

Individual Income Tax Rates and Tax Shares, 1996

by *Therese Cruciano*

Of the 120.4 million individual income tax returns filed for 1996, more than 75 percent showed an income tax liability. The average tax rate on these taxable returns was 15.2 percent, 0.5 percentage points higher than for the previous year and the highest level reported since 1982. The average adjusted gross income was \$47,750, an increase of \$2,849 from 1995. The average total income tax was \$7,239, an increase of \$646 from 1995. Total income tax for 1996 increased 11.9 percent to \$658.2 billion, exceeding the growth rate of total adjusted gross income less deficit (AGI), which increased 8.3 percent to \$4,341.9 billion.

For 1996, for the first time, the top 5 percent of taxpayers reported more than 30 percent of the total AGI and paid nearly 51 percent of the total income tax. An AGI of at least \$101,141 placed an individual in the top 5 percent of taxpayers with positive AGI for 1996. Returns in the top 1 percent of tax filers (reporting an AGI of at least \$227,546) reported 16.0 percent of total AGI and 32.3 percent of total income tax for 1996. For 1996, the shares of total income tax for returns with the top 1 percent and top 5 percent of tax filers ranked by size of income each increased 2.0 percentage points.

This article discusses the individual income tax rates and tax shares and the computation of "total income tax" for Tax Year 1996. 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 1996.

Average Tax Rates

Figure A presents statistics for 1986 through 1996 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 Year 1986 was the last year under the Economic Recovery Tax Act of 1981 (ERTA81). The tax bracket boundaries, personal exemptions, and standard deductions were indexed for inflation, and the maximum tax rate was 50 percent.
- (2) Tax Year 1987 was the first year under the Tax Reform Act of 1986 (TRA86). 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 1996 had a five-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent), a limitation on some

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Figure A

Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-1996

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

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns ¹	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) ^{2,3}	Average per return (whole dollars) ³			
							Current dollars		Constant dollars ⁴	
							Adjusted gross income (less deficit)	Total income tax	Adjusted gross income (less deficit)	Total income tax
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Using each tax year's adjusted gross income										
1986.....	103,045,170	83,967,413	81.5	2,440	367	15.1	29,062	4,374	26,516	3,991
1987.....	106,996,270	86,723,796	81.1	2,701	369	13.7	31,142	4,257	27,414	3,747
1988.....	109,708,280	87,135,332	79.4	2,990	413	13.8	34,313	4,738	29,005	4,005
1989.....	112,135,673	89,178,355	79.5	3,158	433	13.7	35,415	4,855	28,560	3,915
1990.....	113,717,138	89,862,434	79.0	3,299	447	13.6	36,711	4,976	28,088	3,807
1991.....	114,730,123	88,733,587	77.3	3,337	448	13.4	37,603	5,054	27,609	3,711
1992.....	113,604,503	86,731,946	76.3	3,484	476	13.7	40,168	5,491	28,630	3,914
1993.....	114,601,819	86,435,367	75.4	3,564	503	14.1	41,233	5,817	28,535	4,026
1994.....	115,943,131	87,619,446	75.6	3,737	535	14.3	42,646	6,104	28,776	4,119
1995.....	118,218,327	89,252,989	75.5	4,008	588	14.7	44,901	6,593	29,463	4,326
1996.....	120,351,208	90,929,350	75.6	4,342	658	15.2	47,750	7,239	30,433	4,614
Using 1979 Income Concept ⁵										
1986.....	103,045,170	83,967,413	81.5	2,703	367	13.6	32,194	4,374	29,374	3,991
1987.....	106,996,270	86,723,796	81.1	2,736	369	13.5	31,551	4,257	27,774	3,747
1988.....	109,708,280	87,135,332	79.4	3,011	413	13.7	34,556	4,738	29,210	4,005
1989.....	112,135,673	89,178,355	79.5	3,188	433	13.6	35,752	4,855	28,832	3,915
1990.....	113,717,138	89,862,434	79.0	3,335	447	13.4	37,108	4,976	28,392	3,807
1991.....	114,730,123	88,733,587	77.3	3,387	448	13.2	38,169	5,054	28,024	3,711
1992.....	113,604,503	86,731,946	76.3	3,553	476	13.4	40,964	5,491	29,198	3,914
1993.....	114,601,819	86,435,367	75.4	3,625	503	13.9	41,938	5,817	29,023	4,026
1994.....	115,943,131	87,619,446	75.6	3,796	535	14.1	43,322	6,104	29,232	4,119
1995.....	118,218,327	89,252,989	75.5	4,075	588	14.4	45,655	6,593	29,957	4,326
1996.....	120,351,208	90,929,350	75.6	4,418	658	14.9	48,582	7,239	30,964	4,614

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

² Average tax rate is "total income tax" (column 5) as a percentage of adjusted gross income less deficit (AGI) (column 4).

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

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

⁵ 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 1986-1996.

itemized deductions, and a phaseout of personal exemptions.

Approximately 90.9 million, or 75.6 percent, of the 120.4 million individual returns filed for Tax Year 1996 were "taxable returns." Total AGI for these returns increased 8.3 percent to \$4,342 billion. Using the 1979 Income Concept, taxable returns showed total income of \$4,418 billion, an increase of 8.4 percent from 1995. Taxpayers reported \$658 billion in total income tax for 1996, approximately

\$70 billion (11.9 percent) more than for 1995. Thus, for 1996, the growth of total income tax exceeded the growth of AGI by 3.6 percentage points.

Average AGI and average total income tax increased from 1995 to 1996, in both current and constant 1982-84 dollars [2]. Average AGI increased 6.3 percent to \$47,750, while average tax increased 9.8 percent to \$7,239. After adjusting for inflation, average AGI rose to \$30,433, and average tax increased to \$4,614 in constant dollars.

Because TRA86 reduced statutory tax rates and

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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 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 14.9 percent for 1996.

Although the average tax rate (as a percentage of AGI) on all taxable returns increased approximately 0.5 percentage points for 1996 to 15.2 percent, ex-

ceeding the 15.1 percent for 1986, the average tax rate for 1996 actually fell slightly for most income-size classes. Figure B shows that, except for one of the lowest income-size classes, the average tax rate either remained unchanged or declined between 1995 and 1996. The figure also shows that the number of individuals in the six highest income-size classes increased between 1995 and 1996. Thus, the higher overall average tax rate was due to more taxpayers moving to higher income-size classes with their associated higher average tax rates. The increased number of taxpayers in the three highest income-size classes likely accounted for much of the higher average tax rate. The number of taxable returns reporting AGI of \$200,000 or more increased 19.8 percent for 1996, whereas the total number of taxable returns increased 1.9 percent. Likewise, AGI on all taxable returns increased 8.3 percent, while on returns for taxpayers reporting AGI of \$200,000 or more, it increased 26.0 percent. Total income tax for

Figure B

Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 1995 and 1996

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

Tax year, income, and average tax rate	Total	Size of adjusted gross income									
		Under \$1 ¹	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Tax Year 1996:											
Number of taxable returns.....	90,929	4	10,044	16,277	16,417	21,961	20,094	4,610	1,198	214	111
Adjusted gross income (less deficit).....	4,341,871	-7,737	60,205	245,462	408,100	858,369	1,368,290	603,354	347,177	144,695	313,957
Total income tax.....	658,245	121	2,501	16,859	33,875	88,649	178,230	109,838	87,687	43,530	96,956
Average tax rate (percent).....	15.2	(²)	4.2	6.9	8.3	10.3	13.0	18.2	25.3	30.1	30.9
Tax Year 1995:											
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	(²)	4.1	7.0	8.4	10.3	13.1	18.3	25.6	30.2	31.5
Increase in average tax rates, 1996 over 1995.....	0.5	(³)	0.1	-0.1	-0.1	--	-0.1	-0.1	-0.3	-0.1	-0.6

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

² Percentage not computed.

³ Increase not computed.

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

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this group also rose 25.0 percent, while for all taxable returns, it increased 11.9 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 1996, the 96.5 million individual returns with modified taxable income totaling \$3,090.0 billion generated more than \$666.6 billion in income taxes. Figure C presents the amounts and percentages of modified taxable income and income tax generated (before reduction by tax credits, including the earned income credit) by the marginal rate categories (de-

finied in Appendix D). Although 70.6 percent of the returns were in the "15 percent" and "15 percent (Form 8814)" marginal rate categories, they reported only 29.0 percent of the modified taxable income and generated 20.2 percent of the tax. Conversely, the 0.6 percent of the returns in the "39.6 percent" classification reported 15.3 percent of the modified taxable income and generated 24.6 percent of the tax. The 24.5 percent of the returns in the "28 percent" and "28 percent (capital gains)" categories reported 39.4 percent of the modified taxable income and 35.6 percent of the tax. Returns in the "31 percent" classification reported 9.3 percent of the modified taxable income and generated 10.6 percent of the income tax, while the returns in the "36 percent" classification showed 6.9 percent of the modified taxable income and 9.0 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 1994, 1995, and 1996. Over the three-year period, the

Figure C

Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 1996

[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)
All rates	96,513,834	100.0	3,090,039,998	100.0	666,574,904	100.0
15 percent (Form 8814) ¹	11,707	(²)	6,596	(²)	992	(²)
15 percent.....	68,120,162	70.6	896,543,606	29.0	134,483,214	20.2
28 percent.....	23,176,321	24.0	1,131,057,018	36.6	215,085,990	32.3
28 percent (capital gains) ³	488,911	0.5	86,225,481	2.8	22,015,182	3.3
31 percent.....	2,686,314	2.8	288,501,210	9.3	70,620,626	10.6
36 percent.....	1,041,032	1.1	212,291,149	6.9	59,706,194	9.0
39.6 percent.....	624,600	0.6	473,275,734	15.3	164,052,580	24.6
Form 8615 ⁴	364,783	0.4	2,139,205	0.1	610,127	0.1

¹ 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 \$6,500) on the parents' income tax return.

² Less than 0.05 percent.

³ Returns with net long-term capital gains in excess of net short-term capital losses taxed at the 28-percent rate, which otherwise (based on ordinary income) would be taxed at a higher rate than 28 percent.

⁴ 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.

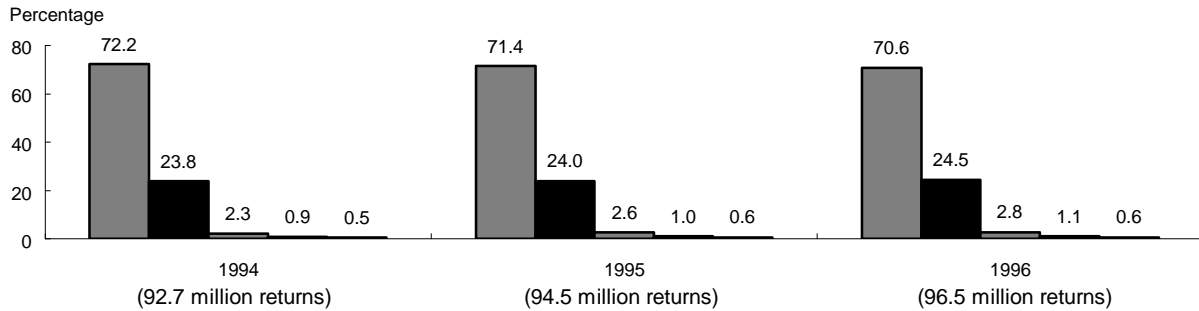
NOTE: Detail may not add to totals because of rounding.

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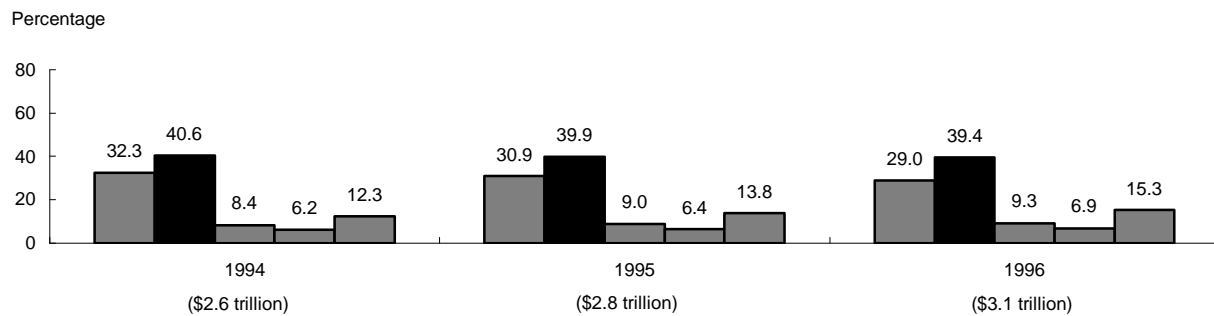
Figure D

Returns with Modified Taxable Income: Percentages of Returns, Modified Taxable Income, and Tax Generated by Marginal Tax Rate Classification, Tax Years 1994-1996

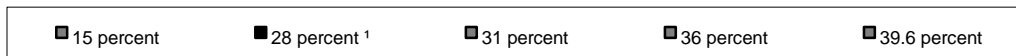
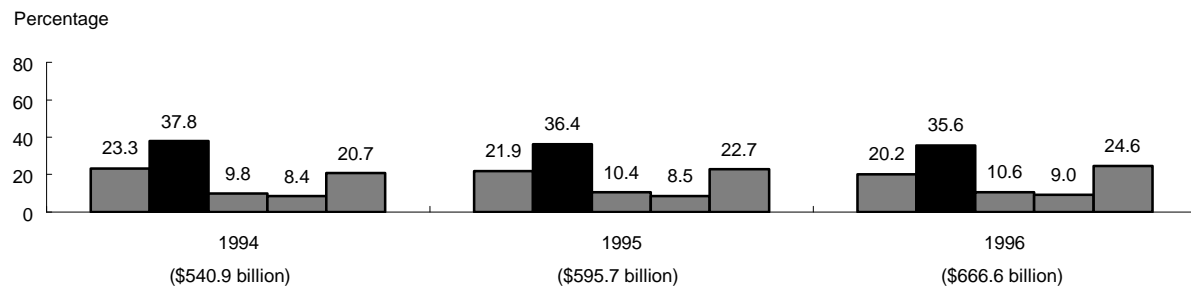
Number of Returns



Modified Taxable Income



Tax Generated



¹ 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.

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percentage of returns in the “15 percent” marginal tax rate category decreased 1.6 percentage points, while the percentages of returns in the remaining four marginal tax rate categories either increased or remained the same. During this period, the largest changes in the percentage shares of modified taxable income and income tax generated occurred in the “15 percent” and “39.6 percent” categories. The percentage shares of modified taxable income decreased 3.3 percentage points in the “15 percent” category and increased 3.0 percentage points in the “39.6 percent” category. The changes in percentage shares of income tax generated over the same period are similar. The percentage shares of income tax generated decreased 3.1 percentage points in the “15 percent” category and increased 3.9 percentage points in the “39.6 percent” category.

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 1996 returns with modified taxable income. Table 1 includes two tax amounts: “tax generated” and “income tax after credits.” Tables 5 through 8 and Figures A and B include an additional measure of tax, “total income tax.”

As shown (Figure E and column 5 of Table 1), the tax generated by applying statutory income tax rates to modified taxable income was \$666.6 billion. For most taxpayers, tax generated was equal to income tax before credits. However, for others, income tax before credits included special taxes on lump-sum distributions from qualified retirement plans (when a 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 because it exceeds the taxpayer’s liability 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 \$655.4 billion. Total income tax of \$658.2 billion (Figure A) is thus the sum of in-

Figure E

Derivation of 1996 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

Tax generated from tax rate schedules or tax table.....	666.6
PLUS: Taxes from special computations, total.....	0.1
Tax on lump-sum distributions from qualified retirement plans.....	(¹)
EQUALS:	
Income tax before credits.....	666.7
LESS: Tax credits, total.....	11.3
Child-care credit.....	2.5
Foreign tax credit.....	3.5
General business credit.....	0.7
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	3.6
Credit for prior-year minimum tax.....	0.7
Other credits ²	0.3
EQUALS:	
Income tax after credits.....	655.4
PLUS: Alternative minimum tax.....	2.8
EQUALS:	
Total income tax.....	658.2

¹ Not tabulated.

² 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.

come 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 1996, more than 364,000 returns were filed by children under age 14 with investment income over \$1,300. Using Form 8615 to compute their tax (as if their income were treated as the marginal income of their parents or guardians), these children showed \$606.8 million in tax generated (column 7). If these same children had had all their income taxed as ordinary income, income tax before credits (regular tax computation) would have totaled \$451.7 million (column 6). Thus, the difference resulting from the special tax computation was \$155.1 million (column 8) in additional tax, compared with \$138.2 million for 1995 (column 4) [8].

More than 2.4 million returns using the Schedule D capital gain tax computation generated \$198.4 billion in tax (column 7). However, if long-term capital gains had been taxed the same as ordinary

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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 \$214.3 billion (column 6). Therefore, the reduction resulting from use of the Schedule D tax computation was more than \$15.9 billion (column 8), substantially more than the \$9.6 billion shown for 1995 (column 4). Most of these tax savings (69.3 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. For 1996, an AMT liability of

Figure F

Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, Tax Years 1995 and 1996

[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 1996						
All returns.....	4,001,833	61,523,205	4,006,470	569,843,530	477,898	2,812,746
No adjusted gross income ¹	87,560	1,170,955	88,052	-4,752,241	3,266	120,386
\$1 under \$10,000.....	456,172	1,255,547	456,171	1,737,678	11,375	3,723
\$10,000 under \$20,000.....	328,415	1,750,411	328,464	4,135,439	2,480	3,762
\$20,000 under \$30,000.....	285,140	1,514,715	285,249	6,439,434	3,159	5,305
\$30,000 under \$40,000.....	217,970	1,201,865	217,970	6,815,734	4,267	5,271
\$40,000 under \$50,000.....	290,451	1,761,979	291,602	11,960,719	10,309	12,565
\$50,000 under \$75,000.....	575,968	4,556,520	577,319	32,111,286	47,512	59,182
\$75,000 under \$100,000.....	434,685	4,248,173	434,782	34,053,987	58,951	86,219
\$100,000 under \$200,000.....	712,939	10,808,261	713,668	89,914,043	161,683	465,223
\$200,000 under \$500,000.....	442,156	12,306,907	442,660	123,753,421	136,415	893,742
\$500,000 under \$1,000,000.....	104,195	6,262,981	104,297	66,778,330	25,691	467,983
\$1,000,000 or more.....	66,184	14,684,892	66,237	196,895,699	12,789	689,384
Tax Year 1995						
All returns.....	4,181,051	60,285,018	4,183,654	533,523,017	414,106	2,290,576
No adjusted gross income ¹	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

¹ Includes returns with adjusted gross deficit.

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

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\$2.8 billion was reported based on AMTI of \$569.8 billion. Generally, AMTI is only shown on filed tax returns if the taxpayer's liability is affected by the AMT. The AMT amount for 1996 represents a 22.8-percent increase from the nearly \$2.3 billion in AMT for 1995 based on \$533.5 billion of AMTI. This increase was at least partially attributed to the substantial increase in net long-term capital gain (less loss) taxed at the 28-percent rate (the same as the maximum rate for AMT) for 1996. The size of the AMT exemptions and the AMT income level at which the rate increases from 26 percent to 28 percent have not been indexed for inflation annually, whereas the widths of regular income tax rate brackets and the sizes of personal exemptions have been inflation-adjusted. Thus, year-to-year inflation may cause more taxpayers to be affected by the AMT and increase the amount of AMT liability.

Figure G shows the highest marginal tax rates on ordinary income, capital gains, and AMTI for each of

the years 1986 through 1996. The amount of AMT reported for each of the eleven years is also shown. For 1986, after TRA86 was introduced but before it became effective, when the top marginal tax rate on ordinary income was 50 percent, and the top capital gain rate and top AMT rate were both 20 percent, the AMT reported was \$6.7 billion. After 1986, both the top capital gain 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, the AMT increased 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 gain rate remained the same), the AMT liability increased 51.3 percent to nearly \$2.1 billion. For 1996, AMT was \$2.8 billion, the highest level reported since 1986.

Figure G

Marginal Tax Rate, Capital Gain Rate, Alternative Minimum Tax Rate, and Alternative Minimum Tax, Tax Years 1986-1996

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

Tax year	Highest marginal statutory tax rate on ordinary income	Highest capital gain tax rate	Highest statutory alternative minimum tax rate	Alternative minimum tax	
				Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)
1986.....	50.0	20 ¹	20	608,907	6,713,149
1987.....	38.5	28	21	139,779	1,674,898
1988.....	28.0 ²	28 ²	21	113,562	1,027,884
1989.....	28.0 ²	28 ²	21	117,483	831,012
1990.....	28.0 ²	28 ²	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
1996.....	39.6	28	28	477,898	2,812,746

¹ 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 gain were taxed at the maximum rate of 50 percent, creating a top capital gain rate of 20 percent.

² 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.

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 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 percent 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 percent of all returns.

For example, consider the data in Table 5 for the 119.4 million returns filed for 1996 with positive

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AGI [9]. The average tax rate for these returns was 14.3 percent, the highest level since 1986 (14.5 percent). For 1996, the returns in the top 1 percentile reported 16.0 percent of total AGI and 32.3 percent of total income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$227,546. For 1995, the returns in this percentile group (i.e., those with at least \$209,406 in AGI) reported 14.6 percent of total AGI and 30.3 percent of total income tax. For 1996, the returns in the top 5 percentile group (returns reporting AGI of \$101,141 or more) reported 30.4 percent of total AGI and 51.0 percent of total income tax, higher than the 28.8 percent and 48.9 percent, respectively, for 1995 (when the AGI floor was \$96,221). Returns in the top 10 percentile group (returns with AGI of at least \$74,986) showed 41.6 percent of AGI and 62.5 percent of total income tax. For 1995, the returns in this percentile group (with AGI of \$72,094 or more) reported 40.2 percent of total AGI and 60.8 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 through 1996) 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 1986 through 1996. While shares of income for the top 1 percent and bottom 50 percent of taxpayers have been close over the years, 1996 marks the third time (1988 was first, 1995 was second) 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 1996, the income share for the top 1

percent of taxpayers was 16.6 percent, while taxpayers in the 50-percentile group reported the lowest share of income over the past 11 years, 14.0 percent. In contrast, the shares of total income tax for the top 1 percent and bottom 50 percent of taxpayers diverged over time. The total income tax shares for the top 1 percent, despite fluctuations, rose from 25.4 percent for 1986 to a high of 31.6 percent for 1996. Shares of total income tax for the bottom 50 percent of taxpayers decreased from 6.7 percent for 1986 to a low of 4.4 percent for 1996. The difference between shares of income for the top 5 percent and bottom 75 percent of taxpayers converged over time. Income shares increased from 28.4 percent for 1986 to 31.3 percent for 1996 for the top 5 percent of taxpayers and decreased from 38.3 percent for 1986 to 35.2 percent for 1996 for the bottom 75 percent of taxpayers. Shares of total income tax for the top 5 percent and bottom 75 percent of taxpayers also diverged over the past 11 years. Percentage shares of total income tax for taxpayers in the top 5 percentile rose from 42.4 percent for 1986 to a high of 50.4 percent for 1996, while shares of total income tax for the bottom 75 percent of taxpayers decreased from 24.3 percent for 1986 to 19.0 percent for 1996.

Notes and References

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

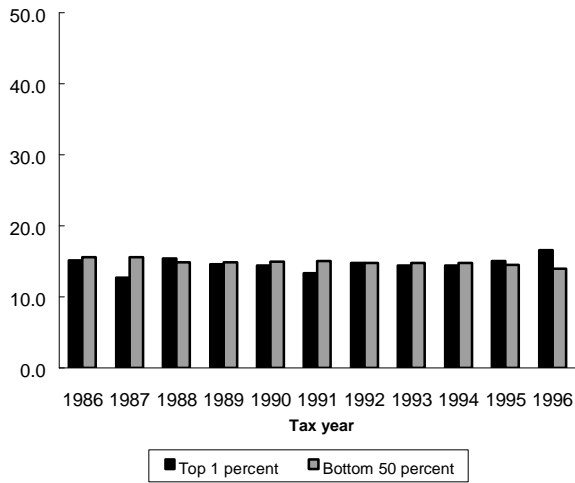
Year	CPI-U	Year	CPI-U
1996	156.9	1990	130.7
1995	152.4	1989	124.0
1994	148.2	1988	118.3

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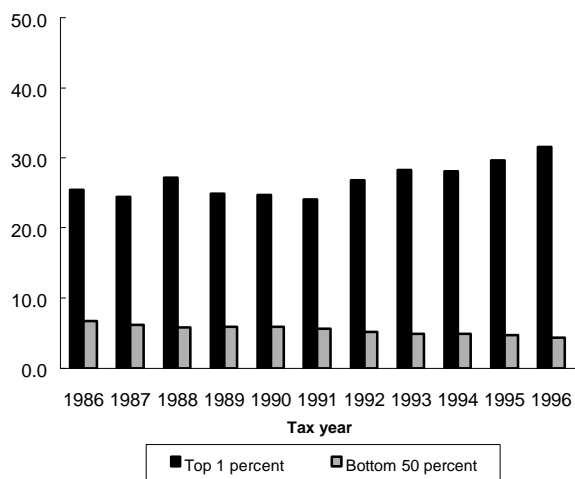
Figure H

Shares of Income and Total Income Tax Based on the 1979 Income Concept, by Cumulative Percentiles, Tax Years 1986-1996 ¹

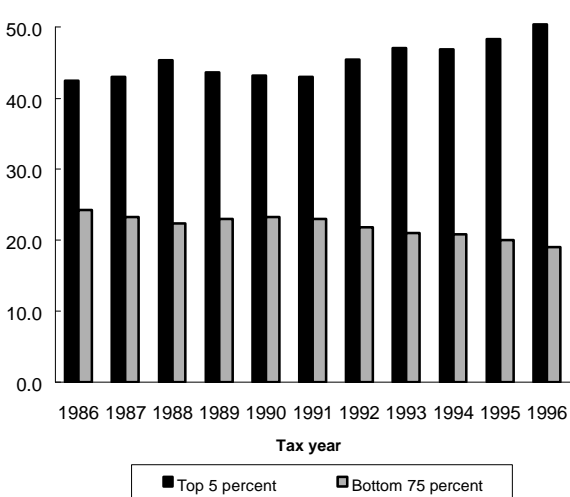
Percentage share of income



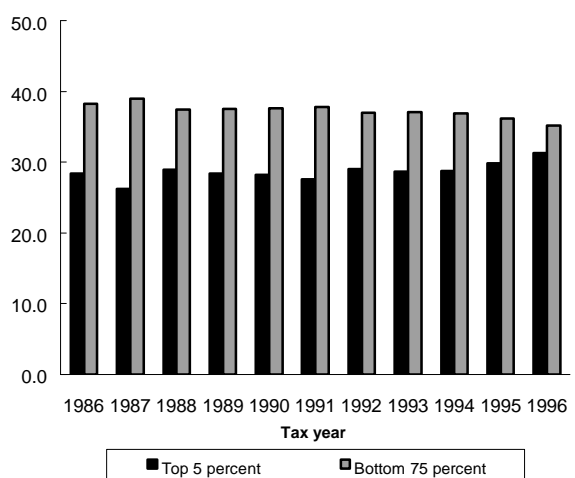
Percentage share of total income tax



Percentage share of total income tax



Percentage share of income



¹ Percentile groupings of tax filers exclude returns with zero or negative income.

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<u>Year</u>	<u>CPI-U</u>	<u>Year</u>	<u>CPI-U</u>
1993	144.5	1987	113.6
1992	140.3	1986	109.6
1991	136.2	1985	107.6

- [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 1996, the total earned income credit was \$28.8 billion. This amount includes the amount used to reduce the regular income tax (\$3.6 billion), the amount used to reduce other taxes reported on individual income tax returns (\$2.1 billion), and the amount refunded to taxpayers (\$23.2 billion). Table 2.5 in *Statistics of Income--1996, Individual Income Tax Returns*, 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--1996, Individual*

Income Tax Returns, include these taxes. For Tax Year 1996, total tax liability reported on 93,200,375 returns was \$687.3 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 appendix provides brief explanations of the major tax concepts discussed. For more extensive definitions, see Section 4 in *Statistics of Income--1996, Individual Income Tax Returns*.

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

Difference Due to Special Tax Computation.--For this article, the tax difference is the amount of tax resulting from using 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.

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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 tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child's rate rather than at the rate of the parents. When Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 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 taxpayers' incomes exceeding certain income thresholds.

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 tax on lump-sum distributions from qualified retirement plans), 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 an income tax return if they meet certain minimum filing requirements. The filing requirements for 1996 were based on the amount of "gross income," filing status, age, and, to a lesser extent, 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 a return for Tax Year 1996 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.

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

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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 1996, 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 1996, 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 \$9.50 [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 1996, see *Statistics of Income--1996, Individual Income Tax Returns* or Publication 17, *Your Federal Income Tax*.

- [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 rents 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.
- [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 \$85,000. Using the tax table, the tax would be \$22,857, but using the tax rate schedules, the tax would be \$22,847.50, a difference of \$9.50.

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Appendix C: Changes in Law for 1996

Earned Income Credit.--Several changes were made to the earned income credit for 1996. The maximum amount of the earned income credit increased, as did the amounts of *earned* income and AGI an individual could have and still claim the credit. "Modified AGI," rather than AGI, was used to compute the amount of the credit. Modified AGI does not include losses from sales of capital assets, estates and trusts, rents and royalties, and 50 percent of business losses. In addition, taxpayers with more than \$2,200 of investment income were not eligible for the earned income credit [C1]. The maximum credit for taxpayers with no qualifying children increased 2.9 percent to \$323. For these taxpayers, earned income and AGI had to be less than \$9,500 (up from \$9,230 for 1995). For taxpayers with one qualifying child, the maximum credit increased 2.8 percent to \$2,152. For taxpayers with two or more qualifying children, the maximum credit increased 14.3 percent to \$3,556, reflecting the final phase-in of changes legislated in 1993. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than \$25,078 for one qualifying child (up from \$24,396 for 1995), or less than \$28,495 for two or more qualifying children (up from \$26,673 for 1995).

Social Security Numbers.--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 in December 1996.

Itemized Deductions.--Itemized deductions for taxpayers with AGI exceeding \$117,950 (\$58,975 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.

The ceiling on taxable "self-employment income" and the width of each tax bracket were also adjusted for inflation.

Personal Exemption Amount.--The individual personal exemption amount increased from \$2,500 to \$2,550. 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 \$117,950 and was completed at \$240,450; for married taxpayers filing jointly and surviving spouses, the limitation began at \$176,950 and was completed at \$299,450; for heads of households, the limitation began at \$147,450 and was completed at \$269,950; and for married taxpayers filing separately, the limitation began at \$88,475 and was completed at \$149,725.

Standard Deduction.--The standard deduction increased from \$3,900 to \$4,000 for single filers; from \$6,550 to \$6,700 for joint filers and surviving spouses; from \$3,275 to \$3,350 for married persons filing separately; and from \$5,750 to \$5,900 for heads of households. The additional standard deduction (for taxpayers age 65 or older or blind) increased from \$950 to \$1,000 for single filers and heads of households, and from \$750 to \$800 for married persons filing jointly, surviving spouses, and married persons filing separately.

Notes to Appendix C

[C1] U.S. Congress, *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (H.R. 3734, 104th Congress; Public Law 104-193), August 22, 1996.

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 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

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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 1996 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

Figure I

Components of the 1979 Income Concept, Tax Year 1996

Income or Loss:

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

Deductions:

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

¹ Included in adjusted gross income (less deficit) (AGI) for Tax Year 1996.

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

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

⁴ Includes an adjustment to add back amounts reported for the "foreign-earned income exclusion."

⁵ Not fully included in AGI for Tax Year 1996.

⁶ Not included in AGI for Tax Year 1996.

example, five different tax rates are applied to the taxable income to arrive at total tax. The first \$24,000 of taxable income were taxed at the 15-percent rate; the next \$34,150 were taxed at the 28-percent rate; the next \$63,150 were taxed at the 31-percent rate; the next \$142,450 were taxed at the 36-percent rate; and the remaining portion, \$7,250, 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.

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Figure J

Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 1996

[Money amounts are in whole dollars]

Item	1996
Adjusted gross income.....	275,000
Less: Exemption amount.....	0 ¹
Standard deduction amount.....	4,000
Equals: Taxable income.....	271,000
Tax based on tax rates for single taxpayers:	
First \$24,000 taxed at 15 percent.....	3,600
Next \$34,150 taxed at 28 percent.....	9,562
Next \$63,150 taxed at 31 percent.....	19,577
Next \$142,450 taxed at 36 percent.....	51,282
Next \$7,250 taxed at 39.6 percent.....	2,871
Total tax from tax rate schedule.....	86,892

¹ The exemption amount was phased out completely because AGI exceeded \$240,450.

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, 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, 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 some of the dependent's income as if it were that of the parents, the return was classified as having a "Form 8615" marginal tax rate (the returns in the Form 8615 classification are not distributed by tax rate).
- (4) For returns of parents choosing to report interest and dividend income of their dependents under age 14 on their own (i.e., the parents') return 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 Form 8615 or 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

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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 surviving spouses” filing status that were included in the “39.6-percent” marginal tax rate classification. The total modified taxable income for the 538,792 returns in this classification “at all rates” was \$401.2 billion (column 3), and the total tax generated was \$138.5 billion (column 5). More than \$199.9 billion (column 4) of the modified taxable income for 1996 were subject to tax at the marginal tax rate of 39.6 percent. This modified taxable income generated \$79.2 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 nearly 1.2 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$296.8 billion and generated total tax of \$87.9 billion. Of the \$296.8 billion of modified taxable income, \$45.7 billion were taxed at 15 percent; \$62.4 billion were taxed at 28 percent (ordinary income); \$29.7 billion were taxed at the 28-percent rate with net long-term capital gains; \$56.3 billion were taxed at 31 percent; \$78.6 billion were taxed at 36 percent; and \$23.8 billion were taxed at the 39.6-percent rate, with the remainder consisting of tax related to Forms 8814 and 8615. Approximately \$6.9 billion of the total tax generated

were from the 15-percent rate; \$17.5 billion were from the 28-percent rate (ordinary income); \$8.3 billion were from the 28-percent rate with net long-term capital gains; \$17.5 billion were from the 31-percent rate; \$28.3 billion were from the 36-percent rate; and \$9.4 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. More than 0.5 million of the nearly 43.0 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 \$199.9 billion, and the tax generated was \$79.2 billion.

Notes to Appendix D

- [D1] For more details on the income computation under the 1979 Income Concept for 1996, see *Statistics of Income--1996, Individual Income Tax Returns*.
- [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 they 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

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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 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 1996).

AMTI was reduced by an exemption amount dependent upon the filing status of the individual and subject to phaseout at higher AMTI levels. For 1996, 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 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 (excluding tax on lump-sum distributions from qualified retirement plans) less the foreign tax credit (for regular tax purposes) to yield the alternative minimum tax.

Dependents under the age of 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 if the parents included the dependents’ incomes on their own tax returns. (Dependents filing their own returns were limited to an AMT exemption of \$1,300 plus their “earned income.” The dependent’s AMT could be reduced if the parents had regular tax greater than the child’s own tentative minimum tax, or if any other dependent under age 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 1996 are based on a stratified probability sample of unaudited individual income tax returns (Forms 1040, 1040A, 1040EZ, and 1040PC, including electronic returns) filed with the Internal Revenue Service during Calendar Year 1997. 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 126,420 returns selected to represent the 120,917,968 returns filed during 1997.

Since the data presented in this article are estimates based on a sample of returns filed, they are

Figure K-1

Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 1996

	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 ¹
EQUALS:	Alternative minimum taxable income

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

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Figure K-2

Alternative Minimum Tax Adjustments and Preferences, Tax Year 1996

- 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, personal property, 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, personal property, 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 which 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 gains and losses 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 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 expenditures 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 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)

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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.

Notes 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*.

SOURCE: IRS, Statistics of Income Bulletin, Spring 1999

Figure L

Coefficients of Variation for Selected Items, Tax Year 1996

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated
	Number of returns	Amount	Amount
	(1)	(2)	(3)
Total	0.24	0.21	0.23
Under \$2,000 ¹	4.97	6.07	6.28
\$2,000 under \$4,000.....	5.11	6.70	7.22
\$4,000 under \$6,000.....	4.63	5.34	5.68
\$6,000 under \$8,000.....	3.70	4.79	4.79
\$8,000 under \$10,000.....	3.25	3.79	3.85
\$10,000 under \$12,000.....	3.15	3.51	3.51
\$12,000 under \$14,000.....	2.87	3.42	3.42
\$14,000 under \$16,000.....	2.61	3.16	3.17
\$16,000 under \$18,000.....	2.61	3.07	3.08
\$18,000 under \$20,000.....	2.72	3.09	3.09
\$20,000 under \$25,000.....	1.72	1.95	1.95
\$25,000 under \$30,000.....	1.87	2.04	2.04
\$30,000 under \$40,000.....	1.31	1.37	1.39
\$40,000 under \$50,000.....	1.38	1.42	1.48
\$50,000 under \$75,000.....	1.09	1.12	1.16
\$75,000 under \$100,000.....	1.57	1.60	1.64
\$100,000 under \$200,000.....	1.55	1.39	1.36
\$200,000 under \$500,000.....	1.43	1.22	1.19
\$500,000 under \$1,000,000.....	1.22	1.29	1.22
\$1,000,000 or more.....	0.57	0.28	0.28

¹ Includes returns with adjusted gross deficit.

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Table 1.--Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate, Tax Year 1996

[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 (less deficit)	Modified taxable income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All returns									
Total.....	96,513,834	4,439,649,963	3,090,039,998	1,641,919,403	666,574,904	376,195,348	655,404,184	14.8	21.2
15 percent (Form 8814) ¹	11,707	-88,300	6,596	6,596	992	992	591	(⁴)	9.0
15 percent.....	68,120,162	1,681,915,682	896,543,606	896,515,254	134,483,214	134,477,288	128,939,734	7.7	14.4
28 percent.....	23,176,321	1,521,756,825	1,131,057,018	349,440,875	215,085,990	97,843,445	213,823,248	14.1	18.9
28 percent (capital gains) ²	488,911	103,986,942	86,225,481	57,563,960	22,015,182	16,117,909	21,843,301	21.0	25.3
31 percent.....	2,686,314	354,953,024	288,501,210	51,681,463	70,620,626	16,021,254	70,033,094	19.7	24.3
36 percent.....	1,041,032	249,214,248	212,291,149	45,197,596	59,706,194	16,271,135	58,963,983	23.7	27.8
39.6 percent.....	624,600	525,465,710	473,275,734	239,624,224	164,052,580	94,891,193	161,198,245	30.7	34.1
Form 8615 ³	364,783	2,445,832	2,139,205	1,889,435	610,127	572,132	601,988	24.6	28.1
Joint returns and returns of surviving spouses									
Total.....	42,957,026	3,018,488,943	2,140,588,467	1,068,824,684	479,175,340	259,885,811	472,834,528	15.7	22.1
15 percent (Form 8814) ¹	4,200	-156,468	2,521	2,521	380	380	348	(⁴)	13.8
15 percent.....	26,097,854	959,854,581	511,082,780	511,058,023	76,662,979	76,658,703	74,672,336	7.8	14.6
28 percent.....	13,630,671	1,088,593,174	795,086,305	248,463,737	151,563,308	69,569,846	150,513,409	13.8	18.9
28 percent (capital gains) ²	286,351	73,642,664	61,281,486	40,927,608	15,666,381	11,459,730	15,547,788	21.1	25.4
31 percent.....	1,579,403	246,550,601	198,067,094	32,291,435	48,192,505	10,010,345	47,777,309	19.4	24.1
36 percent.....	819,756	204,700,595	173,906,082	36,150,312	48,559,752	13,014,112	47,981,254	23.4	27.6
39.6 percent.....	538,792	445,303,796	401,162,198	199,931,048	138,530,036	79,172,695	136,342,084	30.6	34.0
Form 8615 ³	--	--	--	--	--	--	--	(⁴)	(⁴)
Returns of married persons filing separately									
Total.....	2,198,087	81,749,933	60,144,698	31,653,472	14,026,022	8,283,639	13,733,992	16.8	22.8
15 percent (Form 8814) ¹	--	--	--	--	--	--	--	(⁴)	(⁴)
15 percent.....	1,295,090	23,284,456	12,899,841	12,899,841	1,935,002	1,934,976	1,905,201	8.2	14.8
28 percent.....	748,164	29,029,642	22,101,674	7,100,911	4,238,401	1,988,255	4,224,882	14.6	19.1
28 percent (capital gains) ²	9,261	2,089,862	1,663,866	1,340,345	441,768	375,297	430,076	20.6	25.8
31 percent.....	89,622	6,649,426	5,398,832	771,070	1,301,159	239,032	1,291,991	19.4	23.9
36 percent.....	39,610	5,025,492	4,209,516	896,627	1,177,340	322,786	1,149,478	22.9	27.3
39.6 percent.....	16,341	15,671,054	13,870,969	8,644,679	4,932,352	3,423,293	4,732,364	30.2	34.1
Form 8615 ³	--	--	--	--	--	--	--	(⁴)	(⁴)
Returns of heads of households									
Total.....	10,656,685	309,769,489	168,757,917	120,714,694	29,900,942	21,262,331	26,467,869	8.5	15.7
15 percent (Form 8814) ¹	*7,407	*70,214	*4,039	*4,039	*607	*607	*239	*0.3	*5.9
15 percent.....	9,460,138	221,770,414	100,865,166	100,861,571	15,130,062	15,129,236	11,890,581	5.4	11.8
28 percent.....	1,085,854	64,228,691	47,412,913	12,501,262	8,737,127	3,500,353	8,654,014	13.5	18.3
28 percent (capital gains) ²	8,238	1,802,734	1,575,085	1,162,267	406,720	325,435	403,381	22.4	25.6
31 percent.....	63,694	8,549,272	7,015,881	1,237,627	1,735,343	383,664	1,721,509	20.1	24.5
36 percent.....	20,871	4,891,572	4,211,890	1,009,516	1,205,045	363,426	1,174,988	24.0	27.9
39.6 percent.....	10,484	8,456,591	7,672,942	3,938,410	2,686,039	1,559,610	2,623,157	31.0	34.2
Form 8615 ³	--	--	--	--	--	--	--	(⁴)	(⁴)
Returns of single persons									
Total.....	40,702,035	1,029,641,598	720,548,916	420,726,553	143,472,601	86,763,565	142,367,795	13.8	19.8
15 percent (Form 8814) ¹	*101	*-2,047	*36	*36	*5	*5	*4	(⁴)	*11.1
15 percent.....	31,267,081	477,006,231	271,695,818	271,695,818	40,755,171	40,754,373	40,471,616	8.5	14.9
28 percent.....	7,711,633	339,905,317	266,456,125	81,374,964	50,547,155	22,784,990	50,430,943	14.8	18.9
28 percent (capital gains) ²	185,062	26,451,682	21,705,044	14,133,740	5,500,313	3,957,447	5,462,055	20.6	25.2
31 percent.....	953,596	93,203,725	78,019,403	17,381,331	19,391,620	5,388,213	19,242,285	20.6	24.7
36 percent.....	160,796	34,596,588	29,963,661	7,141,141	8,764,057	2,570,811	8,658,263	25.0	28.9
39.6 percent.....	58,984	56,034,269	50,569,624	27,110,087	17,904,154	10,735,594	17,500,640	31.2	34.6
Form 8615 ³	364,783	2,445,832	2,139,205	1,889,435	610,127	572,132	601,988	24.6	28.1

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

¹ Form 8814 was filed for a dependent child under age 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 \$6,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income.

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

³ 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.

⁴ Percentage not computed.

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

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Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1996

[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) ¹			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)	
Total.....	96,513,834	3,089,667,206	3,090,039,998	666,574,904	178,536	117,281	17,652	96,490,443	1,846,662,359	276,999,354
Under \$2,000 ²	1,297,522	511,996	513,119	81,957	1,414	978	147	1,295,056	474,281	71,142
\$2,000 under \$4,000.....	1,381,223	1,041,212	1,048,985	191,096	--	--	--	1,381,223	812,676	121,901
\$4,000 under \$6,000.....	1,841,786	2,142,923	2,153,968	342,525	*1,231	*592	*89	1,840,555	2,025,408	303,811
\$6,000 under \$8,000.....	2,708,278	4,283,500	4,284,044	650,262	*1,241	*592	*89	2,705,831	4,188,228	628,234
\$8,000 under \$10,000.....	3,279,844	8,635,974	8,637,941	1,308,655	*3,710	*2,054	*308	3,276,135	8,563,323	1,284,498
\$10,000 under \$12,000.....	3,438,735	13,740,210	13,740,913	2,066,940	*1,330	*865	*130	3,436,175	13,693,191	2,053,979
\$12,000 under \$14,000.....	3,886,509	18,418,004	18,418,368	2,776,060	*345	*166	*25	3,884,933	18,332,110	2,749,816
\$14,000 under \$16,000.....	4,515,126	25,700,069	25,701,028	3,863,139	*1,538	*670	*100	4,514,819	25,651,901	3,847,785
\$16,000 under \$18,000.....	4,427,739	32,061,961	32,064,934	4,824,118	*2,484	*2,415	*364	4,427,739	31,976,147	4,796,422
\$18,000 under \$20,000.....	4,129,358	36,986,796	36,987,120	5,557,164	*10	*1	(³)	4,128,127	36,927,758	5,539,164
\$20,000 under \$25,000.....	9,437,226	110,948,882	110,951,691	16,652,891	*4,861	*2,098	*314	9,435,601	110,872,033	16,630,805
\$25,000 under \$30,000.....	7,954,192	128,039,290	128,044,544	19,253,299	*6,091	*1,730	*260	7,952,294	127,702,123	19,155,318
\$30,000 under \$40,000.....	12,481,128	273,188,362	273,225,353	42,845,950	13,339	9,798	1,474	12,481,128	258,845,009	38,826,751
\$40,000 under \$50,000.....	9,506,924	284,066,359	284,102,427	46,663,357	8,379	6,559	985	9,505,812	252,987,549	37,948,132
\$50,000 under \$75,000.....	14,300,120	609,539,151	609,617,130	105,754,831	36,445	17,099	2,575	14,299,000	499,758,196	74,963,729
\$75,000 under \$100,000.....	5,797,564	365,077,448	365,134,394	73,816,834	21,339	18,190	2,737	5,796,539	220,205,475	33,030,821
\$100,000 under \$200,000....	4,609,154	467,738,769	467,813,998	110,330,516	39,441	24,560	3,696	4,608,633	175,711,770	26,356,765
\$200,000 under \$500,000....	1,197,120	296,724,135	296,763,844	87,893,139	27,544	21,957	3,308	1,196,603	45,679,878	6,851,982
\$500,000 under \$1,000,000.	213,523	128,864,381	128,872,992	43,745,287	5,305	4,764	718	213,522	8,098,706	1,214,806
\$1,000,000 or more.....	110,762	281,957,786	281,963,207	97,956,884	2,488	2,193	330	110,720	4,156,598	623,490

Size of adjusted gross income	Tax generated at specified rate--continued								
	28 percent			28 percent (capital gains) ⁴			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)	
Total.....	27,911,145	577,646,953	161,741,147	2,434,556	168,059,235	47,056,581	4,351,948	137,609,191	42,658,849
Under \$2,000 ²	--	--	--	--	--	--	--	--	--
\$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.....	*6,215	*5,773	*1,616	--	--	--	--	--	--
\$25,000 under \$30,000.....	159,104	312,568	87,519	--	--	--	--	--	--
\$30,000 under \$40,000.....	3,621,031	14,255,792	3,991,622	--	--	--	--	--	--
\$40,000 under \$50,000.....	2,969,240	31,061,413	8,697,196	--	--	--	--	--	--
\$50,000 under \$75,000.....	9,462,830	108,017,216	30,244,820	88,414	786,123	220,110	255,659	976,418	302,690
\$75,000 under \$100,000.....	5,675,521	135,431,338	37,920,775	221,372	2,768,110	775,060	482,915	6,531,718	2,024,833
\$100,000 under \$200,000....	4,537,694	209,505,711	58,661,599	1,196,565	18,833,534	5,273,398	2,183,411	58,175,453	18,034,390
\$200,000 under \$500,000....	1,167,426	62,419,020	17,477,326	699,570	29,734,223	8,325,585	1,123,876	56,291,619	17,450,402
\$500,000 under \$1,000,000.	206,740	11,047,974	3,093,433	145,454	19,914,687	5,576,112	202,359	10,328,657	3,201,884
\$1,000,000 or more.....	105,345	5,590,147	1,565,241	83,182	96,022,559	26,886,316	103,729	5,305,326	1,644,651

Individual Income Tax Rates and Tax Shares, 1996

Table 2.--Returns With Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1996--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								
	36 percent			39.6 percent			Form 8615 ³		
	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)	
Total.....	1,665,634	118,430,023	42,634,808	624,601	239,625,521	94,891,706	364,783	1,889,435	572,132
Under \$2,000.....	--	--	--	--	--	--	120,797	37,860	10,578
\$2,000 under \$4,000.....	--	--	--	--	--	--	142,891	236,309	69,087
\$4,000 under \$6,000.....	--	--	--	--	--	--	36,329	127,967	38,587
\$6,000 under \$8,000.....	--	--	--	--	--	--	16,599	95,225	21,889
\$8,000 under \$10,000.....	--	--	--	--	--	--	*9,679	*72,563	*23,741
\$10,000 under \$12,000.....	--	--	--	--	--	--	*4,923	*46,857	*12,687
\$12,000 under \$14,000.....	--	--	--	--	--	--	*7,361	*86,093	*26,116
\$14,000 under \$16,000.....	--	--	--	--	--	--	*3,693	*48,458	*15,102
\$16,000 under \$18,000.....	--	--	--	--	--	--	*5,569	*86,373	*27,199
\$18,000 under \$20,000.....	--	--	--	--	--	--	*3,669	*59,361	*17,904
\$20,000 under \$25,000.....	--	--	--	--	--	--	*3,669	*71,787	*19,933
\$25,000 under \$30,000.....	--	--	--	--	--	--	*1,112	*28,123	*10,009
\$30,000 under \$40,000.....	--	--	--	--	--	--	*3,578	*114,753	*25,927
\$40,000 under \$50,000.....	--	--	--	--	--	--	*1,112	*46,906	*16,885
\$50,000 under \$75,000.....	--	--	--	--	--	--	*1,112	*62,077	*20,808
\$75,000 under \$100,000.....	9,882	95,919	34,531	--	--	--	*1,025	*83,644	*27,947
\$100,000 under \$200,000.....	321,567	5,402,463	1,944,887	3,035	86,769	34,361	*521	*73,739	*21,042
\$200,000 under \$500,000.....	1,034,683	78,581,425	28,289,313	338,201	23,805,298	9,426,898	*1,027	*230,423	*68,111
\$500,000 under \$1,000,000.....	197,637	22,641,175	8,150,823	185,958	56,837,029	22,507,463	--	--	--
\$1,000,000 or more.....	101,864	11,709,041	4,215,255	97,408	158,896,424	62,922,984	118	280,919	98,580

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

¹ 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 \$6,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income.

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

³ 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.

NOTE: The footnotes above are incorrect, for the correct footnotes please see the the bottom of the table in the Excel file 96in02tr.xls.

Individual Income Tax Rates and Tax Shares, 1996

Table 3.--Returns with Modified Taxable Income: Taxable Income, Total Tax, and Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 1996

[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	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All tax rates.....	96,513,834	3,090,039,998	666,572,234	42,957,026	2,140,588,467	479,174,224	2,198,087	60,144,698	14,025,983
15 percent (Form 8814) ¹	178,536	117,281	17,652	154,291	104,917	15,792	587	192	29
15 percent.....	96,490,443	1,846,662,359	276,999,354	42,952,826	1,186,940,781	178,041,117	2,198,087	31,004,927	4,650,739
28 percent.....	27,911,145	577,646,953	161,741,147	16,795,152	424,209,648	118,778,701	902,067	11,373,028	3,184,448
28 percent (capital gains) ²	2,434,556	168,059,235	47,056,586	1,735,486	129,419,299	36,237,404	43,651	5,084,868	1,423,763
31 percent.....	4,351,948	137,609,191	42,658,849	2,937,951	101,305,681	31,404,761	145,573	2,192,212	679,586
36 percent.....	1,665,634	118,430,023	42,634,808	1,358,548	98,677,093	35,523,753	55,950	1,844,793	664,126
39.6 percent.....	624,601	239,625,521	94,891,706	538,792	199,931,048	79,172,695	16,341	8,644,679	3,423,293
Form 8615 ³	364,783	1,889,435	572,132	--	--	--	--	--	--

Marginal tax rate classes	Returns of heads of households			Returns of single persons		
	Number of returns	Income taxed at rate	Income tax generated at rate	Number of returns	Income taxed at rate	Income tax generated at rate
	(10)	(11)	(12)	(13)	(14)	(15)
All tax rates.....	10,656,685	168,757,917	29,900,564	40,702,035	720,548,916	143,471,463
15 percent (Form 8814) ¹	19,165	9,985	1,501	4,493	2,187	330
15 percent.....	10,649,278	139,091,558	20,863,734	40,690,251	489,625,093	73,443,764
28 percent.....	1,185,862	17,488,055	4,896,655	9,028,065	124,576,222	34,881,342
28 percent (capital gains) ²	51,303	3,014,530	844,068	604,116	30,540,539	8,551,351
31 percent.....	95,048	2,850,817	883,753	1,173,376	31,260,480	9,690,749
36 percent.....	31,355	2,364,561	851,242	219,781	15,543,576	5,595,687
39.6 percent.....	10,484	3,938,410	1,559,610	58,985	27,111,384	10,736,108
Form 8615 ³	--	--	--	364,783	1,889,435	572,132

¹ 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 \$6,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income.

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

³ 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, 1996

Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 1995 and 1996

[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 1995				Tax Year 1996			
	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²	Income tax before credits (regular tax computation) ¹		Tax generated	Difference due to special tax computation ²
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns with regular tax computation only								
Total.....	92,253,928	450,431,837	450,431,779	N/A	93,702,787	467,560,382	467,560,388	N/A
Under \$5,000 ³	3,673,322	284,217	284,205	N/A	3,546,149	299,315	299,311	N/A
\$5,000 under \$10,000.....	6,693,411	2,109,671	2,109,666	N/A	6,628,794	2,076,609	2,076,614	N/A
\$10,000 under \$15,000.....	10,074,452	7,047,397	7,047,406	N/A	9,637,027	6,605,270	6,605,268	N/A
\$15,000 under \$20,000.....	10,496,655	12,351,631	12,351,625	N/A	10,733,244	12,382,513	12,382,513	N/A
\$20,000 under \$25,000.....	9,733,222	17,489,733	17,489,725	N/A	9,433,163	16,633,620	16,633,615	N/A
\$25,000 under \$30,000.....	7,746,476	18,809,491	18,809,492	N/A	7,951,182	19,243,325	19,243,327	N/A
\$30,000 under \$40,000.....	12,305,997	42,828,748	42,828,731	N/A	12,477,550	42,820,283	42,820,292	N/A
\$40,000 under \$50,000.....	9,071,331	44,016,668	44,016,663	N/A	9,505,812	46,646,622	46,646,623	N/A
\$50,000 under \$75,000.....	13,581,069	100,025,625	100,025,620	N/A	14,210,586	104,485,195	104,485,195	N/A
\$75,000 under \$100,000.....	5,218,764	65,531,809	65,531,798	N/A	5,575,167	69,977,962	69,977,962	N/A
\$100,000 under \$200,000.....	3,079,658	68,354,568	68,354,564	N/A	3,412,067	74,522,221	74,522,221	N/A
\$200,000 under \$500,000.....	482,213	35,603,262	35,603,265	N/A	496,520	36,004,736	36,004,736	N/A
\$500,000 under \$1,000,000.....	70,018	14,790,340	14,790,341	N/A	68,068	14,366,637	14,366,637	N/A
\$1,000,000 or more.....	27,340	21,188,678	21,188,678	N/A	27,459	21,496,074	21,496,074	N/A
Returns with Form 8615 tax computation								
Total.....	312,352	316,566	454,761	138,195	364,783	451,697	606,821	155,125
Under \$5,000 ³	246,244	59,785	89,406	29,621	287,648	80,354	129,619	49,265
\$5,000 under \$10,000.....	37,813	35,391	65,142	29,751	38,647	36,858	66,106	29,248
\$10,000 under \$15,000.....	*9,534	*16,826	*33,212	*16,386	15,977	28,393	55,113	26,720
\$15,000 under \$20,000.....	*9,015	*22,993	*46,662	*23,669	*9,238	*22,756	*45,987	*23,231
\$20,000 under \$25,000.....	*2,477	*7,551	*14,314	*6,763	*3,669	*11,008	*20,172	*9,164
\$25,000 under \$30,000.....	*1,102	*3,647	*7,180	*3,533	*1,112	*4,602	*10,118	*5,515
\$30,000 under \$40,000.....	*3,290	*20,442	*36,560	*16,118	*3,578	*21,585	*26,258	*4,673
\$40,000 under \$50,000.....	*1,102	*9,187	*15,414	*6,227	*1,112	*9,662	*16,885	*7,223
\$50,000 under \$75,000.....	*1,075	*13,619	*22,165	*8,546	*1,112	*13,912	*20,808	*6,896
\$75,000 under \$100,000.....	--	--	--	--	*1,025	*20,937	*27,947	*7,011
\$100,000 under \$200,000.....	--	--	--	--	*521	*20,849	*21,042	*194
\$200,000 under \$500,000.....	*527	*37,499	*42,690	*5,191	*1,027	*71,892	*68,161	*-3,731
\$500,000 under \$1,000,000.....	*59	*12,588	*10,352	*-2,236	--	--	--	--
\$1,000,000 or more.....	116	77,039	71,664	-5,375	118	108,890	98,605	-10,285
Returns with Schedule D tax computation								
Total.....	1,906,684	154,490,127	144,856,781	-9,633,346	2,434,556	214,315,357	198,407,296	-15,908,060
Under \$5,000 ³	--	--	--	--	--	--	--	--
\$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.....	75,619	1,046,200	1,040,298	-5,902	88,414	1,255,641	1,249,234	-6,408
\$75,000 under \$100,000.....	147,961	2,593,466	2,561,753	-31,713	221,372	3,857,928	3,810,737	-47,192
\$100,000 under \$200,000.....	992,381	29,700,495	29,320,709	-379,786	1,196,565	36,276,961	35,786,778	-490,183
\$200,000 under \$500,000.....	523,242	40,649,125	39,140,245	-1,508,880	699,570	54,052,985	51,820,236	-2,232,749
\$500,000 under \$1,000,000.....	108,085	23,220,258	21,817,157	-1,403,101	145,454	31,489,468	29,378,648	-2,110,820
\$1,000,000 or more.....	59,397	57,280,583	50,976,618	-6,303,965	83,182	87,382,373	76,361,664	-11,020,709

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

¹ Includes special tax not included in tax generated.

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

³ Includes returns with adjusted gross deficit.

N/A - Not applicable.

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

Individual Income Tax Rates and Tax Shares, 1996

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-1996

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	102,087,623	1,020,876	5,104,381	10,208,762	25,521,906	51,043,811
1987.....	106,154,761	1,061,548	5,307,738	10,615,476	26,538,690	53,077,380
1988.....	108,872,859	1,088,729	5,443,643	10,887,286	27,218,214	54,436,429
1989.....	111,312,721	1,113,127	5,565,636	11,131,272	27,828,181	55,656,361
1990.....	112,812,262	1,128,123	5,640,613	11,281,226	28,203,066	56,406,132
1991.....	113,804,104	1,138,041	5,690,205	11,380,410	28,451,026	56,902,052
1992.....	112,652,759	1,126,528	5,632,638	11,265,276	28,163,190	56,326,380
1993.....	113,681,387	1,136,814	5,684,069	11,368,139	28,420,347	56,840,694
1994.....	114,989,920	1,149,899	5,749,496	11,498,992	28,747,480	57,494,960
1995.....	117,274,186	1,172,742	5,863,709	11,727,419	29,318,546	58,637,093
1996.....	119,441,767	1,194,418	5,972,088	11,944,177	29,860,442	59,720,884
Adjusted gross income floor on percentiles (current dollars):						
1986.....	N/A	118,818	62,377	48,656	32,242	17,302
1987.....	N/A	139,289	68,414	52,921	33,983	17,768
1988.....	N/A	157,136	72,735	55,437	35,398	18,367
1989.....	N/A	163,869	76,933	58,263	36,839	18,993
1990.....	N/A	167,421	79,064	60,287	38,080	19,767
1991.....	N/A	170,139	81,720	61,944	38,929	20,097
1992.....	N/A	181,904	85,103	64,457	40,378	20,803
1993.....	N/A	185,715	87,386	66,077	41,210	21,179
1994.....	N/A	195,726	91,226	68,753	42,742	21,802
1995.....	N/A	209,406	96,221	72,094	44,207	22,344
1996.....	N/A	227,546	101,141	74,986	45,757	23,174
Adjusted gross income floor on percentiles (constant dollars): ²						
1986.....	N/A	108,411	56,913	44,394	29,418	15,786
1987.....	N/A	122,614	60,224	46,585	29,915	15,641
1988.....	N/A	132,828	61,484	46,861	29,922	15,526
1989.....	N/A	132,152	62,043	46,986	29,709	15,317
1990.....	N/A	128,096	60,493	46,126	29,135	15,124
1991.....	N/A	124,919	60,000	45,480	28,582	14,756
1992.....	N/A	129,654	60,658	45,942	28,780	14,828
1993.....	N/A	128,522	60,475	45,728	28,519	14,657
1994.....	N/A	132,069	61,556	46,392	28,841	14,711
1995.....	N/A	137,406	63,137	47,306	29,007	14,661
1996.....	N/A	145,026	64,462	47,792	29,163	14,769
Adjusted gross income (millions of dollars): ¹						
1986.....	2,524,124	285,197	608,467	886,510	1,490,173	2,103,569
1987.....	2,813,728	346,635	722,221	1,038,221	1,709,389	2,373,869
1988.....	3,124,156	473,527	890,702	1,232,536	1,950,860	2,657,865
1989.....	3,298,858	468,079	918,421	1,286,539	2,054,478	2,805,235
1990.....	3,451,237	483,252	953,337	1,338,032	2,144,177	2,932,537
1991.....	3,516,142	456,603	943,350	1,343,202	2,174,765	2,984,003
1992.....	3,680,552	523,586	1,031,093	1,443,784	2,299,401	3,131,400
1993.....	3,775,578	520,586	1,048,252	1,474,463	2,357,953	3,212,299
1994.....	3,961,146	546,700	1,103,084	1,552,205	2,481,074	3,371,352
1995.....	4,244,607	619,610	1,222,723	1,704,513	2,689,820	3,627,542
1996.....	4,590,527	736,545	1,393,805	1,909,149	2,952,637	3,944,383

Footnotes at end of Table 6.

Individual Income Tax Rates and Tax Shares, 1996

Table 5.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, AGI Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-1996--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of dollars):³						
1986.....	366,979	94,491	156,240	200,703	278,976	343,289
1987.....	369,046	91,559	159,642	205,230	283,857	346,655
1988.....	412,761	113,841	188,303	236,411	321,297	389,145
1989.....	432,838	109,259	190,188	241,458	334,258	407,599
1990.....	447,061	112,338	195,088	247,514	344,340	421,075
1991.....	448,349	111,267	194,480	250,282	346,511	423,759
1992.....	476,163	131,156	218,479	276,213	373,700	452,070
1993.....	502,720	145,836	238,083	297,808	398,516	478,563
1994.....	534,754	154,337	254,106	317,902	425,402	509,256
1995.....	588,331	178,035	287,741	357,402	472,808	561,225
1996.....	658,124	212,626	335,433	411,404	535,164	629,684
Average tax rate (percentage):⁴						
1986.....	14.54	33.13	25.68	22.64	18.72	16.32
1987.....	13.12	26.41	22.10	19.77	16.61	14.60
1988.....	13.21	24.04	21.14	19.18	16.47	14.64
1989.....	13.12	23.34	20.71	18.77	16.27	14.53
1990.....	12.95	23.25	20.46	18.50	16.06	14.36
1991.....	12.75	24.37	20.62	18.63	15.93	14.20
1992.....	12.94	25.05	21.19	19.13	16.25	14.44
1993.....	13.32	28.01	22.71	20.20	16.90	14.90
1994.....	13.50	28.23	23.04	20.48	17.15	15.11
1995.....	13.86	28.73	23.53	20.97	17.58	15.47
1996.....	14.34	28.87	24.07	21.55	18.12	15.96
Adjusted gross income share (percentage):						
1986.....	100.00	11.30	24.11	35.12	59.04	83.34
1987.....	100.00	12.32	25.67	36.90	60.75	84.37
1988.....	100.00	15.16	28.51	39.45	62.44	85.07
1989.....	100.00	14.19	27.84	39.00	62.28	85.04
1990.....	100.00	14.00	27.62	38.77	62.13	84.97
1991.....	100.00	12.99	26.83	38.20	61.85	84.87
1992.....	100.00	14.23	28.01	39.23	62.47	85.08
1993.....	100.00	13.79	27.76	39.05	62.45	85.08
1994.....	100.00	13.80	27.85	39.19	62.64	85.11
1995.....	100.00	14.60	28.81	40.16	63.37	85.46
1996.....	100.00	16.04	30.36	41.59	64.32	85.92
Total income tax share (percentage):						
1986.....	100.00	25.75	42.57	54.69	76.02	93.54
1987.....	100.00	24.81	43.26	55.61	76.92	93.93
1988.....	100.00	27.58	45.62	57.28	77.84	94.28
1989.....	100.00	25.24	43.94	55.78	77.22	94.17
1990.....	100.00	25.13	43.64	55.36	77.02	94.19
1991.....	100.00	24.82	43.38	55.82	77.29	94.52
1992.....	100.00	27.54	45.88	58.01	78.48	94.94
1993.....	100.00	29.01	47.36	59.24	79.27	95.19
1994.....	100.00	28.86	47.52	59.45	79.55	95.23
1995.....	100.00	30.26	48.91	60.75	80.36	95.39
1996.....	100.00	32.31	50.97	62.51	81.32	95.68

Footnotes at end of Table 6.

Individual Income Tax Rates and Tax Shares, 1996

Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-1996

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	102,087,623	51,043,811	76,565,717	91,878,861	96,983,242	101,066,747
1987.....	106,154,761	53,077,380	79,616,071	95,539,285	100,847,023	105,093,213
1988.....	108,872,858	54,436,429	81,654,643	97,985,572	103,429,215	107,784,129
1989.....	111,312,721	55,656,361	83,484,542	100,181,451	105,747,087	110,199,596
1990.....	112,812,262	56,406,132	84,609,198	101,531,038	107,171,651	111,684,141
1991.....	113,804,104	56,902,052	85,353,078	102,423,694	108,113,899	112,666,063
1992.....	112,652,759	56,326,380	84,489,560	101,387,483	107,020,121	111,526,231
1993.....	113,681,387	56,840,693	85,261,040	102,313,248	107,997,318	112,544,573
1994.....	114,989,920	57,494,960	86,242,440	103,490,928	109,240,424	113,840,021
1995.....	117,274,186	58,637,093	87,955,640	105,546,767	111,410,477	116,101,444
1996.....	119,441,767	59,720,883	89,581,325	107,497,590	113,469,679	118,247,349
Adjusted gross income (millions of dollars): ¹						
1986.....	2,524,124	420,555	1,033,951	1,637,614	1,915,657	2,238,927
1987.....	2,813,728	439,859	1,104,338	1,775,506	2,091,507	2,467,093
1988.....	3,124,156	466,291	1,173,296	1,891,620	2,233,454	2,650,629
1989.....	3,298,858	493,623	1,244,380	2,012,319	2,380,437	2,830,779
1990.....	3,451,237	518,700	1,307,060	2,113,205	2,497,900	2,967,985
1991.....	3,516,142	532,138	1,341,377	2,172,939	2,572,792	3,059,539
1992.....	3,680,552	549,152	1,381,151	2,236,768	2,649,459	3,156,966
1993.....	3,775,578	563,279	1,417,625	2,301,115	2,727,326	3,254,992
1994.....	3,961,146	589,795	1,480,073	2,408,941	2,858,063	3,414,447
1995.....	4,244,607	617,065	1,554,788	2,540,094	3,021,884	3,624,997
1996.....	4,590,527	646,144	1,637,891	2,681,378	3,196,723	3,853,983
Total income tax (millions of dollars): ³						
1986.....	366,979	23,690	88,002	166,276	210,739	272,488
1987.....	369,046	22,391	85,189	163,816	209,404	277,488
1988.....	412,761	23,616	91,464	176,350	224,459	298,920
1989.....	432,838	25,239	98,580	191,380	242,650	323,579
1990.....	447,061	25,986	102,721	199,547	251,973	334,723
1991.....	448,349	24,554	101,837	198,067	253,869	337,081
1992.....	476,163	24,093	102,463	199,950	257,683	345,007
1993.....	502,720	24,157	104,203	204,912	264,637	356,884
1994.....	534,754	25,499	109,353	216,852	280,648	380,418
1995.....	588,331	27,106	115,523	230,929	300,590	410,296
1996.....	658,124	28,440	122,960	246,720	322,691	445,498
Average tax rate (percentage): ⁴						
1986.....	14.54	5.63	8.51	10.15	11.00	12.17
1987.....	13.12	5.09	7.71	9.23	10.01	11.25
1988.....	13.21	5.06	7.80	9.32	10.05	11.28
1989.....	13.12	5.11	7.92	9.51	10.19	11.43
1990.....	12.95	5.01	7.86	9.44	10.09	11.28
1991.....	12.75	4.61	7.59	9.12	9.87	11.04
1992.....	12.94	4.39	7.42	8.94	9.73	10.93
1993.....	13.32	4.29	7.35	8.90	9.70	10.96
1994.....	13.50	4.32	7.39	9.00	9.82	11.14
1995.....	13.86	4.39	7.43	9.09	9.95	11.32
1996.....	14.34	4.40	7.51	9.20	10.09	11.56

Footnotes at end of table.

Individual Income Tax Rates and Tax Shares, 1996

Table 6.--Returns with Positive Adjusted Gross Income (AGI): Number of Returns, Shares of AGI and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size Using the Definition of AGI for Each Year, Tax Years 1986-1996--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income share (percentage):						
1986.....	100.00	16.66	40.96	64.88	75.89	88.70
1987.....	100.00	15.63	39.25	63.10	74.33	87.68
1988.....	100.00	14.93	37.56	60.55	71.49	84.84
1989.....	100.00	14.96	37.72	61.00	72.16	85.81
1990.....	100.00	15.03	37.87	61.23	72.38	86.00
1991.....	100.00	15.13	38.15	61.80	73.17	87.01
1992.....	100.00	14.92	37.53	60.77	71.99	85.77
1993.....	100.00	14.92	37.55	60.95	72.24	86.21
1994.....	100.00	14.89	37.36	60.81	72.15	86.20
1995.....	100.00	14.54	36.63	59.84	71.19	85.40
1996.....	100.00	14.08	35.68	58.41	69.64	83.96
Total income tax share (percentage):						
1986.....	100.00	6.46	23.98	45.31	57.43	74.25
1987.....	100.00	6.07	23.08	44.39	56.74	75.19
1988.....	100.00	5.72	22.16	42.72	54.38	72.42
1989.....	100.00	5.83	22.78	44.22	56.06	74.76
1990.....	100.00	5.81	22.98	44.64	56.36	74.87
1991.....	100.00	5.48	22.71	44.18	56.62	75.18
1992.....	100.00	5.06	21.52	41.99	54.12	72.46
1993.....	100.00	4.81	20.73	40.76	52.64	70.99
1994.....	100.00	4.77	20.45	40.55	52.48	71.14
1995.....	100.00	4.61	19.64	39.25	51.09	69.74
1996.....	100.00	4.32	18.68	37.49	49.03	67.69

N/A-- Not applicable.

¹ The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Tables 5 and 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 1996, there were 4,496 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$120.6 million.

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

³ 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, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

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

Individual Income Tax Rates and Tax Shares, 1996

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-1996

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	101,988,805	1,019,888	5,099,440	10,198,881	25,497,201	50,994,402
1987.....	106,191,624	1,061,916	5,309,581	10,619,162	26,547,906	53,095,812
1988.....	108,879,154	1,088,792	5,443,958	10,887,915	27,219,788	54,439,577
1989.....	111,328,835	1,113,288	5,566,442	11,132,884	27,832,209	55,664,418
1990.....	112,717,959	1,127,180	5,635,898	11,271,796	28,179,490	56,358,980
1991.....	113,823,123	1,138,231	5,691,156	11,382,312	28,455,781	56,911,562
1992.....	112,687,747	1,126,877	5,634,387	11,268,775	28,171,937	56,343,874
1993.....	113,721,706	1,137,217	5,686,085	11,372,171	28,430,426	56,860,853
1994.....	115,061,112	1,150,611	5,753,056	11,506,111	28,765,278	57,530,556
1995.....	117,333,779	1,173,338	5,866,689	11,733,378	29,333,445	58,666,889
1996.....	119,487,813	1,194,878	5,974,391	11,948,781	29,871,953	59,743,906
Income floor on percentiles (current dollars):						
1986.....	N/A	147,863	68,362	52,035	33,623	17,909
1987.....	N/A	145,624	69,222	53,094	34,165	17,959
1988.....	N/A	161,774	73,451	55,532	35,432	18,534
1989.....	N/A	169,603	77,542	58,429	36,783	19,152
1990.....	N/A	174,813	80,400	60,623	38,026	19,947
1991.....	N/A	180,268	83,300	62,413	38,913	20,302
1992.....	N/A	197,031	87,370	65,283	40,423	21,041
1993.....	N/A	199,698	88,992	66,685	41,013	21,390
1994.....	N/A	210,742	93,186	69,118	42,480	22,000
1995.....	N/A	224,523	98,420	72,210	43,860	22,575
1996.....	N/A	246,268	103,489	75,574	45,508	23,378
Income floor on percentiles (constant dollars): ²						
1986.....	N/A	134,912	62,374	47,477	30,678	16,340
1987.....	N/A	128,190	60,935	46,738	30,075	15,809
1988.....	N/A	136,749	62,089	46,942	29,951	15,667
1989.....	N/A	136,777	62,534	47,120	29,664	15,445
1990.....	N/A	133,751	61,515	46,383	29,094	15,262
1991.....	N/A	132,355	61,160	45,825	28,571	14,906
1992.....	N/A	140,436	62,274	46,531	28,812	14,997
1993.....	N/A	138,199	61,586	46,149	28,383	14,803
1994.....	N/A	142,201	62,879	46,638	28,664	14,845
1995.....	N/A	147,325	64,580	47,382	28,780	14,813
1996.....	N/A	156,959	65,959	48,167	29,004	14,900
Income (millions of dollars):						
1986.....	2,804,691	427,513	796,935	1,097,550	1,732,231	2,368,620
1987.....	2,856,118	363,880	749,240	1,067,438	1,741,747	2,411,715
1988.....	3,153,639	484,675	911,170	1,255,108	1,973,061	2,683,524
1989.....	3,336,571	486,976	947,363	1,317,619	2,085,003	2,838,481
1990.....	3,497,118	504,687	987,582	1,376,162	2,182,091	2,973,847
1991.....	3,577,337	478,756	985,590	1,390,924	2,224,979	3,038,428
1992.....	3,763,002	556,421	1,090,019	1,509,728	2,369,701	3,206,490
1993.....	3,849,532	554,075	1,105,014	1,537,285	2,422,475	3,278,866
1994.....	4,033,642	579,564	1,161,972	1,617,250	2,544,400	3,436,167
1995.....	4,317,506	653,717	1,284,726	1,772,890	2,754,988	3,692,267
1996.....	4,670,644	772,868	1,462,979	1,984,931	3,025,107	4,015,461

Footnotes at end of Table 8.

Individual Income Tax Rates and Tax Shares, 1996

Table 7.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, Income Floor on Percentiles in Current and Constant Dollars, and Average Tax Rates, by Selected Descending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-1996--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Total income tax (millions of dollars):³						
1986.....	366,763	93,128	155,553	198,862	277,578	342,296
1987.....	368,924	89,908	158,485	204,050	282,970	346,228
1988.....	412,549	112,208	186,793	235,121	320,152	388,631
1989.....	432,643	107,508	188,588	240,229	333,285	407,106
1990.....	446,906	110,530	192,991	245,856	342,926	420,345
1991.....	448,177	107,926	192,548	246,745	345,168	423,180
1992.....	476,067	127,361	216,303	272,361	372,352	451,494
1993.....	502,638	142,329	235,908	294,238	397,261	477,997
1994.....	534,693	150,133	250,770	314,909	423,743	508,540
1995.....	588,292	173,877	284,036	354,427	471,035	560,748
1996.....	658,059	208,071	331,404	407,726	532,750	628,918
Average tax rate (percentage):⁴						
1986.....	13.08	21.78	19.52	18.12	16.02	14.45
1987.....	12.92	24.71	21.15	19.12	16.25	14.36
1988.....	13.08	23.15	20.50	18.73	16.23	14.48
1989.....	12.97	22.08	19.91	18.23	15.98	14.34
1990.....	12.78	21.90	19.54	17.87	15.72	14.13
1991.....	12.53	22.54	19.54	17.74	15.51	13.93
1992.....	12.65	22.89	19.84	18.04	15.71	14.08
1993.....	13.06	25.69	21.35	19.14	16.40	14.58
1994.....	13.26	25.90	21.58	19.47	16.65	14.80
1995.....	13.63	26.60	22.11	19.99	17.10	15.19
1996.....	14.09	26.92	22.65	20.54	17.61	15.66
Income share (percentage):						
1986.....	100.00	15.24	28.41	39.13	61.76	84.45
1987.....	100.00	12.74	26.23	37.37	60.98	84.44
1988.....	100.00	15.37	28.89	39.80	62.56	85.09
1989.....	100.00	14.60	28.39	39.49	62.49	85.07
1990.....	100.00	14.43	28.24	39.35	62.40	85.04
1991.....	100.00	13.38	27.55	38.88	62.20	84.94
1992.....	100.00	14.79	28.97	40.12	62.97	85.21
1993.....	100.00	14.39	28.71	39.93	62.93	85.18
1994.....	100.00	14.37	28.81	40.09	63.08	85.19
1995.....	100.00	15.14	29.76	41.06	63.81	85.52
1996.....	100.00	16.55	31.32	42.50	64.77	85.97
Total income tax share (percentage):						
1986.....	100.00	25.39	42.41	54.22	75.68	93.33
1987.....	100.00	24.37	42.96	55.31	76.70	93.85
1988.....	100.00	27.20	45.28	56.99	77.60	94.20
1989.....	100.00	24.85	43.59	55.53	77.03	94.10
1990.....	100.00	24.73	43.18	55.01	76.73	94.06
1991.....	100.00	24.08	42.96	55.06	77.02	94.42
1992.....	100.00	26.75	45.44	57.21	78.21	94.84
1993.....	100.00	28.32	46.93	58.54	79.04	95.10
1994.....	100.00	28.08	46.90	58.90	79.25	95.11
1995.....	100.00	29.56	48.28	60.25	80.07	95.32
1996.....	100.00	31.62	50.36	61.96	80.96	95.57

Footnotes at end of Table 8.

Individual Income Tax Rates and Tax Shares, 1996

Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-1996

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns: ¹						
1986.....	101,988,805	50,994,402	76,491,604	91,789,924	96,889,365	100,968,917
1987.....	106,191,624	53,095,812	79,643,718	95,572,462	100,882,043	105,129,708
1988.....	108,879,154	54,439,577	81,659,366	97,991,239	103,435,196	107,790,362
1989.....	111,328,835	55,664,417	83,496,626	100,195,951	105,762,393	110,215,547
1990.....	112,717,959	56,358,980	84,538,469	101,446,163	107,082,061	111,590,779
1991.....	113,823,123	56,911,562	85,367,342	102,440,811	108,131,967	112,684,892
1992.....	112,687,747	56,343,874	84,515,810	101,418,972	107,053,360	111,560,870
1993.....	113,721,706	56,860,853	85,291,280	102,349,535	108,035,621	112,584,489
1994.....	115,061,112	57,530,556	86,295,834	103,555,001	109,308,056	113,910,501
1995.....	117,333,779	58,666,890	88,000,334	105,600,401	111,467,090	116,160,441
1996.....	119,487,813	59,743,907	89,615,860	107,539,032	113,513,422	118,292,935
Income (millions of dollars):						
1986.....	2,804,691	436,071	1,072,460	1,707,142	2,007,756	2,377,178
1987.....	2,856,118	444,403	1,114,372	1,788,680	2,106,878	2,492,238
1988.....	3,153,639	470,115	1,180,578	1,898,531	2,242,469	2,668,964
1989.....	3,336,571	498,089	1,251,567	2,018,952	2,389,207	2,849,595
1990.....	3,497,118	523,271	1,315,027	2,120,956	2,509,535	2,992,431
1991.....	3,577,337	538,910	1,352,358	2,186,413	2,591,748	3,098,582
1992.....	3,763,002	556,512	1,393,300	2,253,273	2,672,983	3,206,581
1993.....	3,849,532	570,666	1,427,057	2,312,247	2,744,518	3,295,456
1994.....	4,033,642	597,475	1,489,242	2,416,392	2,871,670	3,454,078
1995.....	4,317,506	625,239	1,562,518	2,544,615	3,032,780	3,663,789
1996.....	4,670,644	655,183	1,645,537	2,685,713	3,207,665	3,897,777
Total income tax (millions of dollars): ³						
1986.....	366,763	24,467	89,186	167,901	211,210	273,635
1987.....	368,924	22,696	85,954	164,874	210,439	279,016
1988.....	412,549	23,918	92,397	177,429	225,756	300,341
1989.....	432,643	25,537	99,358	192,414	244,055	325,135
1990.....	446,906	26,562	103,980	201,050	253,915	336,376
1991.....	448,177	24,997	103,009	201,432	255,629	340,251
1992.....	476,067	24,573	103,715	203,706	259,764	348,706
1993.....	502,638	24,641	105,377	208,400	266,730	360,309
1994.....	534,693	26,153	110,950	219,783	283,923	384,560
1995.....	588,292	27,544	117,257	233,864	304,256	414,415
1996.....	658,059	29,142	125,310	250,333	326,655	449,988
Average tax rate (percentage): ⁴						
1986.....	13.08	5.61	8.32	9.84	10.52	11.51
1987.....	12.92	5.11	7.71	9.22	9.99	11.20
1988.....	13.08	5.09	7.83	9.35	10.07	11.25
1989.....	12.97	5.13	7.94	9.53	10.21	11.41
1990.....	12.78	5.08	7.91	9.48	10.12	11.24
1991.....	12.53	4.64	7.62	9.21	9.86	10.98
1992.....	12.65	4.42	7.44	9.04	9.72	10.87
1993.....	13.06	4.32	7.38	9.01	9.72	10.93
1994.....	13.26	4.38	7.45	9.10	9.89	11.13
1995.....	13.63	4.41	7.50	9.19	10.03	11.31
1996.....	14.09	4.45	7.62	9.32	10.18	11.54

Footnotes at end of table.

Individual Income Tax Rates and Tax Shares, 1996

Table 8.--Returns with Positive "1979 Income Concept" Income: Number of Returns, Shares of Income and Total Income Tax, and Average Tax Rates, by Selected Ascending Cumulative Percentiles of Returns Based on Income Size, Tax Years 1986-1996--Continued

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Income share (percentage):						
1986.....	100.00	15.55	38.24	60.87	71.59	84.76
1987.....	100.00	15.56	39.02	62.63	73.77	87.26
1988.....	100.00	14.91	37.44	60.20	71.11	84.63
1989.....	100.00	14.93	37.51	60.51	71.61	85.40
1990.....	100.00	14.96	37.60	60.65	71.76	85.57
1991.....	100.00	15.06	37.80	61.12	72.45	86.62
1992.....	100.00	14.79	37.03	59.88	71.03	85.21
1993.....	100.00	14.82	37.07	60.07	71.29	85.61
1994.....	100.00	14.81	36.92	59.91	71.19	85.63
1995.....	100.00	14.48	36.19	58.94	70.24	84.86
1996.....	100.00	14.03	35.23	57.50	68.68	83.45
Total income tax share (percentage):						
1986.....	100.00	6.67	24.32	45.78	57.59	74.61
1987.....	100.00	6.15	23.30	44.69	57.04	75.63
1988.....	100.00	5.80	22.40	43.01	54.72	72.80
1989.....	100.00	5.90	22.97	44.47	56.41	75.15
1990.....	100.00	5.94	23.27	44.99	56.82	75.27
1991.....	100.00	5.58	22.98	44.94	57.04	75.92
1992.....	100.00	5.16	21.79	42.79	54.56	73.25
1993.....	100.00	4.90	20.96	41.46	53.07	71.68
1994.....	100.00	4.89	20.75	41.10	53.10	71.92
1995.....	100.00	4.68	19.93	39.75	51.72	70.44
1996.....	100.00	4.43	19.04	38.04	49.64	68.38

N/A--Not applicable.

¹ The number of returns in columns 2 through 6, Tables 7 and 8, were processed in thousands and, therefore, reflect differences due to rounding.

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

³ Total income tax is the sum of income tax after credits and the alternative minimum tax.

⁴ 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).