685	1,046	45,303
Income tax before credits.....	1,316,919	185,045,128	1,315,870	184,999,789	1,050	45,339
Tax credits:						
Total.....	435,754	3,098,507	434,704	3,053,168	1,050	45,339
Child care credit.....	60,653	29,354	**	**	**	**
Minimum tax credit.....	36,924	354,358	36,797	347,688	127	6,670
Foreign tax credit.....	329,785	2,337,022	328,856	2,299,239	930	37,783
General business credit.....	48,691	307,953	48,655	307,437	36	516
Alternative minimum tax (Form 6251).....	136,245	1,595,336	136,245	1,595,336	--	--
U.S. total income tax.....	1,316,706	183,541,958	1,316,706	183,541,958	--	--
Taxable income which would yield:						
Income tax before credits.....	1,316,919	541,615,224	1,315,870	541,453,360	1,050	161,864
Income tax after credits.....	1,315,112	533,177,658	1,315,112	533,177,658	--	--
U.S. total income tax.....	1,316,706	537,449,347	1,316,706	537,449,347	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,319,382	645,125,086	1,316,706	644,648,076	2,676	477,011
plus: Total tax preferences excluded from adjusted gross income ²	599,587	24,199,048	597,949	23,673,911	1,638	525,137
Social Security benefits (nontaxable).....	206,470	527,866	205,390	525,354	1,080	2,512
Foreign-earned income exclusion.....	29,391	1,995,226	28,539	1,921,025	852	74,201
minus: Investment interest expense deduction.....	324,548	6,257,123	324,005	6,117,197	543	139,925
Non-limited miscellaneous deductions.....	38,504	580,662	38,448	578,836	56	1,826
Unreimbursed employee business expenses.....	221,392	1,631,506	221,279	1,630,831	113	675
Equals: Expanded income.....	1,319,382	663,377,936	1,316,706	662,441,502	2,676	936,434

** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

² Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

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

High-Income Tax Returns for 1995

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages.....	1,088,804	305,395,930	1,088,379	305,312,086	425	83,844
Business or profession:						
Net income.....	286,691	35,012,505	286,521	34,995,506	170	16,998
Net loss.....	77,604	1,986,794	77,477	1,968,751	127	18,043
Farm:						
Net income.....	10,654	475,112	10,648	475,031	6	81
Net loss.....	32,362	1,466,216	32,299	1,454,484	63	11,732
Partnership and S Corporation net income after Section 179 property deduction: ¹						
Net income.....	511,796	112,936,444	511,606	112,916,674	190	19,770
Net loss.....	179,708	11,699,127	179,294	11,418,228	414	280,899
Sales of capital assets:						
Net gain.....	761,603	106,230,853	761,080	105,994,146	523	236,707
Net loss.....	259,761	609,370	259,493	608,612	268	758
Sales of property other than capital assets:						
Net gain.....	65,429	1,444,352	65,339	1,438,631	90	5,721
Net loss.....	119,279	1,561,709	119,124	1,546,400	155	15,309
Taxable interest received.....	1,255,407	35,622,429	1,254,563	35,294,106	844	328,323
Tax-exempt interest.....	529,642	18,188,936	529,273	18,143,799	369	45,137
Dividends.....	1,050,818	30,784,392	1,050,084	30,610,259	734	174,133
Pensions and annuities in adjusted gross income.....	227,368	6,952,027	227,212	6,945,734	156	6,293
Rent:						
Net income.....	237,582	10,154,417	237,391	10,139,919	191	14,498
Net loss, total (deductible and nondeductible).....	203,614	2,459,700	203,402	2,448,429	212	11,272
Nondeductible rental loss.....	133,948	1,405,107	133,813	1,402,088	135	3,018
Royalty:						
Net income.....	90,877	2,144,014	90,753	2,140,380	124	3,634
Net loss.....	5,614	24,147	5,604	23,976	10	171
Estate or trust:						
Net income.....	53,675	3,848,714	53,601	3,845,103	74	3,611
Net loss.....	6,722	458,789	6,701	452,887	21	5,902
State income tax refunds.....	611,816	2,784,060	611,515	2,774,783	301	9,277
Alimony received.....	3,336	263,584	**	**	**	**
Social Security benefits in adjusted gross income.....	168,294	2,389,651	168,022	2,386,018	272	3,632
Social Security benefits (nontaxable).....	168,303	423,648	168,031	422,980	272	668
Unemployment compensation.....	14,453	54,277	14,443	54,242	10	35
Other income.....	224,856	6,936,722	224,643	6,924,463	213	12,259
Other loss.....	17,579	725,346	17,557	722,920	22	2,426
Foreign-earned income exclusion.....	12,830	880,962	12,830	880,962	--	--
Total income.....	1,272,508	646,969,640	1,271,612	646,387,170	896	582,470
Statutory adjustments, total.....	630,313	6,922,044	629,966	6,918,490	347	3,554
Payments to Individual Retirement Arrangements.....	102,468	309,408	102,439	309,331	29	77
Payments to self-employed retirement (Keogh) plans.....	165,695	3,031,497	165,665	3,031,037	30	459
Moving expenses adjustment.....	16,550	100,266	**	**	**	**
Adjusted gross income.....	1,272,508	640,047,596	1,271,612	639,468,680	896	578,916
Investment interest expense deduction.....	323,694	7,172,713	323,084	6,740,816	610	431,897
Total tax preferences excluded from adjusted gross income.....	541,322	18,604,553	540,937	18,558,992	385	45,561
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	25,784	433,580	25,752	433,129	32	451
Passive activity loss (alternative minimum tax adjustment).....	213,781	1,018,838	213,560	1,019,749	221	-911
Expanded income.....	1,272,480	649,640,074	1,271,612	649,508,485	868	131,589

Footnotes at end of table.

High-Income Tax Returns for 1995

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept - Continued						
Exemption amount.....	586,959	2,027,703	586,578	2,026,652	381	1,051
Itemized deductions:						
Total per adjusted gross income concept.....	1,190,742	78,293,737	1,189,848	77,561,358	894	732,379
Charitable contributions deduction.....	1,148,156	19,523,521	1,147,374	19,446,652	782	76,869
Interest paid deduction:						
Total per adjusted gross income concept.....	983,513	24,439,515	982,771	23,977,749	742	461,766
Total home mortgage interest.....	913,158	17,138,171	912,594	17,108,430	564	29,741
Medical and dental expense deduction.....	13,485	518,422	13,350	492,298	135	26,124
Net casualty or theft loss deduction.....	1,276	119,950	1,189	73,330	87	46,621
Taxes paid deduction.....	1,187,449	42,661,043	1,186,618	42,615,129	831	45,914
Net limited miscellaneous deductions per adjusted gross income concept.....	181,282	3,128,575	180,915	3,100,726	367	27,849
Non-limited miscellaneous deductions.....	42,248	1,235,293	42,109	1,174,739	139	60,554
Excess of exemptions and deductions over adjusted gross income.....	1,485	356,952	713	180,689	772	176,263
Taxable income.....	1,270,999	559,566,392	1,270,898	559,544,655	101	21,737
Tax at regular rates.....	1,271,008	183,641,013	1,270,908	183,635,007	100	6,006
Income tax before credits.....	1,271,014	183,702,526	1,270,913	183,696,491	101	6,036
Tax credits:						
Total.....	147,884	752,399	147,783	746,364	101	6,036
Child care credit.....	60,204	29,707	**	**	**	**
Minimum tax credit.....	34,602	350,687	34,519	345,337	83	5,351
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	46,964	302,555	46,934	302,138	30	418
Alternative minimum tax (Form 6251).....	129,287	1,559,646	129,287	1,559,646	--	--
Worldwide total income tax.....	1,271,612	184,746,391	1,271,612	184,746,391	--	--
Foreign taxes paid.....	297,498	2,261,159	297,498	2,261,159	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	8,272	236,618	8,272	236,618	--	--
Taxable income which would yield:						
Income tax before credits.....	1,271,014	536,301,586	1,270,913	536,282,368	101	19,218
Income tax after credits.....	1,270,913	534,972,519	1,270,913	534,972,519	--	--
Worldwide total income tax.....	1,271,612	539,073,059	1,271,612	539,073,059	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,272,508	640,047,596	1,271,612	639,468,680	896	578,916
plus: Total tax preferences excluded from adjusted gross income ?.....	541,322	18,604,553	540,937	18,558,992	385	45,561
Social Security benefits (nontaxable).....	168,303	423,648	168,031	422,980	272	668
Foreign-earned income exclusion.....	12,830	880,962	12,830	880,962	--	--
minus: Investment interest.....	323,694	7,172,713	323,084	6,740,816	610	431,897
Non-limited miscellaneous deductions.....	42,248	1,235,293	42,109	1,174,739	139	60,554
Unreimbursed employee business expenses.....	229,876	1,908,678	229,800	1,907,573	76	1,105
Equals: Expanded income.....	1,272,480	649,640,074	1,271,612	649,508,485	868	131,589

Footnotes at end of table.

High-Income Tax Returns for 1995

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept						
Salaries and wages.....	1,104,397	307,038,070	1,103,967	306,986,984	430	51,086
Business or profession:						
Net income.....	294,398	35,341,027	294,239	35,326,781	159	14,246
Net loss.....	80,186	2,035,867	80,025	2,011,621	161	24,246
Farm:						
Net income.....	11,377	477,782	11,359	477,531	18	251
Net loss.....	34,101	1,510,721	34,013	1,496,475	88	14,246
Partnership and S Corporation net income after Section 179 property deduction: ¹						
Net income.....	523,648	112,980,731	523,354	112,961,476	294	19,255
Net loss.....	193,411	11,651,319	192,835	11,481,092	576	170,227
Sales of capital assets:						
Net gain.....	797,729	107,009,483	796,849	106,857,843	880	151,640
Net loss.....	269,666	638,590	268,895	636,397	771	2,193
Sales of property other than capital assets:						
Net gain.....	66,668	1,425,506	66,555	1,421,901	113	3,605
Net loss.....	124,201	1,573,952	124,003	1,554,583	198	19,369
Taxable interest received.....	1,301,993	36,423,159	1,300,277	36,260,327	1,716	162,832
Tax-exempt interest.....	587,472	23,659,908	585,891	23,156,701	1,581	503,207
Dividends.....	1,101,487	32,452,880	1,099,908	32,332,096	1,579	120,784
Pensions and annuities in adjusted gross income.....	252,357	7,806,893	251,937	7,797,775	420	9,118
Rent:						
Net income.....	251,811	10,365,978	251,530	10,356,020	281	9,958
Net loss, total (deductible and nondeductible).....	208,336	2,464,599	208,058	2,455,042	278	9,558
Nondeductible rental loss.....	137,677	1,428,920	137,555	1,425,632	122	3,288
Royalty:						
Net income.....	97,917	2,290,143	97,657	2,286,819	260	3,324
Net loss.....	6,483	32,343	6,467	32,248	16	95
Estate or trust:						
Net income.....	60,070	3,896,245	59,877	3,891,693	193	4,551
Net loss.....	6,727	460,158	6,685	453,993	42	6,165
State income tax refunds.....	628,663	2,829,040	628,116	2,821,172	547	7,868
Alimony received.....	3,338	263,601	3,334	263,555	4	47
Social Security benefits in adjusted gross income.....	206,457	2,980,333	205,413	2,966,875	1,044	13,458
Social Security benefits (nontaxable).....	206,466	527,852	205,422	525,435	1,044	2,417
Unemployment compensation.....	13,534	50,476	13,529	50,457	5	19
Other income.....	227,528	6,907,076	227,274	6,899,171	254	7,905
Other loss.....	29,920	1,111,304	29,901	1,105,057	19	6,247
Foreign-earned income exclusion.....	29,391	1,995,226	29,391	1,995,226	--	--
Total income.....	1,319,377	652,067,496	1,317,635	651,756,346	1,742	311,150
Statutory adjustments, total.....	638,870	6,940,168	638,494	6,936,096	376	4,072
Payments to Individual Retirement Arrangements.....	103,004	309,258	102,958	309,143	46	115
Payments to self-employed retirement (Keogh) plans.....	165,385	3,046,820	165,358	3,046,514	27	306
Moving expenses adjustment.....	17,124	99,815	17,124	99,815	--	--
Adjusted gross income.....	1,319,377	645,127,329	1,317,635	644,820,250	1,742	307,078
Investment interest expense deduction.....	324,643	6,259,256	324,055	6,121,732	588	137,523
Total tax preferences excluded from adjusted gross income.....	599,582	24,194,808	597,998	23,680,274	1,584	514,534
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds).....	28,951	554,200	28,895	542,648	56	11,552
Passive activity loss (alternative minimum tax adjustment).....	224,792	1,018,327	224,499	1,020,514	293	-2,187
Expanded income.....	1,319,377	663,373,664	1,317,635	662,689,748	1,742	683,915

Footnotes at end of table.

High-Income Tax Returns for 1995

Table 6.--Returns With and Without Worldwide Income Tax and With Income of \$200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, by Tax Status--Continued

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

Income concept, item	Returns with income of \$200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept -- Continued						
Exemption amount.....	636,469	2,322,690	634,942	2,316,070	1,527	6,620
Itemized deductions:						
Total per adjusted gross income concept.....	1,221,787	77,609,331	1,220,292	77,180,104	1,495	429,227
Total per expanded income concept.....	1,221,604	83,088,968	1,220,109	82,791,006	1,495	297,963
Charitable contributions deduction.....	1,177,590	19,931,999	1,176,251	19,864,230	1,339	67,769
Interest paid deduction:						
Total per adjusted gross income concept.....	991,046	23,445,664	990,234	23,285,325	812	160,340
Total per expanded income concept.....	914,374	17,188,542	913,787	17,163,842	587	24,700
Total home mortgage interest.....	913,516	17,061,834	912,929	17,037,231	587	24,603
Medical and dental expense deduction.....	21,459	703,463	20,581	629,384	878	74,079
Net casualty or theft loss deduction.....	1,438	126,028	1,342	78,683	96	47,345
Taxes paid deduction.....	1,217,091	43,118,375	1,215,649	43,069,103	1,442	49,272
Net limited miscellaneous deductions per adjusted gross income concept.....	183,905	3,025,791	182,875	2,990,486	1,030	35,305
Non-limited miscellaneous deductions.....	38,515	580,790	38,453	578,846	62	1,944
Excess of exemptions and deductions over adjusted gross income.....	2,467	333,610	847	181,344	1,620	152,266
Taxable income.....	1,316,903	564,906,456	1,316,788	564,884,490	115	21,967
Tax at regular rates.....	1,316,914	184,964,988	1,316,797	184,958,914	117	6,073
Income tax before credits.....	1,316,919	185,045,128	1,316,799	185,039,018	120	6,110
Tax credits:						
Total.....	152,360	761,485	152,240	755,375	120	6,110
Child care credit.....	60,653	29,354	**	**	**	**
Minimum tax credit.....	36,924	354,358	36,829	348,917	95	5,442
Foreign tax credit.....	--	--	--	--	--	--
General business credit.....	48,691	307,953	48,667	307,566	24	387
Alternative minimum tax (Form 6251).....	136,244	1,595,325	136,244	1,595,325	--	--
Worldwide total income tax.....	1,317,635	186,302,415	1,317,635	186,302,415	--	--
Foreign taxes paid.....	329,801	2,760,469	329,801	2,760,469	--	--
Foreign taxes paid on excluded foreign-earned income (Form 1116).....	16,400	423,447	16,400	423,447	--	--
Taxable income which would yield:						
Income tax before credits.....	1,316,919	541,615,224	1,316,799	541,595,734	120	19,489
Income tax after credits.....	1,316,799	540,785,091	1,316,799	540,785,091	--	--
Worldwide total income tax.....	1,317,635	544,993,114	1,317,635	544,993,114	--	--
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income.....	1,319,377	645,127,329	1,317,635	644,820,250	1,742	307,078
plus: Total tax preferences excluded from adjusted gross income ²	599,582	24,194,808	597,998	23,680,274	1,584	514,534
Social Security benefits (nontaxable).....	206,466	527,852	205,422	525,435	1,044	2,417
Foreign-earned income exclusion.....	29,391	1,995,226	29,391	1,995,226	--	--
minus: Investment interest expense deduction.....	324,643	6,259,256	324,055	6,121,732	588	137,523
Non-limited miscellaneous deductions.....	38,515	580,790	38,453	578,846	62	1,944
Unreimbursed employee business expenses.....	221,392	1,631,506	221,288	1,630,858	104	648
Equals: Expanded income.....	1,319,377	663,373,664	1,317,635	662,689,748	1,742	683,915

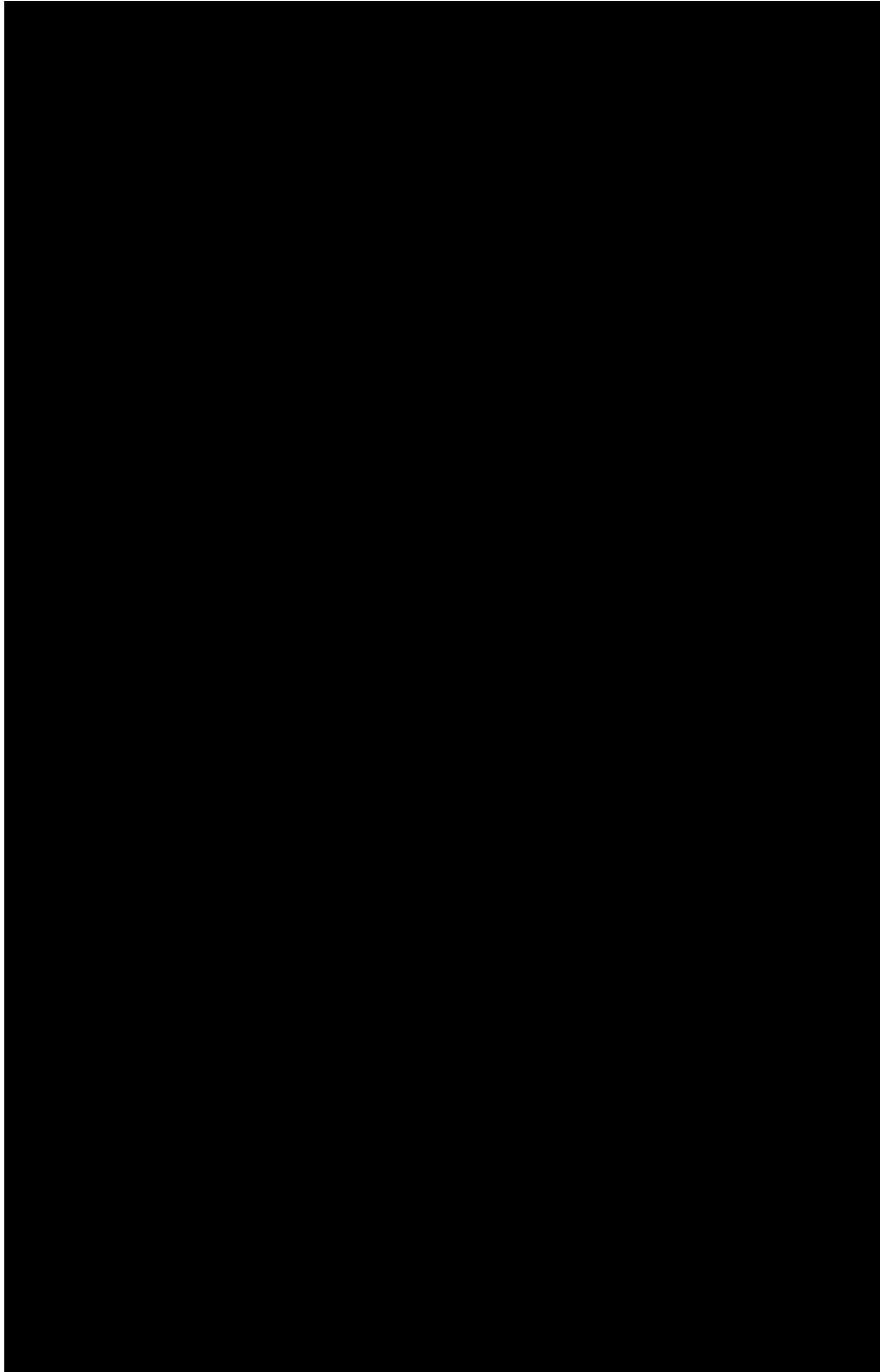
** Data deleted to avoid disclosure of information for specific taxpayers. However, deleted data are included in the appropriate totals.

¹ Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

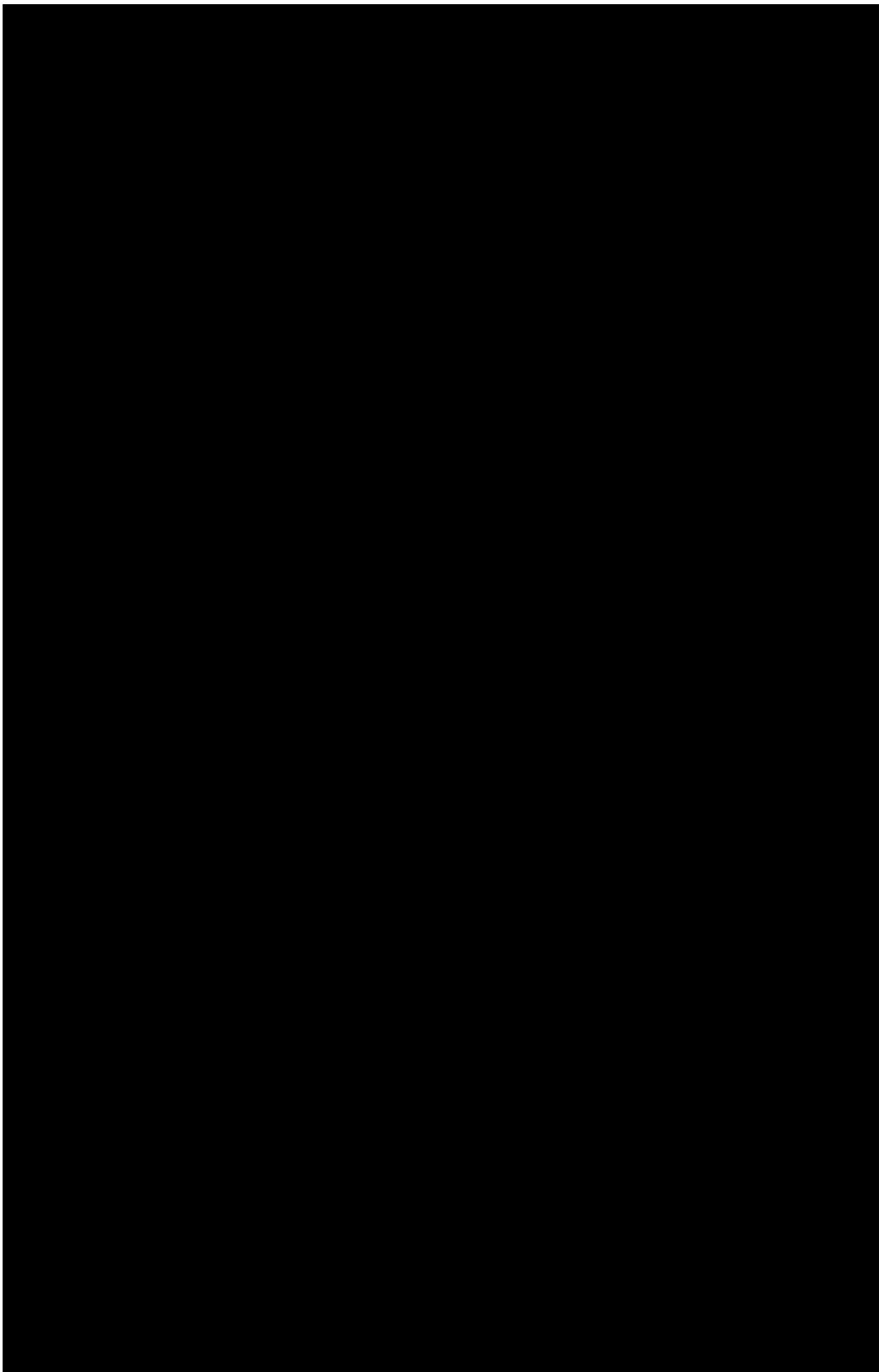
² Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

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

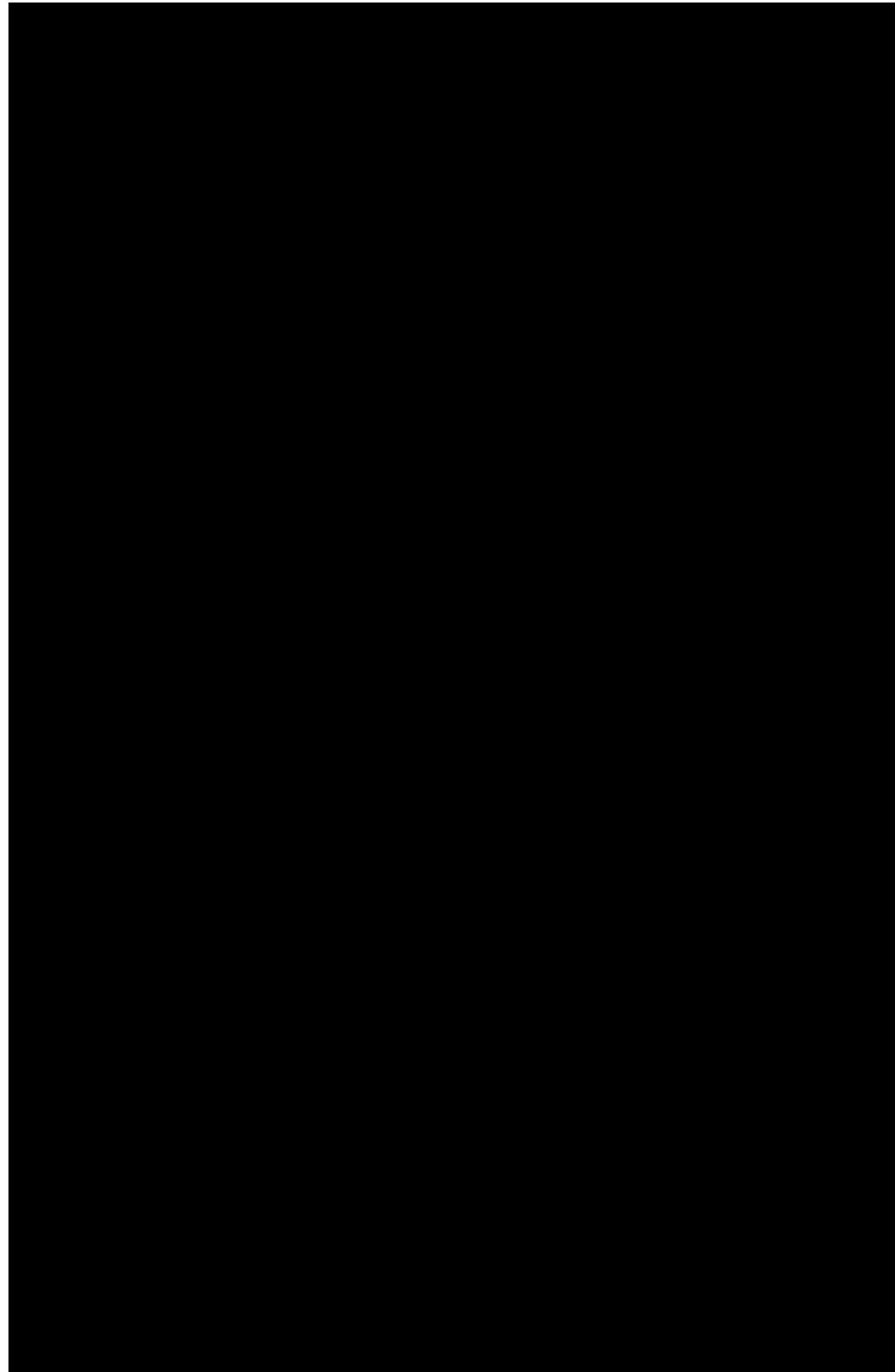
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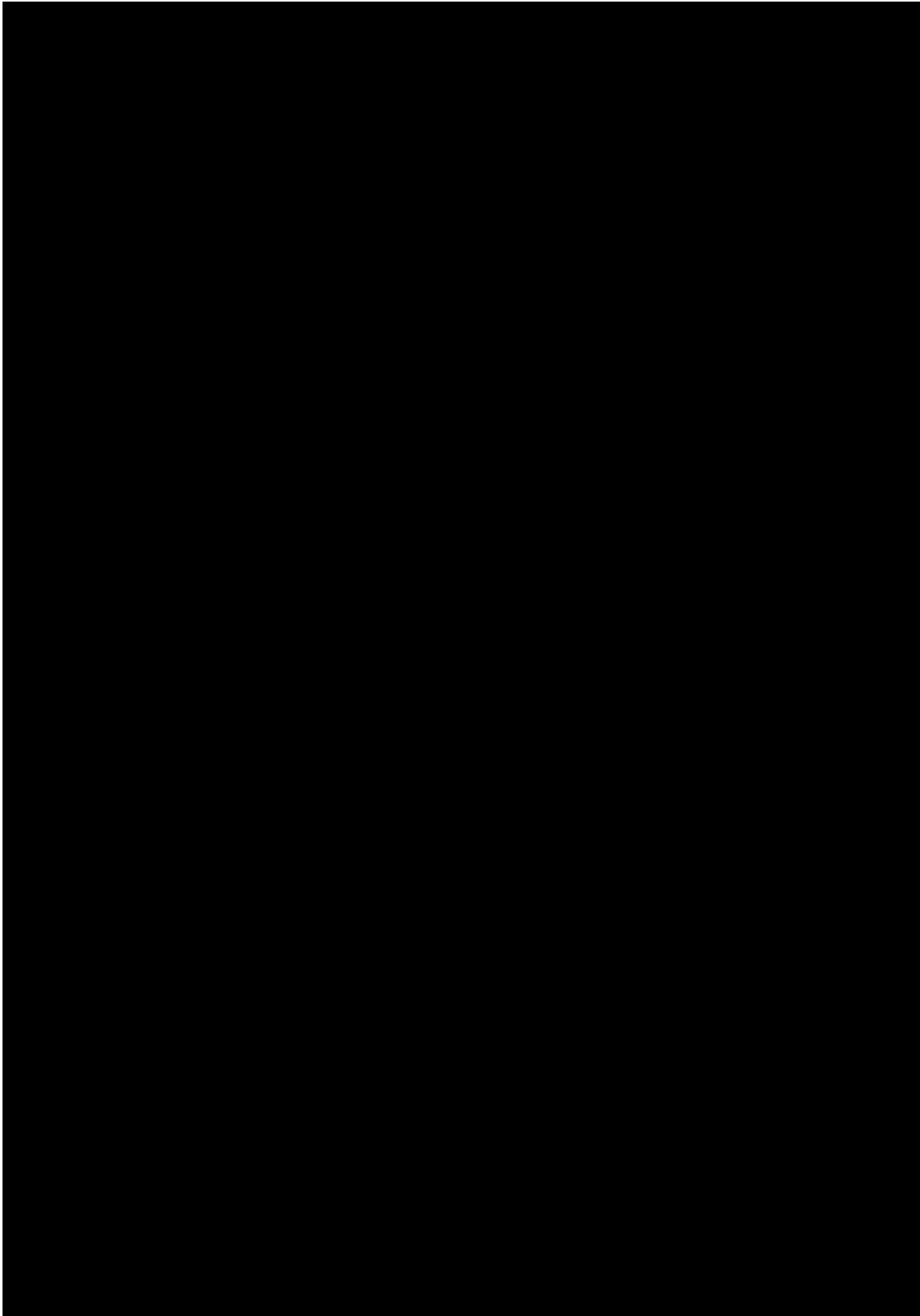
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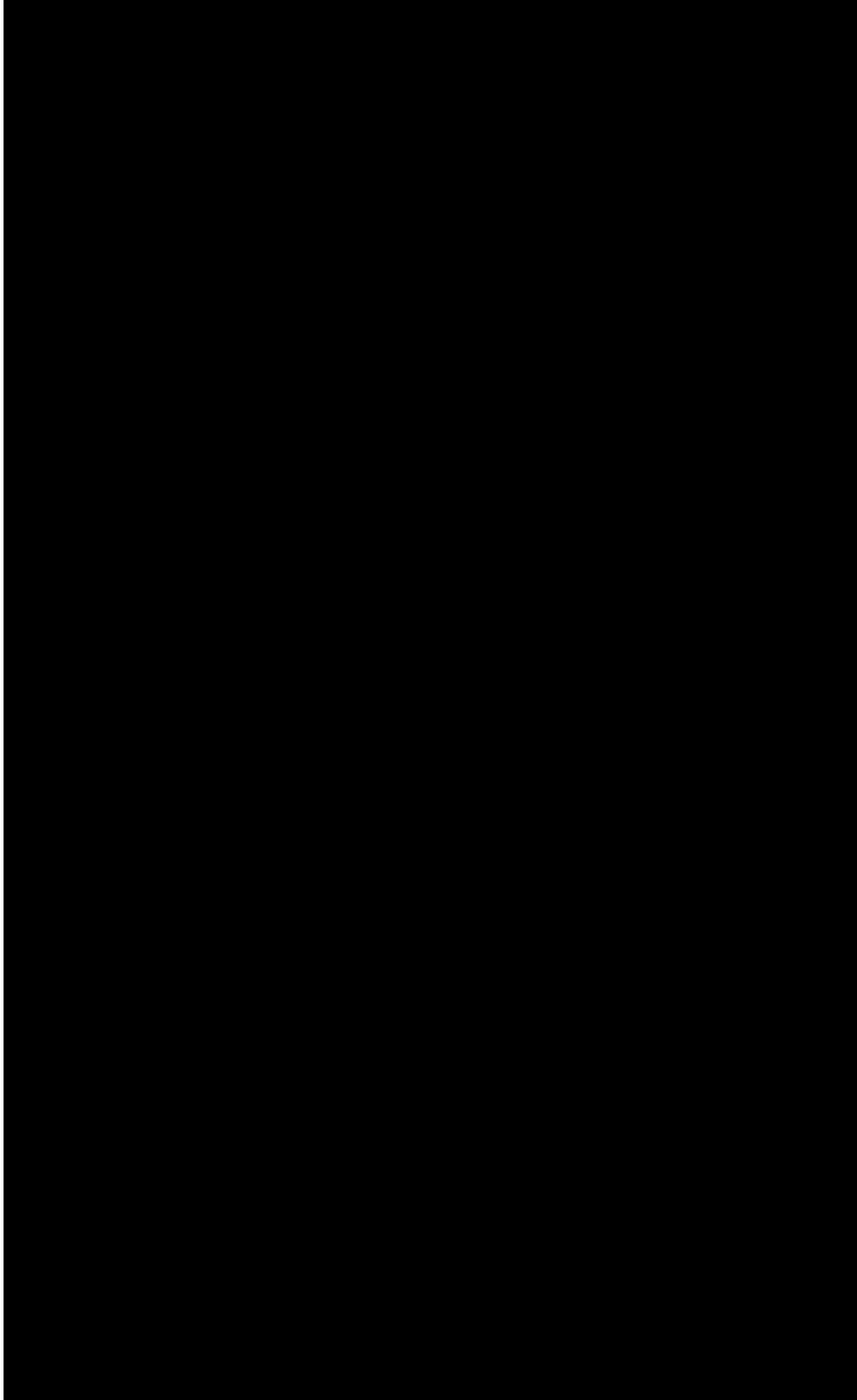
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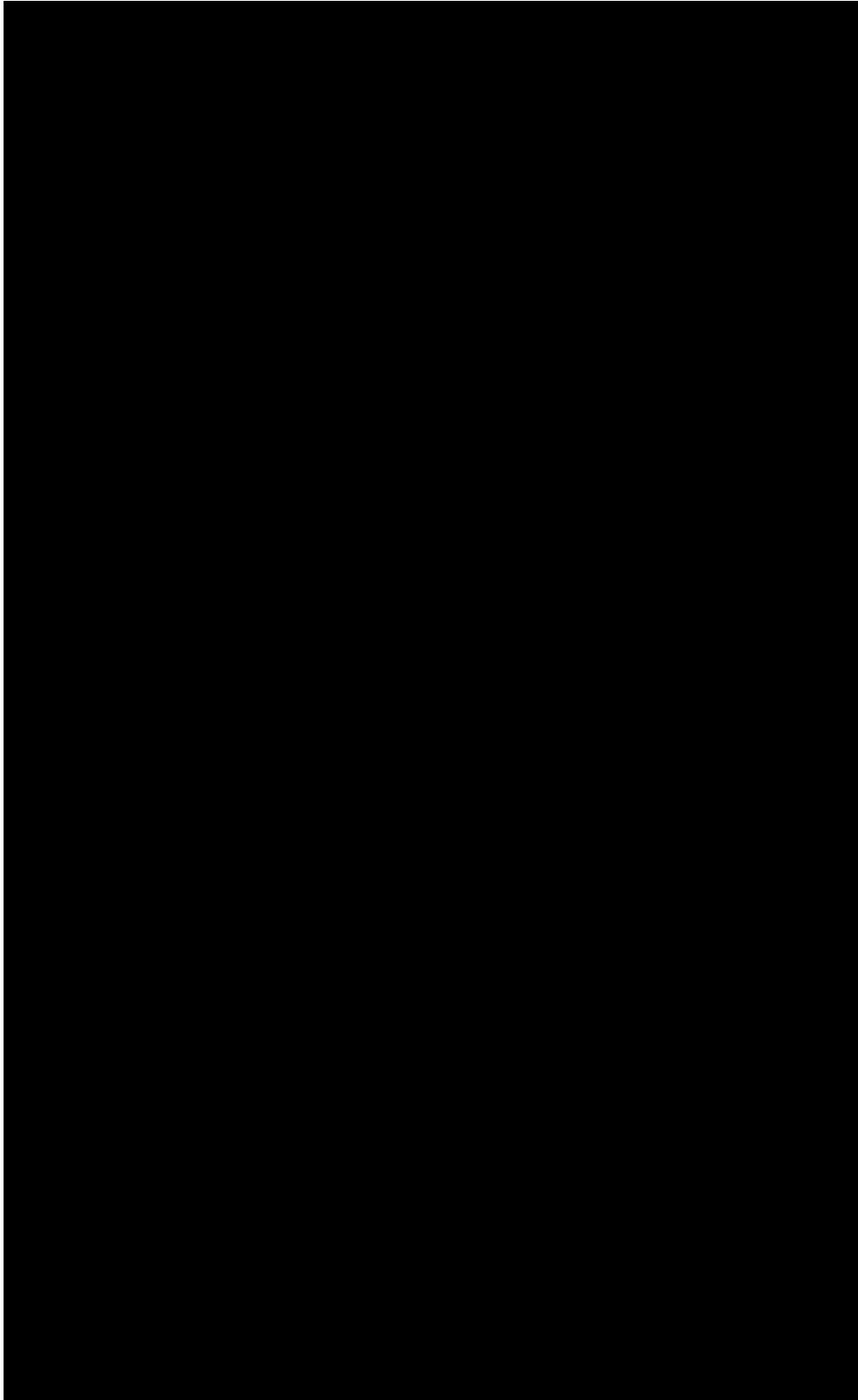
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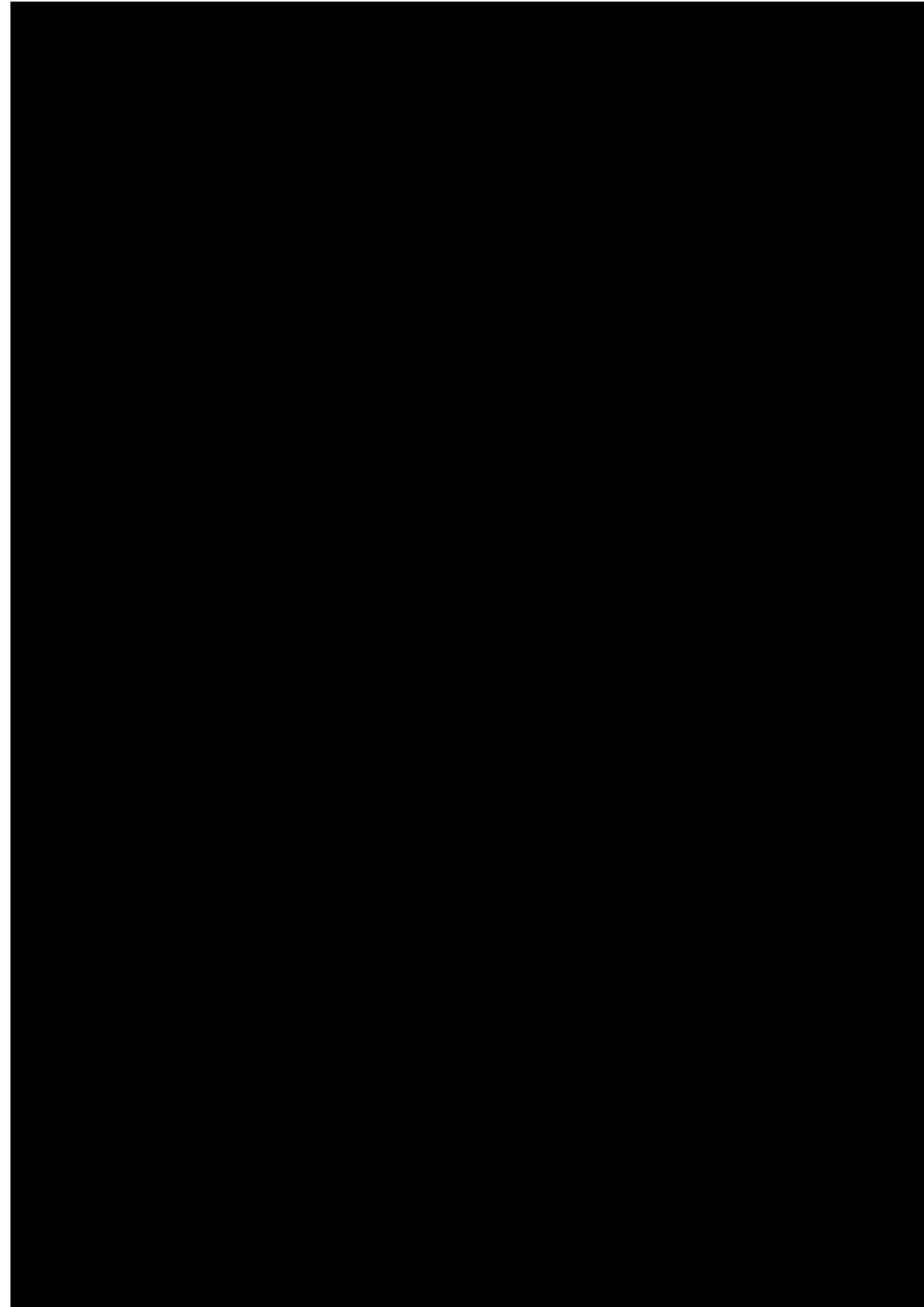
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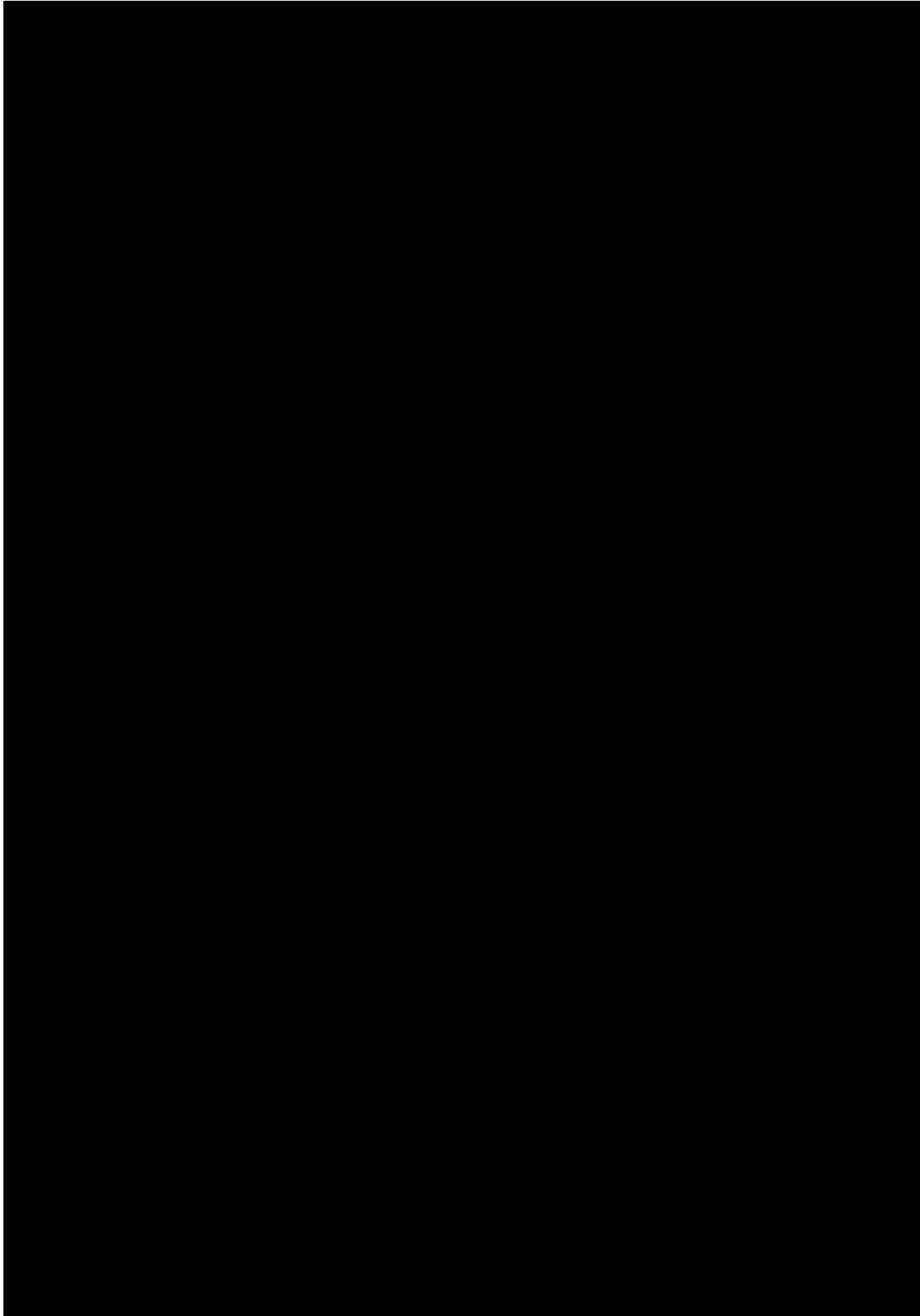
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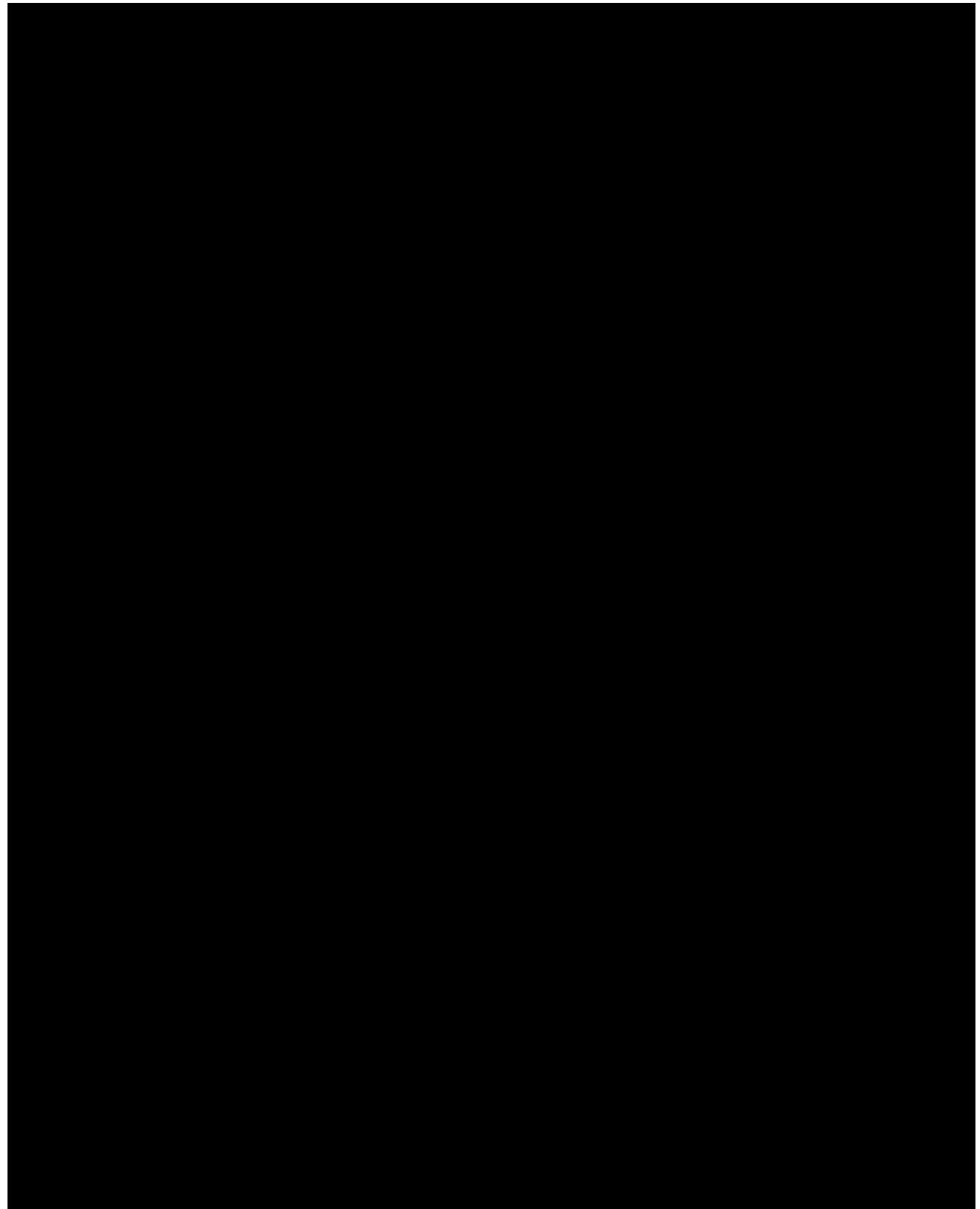
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