

# Individual Income Tax Rates and Tax Shares, 1995

by *Therese Cruciano*

**M**ore than 75 percent of the 118.2 million individual income tax returns filed for 1995 showed an income tax liability. The average tax rate on these taxable returns was 14.7 percent, 0.4 percentage points higher than for the previous year. The average adjusted gross income was \$44,901, and the average income tax was \$6,593, an increase of \$2,255 and \$489, respectively, over the 1994 amounts. Total income tax for 1995 increased 10.0 percent to \$588 billion, exceeding the growth rate of total adjusted gross income less deficit (AGI), which increased more than 7.3 percent to \$4,008 billion. Despite the increase in the average tax rate, the rate remained lower than the 15.1 percent for 1986, the last year before enactment of the Tax Reform Act of 1986 (TRA86).

Between 1994 and 1995, the shares of AGI for returns with the top 1 percent and top 5 percent of tax filers ranked by size of income increased by 0.8 percentage points and 0.9 percentage points, respectively. Returns in the top 1 percent of returns with positive AGI reported 14.6 percent of total AGI and 30.3 percent of total income tax for 1995, compared with 13.8 percent of total AGI and 28.9 percent of total income tax for 1994. An AGI of at least \$209,406 placed an individual in the top 1 percent of taxpayers for 1995. The returns in the top 5-percent group reported 28.8 percent of the AGI and 48.9 percent of the total income tax (compared to 27.9 percent and 47.5 percent, respectively, for 1994). To be included in the top 5 percent of taxpayers for 1995 required an AGI of at least \$96,221.

This article discusses the individual income tax rates and tax shares and the computation of “total income tax” for Tax Year 1995. To put this discussion into perspective, the appendices to the article provide explanations of selected terms used for the article and describe the income tax structure, certain tax law changes, income and tax concepts (the “1979 Income Concept,” “modified” taxable income, and marginal tax rates), the computation of “alternative minimum taxable income,” and the data sources and limitations.

## Income Tax Rates

Discussions of income tax rates generally center on measuring two distinct tax rates: average tax rates and marginal tax rates. Average tax rates are calculated by dividing some measure of tax by some measure of income.

For the statistics in this article, the average tax rate is “total income tax” (the sum of “income tax after credits” and the “alternative minimum tax”) divided by AGI reported on returns showing some income tax liability. Measures of marginal tax rates, on the other hand, focus on determining the tax rate imposed on the last (or next) dollar of income received by a taxpayer. For this article, the marginal tax rate is the statutory rate at which the last dollar of taxable income is taxed. (See Appendix D for a more detailed explanation of marginal tax rates.) The following sections describe the measurement of the average and marginal tax rates in more detail and discuss the statistics based on these rates for 1995.

## Average Tax Rates

Figure A presents statistics for 1985 through 1995 on income (based on each year’s definition of AGI and on the common 1979 Income Concept) and taxes reported. (See Appendix D for an explanation of the 1979 Income Concept.) These tax years can be partitioned into five distinct subperiods:

- (1) Tax Years 1985 and 1986 were the last two years under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under TRA86. During 1987, a one-year, transitional, five-rate tax bracket structure was established with a partial phase-in of new provisions that broadened the definition of AGI. The maximum tax rate was 38.5 percent.
- (3) During Tax Years 1988 through 1990, there was effectively a three-rate tax bracket structure [1]. The phase-in of the provisions of TRA86 continued, with a maximum tax rate of 33 percent.
- (4) Tax Years 1991 and 1992 brought a three-rate tax bracket structure (with a maximum tax rate of 31 percent), a limitation on some itemized deductions, and a phaseout of personal exemptions.
- (5) Tax Years 1993 through 1995 had a five-rate tax bracket structure with a maximum statutory tax rate of 39.6 percent, a limitation on some itemized deductions, and a phaseout of personal exemptions.

Nearly 89.3 million, or 75.5 percent, of the 118.2 million individual returns filed for Tax Year 1995 were “taxable returns.” Total AGI for these returns increased 7.3 percent to \$4,008 billion. Using the 1979 Income

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# Individual Income Tax Rates and Tax Shares, 1995

Figure A

## Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1985-1995

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

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns <sup>1</sup>	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) <sup>2,3</sup>	Average per return <sup>3</sup>			
							Current dollars		Constant dollars <sup>4</sup>	
							Adjusted gross income	Total income tax	Adjusted gross income	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1985.....	101,660,287	82,846,420	81.5	2,259	326	14.4	27,268	3,931	25,342	3,653
1986.....	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987.....	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988.....	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989.....	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990.....	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991.....	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992.....	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993.....	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994.....	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995.....	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
Using 1979 Income Concept <sup>5</sup>										
1985.....	101,660,287	82,846,420	81.5	2,403	326	13.6	29,003	3,931	26,954	3,653
1986.....	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987.....	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988.....	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989.....	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990.....	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991.....	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992.....	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993.....	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994.....	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995.....	118,218,327	89,252,989	75.5	4,072	588	14.4	45,627	6,593	29,939	4,326

<sup>1</sup> Number of taxable returns (column 2) divided by total number of returns (column 1).

<sup>2</sup> Average tax rate is "total income tax" (column 5) as a percentage of adjusted gross income (AGI) (column 4).

<sup>3</sup> The average adjusted gross income, average total income tax, and average tax rate were calculated from unrounded data.

<sup>4</sup> Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

<sup>5</sup> These statistics are based on adjusted gross income (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see *Statistics of Income--Individual Income Tax Returns*, for 1985-1995.

Concept, taxable returns showed total income of \$4,072 billion, an increase of 7.3 percent from 1994. Taxpayers reported \$588 billion in total income tax for 1995, approximately \$53 billion (10.0 percent) more than for 1994. Thus, for 1995, the growth of total income tax exceeded the growth of AGI by 2.7 percentage points.

In current dollars, average AGI and average total income tax both increased from 1994 to 1995. Average AGI increased 5.3 percent to \$44,901, while average tax increased 8.0 percent to \$6,593. After adjusting for inflation, average AGI was \$29,463, higher than the previous peak level of \$29,005 reported for Tax Year 1988 in 1982-84 dollars [2]. Likewise, the average tax (in

constant 1982-84 dollars) of \$4,326 for 1995 exceeds both the 1988 amount of \$4,005 and the previous high amount of \$4,119 reported for 1994.

Because TRA86 reduced statutory tax rates and broadened the definition of AGI (by eliminating or limiting the preferential treatment of various tax items, such as restricting the use of "passive losses" to offset "non-passive income" and eliminating the beneficial tax treatment of net long-term capital gains), comparisons of average tax rates before and after 1986, based on current-year definitions of AGI, become less meaningful [3]. The 1979 Income Concept provides a more consistent basis for such comparisons. Based on the 1979 Income Concept, average tax

## Individual Income Tax Rates and Tax Shares, 1995

rates declined 0.1 percentage point from 13.6 percent for 1986 to 13.5 percent for 1987, increased to 13.7 percent for 1988, and declined again for the next three years, until reaching 13.2 percent for 1991. The average tax rate rose to 13.4 percent for 1992, increased to 13.9 percent for 1993, and continued to increase to 14.4 percent for 1995. The large increase in the average tax rate for 1993 (0.5 percentage points) coincided with the increased tax rates beginning with that tax year.

The average tax rate (as a percentage of AGI) on taxable returns increased approximately 0.4 percentage points for 1995 to 14.7 percent, the highest level since 1986. However, the increase in the average tax rate for 1995 did not affect taxpayers in all income-size classes. Figure B shows that, except for the highest income-size class, the average tax rate either remained unchanged or declined between 1994 and 1995. Figure B also shows that more individuals moved into higher income-size classes between 1994 and 1995. Thus, the higher overall average tax rate was due to more taxpayers moving into higher income-size classes with their associated higher average tax rates. Specifically, the increased number of taxpayers in the four highest income-size classes likely accounted for much of the higher average tax rate. The number of taxable returns reporting AGI of \$100,000 or

more increased 18.5 percent for 1995, whereas the total number of taxable returns increased 1.9 percent. Likewise, AGI on all taxable returns increased 7.3 percent, while on returns for taxpayers reporting AGI of \$100,000 or more, it increased 19.0 percent. Total income tax for this group also rose 18.9 percent, while for all taxable returns, it increased 10.0 percent.

### Marginal Tax Rate Classifications

A return's marginal tax rate is the highest statutory tax rate bracket applicable to that tax return. Marginal tax rate statistics are presented in Figures C and D, and in Table 1. These statistics were based on individual income tax returns showing an amount for "tax generated" on taxable income and items of income that were subject to the regular income tax, generally those included in AGI [4]. Tables 2 and 3 contain additional data based on marginal tax rates. These tables present statistics on the income and tax generated at each marginal tax rate by size of AGI (Table 2) and by filing status (Table 3). Appendix D explains the details on the determination of the marginal tax rate bracket into which a return is assumed to fall.

For 1995, the 94.5 million individual returns with modified taxable income totaling \$2,814.1 billion generated more than \$595.7 billion in income taxes. Figure C

Figure B

### Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 1994 and 1995

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

Tax year, item	Total	Size of adjusted gross income									
		Under \$1 <sup>1</sup>	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>Tax Year 1995:</b>											
Number of taxable returns.....	89,253	7	10,266	16,497	16,762	21,360	19,018	4,072	1,006	178	87
Adjusted gross income (less deficit).....	4,007,580	-5,007	60,995	248,323	415,112	832,673	1,284,470	531,603	291,898	120,250	227,264
Total income tax.....	588,419	88	2,491	17,415	34,672	86,037	167,991	97,240	74,630	36,316	71,540
Average tax rate (percent).....	14.7	( <sup>2</sup> )	4.1	7.0	8.4	10.3	13.1	18.3	25.6	30.2	31.5
<b>Tax Year 1994:</b>											
Number of taxable returns.....	87,619	9	10,537	16,699	17,065	20,923	17,878	3,400	889	149	70
Adjusted gross income (less deficit).....	3,736,645	-4,379	63,594	251,511	422,768	817,673	1,201,511	445,877	255,944	100,582	181,565
Total income tax.....	534,856	102	2,602	17,543	35,481	85,474	158,394	82,665	65,582	30,376	56,637
Average tax rate (percent).....	14.3	( <sup>2</sup> )	4.1	7.0	8.4	10.5	13.2	18.5	25.6	30.2	31.2
Increase in average tax rates, 1995 over 1994.....	0.4	( <sup>3</sup> )	--	--	--	-0.2	-0.1	-0.2	--	--	0.3

<sup>1</sup> Includes returns with adjusted gross deficit. Tax in these returns represents alternative minimum tax and/or Form 8814 tax not reflected in adjusted gross income or taxable income.

<sup>2</sup> Percentage not computed.

<sup>3</sup> Difference not computed.

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

# Individual Income Tax Rates and Tax Shares, 1995

Figure C

## Returns with Modified Taxable Income: Tax Generated at Each Marginal Rate on Returns With the Indicated Marginal Tax Rate, Tax Year 1995

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

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percentage	Amount	Percentage	Amount	Percentage
	(1)	(2)	(3)	(4)	(5)	(6)
<b>All rates.....</b>	<b>94,482,512</b>	<b>100.0</b>	<b>2,814,142,086</b>	<b>100.0</b>	<b>595,735,041</b>	<b>100.0</b>
15 percent (Form 8814) <sup>1</sup> .....	9,548	( <sup>2</sup> )	5,088	( <sup>2</sup> )	765	( <sup>2</sup> )
15 percent rate.....	67,496,403	71.4	868,774,905	30.9	130,317,835	21.9
28 percent rate.....	22,377,855	23.7	1,066,166,151	37.9	202,880,589	34.1
28 percent rate (capital gains) <sup>3</sup> .....	337,682	0.4	56,029,502	2.0	14,226,015	2.4
31 percent rate.....	2,453,459	2.6	253,928,836	9.0	61,963,896	10.4
36 percent rate.....	929,776	1.0	180,644,646	6.4	50,801,930	8.5
39.6 percent rate.....	565,437	0.6	387,046,802	13.8	135,088,743	22.7
Form 8615 <sup>4</sup> .....	312,352	0.3	1,546,154	0.1	455,268	0.1

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income, and, thus, the overall total adjusted gross income for these returns is negative.

<sup>2</sup> Less than 0.05 percent.

<sup>3</sup> Returns with net long-term capital gains in excess of net short-term capital losses taxed at the 28-percent rate.

<sup>4</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,300. The returns in this rate classification are not distributed by tax rate.

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

presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal rate categories (defined in Appendix D). Although 71.4 percent of the returns were in the "15 percent" and "15 percent (Form 8814)" marginal rate categories, they reported only 30.9 percent of the modified taxable income and generated 21.9 percent of the tax. Conversely, the 0.6 percent of the returns in the "39.6 percent" classification reported 13.8 percent of the modified taxable income and generated 22.7 percent of the tax. The 24.0 percent of the returns in the "28 percent" and "28 percent (capital gains)" categories reported 39.9 percent of the modified taxable income and 36.4 percent of the tax. The returns in the "31 percent" classification reported 9.0 percent of the modified taxable income and generated 10.4 percent of the income tax, while the returns in the "36 percent" classification showed 6.4 percent of the modified taxable income and 8.5 percent of the income tax generated. The remaining returns--those in the "Form 8615" category--reported 0.1 percent of the modified taxable income and 0.1 percent of the income tax generated.

Figure D illustrates changes in the distribution of percentages of tax returns, modified taxable income, and income tax generated among the various marginal tax rate classifications over Tax Years 1993, 1994, and 1995. Over the three-year period, the percentage of returns in the "15 percent" marginal tax rate category decreased 0.9 percentage points, while the percentages of returns in the

remaining four marginal tax rate categories increased. During this period, the percentage shares of modified taxable income decreased 2.0 percentage points in the "15 percent" category and 0.6 percentage points in the "28 percent" category. The "31 percent" and "36 percent" categories showed increases of 0.3 percentage points and 0.6 percentage points, respectively, and the "39.6 percent" category increased 1.7 percentage points. Further, between 1994 and 1995, the "15 percent" category decreased 1.4 percentage points and the "39.6 percent" category increased 1.5 percentage points.

Changes in percentage shares of income tax generated between 1993 and 1995 are similar to those seen in the shares of modified taxable income. The percentage shares of income tax generated decreased 1.9 percentage points in the "15 percent" classification and 1.2 percentage points in the "28 percent" classification. The remaining marginal tax rate categories showed increases: "31 percent" (0.2 percentage points), "36 percent" (0.6 percentage points), and "39.6 percent" (2.3 percentage points).

### Components of Total Income Tax

#### Regular Tax

Regular tax is generally tax determined from a taxpayer's taxable income based on statutory tax rates less any applicable tax credits. It does not include the "alternative minimum tax" (AMT). Figure E illustrates the derivation of aggregate total income tax for Tax Year 1995 returns with modified taxable income. Table 1 includes two tax

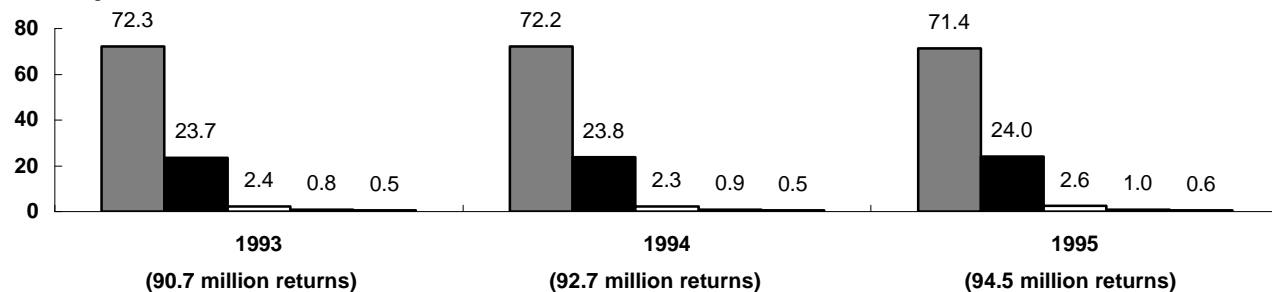
# Individual Income Tax Rates and Tax Shares, 1995

Figure D

## Returns With Modified Taxable Income: Percentages of Returns, Modified Taxable Income, and Tax Generated by Marginal Tax Rate Classification, Tax Years 1993-1995

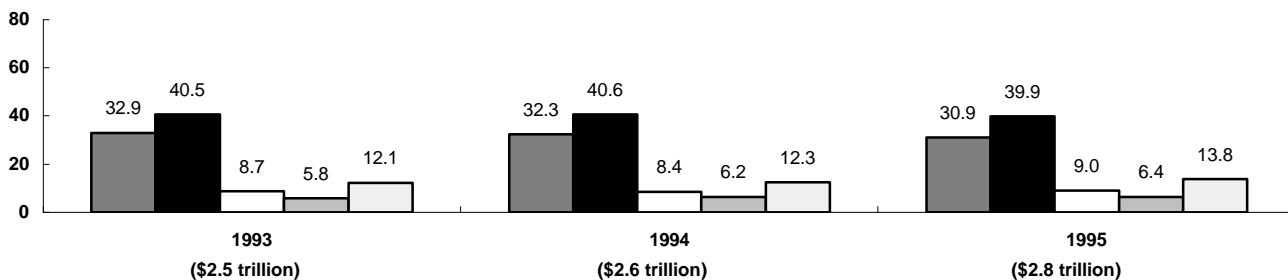
### Individual Tax Returns

Percentage



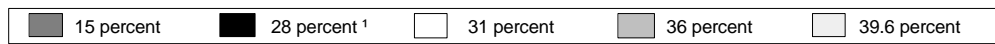
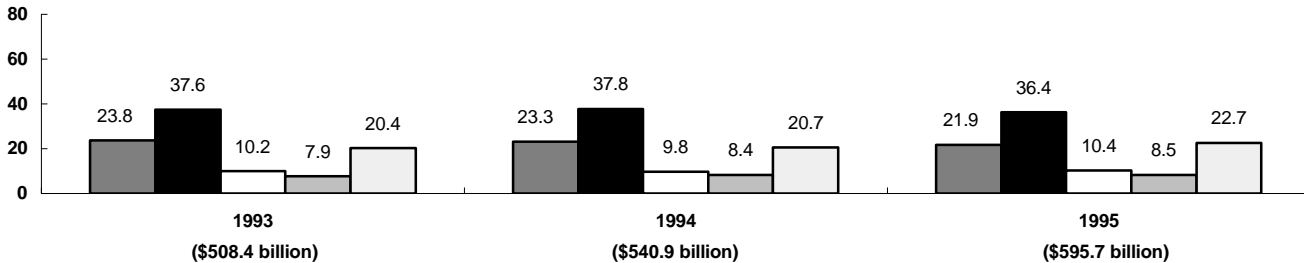
### Modified Taxable Income

Percentage



### Tax Generated

Percentage



<sup>1</sup> Includes 28 percent for returns with net long-term capital gains in excess of net short-term capital losses.

NOTE: Returns in the "Form 8615" and "Form 8814" categories were included in the calculation of the percentages, but are not shown separately. Detail may not add to 100 percent because of rounding.

# Individual Income Tax Rates and Tax Shares, 1995

Figure E

## Derivation of 1995 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

<b>Tax generated from tax rate schedules or tax table.....</b>	<b>595.7</b>
PLUS: Taxes from special computations, total.....	0.4
Tax on accumulation distributions of trusts .....	( <sup>1</sup> )
Tax on lump-sum distributions from qualified retirement plans.....	( <sup>1</sup> )
EQUALS:	
<b>Income tax before credits.....</b>	<b>596.2</b>
LESS: Tax credits, total.....	10.0
Child-care credit.....	2.5
Foreign tax credit.....	3.0
General business credit.....	0.7
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	3.1
Credit for prior-year minimum tax.....	0.5
Other credits <sup>2</sup> .....	0.2
EQUALS:	
<b>Income tax after credits.....</b>	<b>586.1</b>
PLUS: Alternative minimum tax.....	2.3
EQUALS:	
<b>Total income tax.....</b>	<b>588.4</b>

<sup>1</sup> Not tabulated.

<sup>2</sup> Includes the elderly or disabled credit, empowerment zone employment credit, mortgage interest credit, nonconventional source fuel credit, and other credits.

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

amounts: “tax generated” and “income tax after credits.” Tables 5 through 8 and Figures A and B include an additional measure of tax, “total income tax.”

As shown (Figure E and column 5 of Table 1), the tax generated by applying statutory income tax rates to modified taxable income was \$595.7 billion. For most taxpayers, tax generated was equal to income tax before credits. However, for others, income tax before credits included special taxes on accumulation distributions of trusts and lump-sum distributions from qualified retirement plans (when the special 5- or 10-year averaging method was used) [5]. The earned income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer and any portion of the EIC used to reduce other taxes are excluded from the computation of income tax after credits [6]. Income tax after credits (Figure E) totaled \$586.1 billion. Total income tax of \$588.4 billion (Figure A and Tables 5 through 8) is thus the sum of income tax after credits and the alternative minimum tax [7].

Table 4 provides statistics on the type of tax computation for returns with modified taxable income. For 1995, more than 312,000 returns were filed by children under

age 14 with investment income over \$1,300. Using Form 8615 to compute their tax, these children showed \$454.8 million in tax generated (column 7). If these same children had all their income taxed as ordinary income, income tax before credits (regular tax computation) would have totaled \$316.6 million (column 6). Thus, the difference resulting from the special tax computation was nearly \$138.2 million (column 8) in additional tax, compared with \$106.6 million for 1994 (column 4) [8].

More than 1.9 million returns using the Schedule D capital gains tax computation generated \$144.9 billion in tax (column 7). However, if long-term capital gains had been taxed the same as ordinary income (i.e., at a rate greater than 28 percent), the amount of income tax before credits (regular tax computation) for these same taxpayers would have been \$154.5 billion (column 6). Therefore, the reduction resulting from use of the Schedule D tax computation was more than \$9.6 billion (column 8), compared with the nearly \$8.1 billion shown for 1994 (column 4). Most of these tax savings (65.4 percent) were reported by taxpayers in the “\$1,000,000 or more” income-size class.

### Alternative Minimum Tax

The Revenue Act of 1978 established the alternative minimum tax to ensure that a minimum amount of income tax was paid by taxpayers who might otherwise use certain provisions of the tax code meant to stimulate economic activity and generate “economic income” to reduce, or even eliminate, their regular tax liability. The AMT provisions may recapture some of these tax reductions by recomputing income to achieve “alternative minimum taxable income,” or AMTI, the tax base for AMT. Form 6251, *Alternative Minimum Tax--Individuals* is used to calculate AMT. (See Appendix E for an explanation of the computation of AMTI.)

Figure F presents statistics, by size of AGI, on the AMT reported by taxpayers filing Form 6251 with their returns. An AMT liability of nearly \$2.3 billion was reported for 1995 based on AMTI of \$533.5 billion. The AMT amount for 1995 represents a 3.5-percent increase from the more than \$2.2 billion in AMT for 1994 based on \$478.2 billion of AMTI. For 1995, the amount of total adjustments and preferences was nearly \$60.3 billion, an increase of 5.8 percent from 1994.

Figure G shows the highest marginal tax rates on ordinary income, capital gains, and AMTI for each of the years 1985 through 1995. The amount of AMT reported for each of the eleven years is also shown. For 1985, when the top marginal tax rate on ordinary income was 50 percent, and the top capital gains rate and top AMT rates

# Individual Income Tax Rates and Tax Shares, 1995

Figure F

## Returns with Alternative Minimum Tax: Selected Data from Alternative Minimum Tax Computation, by Size of Adjusted Gross Income, Tax Years 1994 and 1995

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences		Alternative minimum taxable income		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax year 1995						
<b>All returns.....</b>	<b>4,181,051</b>	<b>60,285,018</b>	<b>4,183,654</b>	<b>533,523,017</b>	<b>414,106</b>	<b>2,290,576</b>
No adjusted gross income <sup>1</sup> .....	101,258	1,357,508	101,388	-5,385,788	4,484	87,778
\$1 under \$10,000.....	445,865	1,300,382	445,865	1,813,521	25,054	6,042
\$10,000 under \$20,000.....	349,908	1,740,965	349,908	4,185,407	1,109	3,272
\$20,000 under \$30,000.....	280,746	1,287,527	280,754	5,980,529	4,679	8,101
\$30,000 under \$40,000.....	237,552	1,372,756	237,594	7,375,909	3,600	4,251
\$40,000 under \$50,000.....	333,101	1,879,217	333,101	13,168,957	11,986	14,438
\$50,000 under \$75,000.....	622,537	4,570,750	622,536	34,356,535	33,128	76,942
\$75,000 under \$100,000.....	446,449	4,480,027	446,452	34,061,844	58,945	116,758
\$100,000 under \$200,000.....	777,444	11,265,946	779,314	96,463,549	141,833	413,348
\$200,000 under \$500,000.....	425,697	12,171,299	426,128	118,497,642	102,380	764,967
\$500,000 under \$1,000,000.....	101,162	6,040,789	101,247	64,530,145	18,208	314,177
\$1,000,000 or more.....	59,330	12,817,856	59,366	158,474,769	8,699	480,501
Tax year 1994						
<b>All returns.....</b>	<b>4,160,580</b>	<b>56,998,374</b>	<b>4,161,878</b>	<b>478,201,308</b>	<b>368,964</b>	<b>2,212,094</b>
No adjusted gross income <sup>1</sup> .....	100,868	1,278,768	101,040	-5,747,807	3,166	100,250
\$1 under \$10,000.....	443,248	1,299,463	443,248	1,434,791	20,774	16,975
\$10,000 under \$20,000.....	392,625	1,835,739	392,625	4,791,107	2,644	6,247
\$20,000 under \$30,000.....	267,711	1,407,829	267,712	5,788,317	5,351	10,852
\$30,000 under \$40,000.....	295,616	1,909,780	295,616	9,375,200	8,248	17,255
\$40,000 under \$50,000.....	320,403	1,743,494	320,702	12,843,190	4,591	18,142
\$50,000 under \$75,000.....	669,803	5,238,086	669,803	36,874,018	39,513	44,597
\$75,000 under \$100,000.....	426,060	4,423,407	426,060	32,720,568	50,159	129,557
\$100,000 under \$200,000.....	710,472	10,310,768	711,152	88,246,979	116,434	381,353
\$200,000 under \$500,000.....	400,452	11,628,146	400,503	110,042,300	91,724	726,002
\$500,000 under \$1,000,000.....	84,351	5,163,008	84,407	53,787,085	18,451	313,470
\$1,000,000 or more.....	48,970	10,759,884	49,007	128,045,558	7,908	447,392

<sup>1</sup> Includes returns with adjusted gross deficit.

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

were both 20 percent, the AMT reported was almost \$3.8 billion. Taxpayers could exclude 60 percent of their long-term capital gains (in excess of short-term capital losses) from AGI, but these capital gains were added back when computing AMT. For 1986, after TRA86 was introduced, but before it became effective, the AMT liability increased to more than \$6.7 billion. This increase was at least partially attributed to transactions undertaken as the result of changes that became effective the following year. After 1986, both the top capital gains rate and the top AMT rate increased, while the top marginal ordinary tax rate declined. In addition, capital gains were fully included in AGI. For 1987, AMT decreased dramatically to \$1.7 billion. From 1988 to 1990, AMT revenue continued to decrease, to a low of \$830.3 million for 1990. For 1991, when the AMT rate increased to 24 percent, AMT in-

creased 46.1 percent to \$1.2 billion. For 1993, when the top marginal tax rate on ordinary income and the top AMT rate increased again (while the top capital gains rate remained the same), AMT liability increased 51.3 percent to nearly \$2.1 billion. For 1995, AMT was nearly \$2.3 billion, the highest level reported since 1986.

### Income and Tax Shares

Historical statistics on income and tax by cumulative percentiles (based on numbers of returns) are presented in Tables 5 through 8. Distributions of AGI, as defined for each year, and tax, by descending and ascending cumulative percentiles of returns, are presented in Tables 5 and 6. These tables can be used to make comparisons across cumulative percentile classes within each year, among years within the ERTA81 period (i.e., Tax Years 1982

## Individual Income Tax Rates and Tax Shares, 1995

through 1986), and among years within the post-TRA86 period (i.e., Tax Years 1987 through 1995). Since TRA86 redefined AGI, Tables 5 and 6 are not as useful for comparisons between pre- and post-TRA86 years. Thus, Tables 7 and 8, which are based on a consistent definition of income (i.e., using the 1979 Income Concept), are included to facilitate such comparisons.

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

For example, consider the data in Table 5 for the 117.3 million returns filed for 1995 with positive AGI [9]. The average tax rate for these returns was 13.9 percent, the highest level since 1986 (14.5 percent). For 1995, the returns in the top 1 percentile reported 14.6 percent of total AGI and 30.3 percent of total income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$209,406. For 1994, the

returns in this percentile group (i.e., those with at least \$195,726 in AGI) reported 13.8 percent of total AGI while accounting for 28.9 percent of total income tax. For 1995, the returns in the top 5-percentile group (returns reporting AGI of \$96,221 or more) reported 28.8 percent of total AGI and 48.9 percent of total income tax, higher than the 27.9 percent and 47.5 percent, respectively, for 1994 (when the AGI floor was \$91,226). The returns in the top 10-percentile group (returns with AGI of at least \$72,094) showed 40.2 percent of AGI and 60.8 percent of total income tax. For 1994, the returns in this percentile group (with AGI of \$68,753 or more) reported 39.2 percent of total AGI and 59.5 percent of total income tax.

The statistics by percentile in Tables 5 and 6 (for years prior to 1991) and Tables 7 and 8 (for years prior to 1994) were estimated, using a mathematical technique called "osculatory interpolation," applied to aggregated data tabulated by income-size classes, in order to distribute the tax returns within each class [10]. For 1991 and later years, the statistics by percentiles in Tables 5 and 6 (and Tables 7 and 8 for 1994 and 1995) were computed based on an actual ranking of the returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. The differences under the two methods were judged to be minor enough, so that the pre-1991 and post-1990 data are believed to be comparable.

Figure H presents percentage shares of income and total income tax for various percentile groups, using the 1979 Income Concept, for 1985 through 1995. While shares of income for the top 1 percent and bottom 50 percent of taxpayers have been close over the years, 1995 marks the second time (1988 was first) that the income shares for the top-1 percentile were higher than the corresponding shares of the bottom-50 percentile. In recent years, the shares of income for these two percentile groups have been similar, even being equal (14.8 percent) for 1992. For 1995, the income share for the top 1 percent of taxpayers was 15.1 percent, the highest level reported since 1988, while taxpayers in the 50-percentile group reported the lowest share of income over the past eleven years, 14.5 percent. In contrast, the shares of total income tax for the top 1 percent and bottom 50 percent of taxpayers have diverged over time. The total income tax shares for the top 1 percent have, despite fluctuations, risen from 20.7 percent for 1985 to a high of 29.6 percent for 1995. Shares of total income tax for the bottom 50 percent of taxpayers have steadily decreased from 8.1 percent for 1985 to a low of 4.7 percent for 1995. The difference between shares of income for the top 5 percent and bottom 75 percent of taxpayers has also converged over time. Income shares increased from 25.1 percent for 1985 to 29.8 percent for

Figure G

### Marginal Tax Rate, Capital Gains Rate, Alternative Minimum Tax Rate, and Alternative Minimum Tax, Tax Years 1985-1995

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

Tax year	Highest marginal statutory tax rate on ordinary income	Highest capital gains rate	Highest statutory alternative minimum tax rate	Alternative minimum tax	
				Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)
1985.....	50.0	20 <sup>1</sup>	20	427,688	3,791,672
1986.....	50.0	20 <sup>1</sup>	20	608,907	6,713,149
1987.....	38.5	28	21	139,779	1,674,898
1988.....	28.0 <sup>2</sup>	28	21	113,562	1,027,884
1989.....	28.0 <sup>2</sup>	28	21	117,483	831,012
1990.....	28.0 <sup>2</sup>	28	21	132,103	830,313
1991.....	31.0	28	24	243,672	1,213,426
1992.....	31.0	28	24	287,183	1,357,063
1993.....	39.6	28	28	334,615	2,052,790
1994.....	39.6	28	28	368,964	2,212,094
1995.....	39.6	28	28	414,106	2,290,576

<sup>1</sup> This tax rate was based on 60 percent of long-term capital gains (in excess of short-term capital losses) being excluded from income. The remaining 40 percent of capital gains was taxed at the maximum rate of 50 percent, creating a top capital gains rate of 20 percent.

<sup>2</sup> The tax rate schedule provided only two basic rates: 15 percent and 28 percent. However, taxable income between certain amounts was subject to an additional 5 percent tax, creating an "effective" 33-percent tax rate.

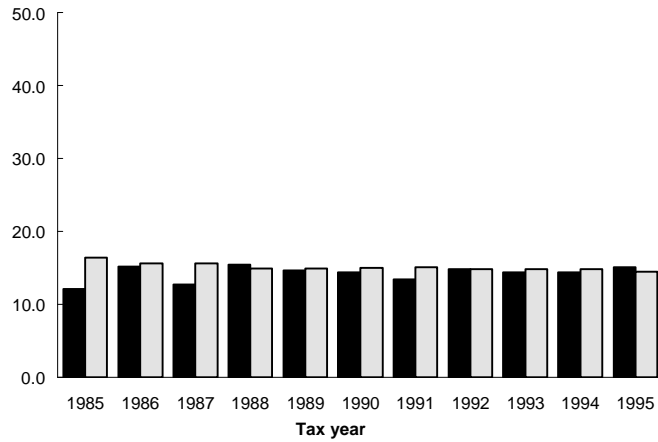


# Individual Income Tax Rates and Tax Shares, 1995

Figure H

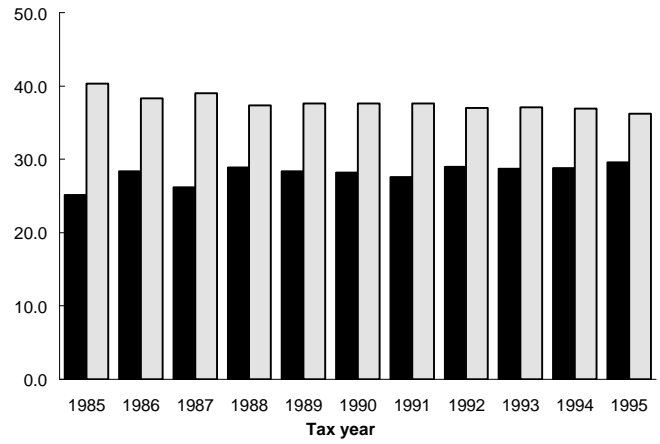
## Shares of Income and Total Income Tax Based on the 1979 Income Concept, by Cumulative Percentiles, Tax Years 1985-1995 <sup>1</sup>

Percentage share of income



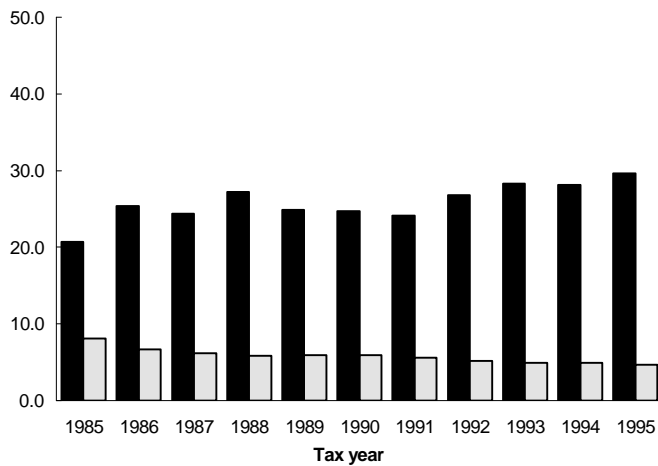
■ Top 1 percent    □ Bottom 50 percent

Percentage share of income



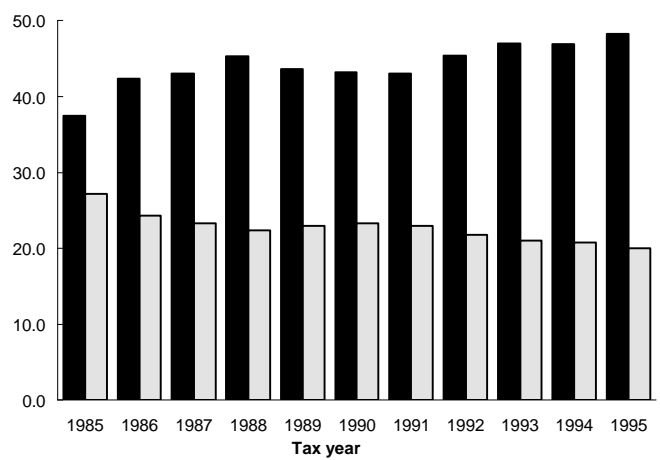
■ Top 5 percent    □ Bottom 75 percent

Percentage share of total income tax



■ Top 1 percent    □ Bottom 50 percent

Percentage share of total income tax



■ Top 5 percent    □ Bottom 75 percent

<sup>1</sup> Percentile groupings of tax filers exclude returns with zero or negative income.

## Individual Income Tax Rates and Tax Shares, 1995

1995 for the top 5 percent of taxpayers and decreased from 40.3 percent for 1985 to 36.2 percent for 1995 for the bottom 75 percent of taxpayers. Shares of total income tax for the top 5 percent and bottom 75 percent of taxpayers have diverged over the past eleven years. Percentage shares of total income tax for taxpayers in the top-5 percentile rose from 37.5 percent for 1985 to a high of 48.3 percent for 1995, while shares of total income tax for the bottom 75 percent of taxpayers have decreased from 27.2 percent for 1985 to 20.0 percent for 1995.

### Notes and References

- [1] For Tax Years 1988 through 1990, the tax rate schedules provided only two basic rates: 15 and 28 percent. However, taxable income over certain levels was subject to a 33-percent tax rate, to phase out the benefit of the 15-percent tax bracket (as compared to the 28-percent rate) and the deduction for personal exemptions. At the taxable income level where these benefits were completely phased out, the tax rate returned to 28 percent.
- [2] U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*. The consumer price index (CPI-U) represents annual averages of monthly figures and reflects the buying of all urban consumers (1982-84=100):
- | Year | CPI-U | Year | CPI-U |
|------|-------|------|-------|
| 1995 | 152.4 | 1989 | 124.0 |
| 1994 | 148.2 | 1988 | 118.3 |
| 1993 | 144.5 | 1987 | 113.6 |
| 1992 | 140.3 | 1986 | 109.6 |
| 1991 | 136.2 | 1985 | 107.6 |
| 1990 | 130.7 |      |       |
- [3] For further information on the Tax Reform Act of 1986, see U.S. Congress, Joint Committee on Taxation, *General Explanation of the Tax Reform Act of 1986* (H.R. 3838, 99th Congress, Public Law 99-514), May 4, 1987.
- [4] Nontaxable (i.e., tax-exempt) forms of income, such as interest on State and local government obligations, were not included in AGI and generally did not affect the marginal tax rate. However, the receipt of some forms of tax-exempt income could have influenced the taxability of other income, such as Social Security benefits. When this situation occurred, the income made taxable by the receipt of other forms of nontaxable income was included in AGI.
- [5] The income amounts on which these special computations were based were not reflected in current-year AGI or current-year taxable income.
- [6] For 1995, the total earned income credit was \$26.0 billion. This amount includes the amount used to reduce the regular income tax (\$3.1 billion), the amount used to reduce other taxes reported on individual income tax returns (\$2.0 billion), and the amount refunded to taxpayers (\$20.8 billion). Table 2.5 in *Statistics of Income--Individual Income Tax Returns 1995--Publication 1304* shows these amounts.
- [7] Total income tax does not include certain other taxes reported on the individual income tax return, such as self-employment tax (the Social Security tax on income from self-employment), the Social Security tax on certain tip income, tax from the recapture of prior-year investment or low-income housing credits, tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified retirement plans, and household employment taxes. The statistics for "total tax liability," shown in *Statistics of Income--Individual Income Tax Returns 1995--Publication 1304*, include these taxes. For Tax Year 1995, total tax liability reported on 91,473,653 returns was \$615.8 billion.
- [8] The difference resulting from the special tax computation does not reflect the provisions of TRA86, which lowered standard deductions for dependents (compared to other taxpayers) and prevented these children from claiming their own personal exemptions.
- [9] The percentile groupings of tax filers exclude returns with zero or negative AGI.
- [10] For an explanation of the osculatory interpolation technique, see Oh, H. Lock, "Osculatory Interpolation with a Monotonicity Constraint," *1977 Proceedings of the American Statistical Association, Section on Statistical Computing*, 1978.

### Appendix A: Explanation of Selected Terms

This article provides brief explanations of the major tax ideas discussed. For more extensive definitions, see Section 4 in *Statistics of Income--Individual Income Tax Returns 1995--Publication 1304*.

*Adjusted Gross Income*--Adjusted gross income is "total income," as defined by the tax code, less "statutory

## Individual Income Tax Rates and Tax Shares, 1995

adjustments” (primarily business, investment, or certain employee-related deductions, such as payments to a Keogh self-employed retirement plan and certain deductible contributions to an Individual Retirement Arrangement or IRA, and self-employed health insurance deductions). Total income includes, for example, salaries and wages, taxable interest, dividends, alimony, and the net amounts from such sources as business income, rents and royalties, and sales of capital assets.

*Difference Due to Special Tax Computation.*--For this article, the tax difference is the amount of tax resulting from using the provisions of one of the special tax computations (Form 8615 or Schedule D) less the amount of tax that would have resulted from not having used these provisions (regular tax computation).

*Form 8615 Tax Computation.*--Form 8615 was used to compute the tax on investment income of children under age 14 who had investment income of more than \$1,300. Generally, such income was taxed at the marginal tax rate of the parents.

*Income Tax Before Credits (Regular Tax Computation).*--This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate schedules, plus any additional taxes (tax on accumulation distributions of trusts and tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child’s rate rather than the parents’ rate. When Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 28-percent tax rate for capital gains.

*Marginal Tax Rate.*--See Appendix D.

*Modified Taxable Income.*--See Appendix D.

*Regular Tax Computation.*--Depending on marital status and size of taxable income, the taxpayer used the tax table or applied the rates from one of the four tax rate schedules to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

*Schedule D Tax Computation.*--Schedule D was used to compute the 28-percent tax on net long-term capital gains (in excess of net short-term capital losses), if such a computation was beneficial to the taxpayer. Any investment interest used for itemized deductions (Schedule A) was excluded from this computation.

*Taxable Income.*--Taxable income is AGI less the sum of personal exemption amounts and either the standard deduction for non-itemizers or total itemized deductions. The amounts for personal exemptions and total itemized

deductions are net of any reductions because of a taxpayer’s high income.

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

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

*Total Income Tax.*--Total income tax is the sum of income tax after credits and the alternative minimum tax.

### Appendix B: Income Tax Structure

Each year, taxpayers must file income tax returns if they meet certain minimum filing requirements. The filing requirements for 1995 were based on the amount of “gross income,” filing status, age, and, to a lesser extent, on dependency and blindness [B1]. Generally, the minimum level of income for which a return was required to be filed equaled the sum of the standard deduction for the particular filing status and the amount of the personal exemption deduction allowed for the taxpayer or taxpayers (but not for any dependents). In addition to the general filing requirements, individuals were required to file returns for Tax Year 1995 if they had net earnings from self-employment of at least \$400; liability for Social Security or Medicare tax on unreported tip income; Social Security, Medicare, or Railroad Retirement Tax on reported tip income or group-term life insurance; “alternative minimum tax”; tax on a qualified retirement plan, including an Individual Retirement Arrangement or IRA; tax on the recapture of investment credit or low-income housing credit; recapture tax on the disposition of a home purchased with a Federally-subsidized mortgage; any advance earned income credit payments; or wages of \$108.28 or more from a church or qualified church-controlled organization that was exempt from Social Security taxes.

## Individual Income Tax Rates and Tax Shares, 1995

Gross income includes all income, received as money, goods, property, or services, that was not expressly exempt from tax [B2]. Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses [B3]. "Taxable income," the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: the tax table or tax rate schedules, both of which vary with taxpayer filing status (single, married filing jointly, surviving spouse, married filing separately, and head of household); Form 8615 or Form 8814 for children's investment income; Schedule D worksheet for net long-term capital gains; or some combination of the above [B4]. For 1995, the tax rates for each filing status were 15, 28, 31, 36, and 39.6 percent, with a maximum rate of 28 percent on net long-term capital gains (in excess of net short-term capital losses).

To calculate their Federal income tax liability for 1995, taxpayers used either the tax table or the tax rate schedules. Taxpayers with taxable income less than \$100,000 were required to use the tax table, while those with taxable income of \$100,000 or more were required to use the tax rate schedules. The tax table was based on income tax "brackets" up to \$50 wide [B5]. The tax within each bracket was based on the tax calculated at the midpoint of the bracket and then rounded to the nearest whole dollar. As a result, the tax table and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax table could have produced either a slightly higher or lower amount of tax than that produced by the tax rate schedules. For taxpayers using the tax table with taxable income that was subject to the 36-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was \$8.89 [B6]. However, the actual difference in tax was smaller for most taxpayers.

### Notes to Appendix B

[B1] Taxpayers fall into one of five filing statuses: single, married filing jointly, married filing separately, head of household, and surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Those taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on the general

filing requirements for 1995, see *Statistics of Income--Individual Income Tax Returns 1995--Publication 1304* or U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income Tax/For use in preparing 1995 Returns--Publication 17*.

[B2] As defined under section 61 of the Internal Revenue Code, gross income includes amounts from wages and salaries, interest and dividends, alimony, bartering income, canceled debt income, gambling winnings, rents and royalties, and gains from property sales or exchanges, as well as gross profits from sole proprietorships and farming, income from partnerships and S Corporations, and distributions from estates and trusts. This definition of gross income is slightly different from the Form 1040, *U.S. Individual Income Tax Return*, concept of "total income," which is a component of the adjusted gross income (AGI) calculation on Form 1040. Total income includes net amounts rather than gross amounts (income prior to deductions) from such items as business income and rent and royalties.

[B3] As defined under Internal Revenue Code section 62, deductible expenses are those incurred in the course of a trade or business or in connection with rents and royalties; losses from property sales or exchanges; and certain statutory adjustments, such as deductible contributions to an IRA or Keogh plan, moving expenses, or the health insurance deduction for certain self-employed taxpayers.

[B4] Income tax before credits includes tax on lump-sum distributions from qualified retirement plans and tax on accumulation distributions of trusts.

[B5] For taxable income between \$0 and \$5 and between \$5 and \$25, the tax brackets were \$5 and \$10 wide, respectively. For taxable income between \$25 and \$3,000, the brackets were \$25 wide. All brackets for taxable income above \$3,000 were \$50 wide.

[B6] For example, assume a taxpayer filing as "married filing separately" reported taxable income of \$89,999. Using the tax table, the tax would be \$24,852, but using the tax rate schedules, the tax would be \$24,860.89, a difference of \$8.89.

### Appendix C: Changes in Law for 1995

As with previous years, the maximum amount of the earned income credit increased, as did the amount of

## Individual Income Tax Rates and Tax Shares, 1995

earned income and AGI an individual could have and still claim the credit. The maximum credit for taxpayers with no qualifying children increased (due to inflation-indexing) 2.6 percent, from \$306 to \$314. The EIC rate for these taxpayers remained 7.65 percent of EIC income. For taxpayers with no qualifying children, earned income and AGI had to be less than \$9,230 (up 2.6 percent from \$9,000 for 1994). For one qualifying child, the maximum credit increased (due to inflation-indexing) 2.7 percent, from \$2,038 to \$2,094. The EIC rate for these taxpayers increased from 26.3 percent to 34.0 percent of EIC income. For taxpayers with two or more qualifying children, the maximum credit rose 23.0 percent, from \$2,528 to \$3,110. The EIC rate for these taxpayers increased from 30.0 percent to 36.0 percent of EIC income. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$24,396 (up 2.7 percent from \$23,755 for 1994) for one qualifying child, or less than \$26,673 (up 5.4 percent from \$25,296 for 1994) for two or more qualifying children. A phaseout of the EIC began for AGI levels exceeding \$5,150 (up from \$5,000 for 1994) for taxpayers with no qualifying children and \$11,300 (up from \$11,000 for 1994) for taxpayers with one or more children.

The self-employed health insurance deduction, which expired on December 31, 1993, was retroactively extended and made permanent [C1]. In addition, the percentage of health insurance premiums that self-employed taxpayers were able to deduct increased from 25 percent to 30 percent.

Beginning for 1995, taxpayers were required to provide the Social Security number for each dependent claimed on their income tax returns and for each dependent listed on Schedule EIC, unless the dependent was born after October 1995. Additionally, taxpayers paying domestic employees \$1,000 or more generally had to pay Social Security and Medicare taxes for these employees with income tax returns by filing Schedule H, *Household Employment Taxes*, rather than filing separate tax returns.

Taxpayers were permitted to report unemployment compensation on Form 1040EZ for the first time for 1995. In addition, the amount of investment income a child under age 14 could have without having to file Form 8615 increased from \$1,200 to \$1,300.

Itemized deductions for taxpayers with AGI exceeding \$114,700 (\$57,350 if married filing separately) were subject to a limitation. The limitation did not apply to deductions for medical and dental expenses, investment interest expenses, casualty or theft losses, and gambling losses; all other deductions were subject to the limitation. Total itemized deductions were reduced by the smaller of:

(a) 80 percent of the deductions that were subject to the limitation, or (b) 3 percent of AGI in excess of the limitation threshold. Besides the itemized deduction limitation, the ceiling on taxable "self-employment income" and the width of each tax bracket were also adjusted for inflation.

The individual personal exemption amount increased from \$2,450 to \$2,500. A taxpayer's personal exemption deduction was limited, based on filing status, if AGI exceeded certain amounts. For each filing status, if a taxpayer reported AGI below the bottom threshold, the entire deduction was allowed; if AGI was more than the upper limit, the deduction was disallowed entirely. The deduction was reduced by 2 percentage points for each \$2,500, or part of \$2,500, (\$1,250 if married filing separately) that AGI exceeded the limitation threshold. The threshold for the limitation of personal exemption amounts increased. For single taxpayers, the limitation began at \$114,700 and was completed at \$237,200; for married taxpayers filing jointly and surviving spouses, the limitation began at \$172,050 and was completed at \$294,550; for heads of households, the limitation began at \$143,350 and was completed at \$265,850; and for married taxpayers filing separately, the limitation began at \$86,025 and was completed at \$147,275.

The standard deduction increased from \$3,800 to \$3,900 for single filers; from \$6,350 to \$6,550 for joint filers and surviving spouses; from \$3,175 to \$3,275 for married persons filing separately; and from \$5,600 to \$5,750 for heads of households. The standard deduction claimed by filers who were dependents of other taxpayers increased from \$600 to \$650. The additional standard deduction (for taxpayers age 65 or older or blind) remained \$950 for single filers and heads of households, and \$750 for married persons filing jointly, surviving spouses, and married persons filing separately.

### Note to Appendix C

[C1] The reinstated deduction was disallowed for any month in which the self-employed individual was eligible to participate in any subsidized health plan maintained by an employer of the individual or his/her spouse.

### Appendix D: Income and Tax Concepts

As discussed in Appendix B, gross income is all income received that is not exempt from tax. Total income is the net amount of gross income after certain expenses (i.e., business or rent and royalty expenses) have been deducted. Adjusted gross income (AGI) is the result of total income less statutory adjustments to income (i.e., deductible

# Individual Income Tax Rates and Tax Shares, 1995

Figure I

## Components of the 1979 Income Concept, Tax Year 1995

### Income or Loss:

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

### Deductions:

- Disallowed passive losses (Form 8582) <sup>6</sup>
- Moving expenses <sup>1</sup>
- Alimony paid <sup>1</sup>
- Unreimbursed business expenses<sup>6</sup>

<sup>1</sup> Included in adjusted gross income (AGI) for Tax Year 1995.

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

<sup>3</sup> Includes taxable and tax-exempt pension and retirement distributions, including IRA distributions.

<sup>4</sup> Not fully included in AGI for Tax Year 1995.

<sup>5</sup> Includes an adjustment to add back amounts reported for the "foreign-earned income exclusion."

<sup>6</sup> Not included in AGI for Tax Year 1995.

contributions to an IRA or Keogh plan).

### 1979 Income Concept

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

through 1986 were used as base years in identifying the income and deduction items included in this concept. The 1979 Income Concept applied to 1995 includes many income and deduction items that are also components of AGI (Figure I). However, unlike AGI, the 1979 Income Concept also includes nontaxable (i.e., tax-exempt) amounts of income reported on individual income tax returns and disallowed passive loss deductions. In addition, only straight-line deductions for depreciation are included in the 1979 Income Concept [D1].

### Modified Taxable Income

This concept is relevant only for "prior-year returns." For current-year returns, modified taxable income is identical to taxable income.

This is the term used for the statistics to describe "income subject to tax," the actual base on which tax is computed. Each year, a small number of returns for prior tax years are filed during the same calendar year in which the tax returns for the current tax year are being selected for the Statistics of Income sample. Some of these returns are selected for the sample and act as proxies for returns for the current tax year that will be filed during a later calendar year. The tax on these returns is based on a previous year's tax law (which may reflect different tax rates and income concepts). For the statistics in this article, the taxable income reported on these prior-year returns is modified to equal an amount necessary to generate the tax actually shown on these returns using current-year rates.

### Marginal Tax Rates

Under the progressive U.S. tax rate structure, different portions of taxable income are taxed at different rates. Figure J illustrates how income tax is determined for a single taxpayer with AGI of \$275,000 using the standard deduction. As shown in the example, five different tax rates are applied to the taxable income to arrive at total tax. The first \$23,350 of taxable income was taxed at the 15-percent rate, the next \$33,200 was taxed at the 28-percent rate, the next \$61,400 was taxed at the 31-percent rate, the next \$138,550 was taxed at the 36-percent rate, and the remaining portion, \$14,600, was taxed at the 39.6-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. The example shown has a marginal tax rate of 39.6 percent.

Since the individual income tax structure includes various types of income, deductions, exclusions, credits,

# Individual Income Tax Rates and Tax Shares, 1995

Figure J

## Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 1995

[Money amounts are in whole dollars]

Item	1995
Adjusted gross income.....	275,000
Less: Exemption amount.....	0 <sup>1</sup>
Standard deduction amount.....	3,900
Equals: Taxable income.....	271,100
Tax based on tax rates for single taxpayers:	
First \$23,350 taxed at 15 percent.....	3,503
Next \$33,200 taxed at 28 percent.....	9,296
Next \$61,400 taxed at 31 percent.....	19,034
Next \$138,550 taxed at 36 percent.....	49,878
Last \$14,600 taxed at 39.6 percent.....	5,782
Total tax from tax rate schedule.....	87,492

<sup>1</sup> The exemption amount was phased out completely because AGI exceeded \$237,200.

and taxes, which are not subject to the same treatment under the tax laws, determining marginal tax rates can be difficult. For instance, investment income of a dependent under age 14 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of \$1,300 was taxed at the marginal tax rate of the parents, while the salaries and wages were taxed at the dependent's own rate.

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

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

- (1) If a return showed taxable income below or equal to the amount to which the 39.6-percent tax rate was applied, the marginal tax rate of the return was the highest rate at which any amount of taxable income reported on the return was taxed.
- (2) If the return had taxable income (from other than net long-term capital gains) below or equal to the maximum amount to which the 28-percent tax rate applied,

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

- (3) For returns of dependents with a Form 8615 attached, when the use of this form resulted in the taxation of the dependent's income as if it were that of the parents, the return was classified as having a "Form 8615" marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest and dividend income of their dependents under age 14 on their own (i.e., the parents') returns using Form 8814, when the dependent's income generated the only tax liability on the parent's return, the return was classified with a "Form 8814" marginal tax rate.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses), and presence of a Form 8615 or a Form 8814. Returns were classified into one of the following eight mutually exclusive marginal tax rate categories: (1) Form 8814 (15-percent rate with no tax liability other than that generated by the dependent's income); (2) 15-percent rate; (3) 28-percent rate; (4) 28-percent rate with net long-term capital gains [D2]; (5) 31-percent rate; (6) 36-percent rate; (7) 39.6-percent rate; and (8) Form 8615 (with income taxed at any rate) [D3].

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modified taxable income. For each marginal rate classification, modified taxable income and "income tax generated" were computed "at all rates" and "at marginal rate." The "at all rates" computations (columns 3 and 5) show the total amount of modified taxable income or tax generated, tabulated by the marginal tax rate specified; each tax rate classification is mutually exclusive. The "at marginal rate" computations (columns 4 and 6) report the specific amounts of modified taxable income taxed and the tax generated at the marginal tax rate shown, for all returns in each of the marginal rate classifications. For example, consider returns in the "joint returns and returns of surviv-

## Individual Income Tax Rates and Tax Shares, 1995

ing spouses” filing status that were included in the “39.6-percent” marginal tax rate classification. The total modified taxable income for the 483,209 returns in this classification “at all rates” was \$327.7 billion (column 3), and the total tax generated was \$113.9 billion (column 5). More than \$168.3 billion (column 4) of the modified taxable income for 1995 were subject to tax at the marginal tax rate of 39.6 percent. This modified taxable income generated \$66.7 billion (column 6) in tax at the 39.6-percent tax rate, with the remainder generated by the lower four tax rates. The alternative minimum tax was not included in the statistics by marginal tax rate.

Table 2 provides statistics on the tax generated, in total and at each marginal tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI rather than by the marginal tax rate classifications used in Table 1. The tax generated at each marginal tax rate was computed based on the modified taxable income for each individual return. For example, the more than 1.0 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$249.4 billion and generated total tax of \$74.8 billion. Of the \$249.4 billion of modified taxable income, \$37.3 billion were taxed at 15 percent, \$51.3 billion were taxed at 28 percent (ordinary income), \$20.0 billion were taxed at the 28-percent rate with net long-term capital gains, \$46.7 billion were taxed at 31 percent, \$70.0 billion were taxed at 36 percent, and \$23.9 billion were taxed at the 39.6-percent rate, with the remainder consisting of tax related to Forms 8814 and 8615. Approximately \$5.6 billion of the total tax generated were from the 15-percent rate, \$14.4 billion resulted from the 28-percent rate (ordinary income), \$5.6 billion were from the 28-percent rate with net long-term capital gains, \$14.5 billion were from the 31-percent rate, \$25.2 billion were from the 36-percent rate, and \$9.5 billion resulted from the 39.6-percent rate, with the remainder from tax related to Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each marginal tax rate (as in Table 2, columns 5 through 28) by filing status, instead of size of AGI, for returns with modified taxable income. Nearly 0.5 million of the 42.8 million returns with modified taxable income filed jointly had some income taxed at the 39.6-percent tax rate. For these returns, the taxable income subject to this rate was \$168.3 billion, and the tax generated was \$66.7 billion.

### Notes to Appendix D

[D1] For more details on the income computation under

the 1979 Income Concept for 1995, see *Statistics of Income--Individual Income Tax Returns 1995--Publication 1304*.

- [D2] The “28-percent (capital gains)” marginal tax rate category consists of returns that have a top tax rate of 28 percent, but have net long-term capital gains (in excess of net short-term capital losses), which would have been taxed at a higher rate if it had been some other form of income.
- [D3] For some taxpayers, the statutory marginal tax rate may differ from the actual marginal tax rate. For example, extra income received by certain taxpayers may result in the phaseout of their personal exemptions as well as some of their itemized deductions. Therefore, an extra dollar of income could add more than \$1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 31 percent, the actual marginal rate faced by the taxpayer would be somewhat higher.

### Appendix E: Computation of Alternative Minimum Taxable Income

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions for personal exemptions (Figures K-1 and K-2). Although itemized deductions for

Figure K-1

#### Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 1995

	Taxable income before deduction for personal exemptions
PLUS:	Adjustments and preferences
PLUS:	Net operating loss deduction
MINUS:	Overall itemized deductions limitation
MINUS:	Alternative tax net operating loss deduction <sup>1</sup>
EQUALS:	Alternative minimum taxable income

<sup>1</sup> Limited to 90 percent of AMTI, except when depletion is present on Form 6251. In the latter case, AMTI is recalculated, and the alternative tax net operating loss deduction is limited to 90 percent of the recomputed amount.



# Individual Income Tax Rates and Tax Shares, 1995

Figure K-2

## Alternative Minimum Tax Adjustments and Preferences, Tax Year 1995

- Standard deduction
- Medical and dental expenses from Schedule A (the lesser of deductible medical and dental expenses, or 2.5 percent of AGI)
- Deductions for State and local income, real estate, and foreign taxes
- Deductions for interest on certain home mortgages not used to buy, build, or improve the taxpayer's main home or second home
- Miscellaneous itemized deductions subject to the 2-percent-of-AGI limitation
- Refunds of State and local income, real estate, and foreign taxes previously deducted (negative)
- Investment interest expense (the result could be negative)
- Excess of depreciation on property placed in service after 1986 over less liberal methods allowed for alternative minimum tax (AMT) purposes (straight-line or 150-percent declining balance method, depending on the type of property; the result could be negative)
- Adjustment of gain or loss on property, the basis of which was affected by accelerated depreciation or rapid amortization and which was reduced for AMT purposes (the result could be negative)
- Incentive stock options that were exercised after 1987 (the amount by which the value of the option when exercised exceeded the price paid by the taxpayer; the result could be negative)
- Passive activity loss allowed for regular tax purposes for activities acquired before October 23, 1986, taking into account AMT adjustments and preference items and any AMT prior-year unallowed losses (the result could be negative)
- Difference between income distributions to beneficiaries of estates and trusts for regular tax purposes and the amounts refigured for AMT purposes (the result could be negative)
- Tax-exempt interest from private activity bonds issued after August 7, 1986
- Excess of deduction for carryover of charitable contributions refigured for AMT purposes using AMT, instead of regular tax (the result could be negative)
- Excess of circulation expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Excess of percentage depletion deduction for IRC sections 611 and 613 property over the adjusted basis (the result could be negative)
- Excess of accelerated depreciation on property placed in service before 1987 over straight-line depreciation as refigured for AMT purposes
- Adjustment from disallowing the installment sales method of accounting for sales of inventory and stock in trade after March 1, 1986, with certain exceptions (the result could be negative)
- Amount by which excess intangible drilling costs deducted currently over allowable amortization (if these costs were capitalized) was more than 65 percent of the taxpayer's "net income" from oil, gas, and geothermal wells, with exceptions for independent oil producers and royalty owners
- Deferred income from long-term contracts entered into after February 28, 1986, with certain exceptions and limitations (the result could be negative)
- Adjustment for refigured loss from activities in which allowable losses from partnerships or S corporations were limited by "at-risk" and other rules, taking into account AMT adjustments and preference items (the result could be negative)
- Excess of mining exploration and development costs paid or incurred after 1986 over allowable amortization if the costs were capitalized (the result could be negative)
- Adjustment for taxable distributions received from a cooperative (total AMT patronage dividend and per-unit retain allocation adjustment)
- Excess of rapid amortization of pollution control facilities placed in service after 1986 over otherwise allowable depreciation (the result could be negative)
- Excess of research and experimental expenditures paid or incurred after 1986 over allowable amortization if the expenditures were capitalized (the result could be negative)
- Adjustment for refigured tax shelter farm losses, taking into account AMT adjustments and preference items (the result could be negative)
- Related adjustments, refigured for AMT purposes, including IRC section 179 expense deduction, expenses for business or rental use of the home, conservation expenses, taxable IRA distributions, self-employed health insurance deduction, Keogh retirement plan or self-employed SEP deduction, and IRA deductions (the result could be negative)

## Individual Income Tax Rates and Tax Shares, 1995

some taxpayers were limited for regular tax purposes, the full amounts of such itemized deductions were included as adjustments. To compensate for this, the overall limitation on itemized deductions was subtracted from taxable income for AMT purposes. The “net operating loss deduction” was recomputed to allow for the exclusion of the “tax preference items” and “adjustments” used to reduce regular tax liability. The recomputed net operating loss deduction, termed the “alternative net operating loss deduction,” was limited to 90 percent of AMTI (with certain minor exceptions for 1995).

AMTI was reduced by an exemption amount dependent upon the filing status of the individual, subject to phaseout at higher income levels. For 1995, the AMTI exemption for single filers (and heads of households) was \$33,750; for joint filers and surviving spouses, \$45,000; and, for married persons filing separately, \$22,500. The exemption was reduced (but not below zero) by 25 percent of the amount by which AMTI exceeded threshold levels of \$112,500 for single filers (and heads of households), \$150,000 for joint filers, and \$75,000 for married persons filing separately. The exemption was phased out completely for individuals whose filing status was single (or head of household), married filing jointly, and married filing separately, at \$247,500, \$330,000, and \$165,000, of AMTI, respectively.

After reduction by the exemption, the first \$175,000 (\$87,500 if married filing separately) of the remaining AMTI was subject to tax at a 26-percent rate, with any excess being taxed at a 28-percent rate. The resulting tax was reduced by the “alternative minimum tax foreign tax credit,” which produced a “tentative minimum tax.” Tentative minimum tax was further reduced by the individual’s regular tax before credits (including additional taxes from accumulation distributions of trusts) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 14 with investment income over a certain amount who filed their own returns were subject to special rules for AMT purposes. These rules required that the dependents pay the same amount of AMT as their parents would have paid had the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$1,000 plus their “earned incomes.” The dependent’s AMT could be reduced if the parent had

regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 14 of the same parents had regular tax greater than this dependent’s own tentative minimum tax.)

### Appendix F: Data Sources and Limitations

The statistics for Tax Year 1995 are based on a stratified probability sample of unaudited individual income tax returns (Forms 1040, 1040A, 1040EZ, 1040T, and 1040PC, including electronic returns) filed with the Internal Revenue Service during Calendar Year 1996. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms and schedules; and (4) usefulness of returns for Treasury Department tax modeling purposes [F1]. Returns were then selected at rates ranging from 0.02 percent to 100 percent. The sampling resulted in 114,591 returns selected to represent the 118,650,252 returns filed during 1996.

Since the data presented in this article are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CV’s) are used to measure that magnitude. (For information about the samples used for the other tax years referred to in the statistics, for example, in Tables 5 through 8, see the Statistics of Income reports for those years.) Figure L presents estimated CV’s for the number of returns and money amounts for selected income items. The Appendix to this issue of the *Bulletin* discusses the reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of estimates based on samples.

### Note to Appendix F

[F1] Returns in the sample were stratified based on the presence or absence of one or more of the following forms or schedules: Form 2555, *Foreign Earned Income*; Form 1116, *Foreign Tax Credit (Individual, Fiduciary, or Nonresident Alien Individual)*; Schedule C, *Profit or Loss from Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss From Farming*.

# Individual Income Tax Rates and Tax Shares, 1995

Figure L

## Coefficients of Variation for Selected Items, 1995

[Coefficients of variation are percentages]

Size of adjusted gross income	Adjusted gross income		Taxable income		Tax generated	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total.....</b>	0.06	0.17	0.24	0.22	0.25	0.24
Under \$2,000.....	2.12	1.37	4.77	6.08	4.84	6.45
\$2,000 under \$4,000.....	2.28	2.32	4.96	6.97	5.04	7.27
\$4,000 under \$6,000.....	2.40	2.41	4.77	5.38	4.77	5.48
\$6,000 under \$8,000.....	2.37	2.38	3.63	4.77	3.64	4.85
\$8,000 under \$10,000.....	2.31	2.31	3.24	3.71	3.24	3.77
\$10,000 under \$12,000.....	2.33	2.34	3.05	3.46	3.05	3.46
\$12,000 under \$14,000.....	2.33	2.33	2.76	3.27	2.76	3.27
\$14,000 under \$16,000.....	2.40	2.40	2.60	3.08	2.61	3.08
\$16,000 under \$18,000.....	2.57	2.57	2.72	3.16	2.72	3.16
\$18,000 under \$20,000.....	2.59	2.59	2.68	3.07	2.68	3.08
\$20,000 under \$25,000.....	1.67	1.67	1.70	1.90	1.70	1.90
\$25,000 under \$30,000.....	1.87	1.88	1.89	2.06	1.89	2.06
\$30,000 under \$40,000.....	1.12	1.12	1.12	1.19	1.12	1.23
\$40,000 under \$50,000.....	1.42	1.43	1.43	1.48	1.43	1.53
\$50,000 under \$75,000.....	1.09	1.08	1.09	1.10	1.09	1.13
\$75,000 under \$100,000.....	1.75	1.75	1.75	1.78	1.75	1.81
\$100,000 under \$200,000.....	1.47	1.29	1.48	1.29	1.48	1.25
\$200,000 under \$500,000.....	1.37	1.15	1.37	1.16	1.37	1.13
\$500,000 under \$1,000,000.....	0.98	0.99	0.98	1.01	0.98	1.02
\$1,000,000 or more.....	0.50	0.30	0.50	0.31	0.50	0.31

# Individual Income Tax Rates and Tax Shares, 1995

**Table 1.--Returns with Modified Taxable Income: Tax Classified by Both the Marginal Rate and Each Rate at Which Tax was Computed, Tax Year 1995**

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

Highest marginal rate at which tax was computed	Number of returns	Adjusted gross income (less deficit)	Modified taxable income		Tax generated		Income tax after credits		
			Taxed at all rates	Taxed at marginal rate	At all rates	At marginal rate	Total	As a percentage of-	
								Adjusted gross income	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
<b>All returns</b>									
<b>Total.....</b>	<b>94,482,512</b>	<b>4,093,911,677</b>	<b>2,814,142,086</b>	<b>1,525,091,853</b>	<b>595,735,041</b>	<b>342,114,440</b>	<b>585,909,444</b>	<b>14.3</b>	<b>20.8</b>
15 percent (Form 8814) <sup>1</sup> .....	9,548	-1,129,723	5,088	5,088	765	765	345	( <sup>4</sup> )	6.8
15 percent.....	67,496,403	1,631,443,724	868,774,905	868,750,092	130,317,835	130,312,514	125,168,041	7.7	14.4
28 percent.....	22,377,855	1,434,927,333	1,066,166,151	330,427,456	202,880,589	92,519,688	201,702,169	14.1	18.9
28 percent (capital gains) <sup>2</sup> .....	337,682	67,472,313	56,029,502	37,091,998	14,226,015	10,385,759	14,116,729	20.9	25.2
31 percent.....	2,453,459	314,728,113	253,928,836	45,854,592	61,963,896	14,214,924	61,466,666	19.5	24.2
36 percent.....	929,776	213,369,475	180,644,646	39,554,197	50,801,930	14,239,511	50,156,697	23.5	27.8
39.6 percent.....	565,437	431,303,009	387,046,802	202,060,226	135,088,743	80,015,849	132,846,936	30.8	34.3
Form 8615 <sup>3</sup> .....	312,352	1,797,432	1,546,154	1,348,203	455,268	425,430	451,861	25.1	29.2
<b>Joint returns and returns of surviving spouses</b>									
<b>Total.....</b>	<b>42,760,148</b>	<b>2,799,208,592</b>	<b>1,957,376,664</b>	<b>997,588,313</b>	<b>429,214,803</b>	<b>236,621,153</b>	<b>423,609,928</b>	<b>15.1</b>	<b>21.6</b>
15 percent (Form 8814) <sup>1</sup> .....	5,664	-1,120,910	3,289	3,289	495	495	167	( <sup>4</sup> )	5.1
15 percent.....	26,517,990	950,997,736	505,207,256	505,184,441	75,781,652	75,777,666	73,818,744	7.8	14.6
28 percent.....	13,293,833	1,033,571,083	754,707,951	236,226,534	143,915,561	66,143,430	142,916,059	13.8	18.9
28 percent (capital gains) <sup>2</sup> .....	213,588	49,009,840	40,893,463	26,489,185	10,367,565	7,416,972	10,292,938	21.0	25.2
31 percent.....	1,502,127	224,945,075	179,462,011	29,288,097	43,511,305	9,079,310	43,154,399	19.2	24.0
36 percent.....	743,737	176,950,893	149,427,313	32,051,146	41,732,549	11,538,413	41,247,264	23.3	27.6
39.6 percent.....	483,209	364,854,874	327,675,382	168,345,623	113,905,677	66,664,867	112,180,357	30.7	34.2
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	( <sup>4</sup> )	( <sup>4</sup> )
<b>Returns of married persons filing separately</b>									
<b>Total.....</b>	<b>2,298,288</b>	<b>75,003,324</b>	<b>53,965,781</b>	<b>29,453,475</b>	<b>12,213,877</b>	<b>7,384,824</b>	<b>12,041,078</b>	<b>16.1</b>	<b>22.3</b>
15 percent (Form 8814) <sup>1</sup> .....	*3	*-9,142	*2	*2	--	--	--	( <sup>4</sup> )	( <sup>4</sup> )
15 percent.....	1,445,411	24,674,503	13,581,237	13,581,237	2,037,233	2,037,186	2,015,148	8.2	14.8
28 percent.....	721,187	27,097,472	20,483,328	6,419,183	3,906,983	1,797,371	3,891,189	14.4	19.0
28 percent (capital gains) <sup>2</sup> .....	8,532	1,421,942	1,221,534	990,550	320,422	277,354	316,548	22.3	25.9
31 percent.....	73,250	5,201,298	4,309,859	621,759	1,039,731	192,745	1,031,426	19.8	23.9
36 percent.....	29,803	3,521,810	2,913,871	687,951	817,436	247,662	816,492	23.2	28.0
39.6 percent.....	20,102	13,095,441	11,455,951	7,152,793	4,092,072	2,832,506	3,970,276	30.3	34.7
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	( <sup>4</sup> )	( <sup>4</sup> )
<b>Returns of heads of households</b>									
<b>Total.....</b>	<b>9,977,128</b>	<b>280,148,896</b>	<b>151,829,668</b>	<b>110,326,566</b>	<b>26,681,170</b>	<b>19,331,546</b>	<b>23,648,750</b>	<b>8.4</b>	<b>15.6</b>
15 percent (Form 8814) <sup>1</sup> .....	*3,873	*6,318	*1,790	*1,790	*269	*269	*177	2.8	9.9
15 percent.....	8,888,434	202,902,298	92,485,230	92,483,232	13,873,040	13,872,485	10,994,027	5.4	11.9
28 percent.....	1,002,201	58,675,573	43,501,462	12,180,805	8,108,769	3,410,625	8,044,854	13.7	18.5
28 percent (capital gains) <sup>2</sup> .....	7,669	1,535,366	1,243,757	835,389	317,287	233,909	314,695	20.5	25.3
31 percent.....	43,009	5,450,451	4,452,451	735,645	1,094,022	228,050	1,083,014	19.9	24.3
36 percent.....	23,197	4,999,171	4,189,611	925,434	1,187,695	333,156	1,152,005	23.0	27.5
39.6 percent.....	8,744	6,579,718	5,955,368	3,164,272	2,100,087	1,253,052	2,059,977	31.3	34.6
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	( <sup>4</sup> )	( <sup>4</sup> )
<b>Returns of single persons</b>									
<b>Total.....</b>	<b>39,446,948</b>	<b>939,550,865</b>	<b>650,969,972</b>	<b>387,723,499</b>	<b>127,625,191</b>	<b>78,776,919</b>	<b>126,609,689</b>	<b>13.5</b>	<b>19.4</b>
15 percent (Form 8814) <sup>1</sup> .....	*7	*-5,989	*7	*7	*1	*1	*1	( <sup>4</sup> )	14.3
15 percent.....	30,644,567	452,869,187	257,501,183	257,501,183	38,625,910	38,625,177	38,340,122	8.5	14.9
28 percent.....	7,360,635	315,583,205	247,473,410	75,600,935	46,949,276	21,168,262	46,850,067	14.8	18.9
28 percent (capital gains) <sup>2</sup> .....	107,894	15,505,164	12,670,749	8,776,874	3,220,741	2,457,525	3,192,549	20.6	25.2
31 percent.....	835,072	79,131,289	65,704,515	15,209,092	16,318,838	4,714,819	16,197,827	20.5	24.7
36 percent.....	133,039	27,897,601	24,113,851	5,889,667	7,064,250	2,120,280	6,940,936	24.9	28.8
39.6 percent.....	53,382	46,772,975	41,960,101	23,397,538	14,990,907	9,265,425	14,636,326	31.3	34.9
Form 8615 <sup>3</sup> .....	312,352	1,797,432	1,546,154	1,348,203	455,268	425,430	451,861	25.1	29.2

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

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return.

<sup>2</sup> Returns with net long-term capital gains in excess of net short-term capital losses taxed at the 28-percent rate.

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,300. The returns in this rate classification are not distributed by tax rate.

<sup>4</sup> Percentage not computed.

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

# Individual Income Tax Rates and Tax Shares, 1995

**Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1995**

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

Size of adjusted gross income	Number of returns	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate					
					15 percent (from Form 8814) <sup>1</sup>			15 percent		
					Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Total.....</b>	<b>94,482,512</b>	<b>2,813,826,050</b>	<b>2,814,142,086</b>	<b>595,735,041</b>	<b>153,553</b>	<b>88,459</b>	<b>13,276</b>	<b>94,465,730</b>	<b>1,750,941,571</b>	<b>262,641,236</b>
Under \$2,000.....	1,399,130	478,719	483,802	77,875	3,426	1,728	259	1,395,708	447,960	67,194
\$2,000 under \$4,000.....	1,449,194	914,670	915,626	157,016	**997	**982	**147	1,446,960	751,059	112,659
\$4,000 under \$6,000.....	1,750,400	2,057,829	2,057,785	318,820	**	**	**	1,750,399	1,978,266	296,740
\$6,000 under \$8,000.....	2,755,123	4,226,507	4,226,851	646,547	--	--	--	2,753,885	4,115,104	617,266
\$8,000 under \$10,000.....	3,302,606	8,907,676	8,908,247	1,348,208	*1,245	*622	*93	3,301,361	8,842,404	1,326,361
\$10,000 under \$12,000.....	3,621,538	14,172,792	14,174,069	2,126,215	**3,151	**1,065	**161	3,618,388	14,150,209	2,122,531
\$12,000 under \$14,000.....	4,150,463	20,158,279	20,158,923	3,034,474	--	--	--	4,150,463	20,105,586	3,015,838
\$14,000 under \$16,000.....	4,510,563	26,919,420	26,919,398	4,046,738	**	**	**	4,510,562	26,872,301	4,030,845
\$16,000 under \$18,000.....	4,125,789	30,952,472	30,953,143	4,650,163	*2,427	*701	*106	4,124,551	30,900,295	4,635,044
\$18,000 under \$20,000.....	4,184,496	37,374,161	37,374,435	5,619,993	*50	*25	*4	4,184,454	37,295,189	5,594,278
\$20,000 under \$25,000.....	9,735,699	116,621,302	116,625,474	17,503,075	*3,669	*1,210	*183	9,735,699	116,558,230	17,483,734
\$25,000 under \$30,000.....	7,747,577	125,126,846	125,137,774	18,815,484	*2,136	*792	*118	7,746,476	124,796,291	18,719,444
\$30,000 under \$40,000.....	12,309,540	270,556,510	270,589,464	42,863,438	9,308	7,592	1,139	12,308,200	253,132,429	37,969,864
\$40,000 under \$50,000.....	9,072,834	269,363,277	269,399,935	44,030,421	16,255	9,272	1,394	9,072,433	241,565,612	36,234,842
\$50,000 under \$75,000.....	13,657,781	579,752,827	579,844,347	101,086,999	22,742	15,943	2,390	13,656,689	471,567,569	70,735,135
\$75,000 under \$100,000.....	5,366,725	335,041,778	335,074,787	68,093,825	17,819	7,264	1,090	5,366,725	199,260,619	29,889,093
\$100,000 under \$200,000.....	4,072,045	411,634,591	411,691,273	97,674,913	40,772	20,327	3,050	4,072,039	151,524,195	22,728,629
\$200,000 under \$500,000.....	1,005,991	249,447,991	249,478,345	74,786,196	23,325	16,477	2,473	1,005,817	37,336,865	5,600,530
\$500,000 under \$1,000,000.....	178,163	106,641,422	106,649,148	36,617,850	4,376	3,119	468	178,103	6,583,235	987,485
\$1,000,000 or more.....	86,853	203,476,979	203,479,259	72,236,788	1,856	1,339	201	86,821	3,158,154	473,723

Size of adjusted gross income	Tax generated at specified rate--continued								
	28 percent			28 percent (capital gains) <sup>2</sup>			31 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
<b>Total.....</b>	<b>26,574,635</b>	<b>529,918,739</b>	<b>148,377,247</b>	<b>1,906,684</b>	<b>105,365,802</b>	<b>29,502,431</b>	<b>3,948,672</b>	<b>120,680,677</b>	<b>37,411,010</b>
Under \$2,000.....	--	--	--	--	--	--	--	--	--
\$2,000 under \$4,000.....	--	--	--	--	--	--	--	--	--
\$4,000 under \$6,000.....	--	--	--	--	--	--	--	--	--
\$6,000 under \$8,000.....	--	--	--	--	--	--	--	--	--
\$8,000 under \$10,000.....	--	--	--	--	--	--	--	--	--
\$10,000 under \$12,000.....	--	--	--	--	--	--	--	--	--
\$12,000 under \$14,000.....	--	--	--	--	--	--	--	--	--
\$14,000 under \$16,000.....	--	--	--	--	--	--	--	--	--
\$16,000 under \$18,000.....	--	--	--	--	--	--	--	--	--
\$18,000 under \$20,000.....	--	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	*16,617	*17,257	*4,832	--	--	--	--	--	--
\$25,000 under \$30,000.....	250,977	316,374	88,585	--	--	--	--	--	--
\$30,000 under \$40,000.....	3,859,420	17,341,923	4,855,738	--	--	--	--	--	--
\$40,000 under \$50,000.....	2,511,942	27,781,004	7,778,681	--	--	--	--	--	--
\$50,000 under \$75,000.....	9,421,851	106,505,840	29,821,635	75,619	664,026	185,927	246,553	1,030,688	319,513
\$75,000 under \$100,000.....	5,260,971	128,117,492	35,872,898	147,961	1,865,407	522,310	407,383	5,766,988	1,787,766
\$100,000 under \$200,000.....	4,010,200	185,210,366	51,858,902	992,381	14,628,935	4,096,108	2,087,440	54,533,738	16,905,459
\$200,000 under \$500,000.....	985,606	51,288,052	14,360,655	523,242	20,032,207	5,609,023	954,422	46,745,715	14,491,172
\$500,000 under \$1,000,000.....	173,884	9,057,879	2,536,206	108,085	13,186,310	3,692,167	170,683	8,508,635	2,637,677
\$1,000,000 or more.....	83,167	4,282,552	1,199,115	59,397	54,988,917	15,396,897	82,191	4,094,913	1,269,423

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1995--Continued**

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	36 percent			39.6 percent			Form 8615 <sup>3</sup>		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
<b>Total.....</b>	<b>1,495,213</b>	<b>103,738,408</b>	<b>37,345,827</b>	<b>565,437</b>	<b>202,060,226</b>	<b>80,015,849</b>	<b>312,352</b>	<b>1,348,203</b>	<b>425,430</b>
Under \$2,000.....	--	--	--	--	--	--	110,813	34,115	10,338
\$2,000 under \$4,000.....	--	--	--	--	--	--	121,316	163,586	44,098
\$4,000 under \$6,000.....	--	--	--	--	--	--	22,948	79,518	22,046
\$6,000 under \$8,000.....	--	--	--	--	--	--	20,397	111,747	29,223
\$8,000 under \$10,000.....	--	--	--	--	--	--	*8,583	*65,221	*21,683
\$10,000 under \$12,000.....	--	--	--	--	--	--	*2,477	*22,796	*3,436
\$12,000 under \$14,000.....	--	--	--	--	--	--	*4,767	*53,338	*18,523
\$14,000 under \$16,000.....	--	--	--	--	--	--	*3,529	*47,097	*15,792
\$16,000 under \$18,000.....	--	--	--	--	--	--	*3,392	*52,148	*14,925
\$18,000 under \$20,000.....	--	--	--	--	--	--	*4,384	*79,220	*25,579
\$20,000 under \$25,000.....	--	--	--	--	--	--	*2,477	*48,776	*14,080
\$25,000 under \$30,000.....	--	--	--	--	--	--	*1,102	*24,316	*7,180
\$30,000 under \$40,000.....	--	--	--	--	--	--	*3,290	*107,520	*36,392
\$40,000 under \$50,000.....	--	--	--	--	--	--	*1,102	*44,046	*15,306
\$50,000 under \$75,000.....	--	--	--	--	--	--	*1,075	*60,281	*22,165
\$75,000 under \$100,000.....	*9,992	*57,017	*20,526	--	--	--	--	--	--
\$100,000 under \$200,000.....	337,085	5,666,586	2,039,971	4,781	107,126	42,422	--	--	--
\$200,000 under \$500,000.....	899,583	70,014,940	25,205,378	321,990	23,924,665	9,474,167	*527	*119,424	*42,654
\$500,000 under \$1,000,000.....	167,622	18,875,650	6,795,234	160,482	50,399,568	19,958,229	*59	*34,751	*10,352
\$1,000,000 or more.....	80,932	9,124,216	3,284,718	78,183	127,628,867	50,541,031	116	200,302	71,657

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

\*\*Data are combined with data in an adjacent adjusted gross income-size class to avoid disclosure of information for specific taxpayers.

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return.

<sup>2</sup> Returns with net long-term capital gains in excess of net short-term capital losses taxed at the 28-percent rate.

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,300. The returns in this rate classification are not distributed by tax rate.

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

# Individual Income Tax Rates and Tax Shares, 1995

**Table 3.--Returns with Modified Taxable Income: Taxable Income, Total Tax, and Tax, Classified by Marginal Tax Rate and Filing Status, Tax Year 1995**

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

Marginal tax rate classes	All returns			Joint returns and returns of surviving spouses			Returns of married persons filing separately		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>All tax rates.....</b>	<b>94,482,512</b>	<b>2,814,142,086</b>	<b>595,732,299</b>	<b>42,760,148</b>	<b>1,957,376,664</b>	<b>429,213,959</b>	<b>2,298,288</b>	<b>53,965,781</b>	<b>12,213,808</b>
15 percent (Form 8814) <sup>1</sup> .....	153,553	88,459	13,276	137,705	79,118	11,874	1,317	1,161	174
15 percent.....	94,465,730	1,750,941,571	262,641,236	42,754,484	1,138,406,888	170,761,033	2,298,285	30,212,279	4,531,842
28 percent.....	26,574,635	529,918,739	148,377,247	16,188,351	393,081,970	110,062,952	849,116	9,885,964	2,768,070
28 percent (capital gains) <sup>2</sup> .....	1,906,684	105,365,802	29,502,425	1,392,150	81,019,693	22,685,514	34,033	3,037,698	850,555
31 percent.....	3,948,672	120,680,677	37,411,010	2,729,073	89,837,881	27,849,743	123,155	1,853,176	574,485
36 percent.....	1,495,213	103,738,408	37,345,827	1,226,946	86,605,491	31,177,977	49,905	1,822,710	656,176
39.6 percent.....	565,437	202,060,226	80,015,850	483,209	168,345,623	66,664,867	20,102	7,152,793	2,832,506
Form 8615 <sup>3</sup> .....	312,352	1,348,203	425,430	--	--	--	--	--	--

Marginal tax rate classes	Returns of heads of households			Returns of single persons		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
	(10)	(11)	(12)	(13)	(14)	(15)
<b>All tax rates.....</b>	<b>9,977,128</b>	<b>151,829,668</b>	<b>26,680,863</b>	<b>39,446,948</b>	<b>650,969,972</b>	<b>127,623,670</b>
15 percent (Form 8814) <sup>1</sup> .....	13,028	6,276	942	1,504	1,904	286
15 percent.....	9,973,254	126,382,125	18,957,319	39,439,707	455,940,280	68,391,042
28 percent.....	1,081,509	16,060,890	4,497,049	8,455,658	110,889,915	31,049,176
28 percent (capital gains) <sup>2</sup> .....	33,391	1,857,288	520,041	447,110	19,451,123	5,446,315
31 percent.....	74,950	2,334,285	723,628	1,021,493	26,655,335	8,263,154
36 percent.....	31,941	2,024,532	728,831	186,421	13,285,675	4,782,843
39.6 percent.....	8,744	3,164,272	1,253,052	53,382	23,397,538	9,265,425
Form 8615 <sup>3</sup> .....	--	--	--	312,352	1,348,203	425,430

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$5,000) on the parents' income tax return.

<sup>2</sup> Returns with net long-term capital gains in excess of net short-term capital losses taxed at the 28-percent rate.

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,300. The returns in this rate classification are not distributed by tax rate.

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

# Individual Income Tax Rates and Tax Shares, 1995

**Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 1994 and 1995**

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

Type of tax computation by size of adjusted gross income	Tax Year 1994				Tax Year 1995			
	Income tax before credits (regular tax computation) <sup>1</sup>		Tax generated	Difference due to special tax computation <sup>2</sup>	Income tax before credits (regular tax computation) <sup>1</sup>		Tax generated	Difference due to special tax computation <sup>2</sup>
	Number of returns	Amount			Number of returns	Amount		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Returns with regular tax computation only</b>								
<b>Total.....</b>	<b>90,883,000</b>	<b>427,938,878</b>	<b>427,937,144</b>	<b>N/A</b>	<b>92,253,928</b>	<b>450,431,837</b>	<b>450,431,779</b>	<b>N/A</b>
Under \$5,000.....	3,621,554	274,102	274,092	N/A	3,673,322	284,217	284,205	N/A
\$5,000 under \$10,000.....	7,178,653	2,259,315	2,259,307	N/A	6,693,411	2,109,671	2,109,666	N/A
\$10,000 under \$15,000.....	10,245,644	7,106,764	7,106,762	N/A	10,074,452	7,047,397	7,047,406	N/A
\$15,000 under \$20,000.....	10,570,694	12,591,310	12,591,304	N/A	10,496,655	12,351,631	12,351,625	N/A
\$20,000 under \$25,000.....	9,462,383	17,070,768	17,070,754	N/A	9,733,222	17,489,733	17,489,725	N/A
\$25,000 under \$30,000.....	8,027,110	19,630,451	19,630,443	N/A	7,746,476	18,809,491	18,809,492	N/A
\$30,000 under \$40,000.....	11,939,777	42,129,427	42,129,400	N/A	12,305,997	42,828,748	42,828,731	N/A
\$40,000 under \$50,000.....	9,006,243	43,981,111	43,981,106	N/A	9,071,331	44,016,668	44,016,663	N/A
\$50,000 under \$75,000.....	13,003,666	96,274,958	96,274,952	N/A	13,581,069	100,025,625	100,025,620	N/A
\$75,000 under \$100,000.....	4,665,057	59,838,127	59,838,120	N/A	5,218,764	65,531,809	65,531,798	N/A
\$100,000 under \$200,000.....	2,607,598	59,423,477	59,423,417	N/A	3,079,658	68,354,568	68,354,564	N/A
\$200,000 under \$500,000.....	464,797	33,971,036	33,969,452	N/A	482,213	35,603,262	35,603,265	N/A
\$500,000 under \$1,000,000.....	64,112	13,529,591	13,529,592	N/A	70,018	14,790,340	14,790,341	N/A
\$1,000,000 or more.....	25,711	19,858,442	19,858,443	N/A	27,340	21,188,678	21,188,678	N/A
<b>Returns with Form 8615 tax computation</b>								
<b>Total.....</b>	<b>248,804</b>	<b>328,743</b>	<b>435,378</b>	<b>106,635</b>	<b>312,352</b>	<b>316,566</b>	<b>454,761</b>	<b>138,195</b>
Under \$5,000.....	200,569	47,586	72,704	25,118	246,244	59,785	89,406	29,621
\$5,000 under \$10,000.....	25,027	23,636	42,009	18,373	37,813	35,391	65,142	29,751
\$10,000 under \$15,000.....	*8,911	*14,173	*27,057	*12,884	*9,534	*16,826	*33,212	*16,386
\$15,000 under \$20,000.....	*4,775	*11,487	*22,879	*11,392	*9,015	*22,993	*46,662	*23,669
\$20,000 under \$25,000.....	*4,742	*15,797	*32,899	*17,102	*2,477	*7,551	*14,314	*6,763
\$25,000 under \$30,000.....	--	--	--	--	*1,102	*3,647	*7,180	*3,533
\$30,000 under \$40,000.....	*2,103	*10,498	*21,077	*10,579	*3,290	*20,442	*36,560	*16,118
\$40,000 under \$50,000.....	--	--	--	--	*1,102	*9,187	*15,414	*6,227
\$50,000 under \$75,000.....	*917	*11,165	*16,080	*4,915	*1,075	*13,619	*22,165	*8,546
\$75,000 under \$100,000.....	*327	*6,797	*7,226	*429	--	--	--	--
\$100,000 under \$200,000.....	*650	*27,967	*37,794	*9,827	--	--	--	--
\$200,000 under \$500,000.....	*467	*44,474	*42,395	*-2,079	*527	*37,499	*42,690	*5,191
\$500,000 under \$1,000,000.....	*236	*59,112	*60,101	*989	*59	*12,588	*10,352	*-2,236
\$1,000,000 or more.....	79	56,050	53,157	-2,893	116	77,039	71,664	-5,375
<b>Returns with Schedule D tax computation</b>								
<b>Total.....</b>	<b>1,551,502</b>	<b>120,639,639</b>	<b>112,564,953</b>	<b>-8,074,686</b>	<b>1,906,684</b>	<b>154,490,127</b>	<b>144,856,781</b>	<b>-9,633,346</b>
Under \$5,000.....	--	--	--	--	--	--	--	--
\$5,000 under \$10,000.....	--	--	--	--	--	--	--	--
\$10,000 under \$15,000.....	--	--	--	--	--	--	--	--
\$15,000 under \$20,000.....	--	--	--	--	--	--	--	--
\$20,000 under \$25,000.....	--	--	--	--	--	--	--	--
\$25,000 under \$30,000.....	--	--	--	--	--	--	--	--
\$30,000 under \$40,000.....	--	--	--	--	--	--	--	--
\$40,000 under \$50,000.....	--	--	--	--	--	--	--	--
\$50,000 under \$75,000.....	99,197	1,385,049	1,374,785	-10,264	75,619	1,046,200	1,040,298	-5,902
\$75,000 under \$100,000.....	108,596	1,928,120	1,905,661	-22,459	147,961	2,593,466	2,561,753	-31,713
\$100,000 under \$200,000.....	791,118	23,811,318	23,452,383	-358,935	992,381	29,700,495	29,320,709	-379,786
\$200,000 under \$500,000.....	423,886	32,889,957	31,565,590	-1,324,367	523,242	40,649,125	39,140,245	-1,508,880
\$500,000 under \$1,000,000.....	84,703	18,184,218	16,934,344	-1,249,874	108,085	23,220,258	21,817,157	-1,403,101
\$1,000,000 or more.....	44,003	42,440,979	37,332,190	-5,108,789	59,397	57,280,583	50,976,618	-6,303,965

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

<sup>1</sup> Includes special taxes not included in tax generated.

<sup>2</sup> The difference between the amount of tax resulting from using provisions of one of the special tax computations and the amount of tax resulting from the regular tax computation.

N/A - Not applicable.

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



# Individual Income Tax Rates and Tax Shares, 1995

**Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1995**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,625,484	1,006,255	5,031,274	10,062,548	25,156,371	50,312,742
1986.....	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987.....	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988.....	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989.....	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990.....	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991.....	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992.....	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993.....	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994.....	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995.....	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
<b>Adjusted gross income floor on percentiles (current dollars):</b>						
1985.....	N/A	108,134	58,883	46,322	30,928	16,688
1986.....	N/A	118,818	62,377	48,656	32,242	17,302
1987.....	N/A	139,289	68,414	52,921	33,983	17,768
1988.....	N/A	157,136	72,735	55,437	35,398	18,367
1989.....	N/A	163,869	76,933	58,263	36,839	18,993
1990.....	N/A	167,421	79,064	60,287	38,080	19,767
1991.....	N/A	170,139	81,720	61,944	38,929	20,097
1992.....	N/A	181,904	85,103	64,457	40,378	20,803
1993.....	N/A	185,715	87,386	66,077	41,210	21,179
1994.....	N/A	195,726	91,226	68,753	42,742	21,802
1995.....	N/A	209,406	96,221	72,094	44,207	22,344
<b>Adjusted gross income floor on percentiles (constant dollars): <sup>2</sup></b>						
1985.....	N/A	100,496	54,724	43,050	28,743	15,509
1986.....	N/A	108,411	56,913	44,394	29,418	15,786
1987.....	N/A	122,614	60,224	46,585	29,915	15,641
1988.....	N/A	132,828	61,484	46,861	29,922	15,526
1989.....	N/A	132,152	62,043	46,986	29,709	15,317
1990.....	N/A	128,096	60,493	46,126	29,135	15,124
1991.....	N/A	124,919	60,000	45,480	28,582	14,756
1992.....	N/A	129,654	60,658	45,942	28,780	14,828
1993.....	N/A	128,522	60,475	45,728	28,519	14,657
1994.....	N/A	132,069	61,556	46,392	28,841	14,711
1995.....	N/A	137,406	63,137	47,306	29,007	14,661
<b>Adjusted gross income (millions of dollars): <sup>1</sup></b>						
1985.....	2,343,989	235,095	531,372	791,481	1,358,860	1,939,351
1986.....	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987.....	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988.....	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989.....	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990.....	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991.....	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992.....	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993.....	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994.....	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995.....	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542

Footnotes at end of Table 6.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1995--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total income tax (millions of dollars):</b> <sup>3</sup>						
1985.....	325,525	72,581	127,880	168,907	241,887	302,401
1986.....	366,979	94,491	156,240	200,703	278,976	343,289
1987.....	369,046	91,559	159,642	205,230	283,857	346,655
1988.....	412,761	113,841	188,303	236,411	321,297	389,145
1989.....	432,838	109,259	190,188	241,458	334,258	407,599
1990.....	447,061	112,338	195,088	247,514	344,340	421,075
1991.....	448,349	111,267	194,480	250,282	346,511	423,759
1992.....	476,163	131,156	218,479	276,213	373,700	452,070
1993.....	502,720	145,836	238,083	297,808	398,516	478,563
1994.....	534,754	154,337	254,106	317,902	425,402	509,256
1995.....	588,331	178,035	287,741	357,402	472,808	561,225
<b>Average tax rate (percentage):</b> <sup>4</sup>						
1985.....	13.89	30.87	24.07	21.34	17.80	15.59
1986.....	14.54	33.13	25.68	22.64	18.72	16.32
1987.....	13.12	26.41	22.10	19.77	16.61	14.60
1988.....	13.21	24.04	21.14	19.18	16.47	14.64
1989.....	13.12	23.34	20.71	18.77	16.27	14.53
1990.....	12.95	23.25	20.46	18.50	16.06	14.36
1991.....	12.75	24.37	20.62	18.63	15.93	14.20
1992.....	12.94	25.05	21.19	19.13	16.25	14.44
1993.....	13.32	28.01	22.71	20.20	16.90	14.90
1994.....	13.50	28.23	23.04	20.48	17.15	15.11
1995.....	13.86	28.73	23.53	20.97	17.58	15.47
<b>Adjusted gross income share (percentage):</b>						
1985.....	100.00	10.03	22.67	33.77	57.97	82.74
1986.....	100.00	11.30	24.11	35.12	59.04	83.34
1987.....	100.00	12.32	25.67	36.90	60.75	84.37
1988.....	100.00	15.16	28.51	39.45	62.44	85.07
1989.....	100.00	14.19	27.84	39.00	62.28	85.04
1990.....	100.00	14.00	27.62	38.77	62.13	84.97
1991.....	100.00	12.99	26.83	38.20	61.85	84.87
1992.....	100.00	14.23	28.01	39.23	62.47	85.08
1993.....	100.00	13.79	27.76	39.05	62.45	85.08
1994.....	100.00	13.80	27.85	39.19	62.64	85.11
1995.....	100.00	14.60	28.81	40.16	63.37	85.46
<b>Total income tax share (percentage):</b>						
1985.....	100.00	22.30	39.28	51.89	74.31	92.90
1986.....	100.00	25.75	42.57	54.69	76.02	93.54
1987.....	100.00	24.81	43.26	55.61	76.92	93.93
1988.....	100.00	27.58	45.62	57.28	77.84	94.28
1989.....	100.00	25.24	43.94	55.78	77.22	94.17
1990.....	100.00	25.13	43.64	55.36	77.02	94.19
1991.....	100.00	24.82	43.38	55.82	77.29	94.52
1992.....	100.00	27.54	45.88	58.01	78.48	94.94
1993.....	100.00	29.01	47.36	59.24	79.27	95.19
1994.....	100.00	28.86	47.52	59.45	79.55	95.23
1995.....	100.00	30.26	48.91	60.75	80.36	95.39

Footnotes at end of Table 6.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1995**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,625,484	50,312,742	75,469,113	90,562,936	95,594,210	99,619,229
1986.....	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987.....	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988.....	108,872,859	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989.....	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990.....	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991.....	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992.....	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993.....	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994.....	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995.....	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
<b>Adjusted gross income (millions of dollars): <sup>1</sup></b>						
1985.....	2,343,989	404,637	985,129	1,552,508	1,812,617	2,108,894
1986.....	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987.....	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988.....	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989.....	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990.....	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991.....	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992.....	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993.....	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994.....	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995.....	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
1985.....	325,525	23,124	83,638	156,618	197,645	252,944
1986.....	366,979	23,690	88,002	166,276	210,739	272,488
1987.....	369,046	22,391	85,189	163,816	209,404	277,488
1988.....	412,761	23,616	91,464	176,350	224,459	298,920
1989.....	432,838	25,239	98,580	191,380	242,650	323,579
1990.....	447,061	25,986	102,721	199,547	251,973	334,723
1991.....	448,349	24,554	101,837	198,067	253,869	337,081
1992.....	476,163	24,093	102,463	199,950	257,683	345,007
1993.....	502,720	24,157	104,203	204,912	264,637	356,884
1994.....	534,754	25,499	109,353	216,852	280,648	380,418
1995.....	588,331	27,106	115,523	230,929	300,590	410,296
<b>Average tax rate (percentage): <sup>4</sup></b>						
1985.....	13.89	5.71	8.49	10.09	10.90	11.99
1986.....	14.54	5.63	8.51	10.15	11.00	12.17
1987.....	13.12	5.09	7.71	9.23	10.01	11.25
1988.....	13.21	5.06	7.80	9.32	10.05	11.28
1989.....	13.12	5.11	7.92	9.51	10.19	11.43
1990.....	12.95	5.01	7.86	9.44	10.09	11.28
1991.....	12.75	4.61	7.59	9.12	9.87	11.04
1992.....	12.94	4.39	7.42	8.94	9.73	10.93
1993.....	13.32	4.29	7.35	8.90	9.70	10.96
1994.....	13.50	4.32	7.39	9.00	9.82	11.14
1995.....	13.86	4.39	7.43	9.09	9.95	11.32

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1985-1995--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Adjusted gross income share (percentage):</b>						
1985.....	100.00	17.26	42.03	66.23	77.33	89.97
1986.....	100.00	16.66	40.96	64.88	75.89	88.70
1987.....	100.00	15.63	39.25	63.10	74.33	87.68
1988.....	100.00	14.93	37.56	60.55	71.49	84.84
1989.....	100.00	14.96	37.72	61.00	72.16	85.81
1990.....	100.00	15.03	37.87	61.23	72.38	86.00
1991.....	100.00	15.13	38.15	61.80	73.17	87.01
1992.....	100.00	14.92	37.53	60.77	71.99	85.77
1993.....	100.00	14.92	37.55	60.95	72.24	86.21
1994.....	100.00	14.89	37.36	60.81	72.15	86.20
1995.....	100.00	14.54	36.63	59.84	71.19	85.40
<b>Total income tax share (percentage):</b>						
1985.....	100.00	7.10	25.69	48.11	60.72	77.70
1986.....	100.00	6.46	23.98	45.31	57.43	74.25
1987.....	100.00	6.07	23.08	44.39	56.74	75.19
1988.....	100.00	5.72	22.16	42.72	54.38	72.42
1989.....	100.00	5.83	22.78	44.22	56.06	74.76
1990.....	100.00	5.81	22.98	44.64	56.36	74.87
1991.....	100.00	5.48	22.71	44.18	56.62	75.18
1992.....	100.00	5.06	21.52	41.99	54.12	72.46
1993.....	100.00	4.81	20.73	40.76	52.64	70.99
1994.....	100.00	4.77	20.45	40.55	52.48	71.14
1995.....	100.00	4.61	19.64	39.25	51.09	69.74

N/A-- not applicable (for Table 5).

<sup>1</sup> The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Tables 5 and 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 1995, there were 4,484 returns with no adjusted gross income that reported alternative minimum tax totaling \$87.8 million.

<sup>2</sup> For Table 5, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

<sup>3</sup> Total income tax is the sum of income tax after credits and alternative minimum tax reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax reported on some returns with an adjusted gross deficit. See also footnote 1.

<sup>4</sup> The average tax rate was computed by dividing total income tax (see footnote 3) by (positive) adjusted gross income.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1985-1995**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,215,784	1,002,158	5,010,789	10,021,578	25,053,946	50,107,892
1986.....	101,881,062	1,018,811	5,094,053	10,188,106	25,470,265	50,940,531
1987.....	106,128,238	1,061,282	5,306,412	10,612,824	26,532,059	53,064,119
1988.....	108,831,700	1,088,317	5,441,585	10,883,170	27,207,925	54,415,850
1989.....	111,273,993	1,112,740	5,563,700	11,127,399	27,818,498	55,636,996
1990.....	112,644,099	1,126,441	5,632,205	11,264,410	28,161,025	56,322,049
1991.....	113,755,078	1,137,551	5,687,754	11,375,508	28,438,769	56,877,539
1992.....	112,593,838	1,125,938	5,629,692	11,259,384	28,148,459	56,296,919
1993.....	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994.....	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995.....	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
<b>Income floor on percentiles (current dollars):</b>						
1985.....	N/A	125,454	63,509	49,092	31,977	17,101
1986.....	N/A	147,688	68,347	52,034	33,630	17,915
1987.....	N/A	145,646	69,216	53,092	34,166	17,960
1988.....	N/A	161,795	73,442	55,524	35,432	18,531
1989.....	N/A	169,588	77,552	58,436	36,789	19,156
1990.....	N/A	174,721	80,408	60,630	38,032	19,948
1991.....	N/A	180,316	83,317	62,421	38,916	20,304
1992.....	N/A	197,080	87,389	65,295	40,423	21,039
1993.....	N/A	199,698	88,992	66,685	41,013	21,390
1994.....	N/A	210,742	93,186	69,118	42,480	22,000
1995.....	N/A	224,523	98,420	72,210	43,860	22,575
<b>Income floor on percentiles (constant dollars): <sup>2</sup></b>						
1985.....	N/A	116,593	59,023	45,625	29,718	15,893
1986.....	N/A	134,752	62,360	47,476	30,684	16,346
1987.....	N/A	128,210	60,930	46,736	30,076	15,810
1988.....	N/A	136,767	62,081	46,935	29,951	15,664
1989.....	N/A	136,765	62,542	47,126	29,669	15,448
1990.....	N/A	133,681	61,521	46,389	29,099	15,262
1991.....	N/A	132,391	61,173	45,830	28,573	14,907
1992.....	N/A	140,470	62,287	46,540	28,812	14,996
1993.....	N/A	138,199	61,586	46,149	28,383	14,803
1994.....	N/A	142,201	62,879	46,638	28,664	14,845
1995.....	N/A	147,325	64,580	47,382	28,780	14,813
<b>Income (millions of dollars):</b>						
1985.....	2,502,868	301,734	628,546	905,119	1,495,580	2,091,694
1986.....	2,801,375	426,237	795,034	1,095,304	1,729,360	2,365,312
1987.....	2,854,624	363,729	748,879	1,066,870	1,740,792	2,410,410
1988.....	3,152,156	484,475	910,840	1,254,591	1,972,166	2,682,269
1989.....	3,335,581	486,816	947,005	1,317,118	2,084,226	2,837,477
1990.....	3,494,266	503,585	986,110	1,374,485	2,179,930	2,971,249
1991.....	3,575,798	478,588	985,238	1,390,402	2,224,033	3,037,065
1992.....	3,760,326	556,143	1,089,411	1,508,861	2,368,211	3,204,199
1993.....	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994.....	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995.....	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267

Footnotes at end of Table B.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1985-1995**  
**--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Total income tax (millions of dollars):<sup>3</sup></b>						
1985.....	324,299	67,217	121,525	162,495	236,042	298,149
1986.....	366,468	92,954	155,301	198,577	277,253	341,982
1987.....	368,902	89,885	158,481	204,039	282,946	346,203
1988.....	412,540	112,191	186,803	235,147	320,142	388,632
1989.....	432,643	107,515	188,568	240,198	333,255	407,091
1990.....	446,896	110,560	192,975	245,850	342,901	420,334
1991.....	448,176	107,908	192,511	246,715	345,154	423,175
1992.....	476,067	127,345	216,267	272,327	372,358	451,501
1993.....	502,638	142,329	235,908	294,238	397,261	477,997
1994.....	534,693	150,133	250,770	314,909	423,743	508,540
1995.....	588,292	173,877	284,036	354,427	471,035	560,748
<b>Average tax rate (percentage):<sup>4</sup></b>						
1985.....	12.96	22.28	19.33	17.95	15.78	14.25
1986.....	13.08	21.81	19.53	18.13	16.03	14.46
1987.....	12.92	24.71	21.16	19.13	16.25	14.36
1988.....	13.09	23.16	20.51	18.74	16.23	14.49
1989.....	12.97	22.09	19.91	18.24	15.99	14.35
1990.....	12.79	21.95	19.57	17.89	15.73	14.15
1991.....	12.53	22.55	19.54	17.74	15.52	13.93
1992.....	12.66	22.90	19.85	18.05	15.72	14.09
1993.....	13.06	25.69	21.35	19.14	16.40	14.58
1994.....	13.26	25.90	21.58	19.47	16.65	14.80
1995.....	13.63	26.60	22.11	19.99	17.10	15.19
<b>Income share (percentage):</b>						
1985.....	100.00	12.06	25.11	36.16	59.75	83.57
1986.....	100.00	15.22	28.38	39.10	61.73	84.43
1987.....	100.00	12.74	26.23	37.37	60.98	84.44
1988.....	100.00	15.37	28.90	39.80	62.57	85.09
1989.....	100.00	14.59	28.39	39.49	62.48	85.07
1990.....	100.00	14.41	28.22	39.34	62.39	85.03
1991.....	100.00	13.38	27.55	38.88	62.20	84.93
1992.....	100.00	14.79	28.97	40.13	62.98	85.21
1993.....	100.00	14.39	28.71	39.93	62.93	85.18
1994.....	100.00	14.37	28.81	40.09	63.08	85.19
1995.....	100.00	15.14	29.76	41.06	63.81	85.52
<b>Total income tax share (percentage):</b>						
1985.....	100.00	20.73	37.47	50.11	72.79	91.94
1986.....	100.00	25.36	42.38	54.19	75.66	93.32
1987.....	100.00	24.37	42.96	55.31	76.70	93.85
1988.....	100.00	27.20	45.28	57.00	77.60	94.20
1989.....	100.00	24.85	43.59	55.52	77.03	94.09
1990.....	100.00	24.74	43.18	55.01	76.73	94.06
1991.....	100.00	24.08	42.95	55.05	77.01	94.42
1992.....	100.00	26.75	45.43	57.20	78.22	94.84
1993.....	100.00	28.32	46.93	58.54	79.04	95.10
1994.....	100.00	28.08	46.90	58.90	79.25	95.11
1995.....	100.00	29.56	48.28	60.25	80.07	95.32

Footnotes at end of Table 8.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1985-1995**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
1985.....	100,215,784	50,107,892	75,161,838	90,194,206	95,204,995	99,213,626
1986.....	101,881,062	50,940,531	76,410,796	91,692,956	96,787,009	100,862,251
1987.....	106,128,238	53,064,119	79,596,178	95,515,414	100,821,826	105,066,956
1988.....	108,831,700	54,415,850	81,623,775	97,948,530	103,390,115	107,743,383
1989.....	111,273,993	55,636,996	83,455,495	100,146,594	105,710,293	110,161,253
1990.....	112,644,099	56,322,049	84,483,074	101,379,689	107,011,894	111,517,658
1991.....	113,755,078	56,877,539	85,316,308	102,379,570	108,067,324	112,617,527
1992.....	112,593,838	56,296,919	84,445,378	101,334,454	106,964,146	111,467,900
1993.....	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994.....	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995.....	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
<b>Income (millions of dollars):</b>						
1985.....	2,502,868	411,173	1,007,288	1,597,749	1,874,322	2,201,134
1986.....	2,801,375	436,063	1,072,015	1,706,071	2,006,341	2,375,138
1987.....	2,854,624	444,214	1,113,832	1,787,754	2,105,745	2,490,895
1988.....	3,152,156	469,887	1,179,990	1,897,565	2,241,316	2,667,681
1989.....	3,335,581	498,104	1,251,355	2,018,463	2,388,576	2,848,765
1990.....	3,494,266	523,018	1,314,336	2,119,781	2,508,156	2,990,681
1991.....	3,575,798	538,733	1,351,765	2,185,396	2,590,560	3,097,210
1992.....	3,760,326	556,126	1,392,115	2,251,465	2,670,914	3,204,183
1993.....	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994.....	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995.....	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
1985.....	324,299	26,149	88,257	161,804	202,773	257,082
1986.....	366,468	24,486	89,214	167,891	211,167	273,513
1987.....	368,902	22,699	85,956	164,863	210,421	279,017
1988.....	412,540	23,908	92,398	177,393	225,737	300,349
1989.....	432,643	25,552	99,387	192,445	244,075	325,128
1990.....	446,896	26,561	103,994	201,046	253,921	336,336
1991.....	448,176	25,001	103,022	201,461	255,665	340,267
1992.....	476,067	24,567	103,709	203,740	259,801	348,722
1993.....	502,638	24,641	105,377	208,400	266,730	360,309
1994.....	534,693	26,153	110,950	219,783	283,923	384,560
1995.....	588,292	27,544	117,257	233,864	304,256	414,415
<b>Average tax rate (percentage): <sup>4</sup></b>						
1985.....	12.96	6.36	8.76	10.13	10.82	11.68
1986.....	13.08	5.62	8.32	9.84	10.52	11.52
1987.....	12.92	5.11	7.72	9.22	9.99	11.20
1988.....	13.09	5.09	7.83	9.35	10.07	11.26
1989.....	12.97	5.13	7.94	9.53	10.22	11.41
1990.....	12.79	5.08	7.91	9.48	10.12	11.25
1991.....	12.53	4.64	7.62	9.22	9.87	10.99
1992.....	12.66	4.42	7.45	9.05	9.73	10.88
1993.....	13.06	4.32	7.38	9.01	9.72	10.93
1994.....	13.26	4.38	7.45	9.10	9.89	11.13
1995.....	13.63	4.41	7.50	9.90	10.03	11.31

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1995

**Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1985-1995--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Income share (percentage):</b>						
1985.....	100.00	16.43	40.25	63.84	74.89	87.94
1986.....	100.00	15.57	38.27	60.90	71.62	84.78
1987.....	100.00	15.56	39.02	62.63	73.77	87.26
1988.....	100.00	14.91	37.43	60.20	71.10	84.63
1989.....	100.00	14.93	37.52	60.51	71.61	85.41
1990.....	100.00	14.97	37.61	60.66	71.78	85.59
1991.....	100.00	15.07	37.80	61.12	72.45	86.62
1992.....	100.00	14.79	37.02	59.87	71.03	85.21
1993.....	100.00	14.82	37.07	60.07	71.29	85.61
1994.....	100.00	14.81	36.92	59.91	71.19	85.63
1995.....	100.00	14.48	36.19	58.94	70.24	84.86
<b>Total income tax share (percentage):</b>						
1985.....	100.00	8.06	27.21	49.89	62.53	79.27
1986.....	100.00	6.68	24.34	45.81	57.62	74.64
1987.....	100.00	6.15	23.30	44.69	57.04	75.63
1988.....	100.00	5.80	22.40	43.00	54.72	72.80
1989.....	100.00	5.91	22.97	44.48	56.41	75.15
1990.....	100.00	5.94	23.27	44.99	56.82	75.26
1991.....	100.00	5.58	22.99	44.95	57.05	75.92
1992.....	100.00	5.16	21.78	42.80	54.57	73.25
1993.....	100.00	4.90	20.96	41.46	53.07	71.68
1994.....	100.00	4.89	20.75	41.10	53.10	71.92
1995.....	100.00	4.68	19.93	39.75	51.72	70.44

N/A--Not applicable (for Table 7).

<sup>1</sup> The number of returns in columns 2 through 6, Tables 7 and 8, was processed in thousands and, therefore, reflects differences due to rounding .

<sup>2</sup> For Table 7, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). See footnote 2 of this article for further details.

<sup>3</sup> Total income tax is the sum of income tax after credits and the alternative minimum tax.

<sup>4</sup> Average tax rate was computed by dividing total income tax (see footnote 3) by income, using the 1979 Income Concept (see text and Figure A).

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