

# Individual Income Tax Rates and Tax Shares, 1998

by David Campbell and Michael Parisi

**T**axpayers filed 124.8 million individual income tax returns for Tax Year 1998, of which more than 93.0 million, or 74.6 percent, showed an income tax liability. As a result of a full year of lower capital gain rates (introduced for part of Tax Year 1997) and the addition of the child and education tax credits for Tax Year 1998, the average tax rate on taxable returns decreased for the first time since 1992. The rate declined slightly from 15.34 percent for Tax Year 1997 to 15.28 percent for Tax Year 1998. The average adjusted gross income (less deficit) (AGI) rose to \$55,458, an 8.8-percent increase from 1997. Average total income tax increased 8.3 percent to \$8,475. Total AGI reported on taxable returns increased 8.3 percent to \$5,160 billion for 1998, while total income tax increased 7.8 percent to \$789 billion.

The percent of AGI reported by the top 5 percent of taxpayers increased for the fifth consecutive year, reaching 32.9 percent for 1998. The top 5 percent of taxpayers also paid 53.8 percent of the total income tax for 1998, an increase of almost 2 percentage points from 1997. The percent of AGI reported by the top 1 percent of taxpayers for 1998 increased for the fifth consecutive year to 18.5 percent, while the same group accounted for 34.8 percent of the total income tax. An AGI of at least \$114,729 placed an individual in the top 5 percent of taxpayers, while an AGI of at least \$269,496 included an individual in the top 1 percent of taxpayers.

This article discusses the individual income tax rates and tax shares and the computation of “total income tax” for 1998. 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 Tax 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 1998.

## Average Tax Rates

Figure A presents statistics for 1986 through 1998 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 six 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 1-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.

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Figure A

## Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-1998

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

Tax year	Total number of returns	Taxable returns								
		Number of returns	As a percentage of total returns <sup>1</sup>	Adjusted gross income (less deficit)	Total income tax	Average tax rate (percent) <sup>2,3</sup>	Average per return (whole dollars) <sup>3</sup>			
							Current dollars		Constant dollars <sup>4</sup>	
							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
1997.....	122,421,991	93,471,200	76.4	4,765	731	15.3	50,980	7,824	31,763	4,875
1998.....	124,770,662	93,047,898	74.6	5,160	789	15.3	55,458	8,475	33,836	5,171
Using 1979 Income Concept <sup>5</sup>										
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
1997.....	122,421,991	93,471,200	76.4	4,849	731	15.1	51,875	7,824	32,321	4,875
1998.....	124,770,662	93,047,898	74.6	5,299	789	14.9	56,947	8,475	34,745	5,171

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

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

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

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

<sup>5</sup> These statistics are based on adjusted gross income (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. See Figure I for the components of the 1979 Income Concept. 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 1986-1998.

- (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 itemized deductions, and a phaseout of personal exemptions.
- (6) Tax Years 1997 and 1998 were subject to the

Taxpayer Relief Act of 1997 (TRA97). TRA97 added three new capital gain tax rates to the previous rate structure to form a new eight-rate tax bracket structure (with a maximum statutory tax rate of 39.6 percent). (See Appendix C for a more detailed description of the capital gain rates.)

## Individual Income Tax Rates and Tax Shares, 1998

Approximately 93.0 million, or 74.6 percent, of the 124.8 million individual returns filed for 1998 were “taxable returns.” Total AGI for these returns increased 8.3 percent to \$5,160 billion. Using the 1979 Income Concept, taxable returns showed total income of \$5,299 billion, an increase of 9.3 percent from 1997. Taxpayers reported nearly \$789 billion in total income tax for 1998. That was approximately \$57 billion (7.8 percent) more than for 1997, but was a significant reduction from the growth rate of 11.1 percent for 1997. This reduction in the growth rate of total income tax can be partially attributed to the addition of the child tax credit and education credits, new for 1998, and reduction of the capital gain tax rates (for the entire year) from a maximum of 28 percent to 10, 20, or 25 percent. For 1997, these lower rates were in effect for only part of the year. For the first time since 1991, the growth of AGI exceeded the growth of total income tax.

Average AGI and average total income tax increased from 1997 to 1998, in both current and constant 1982-84 dollars [2]. In current dollars, average AGI increased 8.8 percent to \$55,458, while

average tax increased 8.3 percent to \$8,475. In 1982-84 dollars, average AGI rose to \$33,836 and average total income tax increased to \$5,171.

Because TRA86 reduced statutory tax rates and broadened the definition of AGI (by eliminating or limiting the preferential tax treatment of various items, such as restricting the use of “passive losses” to offset “non-passive income”), 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 3 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 15.1 percent for 1997 before declining to 14.9 percent for 1998, the first decline since 1991.

As shown in Figure B, the average tax rate (as a percentage of AGI) on all taxable returns remained

Figure B

### Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 1997 and 1998

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

Tax year, item	Total	Size of adjusted gross income									
		Under \$1 <sup>1</sup>	\$1 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$200,000	\$200,000 under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>Tax Year 1998:</b>											
Number of taxable returns.....	93,048	4	8,258	15,365	15,365	22,655	23,055	6,263	1,605	307	172
Adjusted gross income											
(less deficit).....	5,160,224	-5,474	52,786	232,203	382,997	886,802	1,585,000	822,169	463,262	207,460	533,022
Total income tax.....	788,542	94	2,208	15,567	30,864	85,162	194,130	143,721	111,545	58,483	146,767
Average tax rate (percent).....	15.3	( <sup>2</sup> )	4.2	6.7	8.1	9.6	12.2	17.5	24.1	28.2	27.5
<b>Tax Year 1997:</b>											
Number of taxable returns.....	93,471	6	9,994	15,722	16,357	22,620	21,592	5,374	1,401	262	144
Adjusted gross income											
(less deficit).....	4,765,197	-6,969	59,448	235,780	407,092	882,808	1,476,061	707,311	404,056	176,547	423,065
Total income tax.....	731,321	111	2,525	15,779	33,662	89,793	190,445	126,268	99,512	51,291	121,936
Average tax rate (percent).....	15.3	( <sup>2</sup> )	4.2	6.7	8.3	10.2	12.9	17.9	24.6	29.1	28.8
Increase in average tax rates, 1998 over 1997.....	-0.1	( <sup>3</sup> )	-0.1	--	-0.2	-0.6	-0.7	-0.4	-0.6	-0.9	-1.3

<sup>1</sup> 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.

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

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

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

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constant in 1998 at 15.3 percent. The average tax rate for all of the AGI-size classes either remained unchanged or declined between 1997 and 1998. The AGI classes that reported the largest reduction in the average tax rate, however, were those with taxpayers most likely to take advantage of the child and education tax credits and the reduction in capital gain rates. Taxpayers in the \$30,000 to \$50,000 and \$50,000 to \$100,000 were able to take advantage of the child and education tax credits. Their average tax rates declined between 0.6 percentage points and 0.7 percentage points, respectively, between 1997 and 1998. Also, taxpayers with an AGI greater than the \$500,000, on average, were likely to experience a significant reduction in their tax rates. The average tax rate increased for each higher AGI-size class except for those taxpayers in the “\$1,000,000 or more” income-size class, whose average tax rate (27.5 percent) was 0.7 percentage points lower than for taxpayers in the “\$500,000 under \$1,000,000” income-size class (28.2 percent). This may be due to the individuals in the “\$1,000,000 or more” income-size class earning a much greater portion of their income from capital gains.

### 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 determination of the marginal tax rate bracket into which a return is assumed to fall.

For 1998, the 100.8 million individual returns with modified taxable income totaling \$3,781.0 billion generated more than \$813.2 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 (defined in Appendix D). Although 67.5 percent of the returns with modified taxable income were in the

Figure C

### Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 1998

[Money amounts are in thousands of dollars]

Marginal tax rate classes	Number of returns		Modified taxable income		Tax generated	
	Number	Percentage	Amount	Percentage	Amount	Percentage
	(1)	(2)	(3)	(4)	(5)	(6)
<b>All rates.....</b>	<b>100,793,439</b>	<b>100.0</b>	<b>3,781,025,929</b>	<b>100.0</b>	<b>813,245,403</b>	<b>100.0</b>
10 percent.....	1,029,381	1.0	4,243,730	0.1	424,421	0.1
15 percent (Form 8814) <sup>1</sup> .....	13,143	( <sup>2</sup> )	13,534	( <sup>2</sup> )	2,030	( <sup>2</sup> )
15 percent.....	68,020,204	67.5	971,307,762	25.7	144,877,353	17.8
20 percent.....	1,226,630	1.2	121,973,262	3.2	21,597,063	2.7
25 percent.....	51,821	0.1	8,093,303	0.2	1,606,328	0.2
28 percent (capital gains) <sup>3</sup> .....	188,822	0.2	14,130,080	0.4	2,878,887	0.4
28 percent.....	24,711,575	24.5	1,340,325,298	35.4	256,572,266	31.5
31 percent.....	3,070,474	3.0	358,212,846	9.5	85,572,728	10.5
36 percent.....	1,262,710	1.3	283,608,522	7.5	76,628,469	9.4
39.6 percent.....	753,425	0.7	675,629,431	17.9	222,253,779	27.3
Form 8615 <sup>4</sup> .....	465,254	0.5	3,488,162	0.1	832,078	0.1

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child’s investment income (if it was from interest or dividends totaling between \$500 and \$7,000) on the parents’ income tax return.

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

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

<sup>4</sup> Form 8615 was filed for a child under age 14 to report the child’s investment income in excess of \$1,400. The returns in this rate classification are not distributed by tax rate.

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

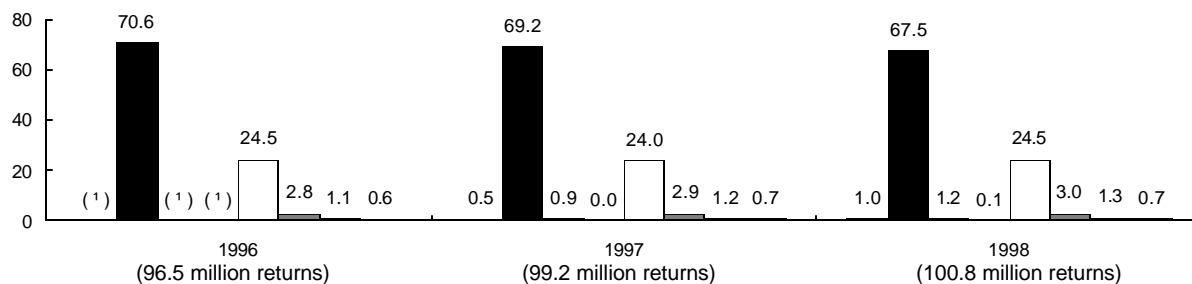
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**Figure D**

## Returns with Modified Taxable Income: Percentages of Returns, Modified Taxable Income, and Tax Generated by Marginal Tax Rate Classification, Tax Years 1996-1998

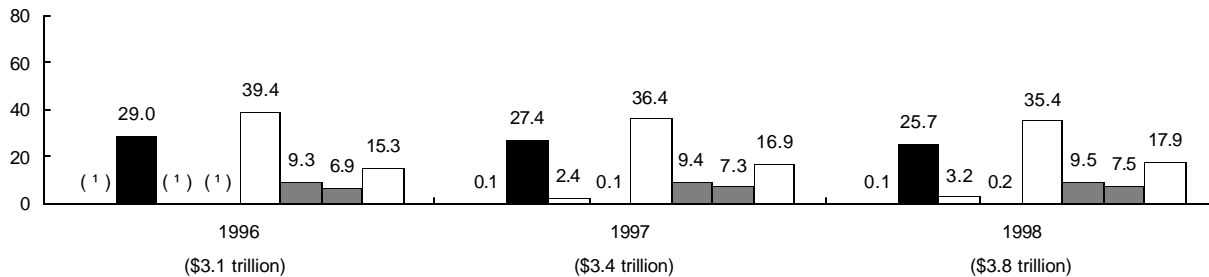
### Number of Returns

Percentage



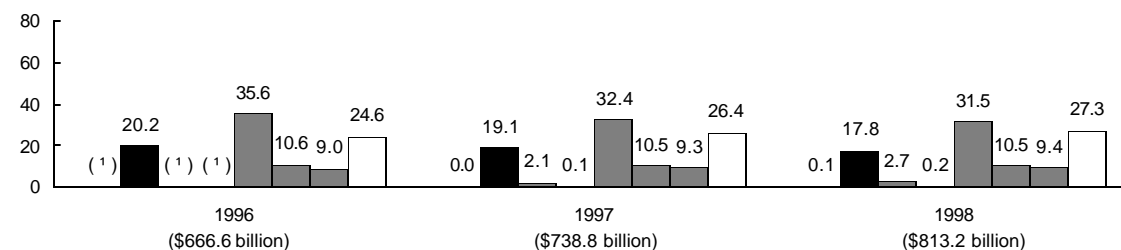
### Modified Taxable Income

Percentage



### Tax Generated

Percentage



10 percent
  15 percent
  20 percent
  25 percent
  28 percent<sup>2</sup>
 31 percent
  36 percent
  39.6 percent

<sup>1</sup> The 10-percent, 20-percent, and 25-percent rates were not applicable for 1996.

<sup>2</sup> Includes 28 percent for returns with net long-term capital gains in excess of net short-term capital losses.

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

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Over Tax Years 1996, 1997, and 1998, the percentage share of income tax generated for the "39.6-percent" marginal rate category increased 2.7 percentage points.

"15-percent" and "15-percent (Form 8814)" marginal rate categories, they reported only 25.7 percent of the modified taxable income and generated 17.8 percent of the tax. Conversely, the 0.7

percent of the returns in the "39.6-percent" classification reported 17.9 percent of the modified taxable income and generated 27.3 percent of the tax. The 24.7 percent of returns in the "28-percent" and "28-percent (capital gain)" categories reported 35.8 percent of the modified taxable income and 31.9 percent of the tax. Returns in the "31-percent" classification reported 9.5 percent of the modified taxable income and 10.5 percent of the income tax, while returns in the "36-percent" classification showed 7.5 percent of the modified taxable income and 9.4 percent of the income tax. Other than capital gains, 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.

The three rate classifications that were new for 1997, "10-percent," "20-percent," and "25-percent," reported for 1998 just 3.6 percent of the modified taxable income and 2.9 percent of the income tax. As shown in Table 2, about 9.4 percent of returns had some modified taxable income taxed at "20-percent," which accounted for 9.1 percent of the modified taxable income and 8.5 percent of the income tax. Also, 8.8 percent of returns had some modified taxable income taxed at the "10-percent" rate, which accounted for only 0.9 percent of modified taxable income and 0.4 percent of income tax. The returns with income taxed at the "25-percent" rate classification accounted for only 0.4 percent of the total, while the modified taxable income and income tax reported at this rate were 0.2 and 0.3 percent of the aggregates, respectively.

Figure D illustrates changes in the distribution of percentages of tax returns, modified taxable income, and income tax generated among various marginal tax rate classifications over Tax Years 1996, 1997,

and 1998. Over the 3-year period, the percentage of returns in the "15-percent" marginal tax rate category decreased 3.1 percentage points, while the remaining seven marginal tax rate categories either increased or remained the same. During this 3-year period, the largest changes in the percentage shares of modified taxable income and income tax generated occurred in the "15-percent," "28-percent," and "39.6-percent" categories. The percentage shares of modified taxable income declined 3.3 percentage points in the "15-percent" category and 4.0 percentage points in the "28-percent" category. It increased 2.6 percentage points in the "39.6-percent" category. Similar to the changes in the percentage shares of modified taxable income, the percentage shares of income tax generated for the "15-percent" and "28-percent" categories decreased by 2.4 and 4.1 percentage points, respectively. The percentage share of income tax generated for the "39.6-percent" category increased 2.7 percentage points. The three marginal tax rate categories that were new for 1997, "10-percent," "20-percent," and "25-percent," did not have a significant impact on the distribution of returns, modified taxable income, or tax generated.

### 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 1998 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 \$813.2 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

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**Figure E**

## Derivation of 1998 Total Income Tax as Shown in Statistics of Income

[Money amounts are in billions of dollars]

<b>Tax generated from tax rate schedules or tax table.....</b>	<b>813.2</b>
PLUS:	
Tax on lump-sum distributions from qualified retirement plans.....	0.4
EQUALS:	
<b>Income tax before credits.....</b>	<b>813.6</b>
LESS: Tax credits, total.....	30.1
Child-care credit.....	2.7
Child tax credit.....	15.1
Education credit.....	3.4
Foreign tax credit.....	4.7
General business credit.....	0.7
Earned income credit (limited to the amount needed to reduce total income tax to zero).....	2.2
Credit for prior-year minimum tax.....	0.8
Other credits <sup>1</sup> .....	0.5
EQUALS:	
<b>Income tax after credits.....</b>	<b>783.5</b>
PLUS: Alternative minimum tax.....	5.0
EQUALS:	
<b>Total income tax.....</b>	<b>788.5</b>

<sup>1</sup> Includes the elderly or disabled credit, empowerment zone employment credit, mortgage interest credit, adoption credit, nonconventional source fuel credit, and other credits.

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

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 taxes other than regular income taxes are excluded from the computation of income tax after credits [6]. Income tax after credits (Figure E) totaled \$783.5 billion. Total income tax of \$788.5 billion (Figure A) is thus the sum of income tax after credits and the alternative minimum tax [7].

Table 4 provides estimates on the type of tax computation for returns with modified taxable income. For 1998, the number of children under age 14 who had investment income over \$1,400 decreased 8.3 percent to just over 465,000. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children showed \$803.3 million in tax generated (column 7). If these same children had had all their incomes taxed as ordinary income, income tax before credits (regular tax computation)

would have totaled \$741.3 million (column 6). Thus, the difference resulting from the special tax computation was \$62.0 million (column 8) in additional tax, down 51.9 percent from the \$128.8 million calculated for 1997 (column 4) [8]. This decrease may be partially attributable to the reduction in the capital gain tax rate (effective beginning mid-1997), which lowered the marginal rate at which the long-term capital gains were taxed on the parents' (and, therefore, the children's) returns.

For 1998, some 15.8 million returns using the Schedule D capital gain tax computation generated \$345.2 billion in tax (column 7). However, if long-term capital gains had been taxed the same as ordinary income, the amount of income tax before credits (regular tax computation) for these same taxpayers would have been \$396.6 billion (column 6). Therefore, the reduction in tax generation resulting from use of the Schedule D tax computation was \$51.4 billion (column 8), an increase of 44.4 percent over the \$35.6 billion shown for 1997 (column 4) when almost 14 million taxpayers received some benefit from lower capital gain taxes (column 1). Most of these tax savings (60.8 percent) were reported by taxpayers in the "\$1,000,000 or more" income-size class. For 1998, some 6.3 million taxpayers with an AGI of less than \$50,000 were able to take advantage of relatively lower capital gain tax rates and saved \$912.0 million in taxes, an increase of 52.0 over the previous year's tax savings.

### 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 incentives provided in the tax code to reduce, or even eliminate, their regular tax liabilities. The AMT provisions may limit 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 1998, an AMT liability of \$5.0 billion was reported based on AMTI of \$815.3 billion.

# Individual Income Tax Rates and Tax Shares, 1998

**Figure F**

## Returns with Alternative Minimum Tax Computation Reported on Form 6251: Total Adjustments and Preferences, and Alternative Minimum Taxable Income and Tax, by Size of Adjusted Gross Income, Tax Years 1997 and 1998

[Money amounts are in thousands of dollars]

Size of adjusted gross income	Total adjustments and preferences <sup>1</sup>		Alternative minimum taxable income <sup>1</sup>		Alternative minimum tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Tax Year 1998						
<b>All returns.....</b>	<b>4,477,046</b>	<b>80,543,187</b>	<b>4,483,228</b>	<b>815,273,468</b>	<b>853,433</b>	<b>5,014,549</b>
No adjusted gross income <sup>2</sup> .....	79,633	1,350,930	78,744	-4,317,698	3,671	90,068
\$1 under \$10,000.....	388,676	1,198,905	388,682	1,347,719	2,124	11,367
\$10,000 under \$20,000.....	293,401	1,453,780	293,401	3,767,704	3,211	8,094
\$20,000 under \$30,000.....	248,753	1,386,125	249,722	5,599,213	7,000	16,566
\$30,000 under \$40,000.....	237,061	1,334,753	237,061	7,318,007	11,036	14,491
\$40,000 under \$50,000.....	262,554	1,630,540	262,602	10,277,558	14,839	9,008
\$50,000 under \$75,000.....	643,875	5,126,300	645,712	35,595,744	80,148	72,993
\$75,000 under \$100,000.....	504,958	5,252,667	507,664	39,272,886	110,260	160,435
\$100,000 under \$200,000.....	941,529	14,259,329	942,308	118,685,541	274,217	789,731
\$200,000 under \$500,000.....	627,095	17,461,963	627,358	173,506,785	270,103	1,743,386
\$500,000 under \$1,000,000.....	149,457	8,292,459	149,789	96,216,186	51,136	782,441
\$1,000,000 or more.....	100,053	21,795,436	100,184	328,003,820	25,689	1,315,968
Tax Year 1997						
<b>All returns.....</b>	<b>4,413,784</b>	<b>72,535,818</b>	<b>4,416,738</b>	<b>700,352,427</b>	<b>618,072</b>	<b>4,005,101</b>
No adjusted gross income <sup>2</sup> .....	91,143	1,421,451	89,940	-4,015,600	5,949	111,300
\$1 under \$10,000.....	427,322	1,225,108	430,484	1,795,924	14,666	9,517
\$10,000 under \$20,000.....	337,837	1,667,360	337,844	3,968,847	5,538	5,191
\$20,000 under \$30,000.....	276,787	1,381,384	276,787	5,801,791	3,143	4,668
\$30,000 under \$40,000.....	269,507	1,571,678	269,510	8,525,792	4,642	4,966
\$40,000 under \$50,000.....	301,931	1,846,573	301,931	12,037,276	8,832	11,036
\$50,000 under \$75,000.....	629,507	4,875,382	629,874	35,084,875	39,995	81,204
\$75,000 under \$100,000.....	471,911	5,243,941	471,911	36,728,677	86,641	212,517
\$100,000 under \$200,000.....	842,114	12,658,352	842,124	106,113,664	196,043	652,446
\$200,000 under \$500,000.....	555,196	15,834,686	555,648	153,703,666	200,635	1,533,144
\$500,000 under \$1,000,000.....	125,911	6,494,152	126,002	80,060,355	34,107	453,955
\$1,000,000 or more.....	84,619	18,315,749	84,683	260,547,164	17,882	925,157

<sup>1</sup> See Figures K-1 and K-2 for the calculation of alternative minimum taxable income and for the list of alternative minimum tax adjustments and preferences.

<sup>2</sup> Includes returns with adjusted gross deficit.

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

Generally, AMTI is only shown on filed tax returns if the taxpayer's liability is affected by the AMT. The AMT amount for 1998 represents a 25.2-percent increase from the \$4.0 billion in AMT for 1997 based on \$700.4 billion of AMTI. This increase was at least partially attributable to the substantial increase in net long-term capital gain (less loss), which was taxed at 28 percent (the same as the maximum rate for the AMT) or lower rates. Also, 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 1998. The amount of AMT reported for each of the 13 years is also shown. For 1986, after TRA86 was introduced but before it became effective, when the highest marginal tax rate on ordinary income was 50 percent, and the highest



# Individual Income Tax Rates and Tax Shares, 1998

**Figure G**

**Marginal Tax Rate, Capital Gain Rate, Alternative Minimum Tax Rate, and Alternative Minimum Tax, Tax Years 1986-1998**

[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	
	(1)	(2)	(3)	Number of returns	Amount
1986.....	50.0	20 <sup>1</sup>	20	608,907	6,713,149
1987.....	38.5	28	21	139,779	1,674,898
1988.....	28.0 <sup>2</sup>	28 <sup>2</sup>	21	113,562	1,027,884
1989.....	28.0 <sup>2</sup>	28 <sup>2</sup>	21	117,483	831,012
1990.....	28.0 <sup>2</sup>	28 <sup>2</sup>	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
1997.....	39.6	28	28	618,072	4,005,101
1998.....	39.6	28	28	853,433	5,014,549

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

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

capital gain rate and highest AMT rate were both 20 percent, the AMT reported was \$6.7 billion. After 1986, both the highest capital gain rate and the highest AMT rate increased, while the highest 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. From 1992 to 1993, when the highest marginal tax rate on ordinary income and the highest AMT rate increased again (while the highest capital gain rate remained the same), the AMT liability increased 51.3 percent to nearly \$2.1 billion. From 1994 through 1996, the amount of the AMT increased gradually every year.

But for 1997, the AMT rose 42.4 percent to \$4.0 billion, the highest level reported since 1986. This also coincides with the large increases in long-term capital gains receiving favorable tax rates, cited previously. For 1998, the amount of AMT continued its substantial growth, increasing 25.2 percent to \$5.0 billion. The AMT was also paid by a record number of taxpayers for 1998; it was paid by 0.7 percent of all returns filed.

**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 1998). 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 known as 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 123.8 million returns filed for 1998 with positive AGI [9]. The average tax rate for these returns was 14.4 percent, a slight decrease from the 1997 average tax rate of 14.6 percent. For the first time since 1990, the average tax rate on the top 1, 5, 10, 25 and 50 percentiles decreased (mostly due to the new child tax credit for all but the top 1 percent and reduced capital gain tax rates for the entire year). For 1998, the returns in the top 1 percentile reported 18.5 percent of total AGI and 34.8 percent of total income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was \$269,496. For 1997, the returns in this percentile group (i.e.,

## Individual Income Tax Rates and Tax Shares, 1998

those with at least \$250,736 in AGI) reported 17.4 percent of total AGI and 33.2 percent of total income tax. For 1998, the returns in the top 5 percentile group (returns reporting AGI of \$114,729 or more) reported 32.9 percent of total AGI and 53.8 percent of total income tax, higher than the 31.8 percent and 51.9 percent, respectively, for 1997 (when the AGI floor was \$108,048). For 1998, returns in the top 10 percentile group (returns with AGI of at least \$83,220) showed 43.8 percent of AGI and 65.0 percent of total income tax. For 1997, the returns in this percentile group (with AGI of \$79,212 or more) reported 42.8 percent of total AGI and 63.2 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 1998) 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 1998. While shares of income for the top 1 percent and bottom 50 percent of taxpayers have been close over the years, 1998 marks the fourth consecutive year that the income shares of the top 1 percent of taxpayers were higher than the corresponding shares of the bottom 50 percentile. The income share for the top 1 percent of taxpayers grew to the largest it has been in the previous 13 years, reaching 19.1 percent for 1998, while the bottom 50 percent of taxpayers reported the lowest share of income over the corresponding period at 13.7 percent. This constitutes the largest difference in income shares between the two percentile groups over the previous 13 years, 5.5 percentage points. Similar to this recent trend in shares of income, the shares of total income tax for the top 1 percent and bottom 50 percent of taxpayers have diverged over time. The total income

tax shares for the top 1 percent have, despite fluctuations, risen from 25.4 percent for 1986 to a high of 33.8 percent for 1998. Shares of total income tax for the bottom 50 percent of taxpayers have decreased from 6.7 percent for 1986 to just over 4.4 percent for 1998.

The difference between shares of income for the top 5 percent and bottom 75 percent of taxpayers, which has converged over time, continued this trend for 1998. Income shares increased from 28.4 percent for 1986 to 34.3 percent for 1998 for the top 5 percent of taxpayers and decreased from 38.2 percent for 1986 to 34.1 percent for 1998 for the bottom 75 percent of taxpayers. Shares of total income tax for the top 5 percent and bottom 75 percent of taxpayers have also diverged over the past 13 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 53.1 percent for 1998, while shares of total income tax for the bottom 75 percent of taxpayers have decreased from 24.3 percent for 1986 to a low of 18.2 percent for 1998.

### 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 typical urban consumers (1982-84=100):

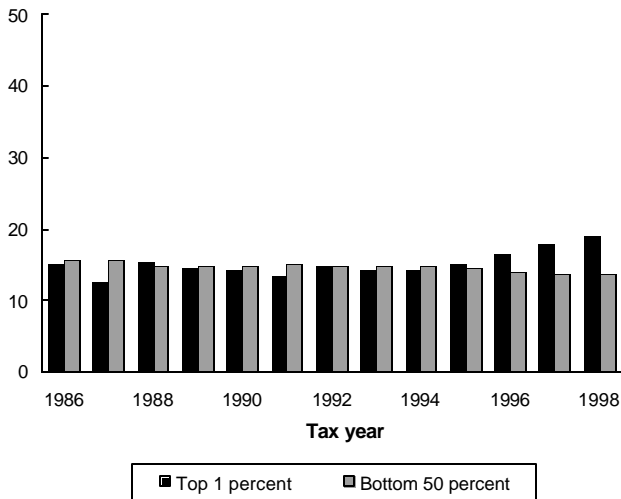
<u>Year</u>	<u>CPI-U</u>	<u>Year</u>	<u>CPI-U</u>
1998	163.9	1991	136.2
1997	160.5	1990	130.7
1996	156.9	1989	124.0
1995	152.4	1988	118.3
1994	148.2	1987	113.6
1993	144.5	1986	109.6
1992	140.5	1985	107.6

# Individual Income Tax Rates and Tax Shares, 1998

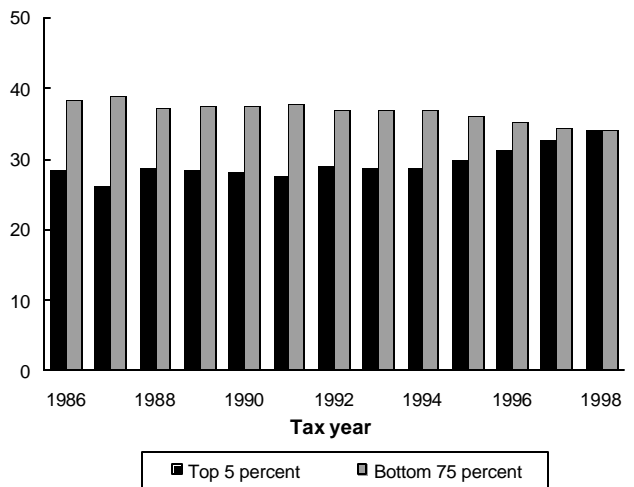
**Figure H**

**Shares of Income and Total Income Tax Based on the 1979 Income Concept, by Cumulative Percentiles, Tax Years 1986-1998 <sup>1</sup>**

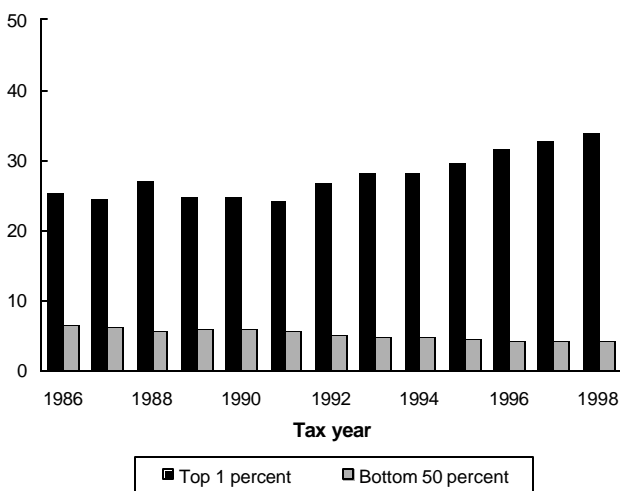
**Percentage share of income**



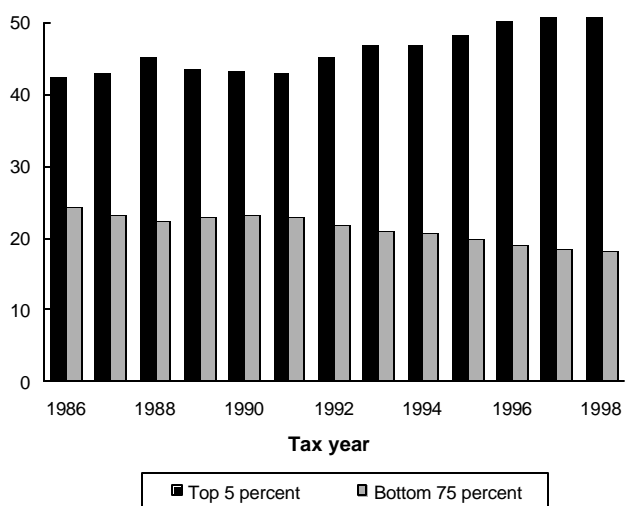
**Percentage share of income**



**Percentage share of total income tax**



**Percentage share of total income tax**



<sup>1</sup> Percentile groupings of tax filers exclude returns with zero or negative income.  
NOTE: See Figure I for the components of the 1979 Income Concept.

## Individual Income Tax Rates and Tax Shares, 1998

- [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, 99<sup>th</sup> 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 1998, the total earned income credit was \$31.6 billion. This amount includes the amount used to reduce the regular income tax (\$2.2 billion), the amount used to reduce other taxes reported on individual income tax returns (\$2.4 billion), and the amount refunded to taxpayers (\$27.0 billion). Table 2.5 in *Statistics of Income—1998, 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; tax on trusts, accumulation, and distributions; and household employment taxes. The statistics for “total tax liability,” shown in *Statistics of Income—1998, Individual Income Tax Returns*, include these taxes. For Tax Year 1998, total tax liability reported on 95.5 million returns was \$821.9 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—1998, 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 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 any of 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 \$1,400. Generally, such income was taxed at the marginal tax rate of the parents.

*Income Tax Before Credits (Regular Tax Computation).*—This amount consisted of the tax liability on ordinary income, computed by using the

## Individual Income Tax Rates and Tax Shares, 1998

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 the Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 10, 20, 25, or 28-percent tax rate for capital gains.

*Marginal Tax Rate.*—See Appendix D.

*Marginal 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 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 10-percent, 20-percent, 25-percent, and 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 allocated to long-term capital gains (on Form 4952) was excluded from this computation.

*Taxable Income.*—Taxable income is AGI less the sum of personal exemptions 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 1998 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 1998 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 qualified retirement plan distributions, including an Individual Retirement Arrangement (IRA) or a Medical Savings Account (MSA); 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 the standard deduction (including the additional

## Individual Income Tax Rates and Tax Shares, 1998

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 1998, the tax rates for each filing status were 10, 15, 20, 25, 28, 31, 36, and 39.6 percent. The tax rates of 10, 20, and 25 percent were only for net long-term capital gains (in excess of net short-term capital losses). (See Appendix C for further details on these rates)

To calculate their Federal income tax liability for 1998, 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 \$9.00 [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 1998, see *Statistics of Income—1998, Individual Income Tax Returns* or Publication 17, *Your Federal Income Tax* for 1998.

- [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 \$22,423, but using the tax rate schedules, the tax would be \$22,414.00, a difference of \$9.00.

## Individual Income Tax Rates and Tax Shares, 1998

### Appendix C: Changes in Law for 1998

*Child Tax Credits*—Starting with the 1998-tax year, a credit of \$400 was allowed for each qualifying child under the age of 17. In order to be a qualifying child, the person had to be a son, daughter, grandchild, adopted child, stepchild, or qualifying foster child for whom the taxpayer claims a dependency exemption. For families with no more than two children, the credit was not refundable. For families with more than two children, some or all of the credit could be refundable. For 1998, some 754,000 tax returns were filed with additional tax credits totaling over \$509 million. The child credit for 1998 was phased out by \$50 for each \$1,000 (or fraction thereof) that AGI exceeded: \$110,000 for taxpayers filing jointly; \$55,000 for married filing separately; and \$75,000 for single filers.

*Earned Income Credit*—Several changes were made to the earned income credit for 1998. The amounts of earned income and AGI an individual could have and still claim the credit, and the maximum amount of the earned income credit increased. Starting in 1998, the definition of modified AGI changed. Modified AGI included tax-exempt interest plus the nontaxable part of a pension, annuity, or IRA distribution, except for any amount that was nontaxable due to trustee-to-trustee transfer or a rollover distribution. Also, in prior years, 50 percent of business losses had to be added back to AGI to figure modified AGI. In 1998, this amount increased from 50 percent to 75 percent. Taxpayers with more than \$2,300 of investment income (up from \$2,250 for 1997) were not eligible for the earned income credit. For most people, investment income included interest (taxable and tax-exempt), dividend income, and capital gain net income. The maximum credit increased about 2.7 percent from 1997 for taxpayers with no qualifying children, from \$332 to \$341. For these taxpayers, earned income and modified AGI had to be less than \$10,030 (up from \$9,770 for 1997). For taxpayers with one qualifying child, the maximum credit for 1998 increased from \$2,210 to \$2,271. For taxpayers with two or more qualifying children, the maximum credit increased \$100 to \$3,756 for 1998. To be eligible for the credit, a taxpayer's earned income and modified AGI had to be less than \$26,473 for one qualifying child (up from \$25,760 for 1997), or less than \$30,095 for two or more qualifying children (up from \$29,290 for 1997).

*Education Credits*—Beginning in 1998, the Hope Scholarship Credit and the Lifetime Learning Credit for post-secondary educational expenses were available. A taxpayer could claim only one of the credits with respect to a certain student for a certain year. If the student made a tax-free withdrawal from an educational IRA, neither credit could be claimed. However, the taxpayer had the option to be taxed on the distribution and, hence, become eligible for the education credits. The credits were phased out for AGI above \$40,000 (\$80,000 for married filing jointly) and terminated for AGI over \$50,000 (\$100,000 for married filing jointly).

The Hope Scholarship Credit allowed a maximum credit per student of 100 percent of the first \$1,000 of qualified tuition and related expenses and a 50 percent credit for the next \$1,000 of eligible expenses for enrollment in undergraduate programs. Also, the credit only applied for the first 2 years of post-secondary education. A total of 2.6 million taxpayers reported the Hope Scholarship Credit for 1998.

Unlike the Hope Scholarship Credit, the Lifetime Learning Credit could be used for qualified tuition and expenses for undergraduate, graduate level, and professional degree courses. The credit could be used for an unlimited number of years, as long as the taxpayer or dependents were enrolled in post-secondary education. This credit applied to expenses paid after June 30, 1998, and a maximum Lifetime Learning Credit of \$1,000 could be claimed per tax return. There were 2.3 million taxpayers who reported Lifetime Learning Credit for 1998. Approximately 77 percent of the total of \$3.4 billion in education credits was for the Hope Scholarship Credit, and the rest was for the Lifetime Learning Credit.

*Education IRA*—Beginning in 1998, taxpayers could have made nondeductible contributions up to \$500 annually to an educational IRA for a child under age 18. The earnings and withdrawals were tax-free to the extent that withdrawals did not exceed the beneficiary's qualified higher education expenses for the year. The educational IRA contribution was phased out for modified AGI between \$95,000 and \$110,000 (between \$150,000 and \$160,000 for married taxpayers filing jointly)

*Personal Exemption Amount*—Indexing for inflation allowed most taxpayers to claim a \$2,700 deduction for each exemption to which he or she was

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entitled for 1998, a \$50 increase over the amount allowed for 1997. The AGI threshold for the reduction of exemption amounts was also indexed for inflation, from \$121,200 to \$124,500 for single filers; \$181,800 to \$186,800 for married persons filing jointly and surviving spouses; \$151,500 to \$155,650 for heads of household; and \$90,900 to \$93,400 for married persons filing separately.

*IRA Deduction Restored for Certain Taxpayers Covered by Retirement Plans*—Beginning in 1998, the phaseout ranges for deductible IRA's were increased. For a taxpayer to have been eligible to take the IRA deduction, they must have had taxable compensation and their modified AGI had to have met certain criteria. If the taxpayers were single, head of household, or married filing separately and lived apart from their spouses for all of 1998, their modified AGI had to be less than \$40,000. If the taxpayers were married filing jointly or a qualified widow(er), their modified AGI had to be less than \$60,000. In addition, an individual who was not an active participant, but was married to someone who was, could make a fully deductible IRA contribution, as long as their combined AGI was not more than \$150,000. The maximum deductible amount for Tax Year 1998 was \$2,000 per taxpayer.

*Itemized Deductions*—If a taxpayer's AGI was greater than \$124,500 (\$62,250 if married filing separately), some types of his or her itemized deductions were limited; this threshold increased from \$121,200 (\$60,600) for 1997 as a result of indexing for inflation. 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. To arrive at allowable itemized deductions, total itemized deductions were reduced by the smaller of: (1) 80 percent of the "non-limited" deductions or (2) 3 percent of AGI in excess of the limitation threshold.

*Personal Tax Credits*—Beginning in 1998, non-refundable personal tax credits were no longer limited by alternative minimum tax computations. The personal tax credits include: credit for child and dependent care expenses, credit for the elderly or the disabled, child tax credit, education credits, adoption credit, and mortgage interest credit.

*Roth IRA*—Beginning in 1998, taxpayers were able to create Roth IRA's. Unlike traditional IRA's, contributions to a Roth IRA were not deductible.

However, qualified distributions from a Roth IRA were tax-exempt. The contribution limit for Roth IRA's was the lesser of \$2,000 or the individual's taxable compensation unless the taxpayer contributed to both Roth IRA's and traditional IRA's. In this case, the contribution limit for Roth IRA's was reduced by all contributions (other than employer contributions) to traditional IRA's for the taxable year. The eligibility for Roth IRA's was phased out for joint filers with modified AGI between \$150,000 and \$160,000, married taxpayers filing separately and living with their spouses with modified AGI between \$0 and \$10,000, and all other filers (single, head of household, and married filing separately and not living with their spouses at any time during the year) with modified AGI between \$95,000 and \$110,000. Contributions to Roth IRA's could be made after the taxpayer reached the age of 70 ½. Also, the minimum distribution rules did not apply to living taxpayers as they did for traditional IRA's.

Some taxpayers were also eligible to make taxable rollovers of traditional IRA's to Roth IRA's without paying the 10-percent tax on early withdrawals. Taxpayers had to have a modified AGI of \$100,000 or less to be able to roll over a traditional IRA to a Roth IRA. When taxpayers converted an amount from the traditional IRA to a Roth IRA, they were required to include in gross income the amount that they would have reported in income if they had made a withdrawal from this IRA. Taxpayers did not include in gross income any part of the conversion that was a nondeductible contribution in a traditional IRA. Taxpayers then generally had the option of including this taxable amount from the conversion in income either for the current year or of including it in equal parts over the next 4 years. Married taxpayers filing separately could not take advantage of this rollover provision. For 1998, taxpayers filing a total of 1.4 million returns converted \$39.3 billion from traditional to Roth IRA's, resulting in \$9.4 billion in taxable income.

*Sale of a Home*—Taxpayers who sold their primary residences after May 6, 1997, were generally able to exclude from income up to \$250,000 (\$500,000 for married couples filing a joint tax return) of the gain on the sale of their homes.

*Self-Employed Health Insurance Deduction*—Included in the Health Insurance and Portability and Accountability Act of 1996 was a provision to in-



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crease the maximum percentage of self-employed health insurance premiums that a taxpayer could deduct as an adjustment, from 40 percent in 1997 to 45 percent for 1998.

*Self-Employment Tax*—The ceiling on taxable “self-employment income” was increased for 1998 due to indexing. The maximum amount of net earnings applied to the Social Security portion of self-employment tax increased to \$68,400 from \$65,400 for 1997.

*Standard Deduction*—The basic standard deduction and additional standard deduction for age or blindness increased for 1998 as a result of inflation indexing. For single filers, the basic standard deduction rose from \$4,150 to \$4,250; for married persons filing jointly or surviving spouses, from \$6,900 to \$7,100; for married persons filing separately, from \$3,450 to \$3,550; and for heads of household, from \$6,050 to \$6,250. The minimum amount of the basic standard deduction claimed by filers who were dependents of other taxpayers. For 1997, the standard deduction of such taxpayers was the larger of \$650 or the taxpayer’s earned income, but not more than the regular standard deduction for non-dependent filers. For 1998, the standard deduction was the lesser of earned income plus \$250 or \$700, but not more than the standard deduction for non-dependent filers. The additional standard deduction for people age 65 or older or the blind rose to \$1,050 for single filers and heads of households, and \$850 for married persons filing jointly, surviving spouses, and married persons filing separately.

*Student Loan Interest Deduction*—Beginning in 1998, a deduction allowed eligible taxpayers to deduct up to \$1,000 for interest paid on qualified higher educational loans. These loans must have gone towards qualified expenses of either the taxpayer, taxpayer’s spouse, or any dependent of the taxpayer at the time the debt was incurred. The phaseout for a taxpayer claiming the educational interest deduction began with a modified AGI of \$40,000- \$50,000 (\$60,000 - \$75,000, joint returns).

*Tax Brackets*—The widths for the tax brackets were widened to reflect inflation. The 15-percent bracket applied to taxable income equal to or below \$25,350 (\$24,650 for 1997) for single filers; \$42,350 (\$41,200 for 1997) for joint filers or surviving spouses; \$21,175 (\$20,600 for 1997) for married persons filing separately; and \$33,950 (\$33,050 for

1997) for heads of household. The 28-percent tax bracket applied to taxable income in excess of the 15-percent bracket ceiling and equal to or below \$61,400 (\$59,750 for 1997) for single filers; \$102,300 (\$99,600 for 1997) for joint filers or surviving spouses; \$51,150 (\$49,800 for 1997) for married persons filing separately; and \$87,700 (\$85,350 for 1997) for heads of household. The 31-percent tax bracket applied to taxable income in excess of the 28-percent bracket ceiling and equal to or below \$128,100 (\$124,650 for 1997) for single filers; \$155,950 (\$151,750 for 1997) for joint filers or surviving spouses; \$77,975 (\$75,875 for 1997) for married persons filing separately; and \$142,000 (\$138,200 for 1997) for heads of households. The 36-percent tax bracket applied to taxable income in excess of the 31-percent bracket ceiling and equal to or below \$278,450 (\$271,050 for 1997) for single filers, joint filers or surviving spouses, and heads of households and \$139,225 (\$135,525 for 1997) for married persons filing separately. The 39.6-percent tax rate applied to taxable income in excess of the upper boundary for the 36-percent tax bracket.

### 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 may vary from year to year as the 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

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the income and deduction items included in this concept. The 1979 Income Concept applied to 1998 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.

**Figure I**

### Components of the 1979 Income Concept, Tax Year 1998

#### Income or Loss:

- Salaries and wages <sup>1</sup>
- Interest <sup>1</sup>
- Dividends <sup>1</sup>
- Taxable refunds <sup>1</sup>
- Alimony received <sup>1</sup>
- Capital gains reported on Schedule D minus allowable losses <sup>1</sup>
- Other gains and losses (Form 4797) <sup>1</sup>
- Business net income or loss <sup>1</sup>
- Farm net income or loss <sup>1</sup>
- Rent net income or loss <sup>1</sup>
- Royalty net income or loss <sup>1</sup>
- Partnership net income or loss <sup>1</sup>
- S corporation net income or loss <sup>1</sup>
- Farm rental net income or loss <sup>1</sup>
- Estate or trust net income or loss <sup>1</sup>
- Unemployment compensation <sup>1</sup>
- Depreciation in excess of straight-line depreciation <sup>2</sup>
- Total pension income <sup>3, 5</sup>
- Other net income or loss <sup>4</sup>
- Net operating loss <sup>1</sup>

#### Deductions:

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

<sup>1</sup> Included in adjusted gross income (less deficit) (AGI) for Tax Year 1998.

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

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

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

<sup>5</sup> Not fully included in AGI for Tax Year 1998.

<sup>6</sup> Not included in AGI for Tax Year 1998.

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 \$290,000 using the standard deduction. As shown in the example, five different tax rates are applied to the taxable income to arrive at total tax. The first \$25,350 of taxable income were taxed at the 15-percent rate; the next \$36,050 were taxed at the 28-percent rate; the next \$66,700 were taxed at the 31-percent rate; the next \$150,350 were taxed at the 36-percent rate; and the remaining portion, \$7,300,

**Figure J**

### Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 1998

[Money amounts are in whole dollars]

Item	1998
Adjusted gross income.....	290,000
Less: Exemption amount.....	0 <sup>1</sup>
Standard deduction amount.....	4,250
Equals: Taxable income.....	285,750
Tax based on tax rates for single taxpayers:	
First \$25,350 taxed at 15 percent.....	3,802
Next \$36,050 taxed at 28 percent.....	10,094
Next \$66,700 taxed at 31 percent.....	20,677
Next \$150,350 taxed at 36 percent.....	54,126
Next \$7,300 taxed at 39.6 percent.....	2,891
<b>Total tax from tax rate schedule.....</b>	<b>91,590</b>

<sup>1</sup> The exemption amount was phased out completely because AGI exceeded \$247,000.

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was taxed at the 39.6-percent rate. For purposes of this article, the tax rate applied to the last dollar of income (given certain assumptions about which source of income provided the last dollar of income subject to tax) is the marginal tax rate for that return. The example shown has a marginal tax rate of 39.6 percent.

Since the individual income tax structure includes various types of income, deductions, exclusions, credits, and taxes which are not subject to the same treatment under tax laws, determining marginal tax rate 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 \$1,400 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 no taxable income except for net long-term capital gains and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having a "10-percent rate" marginal tax rate. If the return had taxable income (from other than net long-term capital gains) to which only the 15-percent tax rate applied, as well as net long-term capital gains to which the 20-percent or 25-percent rate on the net gain applied, the return was defined as having a marginal tax rate equal to the

maximum rate at which the net gains were taxed. If the return had taxable income (from other than net long-term capital gains) to which the 28-percent tax rate applied as the highest rate, as well as net long-term capital gains to which the maximum 28-percent rate on 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 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') returns using Form 8814, when the dependent's income generated the only tax liability on the parent's return, the return was classified with a "Form 8814" marginal tax rate.

The classification of returns into marginal tax rate categories for Statistics of Income purposes was essentially a function of filing status, size of taxable income, presence of net long-term capital gains (in excess of net short-term capital losses), and presence of Form 8615 or Form 8814. Returns were classified into one of the following eleven mutually exclusive marginal tax rate categories: (1) 10-percent rate; (2) Form 8814 (15-percent rate with no tax liability other than that generated by the dependent's income); (3) 15-percent rate; (4) 20-percent rate; (5) 25-percent rate; (6) 28-percent rate with net long-term capital gains [D2]; (7) 28-percent rate; (8) 31-percent rate; (9) 36-percent rate; (10) 39.6-percent rate; and (11) 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 638,432 returns in this classification “at all rates” was \$569.4 billion (column 3), and the total tax generated was \$187.0 billion (column 5). Approximately \$280.4 billion (column 4) of the modified taxable income for 1998 were subject to tax at the marginal tax rate of 39.6 percent. This modified taxable income generated \$111.0 billion (column 6) in tax at the 39.6-percent tax rate with the remainder generated at the lower seven 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 approximately 1.6 million returns included in the “\$200,000 under \$500,000” income-size classification showed total modified taxable income of \$395.5 billion and generated total tax of \$111.1 billion. Of the \$395.6 billion of modified taxable income, \$1.2 billion were taxed at the 10-percent rate, \$63.2 billion were taxed at 15 percent, \$47.1 billion were taxed at 20 percent, \$2.4 billion were taxed at 25 percent, \$0.5 billion were taxed at the 28-percent rate with net long-term capital gains, \$86.0 billion were taxed at the 28-percent rate (ordinary income), \$76.5 billion were taxed at the 31-percent rate, \$93.9 billion were taxed at the 36-percent rate, and \$24.4 billion were taxed at the 39.6-

percent rate, with the remainder consisting of income related to Forms 8814 and 8615. Approximately \$0.1 billion of the total tax generated was from the 10-percent rate, \$9.5 billion of the total tax generated were from the 15-percent rate, \$9.4 billion were from the 20-percent rate, \$0.6 billion were from the 25-percent rate, \$0.2 billion were from the 28-percent rate with net long-term capital gains, \$24.1 billion were from the 28-percent rate (ordinary income), \$23.7 billion were from the 31-percent rate, \$33.8 billion were from the 36-percent rate, and \$9.6 billion were generated at 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. Over 0.6 million of the more than 44.2 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 \$280.4 billion, and the tax generated was \$111.0 billion.

### Notes to Appendix D

- [D1] For more details on the income computation under the 1979 Income Concept for 1998, see *Statistics of Income—1998, 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.

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### Appendix E: Computation of Alternative Minimum Taxable Income (AMTI)

AMTI was computed by adding certain “tax preferences” (i.e., deduction or exclusion amounts identified as potential sources of tax savings disallowed for AMT purposes) and “adjustments” (i.e., regular tax deduction amounts recomputed or excluded for AMT purposes) to taxable income before any deductions for personal exemptions (Figures K-1 and K-2). Although itemized deductions for 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 1998).

AMTI was reduced by an exemption amount dependent upon the filing status of the individual and subject to phaseout at higher AMTI levels. For 1998, the AMTI exemptions 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 the 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 exemptions 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. However, capital gains (recalculated for AMT purposes) that were taxed at lower rates (10, 20, and 25 percent) were taxed at these rates for AMT as well. The rest of AMT was taxed at the rates mentioned above (26 or 28 percent). 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 \$5,000 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.)

Figure K-1

### Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 1998

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

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

### Appendix F: Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, 1040EZ, and 1040PC, including electronically-filed returns) filed during Calendar Year 1999. Returns in the sample were stratified based on: (1) the larger of positive income or negative income; (2) the size of business and farm receipts; (3) the presence or absence of specific forms or schedules; and (4) the usefulness of returns for tax policy modeling purposes [F1]. Returns were then selected at rates ranging from 0.05

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Figure K-2

## Alternative Minimum Tax Adjustments and Preferences, Tax Year 1998

- 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 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) were 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
- Amount of net section 1231 gain or loss other than due to casualty or theft from large partnerships
- 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)
- Excluded gain, under the section 1202 gain on qualified small business stock held more than 5 years, multiplied by 42 percent.
- 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)

## Individual Income Tax Rates and Tax Shares, 1998

percent to 100 percent. The 1998 data are based on a sample of 164,340 returns and an estimated final population of 125,037,636 returns. The corresponding sample and population for the 1997 data were 124,768 and 122,421,991 returns, respectively.

Since the data presented here are estimates based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known; coefficients of variation (CV's) are used to measure that magnitude. Figure L shows estimated CV's for the numbers of returns and money amounts for selected income items. The reliability of estimates based on samples, and the use

of coefficients of variation for evaluating the precision of estimates based on samples, are discussed in the appendix to this issue of the *Bulletin*.

### 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 Non-resident Alien Individual)*; Schedule C, *Profit or Loss from Business (Sole Proprietorship)*; and Schedule F, *Profit or Loss from Farming*.

Figure L

### Coefficients of Variation for Selected Items, Tax Year 1998

[Coefficients of variation are percentages]

Size of adjusted gross income	Modified taxable income		Tax generated	Income Tax after credits	Total Income Tax
	Number of returns	Amount	Amount	Amount	Amount
	(1)	(2)	(3)	(4)	(5)
<b>Total</b> .....	<b>0.17</b>	<b>0.17</b>	<b>0.20</b>	<b>0.19</b>	<b>0.18</b>
Under \$2,000 <sup>1</sup> .....	5.35	6.36	6.56	5.28	4.45
\$2,000 under \$4,000.....	4.90	7.04	7.33	5.46	4.16
\$4,000 under \$6,000.....	3.17	4.04	4.06	5.15	4.24
\$6,000 under \$8,000.....	2.84	3.57	3.57	3.64	3.01
\$8,000 under \$10,000.....	2.36	2.79	2.79	2.80	2.61
\$10,000 under \$12,000.....	2.38	2.61	2.61	2.64	2.52
\$12,000 under \$14,000.....	2.19	2.48	2.48	2.60	2.48
\$14,000 under \$16,000.....	2.00	2.33	2.33	2.45	2.36
\$16,000 under \$18,000.....	2.03	2.31	2.31	2.46	2.37
\$18,000 under \$20,000.....	2.00	2.23	2.23	2.38	2.30
\$20,000 under \$25,000.....	1.27	1.41	1.41	1.49	1.45
\$25,000 under \$30,000.....	1.41	1.52	1.52	1.59	1.55
\$30,000 under \$40,000.....	1.04	1.10	1.12	1.15	1.14
\$40,000 under \$50,000.....	1.10	1.15	1.19	1.23	1.21
\$50,000 under \$75,000.....	0.85	0.89	0.93	0.94	0.93
\$75,000 under \$100,000.....	1.15	1.19	1.23	1.23	1.22
\$100,000 under \$200,000.....	1.15	1.08	1.07	1.04	1.02
\$200,000 under \$500,000.....	1.19	1.10	1.09	1.01	1.00
\$500,000 under \$1,000,000.....	1.08	1.08	1.09	0.98	0.97
\$1,000,000 or more.....	0.54	0.35	0.34	0.24	0.24

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

SOURCE: IRS, Statistics of Income Bulletin, Spring 2001, Publication 1136 (Revised 5-01).

# Individual Income Tax Rates and Tax Shares, 1998

**Table 1.--Returns with Modified Taxable Income: Tax Classified by Filing Status and Marginal Tax Rate, Tax Year 1998**

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

Filing status, 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)
<b>All returns</b>									
<b>Total.....</b>	<b>100,793,439</b>	<b>5,309,304,515</b>	<b>3,781,025,929</b>	<b>1,784,189,336</b>	<b>813,245,403</b>	<b>413,492,219</b>	<b>783,488,016</b>	<b>14.8</b>	<b>20.7</b>
10 percent.....	1,029,381	13,054,752	4,243,730	4,243,725	424,421	424,373	374,138	2.9	8.8
15 percent (Form 8814) <sup>1</sup> .....	13,143	-121,330	13,534	13,534	2,030	2,030	301	(X)	2.2
15 percent.....	68,020,204	1,810,550,086	971,307,762	954,841,103	144,877,353	143,226,165	127,212,655	7.0	13.1
20 percent.....	1,226,630	157,338,667	121,973,262	79,559,144	21,597,063	15,911,829	21,276,503	13.5	17.4
25 percent.....	51,821	9,413,618	8,093,303	1,646,738	1,606,328	411,685	1,592,906	16.9	19.7
28 percent (capital gains) <sup>2</sup> .....	188,822	18,490,488	14,130,080	1,381,467	2,878,887	386,811	2,836,476	15.3	20.1
28 percent.....	24,711,575	1,784,373,822	1,340,325,298	284,434,761	256,572,266	79,641,733	250,275,176	14.0	18.7
31 percent.....	3,070,474	438,388,417	358,212,846	63,106,084	85,572,728	19,562,886	85,010,173	19.4	23.7
36 percent.....	1,262,710	330,561,059	283,608,522	56,642,947	76,628,469	20,391,461	75,766,801	22.9	26.7
39.6 percent.....	753,425	743,349,989	675,629,431	335,278,338	222,253,779	132,770,222	218,345,906	29.4	32.3
Form 8615 <sup>3</sup> .....	465,254	3,904,949	3,488,162	3,041,495	832,078	763,024	796,980	20.4	22.8
<b>Joint returns and returns of surviving spouses</b>									
<b>Total.....</b>	<b>44,200,734</b>	<b>3,592,987,600</b>	<b>2,612,203,447</b>	<b>1,139,576,149</b>	<b>583,494,811</b>	<b>283,225,167</b>	<b>562,760,458</b>	<b>15.7</b>	<b>21.5</b>
10 percent.....	238,415	6,776,425	2,108,564	2,108,563	210,865	210,856	177,950	2.6	8.4
15 percent (Form 8814) <sup>1</sup> .....	7,341	-157,766	6,745	6,745	1,012	1,012	2	(X)	( <sup>4</sup> )
15 percent.....	25,401,868	998,907,206	534,922,583	525,268,407	79,758,327	78,790,261	69,071,912	6.9	12.9
20 percent.....	646,867	106,195,930	82,266,486	54,874,425	14,690,484	10,974,885	14,462,053	13.6	17.6
25 percent.....	33,608	6,829,897	5,842,821	1,151,142	1,155,249	287,786	1,144,227	16.8	19.6
28 percent (capital gains) <sup>2</sup> .....	133,325	14,487,140	11,020,503	932,686	2,232,240	261,152	2,195,908	15.2	19.9
28 percent.....	14,324,289	1,263,787,354	933,911,658	192,547,705	179,173,089	53,913,357	173,560,364	13.7	18.6
31 percent.....	1,780,065	299,775,944	241,926,982	37,492,349	57,336,865	11,622,628	56,926,016	19.0	23.5
36 percent.....	996,524	270,076,667	230,797,143	44,823,444	61,949,941	16,136,440	61,276,968	22.7	26.6
39.6 percent.....	638,432	626,308,804	569,399,963	280,370,683	186,986,739	111,026,790	183,945,059	29.4	32.3
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	(X)	(X)
<b>Returns of married persons filing separately</b>									
<b>Total.....</b>	<b>2,221,080</b>	<b>97,578,230</b>	<b>73,056,732</b>	<b>37,309,581</b>	<b>16,956,519</b>	<b>9,822,028</b>	<b>16,473,779</b>	<b>16.9</b>	<b>22.5</b>
10 percent.....	*7,497	*86,890	*32,442	*32,442	*3,244	*3,244	*3,052	*3.5	*9.4
15 percent (Form 8814) <sup>1</sup> .....	**	**	**	**	**	**	**	(X)	(X)
15 percent.....	1,337,321	26,367,571	14,684,114	14,586,581	2,197,798	2,187,987	2,042,048	7.7	13.9
20 percent.....	17,893	3,703,637	3,063,891	2,685,654	589,145	537,131	579,652	15.7	18.9
25 percent.....	**	**	**	**	**	**	**	(X)	(X)
28 percent (capital gains) <sup>2</sup> .....	2,142	249,702	189,892	72,474	44,501	20,293	43,555	17.4	22.9
28 percent.....	698,815	29,801,754	22,404,827	6,076,139	4,296,891	1,701,319	4,202,811	14.1	18.8
31 percent.....	91,976	7,384,312	5,947,658	812,051	1,402,751	251,736	1,396,566	18.9	23.5
36 percent.....	36,350	5,189,163	4,388,954	878,959	1,175,960	316,425	1,159,685	22.3	26.4
39.6 percent.....	28,322	24,559,948	22,107,768	12,072,420	7,194,957	4,780,678	6,995,337	28.5	31.6
Form 8615 <sup>3</sup> .....	**	**	**	**	**	**	**	(X)	(X)

Footnotes at end of table.



# Individual Income Tax Rates and Tax Shares, 1998

**Table 1.--Returns with Modified Taxable Income: Tax Classified by Filing Status and Marginal Tax Rate, Tax Year 1998--Continued**

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

Filing status, 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)	
<b>Returns of heads of households</b>									
<b>Total</b> .....	<b>11,465,520</b>	<b>359,208,677</b>	<b>197,055,066</b>	<b>137,220,342</b>	<b>34,862,199</b>	<b>23,868,359</b>	<b>28,737,889</b>	<b>8.0</b>	<b>14.6</b>
10 percent.....	27,013	598,391	185,402	185,402	18,540	18,540	13,421	2.2	7.2
15 percent (Form 8814) <sup>1</sup> .....	*2,851	*29,557	*1,995	*1,995	*299	*299	--	(X)	(X)
15 percent.....	10,204,113	255,158,599	116,674,324	116,013,118	17,468,993	17,401,968	11,775,032	4.6	10.1
20 percent.....	47,299	5,032,189	3,853,812	2,248,014	656,328	449,603	634,934	12.6	16.5
25 percent.....	2,331	256,076	202,924	16,361	37,464	4,090	36,743	14.3	18.1
28 percent (capital gains) <sup>2</sup> .....	3,116	288,347	204,010	39,698	41,543	11,115	40,306	14.0	19.8
28 percent.....	1,074,381	70,081,377	51,809,407	10,898,724	9,649,101	3,051,643	9,356,281	13.4	18.1
31 percent.....	67,991	9,822,369	7,958,184	1,446,017	1,931,315	448,265	1,925,326	19.6	24.2
36 percent.....	22,715	5,910,002	5,137,123	1,113,482	1,403,142	400,854	1,371,368	23.2	26.7
39.6 percent.....	13,711	12,031,770	11,027,887	5,257,531	3,655,473	2,081,982	3,584,479	29.8	32.5
Form 8615 <sup>3</sup> .....	--	--	--	--	--	--	--	(X)	(X)
<b>Returns of single persons</b>									
<b>Total</b> .....	<b>42,906,105</b>	<b>1,259,530,009</b>	<b>898,710,684</b>	<b>470,083,263</b>	<b>177,931,873</b>	<b>96,576,662</b>	<b>175,515,890</b>	<b>13.9</b>	<b>19.5</b>
10 percent.....	756,457	5,593,045	1,917,323	1,917,319	191,772	191,732	179,715	3.2	9.4
15 percent (Form 8814) <sup>1</sup> .....	*2,949	*24,393	*4,792	*4,792	*719	*719	*299	*1.2	*6.2
15 percent.....	31,076,903	530,116,710	305,026,741	298,972,996	45,452,236	44,845,949	44,323,664	8.4	14.5
20 percent.....	514,571	42,406,912	32,789,073	19,751,052	5,661,106	3,950,210	5,599,865	13.2	17.1
25 percent.....	15,118	2,074,877	1,810,372	386,375	362,344	96,594	360,863	17.4	19.9
28 percent (capital gains) <sup>2</sup> .....	50,238	3,465,299	2,715,675	336,610	560,601	94,251	556,708	16.1	20.5
28 percent.....	8,614,091	420,703,337	332,199,406	74,912,192	63,453,184	20,975,414	63,155,721	15.0	19.0
31 percent.....	1,130,442	121,405,793	102,380,023	23,355,666	24,901,796	7,240,256	24,762,265	20.4	24.2
36 percent.....	207,121	49,385,227	43,285,302	9,827,062	12,099,427	3,537,742	11,958,780	24.2	27.6
39.6 percent.....	72,960	80,449,467	73,093,813	37,577,704	24,416,610	14,880,771	23,821,031	29.6	32.6
Form 8615 <sup>3</sup> .....	465,254	3,904,949	3,488,162	3,041,495	832,078	763,024	796,980	20.4	22.8

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

\*\* Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in appropriate totals.

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$7,000) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income.

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

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,400. The returns in this rate classification are not distributed by tax rate.

<sup>4</sup> Percentage less than 0.05.

(X) Percentage not computed.

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

# Individual Income Tax Rates and Tax Shares, 1998

**Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1998**

[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					
					10 percent			15 percent (from Form 8814) <sup>1</sup>		
					Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Total.....</b>	<b>100,793,439</b>	<b>3,780,838,154</b>	<b>3,781,025,929</b>	<b>813,245,403</b>	<b>8,911,162</b>	<b>34,406,664</b>	<b>3,441,099</b>	<b>213,438</b>	<b>163,907</b>	<b>24,585</b>
Under \$2,000 <sup>2</sup> .....	841,235	442,177	445,593	59,535	484,565	215,188	21,530	2,954	3,300	495
\$2,000 under \$4,000.....	701,065	1,067,334	1,081,860	162,826	402,187	412,689	41,287	--	--	--
\$4,000 under \$6,000.....	1,843,741	2,144,362	2,162,022	321,585	255,238	377,971	37,806	*2,843	*2,654	*398
\$6,000 under \$8,000.....	2,227,030	4,092,918	4,092,810	620,247	180,406	264,050	26,401	--	--	--
\$8,000 under \$10,000.....	3,230,742	7,813,763	7,813,148	1,159,983	251,856	397,451	39,760	*948	*663	*100
\$10,000 under \$12,000.....	3,137,261	12,403,624	12,405,241	1,845,204	221,702	464,883	46,497	*2,003	*2,804	*421
\$12,000 under \$14,000.....	3,693,566	17,638,199	17,645,777	2,629,369	249,488	483,096	48,315	*969	*678	*102
\$14,000 under \$16,000.....	4,355,847	24,488,286	24,480,451	3,647,439	311,130	665,852	66,596	*4,787	*4,933	*740
\$16,000 under \$18,000.....	4,199,938	29,449,535	29,449,431	4,384,915	316,763	718,432	71,856	*3	*4	*1
\$18,000 under \$20,000.....	4,304,346	37,204,855	37,207,500	5,549,193	337,316	712,170	71,224	*1,928	*2,700	*405
\$20,000 under \$25,000.....	9,781,596	111,391,938	111,387,982	16,623,323	811,961	2,216,217	221,669	*3,233	*3,617	*543
\$25,000 under \$30,000.....	8,079,523	127,455,136	127,448,858	19,032,562	715,880	2,183,935	218,438	*3,158	*1,708	*256
\$30,000 under \$40,000.....	13,043,590	282,908,825	282,947,842	43,571,973	1,296,772	4,962,960	496,382	11,077	6,467	971
\$40,000 under \$50,000.....	9,935,142	294,872,228	294,914,356	47,986,324	1,012,101	3,978,021	397,867	17,647	15,372	2,307
\$50,000 under \$75,000.....	15,859,082	675,302,507	675,334,372	114,998,584	1,560,595	8,277,753	827,865	35,490	21,357	3,200
\$75,000 under \$100,000.....	7,214,389	452,294,883	452,316,428	88,249,667	252,896	3,207,388	320,746	26,372	16,212	2,429
\$100,000 under \$200,000.....	6,262,181	635,956,996	636,002,435	144,552,852	179,528	3,003,823	300,382	59,401	48,161	7,227
\$200,000 under \$500,000.....	1,604,781	395,495,482	395,565,906	111,118,614	49,255	1,175,720	117,573	27,695	21,916	3,287
\$500,000 under \$1,000,000.....	306,676	185,113,677	185,097,062	58,772,984	11,140	333,105	33,311	8,559	7,038	1,056
\$1,000,000 or more.....	171,707	483,301,431	483,226,853	147,958,224	10,382	355,959	35,596	4,370	4,322	648

Size of adjusted gross income	Tax generated at specified rate--continued								
	15 percent			20 percent			25 percent		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
<b>Total.....</b>	<b>99,383,024</b>	<b>2,056,379,199</b>	<b>308,456,880</b>	<b>9,521,100</b>	<b>344,727,367</b>	<b>68,945,456</b>	<b>368,425</b>	<b>9,444,027</b>	<b>2,361,055</b>
Under \$2,000 <sup>2</sup> .....	473,564	188,839	28,326	--	--	--	--	--	--
\$2,000 under \$4,000.....	488,419	428,482	64,272	--	--	--	--	--	--
\$4,000 under \$6,000.....	1,752,722	1,585,383	237,807	--	--	--	--	--	--
\$6,000 under \$8,000.....	2,178,680	3,639,394	545,909	--	--	--	--	--	--
\$8,000 under \$10,000.....	3,126,780	7,302,832	1,095,425	--	--	--	--	--	--
\$10,000 under \$12,000.....	3,088,492	11,839,113	1,775,867	--	--	--	--	--	--
\$12,000 under \$14,000.....	3,657,482	17,054,012	2,558,102	--	--	--	--	--	--
\$14,000 under \$16,000.....	4,280,212	23,711,626	3,556,744	--	--	--	--	--	--
\$16,000 under \$18,000.....	4,144,198	28,674,047	4,301,107	--	--	--	--	--	--
\$18,000 under \$20,000.....	4,268,433	36,430,494	5,464,574	--	--	--	--	--	--
\$20,000 under \$25,000.....	9,706,210	108,991,497	16,348,725	--	--	--	--	--	--
\$25,000 under \$30,000.....	8,042,884	125,087,631	18,763,145	*6,592	*6,719	*1,344	--	--	--
\$30,000 under \$40,000.....	12,995,214	266,914,685	40,037,203	467,341	741,087	148,210	*2,748	*8,264	*2,066
\$40,000 under \$50,000.....	9,901,959	259,404,816	38,910,722	571,481	1,819,132	363,841	*9,551	*33,869	*8,468
\$50,000 under \$75,000.....	15,816,022	552,226,295	82,833,944	2,292,518	10,188,328	2,037,656	47,489	164,855	41,220
\$75,000 under \$100,000.....	7,193,012	283,703,395	42,555,509	2,111,730	14,007,015	2,801,398	65,063	360,154	90,050
\$100,000 under \$200,000.....	6,221,980	247,743,984	37,161,598	2,780,805	38,687,075	7,737,403	121,625	1,623,372	405,859
\$200,000 under \$500,000.....	1,584,327	63,143,279	9,471,492	943,834	47,136,433	9,427,288	80,480	2,424,439	606,120
\$500,000 under \$1,000,000.....	299,246	11,871,943	1,780,791	215,002	35,017,236	7,003,447	23,874	1,599,296	399,827
\$1,000,000 or more.....	163,187	6,437,453	965,618	131,797	197,124,342	39,424,868	17,595	3,229,778	807,447

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1998

**Table 2.--Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 1998--Continued**

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

Size of adjusted gross income	Tax generated at specified rate--continued								
	28 percent (capital gains) <sup>3</sup>			28 percent			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
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
<b>Total.....</b>	<b>279,736</b>	<b>2,795,570</b>	<b>782,763</b>	<b>29,976,375</b>	<b>672,093,368</b>	<b>188,186,143</b>	<b>5,086,907</b>	<b>173,235,534</b>	<b>53,703,016</b>
Under \$2,000 <sup>2</sup> .....	--	--	--	--	--	--	--	--	--
\$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.....	--	--	--	*969	*394	*110	--	--	--
\$25,000 under \$30,000.....	--	--	--	72,374	92,894	26,010	--	--	--
\$30,000 under \$40,000.....	*6,905	*3,140	*880	3,072,937	10,256,680	2,871,870	--	--	--
\$40,000 under \$50,000.....	*10,779	*3,362	*943	3,140,057	29,500,686	8,260,192	--	--	--
\$50,000 under \$75,000.....	63,759	128,769	36,055	8,834,680	103,612,806	29,011,586	170,934	567,172	175,823
\$75,000 under \$100,000.....	56,481	104,848	29,358	6,796,399	144,429,342	40,440,216	557,381	6,442,096	1,997,050
\$100,000 under \$200,000.....	94,783	531,718	148,882	6,057,229	272,941,775	76,423,697	2,454,777	66,173,628	20,513,825
\$200,000 under \$500,000.....	33,991	545,971	152,872	1,547,869	86,012,867	24,083,603	1,464,875	76,525,100	23,722,781
\$500,000 under \$1,000,000.....	7,596	299,521	83,866	293,744	16,331,454	4,572,807	282,826	15,132,424	4,691,051
\$1,000,000 or more.....	5,441	1,178,242	329,908	160,117	8,914,469	2,496,051	156,114	8,395,114	2,602,485

Size of adjusted gross income	Tax generated at specified rate--continued								
	36 percent			39.6 percent			Form 8615 <sup>4</sup>		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	
<b>Total.....</b>	<b>2,016,433</b>	<b>149,454,165</b>	<b>53,803,499</b>	<b>753,426</b>	<b>335,284,627</b>	<b>132,772,712</b>	<b>465,254</b>	<b>3,041,495</b>	<b>763,024</b>
Under \$2,000 <sup>2</sup> .....	--	--	--	--	--	--	126,683	38,261	9,113
\$2,000 under \$4,000.....	--	--	--	--	--	--	169,835	240,689	57,171
\$4,000 under \$6,000.....	--	--	--	--	--	--	56,994	196,014	45,519
\$6,000 under \$8,000.....	--	--	--	--	--	--	34,166	189,365	47,849
\$8,000 under \$10,000.....	--	--	--	--	--	--	15,093	112,203	24,601
\$10,000 under \$12,000.....	--	--	--	--	--	--	10,402	98,441	22,279
\$12,000 under \$14,000.....	--	--	--	--	--	--	9,422	107,991	22,645
\$14,000 under \$16,000.....	--	--	--	--	--	--	*7,535	*98,040	*23,274
\$16,000 under \$18,000.....	--	--	--	--	--	--	*3,791	*56,948	*11,818
\$18,000 under \$20,000.....	--	--	--	--	--	--	*3,791	*62,136	*12,866
\$20,000 under \$25,000.....	--	--	--	--	--	--	9,430	176,257	52,082
\$25,000 under \$30,000.....	--	--	--	--	--	--	*3,791	*75,970	*23,245
\$30,000 under \$40,000.....	--	--	--	--	--	--	*1,797	*54,560	*13,947
\$40,000 under \$50,000.....	--	--	--	--	--	--	*4,475	*159,097	*41,360
\$50,000 under \$75,000.....	--	--	--	--	--	--	*2,810	*147,036	*30,243
\$75,000 under \$100,000.....	*6,941	*18,015	*6,485	--	--	--	*346	*27,965	*5,593
\$100,000 under \$200,000.....	283,362	4,714,368	1,697,172	6,871	95,310	37,743	*3,659	*439,221	*118,336
\$200,000 under \$500,000.....	1,302,674	93,946,460	33,820,726	354,572	24,368,671	9,649,994	*935	*265,051	*62,772
\$500,000 under \$1,000,000.....	271,702	32,510,134	11,703,648	249,795	71,924,229	28,481,995	*122	*70,681	*21,170
\$1,000,000 or more.....	151,754	18,265,187	6,575,467	142,188	238,896,416	94,602,981	177	425,570	117,142

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

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made the election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$7,000) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income.

<sup>2</sup> Includes returns with adjusted gross deficit.

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

<sup>4</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,400. 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, 1998

**Table 3.--Returns with Modified Taxable Income: Taxable Income, Total Tax, and Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 1998**

[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)
<b>All tax rates.....</b>	<b>100,793,439</b>	<b>3,781,025,923</b>	<b>813,239,765</b>	<b>44,200,734</b>	<b>2,612,203,448</b>	<b>583,491,954</b>	<b>2,221,080</b>	<b>73,056,732</b>	<b>16,956,503</b>
10 percent.....	8,911,162	34,406,664	3,440,666	4,066,841	19,592,621	1,959,262	78,880	224,033	22,403
15 percent (Form 8814) <sup>1</sup> .....	213,438	163,907	24,585	195,426	144,361	21,654	1,290	796	119
15 percent.....	99,383,024	2,056,379,199	308,456,880	43,906,832	1,303,120,635	195,468,095	2,212,280	33,045,780	4,956,867
20 percent.....	9,521,100	344,727,367	68,945,473	6,325,342	260,881,128	52,176,226	138,317	10,531,923	2,106,385
25 percent.....	368,425	9,444,027	2,361,007	263,624	7,504,704	1,876,176	9,403	211,630	52,908
28 percent (capital gains) <sup>2</sup> .....	279,736	2,795,570	782,760	197,390	1,946,156	544,924	2,992	144,294	40,402
28 percent.....	29,976,375	672,093,368	188,186,143	17,865,142	490,404,063	137,313,138	857,226	11,665,300	3,266,284
31 percent.....	5,086,907	173,235,534	53,703,016	3,415,021	125,207,722	38,814,394	156,648	2,546,876	789,532
36 percent.....	2,016,433	149,454,165	53,803,499	1,634,956	123,031,375	44,291,295	64,672	2,613,680	940,925
39.6 percent.....	753,426	335,284,627	132,772,712	638,432	280,370,683	111,026,790	28,322	12,072,420	4,780,678
Form 8615 <sup>3</sup> .....	465,254	3,041,495	763,024	--	--	--	--	--	--

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)
<b>All tax rates.....</b>	<b>11,465,520</b>	<b>197,055,066</b>	<b>34,861,660</b>	<b>42,906,105</b>	<b>898,710,679</b>	<b>177,929,649</b>
10 percent.....	398,324	1,517,749	151,775	4,367,117	13,072,262	1,307,226
15 percent (Form 8814) <sup>1</sup> .....	13,565	13,813	2,071	3,157	4,937	741
15 percent.....	11,429,576	157,141,118	23,571,168	41,834,336	563,071,666	84,460,750
20 percent.....	269,985	6,981,771	1,396,354	2,787,456	66,332,546	13,266,509
25 percent.....	11,452	107,321	26,830	83,946	1,620,372	405,093
28 percent (capital gains) <sup>2</sup> .....	7,213	98,427	27,560	72,141	606,693	169,874
28 percent.....	1,181,868	19,529,047	5,468,133	10,072,139	150,494,958	42,138,588
31 percent.....	104,417	3,423,944	1,061,423	1,410,822	42,056,992	13,037,668
36 percent.....	36,426	2,984,345	1,074,364	280,380	20,824,765	7,496,915
39.6 percent.....	13,711	5,257,531	2,081,982	72,961	37,583,993	14,883,261
Form 8615 <sup>3</sup> .....	--	--	--	465,254	3,041,495	763,024

<sup>1</sup> Form 8814 was filed for a dependent child under age 14 for whom the parents made an election to report the child's investment income (if it was from interest or dividends totaling between \$500 and \$7,000) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependents' income.

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

<sup>3</sup> Form 8615 was filed for a child under age 14 to report the child's investment income in excess of \$1,400. 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, 1998

**Table 4.--Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 1997 and 1998**

[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 1997				Tax Year 1998			
	Income tax before credits (regular tax computation) <sup>1</sup>		Tax generated	Difference due to special tax computation <sup>2</sup>	Income tax before credits (regular tax computation) <sup>1</sup>		Tax generated	Difference due to special tax computation <sup>2</sup>
	Number of returns	Amount	Amount		Number of returns	Amount	Amount	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Returns with regular tax computation only</b>								
<b>Total.....</b>	<b>84,194,722</b>	<b>418,718,163</b>	<b>418,718,201</b>	<b>N/A</b>	<b>83,348,385</b>	<b>456,664,501</b>	<b>456,548,375</b>	<b>N/A</b>
Under \$5,000 <sup>3</sup> .....	2,707,280	180,900	180,909	N/A	1,388,226	117,280	117,280	N/A
\$5,000 under \$10,000.....	6,077,713	1,830,617	1,830,617	N/A	5,758,616	1,710,206	1,709,976	N/A
\$10,000 under \$15,000.....	8,789,983	5,997,291	5,997,303	N/A	8,312,262	5,652,330	5,649,934	N/A
\$15,000 under \$20,000.....	9,751,460	10,776,922	10,776,932	N/A	9,927,978	11,059,824	11,059,759	N/A
\$20,000 under \$25,000.....	8,965,821	15,622,866	15,622,868	N/A	8,963,000	15,280,448	15,279,301	N/A
\$25,000 under \$30,000.....	7,327,817	17,714,227	17,714,227	N/A	7,359,438	17,428,699	17,427,180	N/A
\$30,000 under \$40,000.....	11,659,588	39,262,200	39,262,200	N/A	11,468,309	38,319,377	38,319,065	N/A
\$40,000 under \$50,000.....	8,438,661	40,485,309	40,485,309	N/A	8,435,395	40,751,541	40,750,606	N/A
\$50,000 under \$75,000.....	12,334,355	88,728,609	88,728,609	N/A	12,473,904	89,496,124	89,483,572	N/A
\$75,000 under \$100,000.....	4,594,914	56,247,837	56,247,842	N/A	5,041,669	61,240,358	61,228,189	N/A
\$100,000 under \$200,000.....	2,931,078	66,533,836	66,533,836	N/A	3,441,757	77,789,965	77,770,621	N/A
\$200,000 under \$500,000.....	513,643	36,524,115	36,524,115	N/A	649,064	46,221,003	46,202,334	N/A
\$500,000 under \$1,000,000.....	72,897	15,350,460	15,350,460	N/A	89,856	18,813,550	18,801,617	N/A
\$1,000,000 or more.....	29,511	23,462,974	23,462,974	N/A	38,910	32,783,796	32,748,943	N/A
<b>Returns with Form 8615 tax computation</b>								
<b>Total.....</b>	<b>507,367</b>	<b>548,261</b>	<b>677,107</b>	<b>128,846</b>	<b>465,254</b>	<b>741,292</b>	<b>803,320</b>	<b>62,028</b>
Under \$5,000 <sup>3</sup> .....	373,876	105,794	153,545	47,750	329,937	91,995	117,540	25,545
\$5,000 under \$10,000.....	86,100	80,855	135,511	54,655	72,834	66,888	100,121	33,232
\$10,000 under \$15,000.....	30,153	49,478	83,561	34,083	24,539	42,000	61,159	19,158
\$15,000 under \$20,000.....	*4,797	*11,505	*18,843	*7,338	10,402	24,636	34,039	9,403
\$20,000 under \$25,000.....	*3,655	*12,774	*24,036	*11,262	9,430	30,244	55,821	25,576
\$25,000 under \$30,000.....	*2,400	*8,232	*14,295	*6,063	*3,791	*11,810	*23,470	*11,659
\$30,000 under \$40,000.....	--	--	--	--	*1,797	*9,527	*14,016	*4,489
\$40,000 under \$50,000.....	--	--	--	--	*4,475	*30,560	*41,519	*10,960
\$50,000 under \$75,000.....	*4,480	*49,147	*62,201	*13,054	*2,810	*32,089	*30,307	*-1,782
\$75,000 under \$100,000.....	*1,128	*18,950	*16,574	*-2,376	*346	*6,965	*5,617	*-1,348
\$100,000 under \$200,000.....	*349	*13,839	*12,025	*-1,814	*3,659	*118,570	*118,590	*20
\$200,000 under \$500,000.....	*157	*15,367	*12,168	*-3,199	*935	*85,752	*62,793	*-22,959
\$500,000 under \$1,000,000.....	*85	*17,211	*17,797	*586	*122	*25,504	*21,175	*-4,329
\$1,000,000 or more.....	189	165,110	126,553	-38,556	177	164,751	117,152	-47,599
<b>Returns with Schedule D tax computation</b>								
<b>Total.....</b>	<b>13,960,749</b>	<b>351,652,758</b>	<b>316,035,356</b>	<b>-35,617,402</b>	<b>15,835,783</b>	<b>396,647,844</b>	<b>345,199,240</b>	<b>-51,448,604</b>
Under \$5,000 <sup>3</sup> .....	596,662	118,639	102,890	-15,749	336,629	77,738	62,106	-15,632
\$5,000 under \$10,000.....	335,911	192,613	170,408	-22,205	362,713	183,681	154,064	-29,617
\$10,000 under \$15,000.....	458,433	381,076	351,023	-30,053	510,432	438,352	390,908	-47,443
\$15,000 under \$20,000.....	594,033	717,465	672,226	-45,239	673,961	838,624	776,052	-62,572
\$20,000 under \$25,000.....	611,754	1,102,959	1,046,476	-56,483	736,623	1,317,388	1,233,817	-83,571
\$25,000 under \$30,000.....	618,401	1,484,874	1,418,086	-66,788	682,498	1,632,454	1,542,300	-90,154
\$30,000 under \$40,000.....	1,203,440	4,285,501	4,133,858	-151,643	1,525,989	5,433,302	5,163,499	-269,803
\$40,000 under \$50,000.....	1,301,056	6,870,981	6,659,311	-211,670	1,465,648	7,441,912	7,128,776	-313,136
\$50,000 under \$75,000.....	2,794,270	22,862,789	22,168,320	-694,469	3,342,119	26,490,626	25,326,126	-1,164,501
\$75,000 under \$100,000.....	1,838,346	24,650,831	23,873,377	-777,454	2,151,343	28,161,713	26,870,714	-1,290,999
\$100,000 under \$200,000.....	2,429,972	62,492,309	59,965,967	-2,526,342	2,779,234	69,924,533	66,163,622	-3,760,911
\$200,000 under \$500,000.....	880,623	67,425,621	62,402,268	-5,023,353	935,005	70,985,769	64,069,065	-6,916,704
\$500,000 under \$1,000,000.....	186,211	40,197,032	36,073,307	-4,123,725	209,350	45,354,508	39,234,808	-6,119,701
\$1,000,000 or more.....	111,638	118,870,067	96,997,838	-21,872,229	124,239	138,367,243	107,083,383	-31,283,860

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

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

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

<sup>3</sup> 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, 1998

**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 1986-1998**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
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
1997.....	121,506,446	1,215,064	6,075,322	12,150,645	30,376,611	60,753,223
1998.....	123,775,831	1,237,758	6,188,792	12,377,583	30,943,958	61,887,915
<b>Adjusted gross income floor on percentiles (current dollars):</b>						
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
1997.....	N/A	250,736	108,048	79,212	48,173	24,393
1998.....	N/A	269,496	114,729	83,220	50,607	25,491
<b>Adjusted gross income floor on percentiles (constant dollars): <sup>2</sup></b>						
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
1997.....	N/A	156,222	67,320	49,353	30,014	15,198
1998.....	N/A	164,427	69,999	50,775	30,877	15,553

Footnotes at end of Table 6.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Adjusted gross income (millions of dollars):</b>						
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
1997.....	5,023,492	872,834	1,597,124	2,151,426	3,267,638	4,328,031
1998.....	5,469,211	1,010,245	1,796,647	2,393,716	3,589,600	4,721,430
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
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
1997.....	731,210	243,779	380,785	463,405	597,882	700,057
1998.....	788,452	274,009	424,506	512,836	651,964	755,240
<b>Average tax rate (percentage): <sup>4</sup></b>						
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
1997.....	14.56	27.93	23.84	21.54	18.30	16.17
1998.....	14.42	27.12	23.63	21.42	18.16	16.00

Footnotes at end of Table 6.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Adjusted gross income share (percentage):</b>						
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
1997.....	100.00	17.38	31.79	42.83	65.05	86.16
1998.....	100.00	18.47	32.85	43.77	65.63	86.33
<b>Total income tax share (percentage):</b>						
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
1997.....	100.00	33.17	51.87	63.20	81.67	95.72
1998.....	100.00	34.75	53.84	65.04	82.69	95.79

Footnotes at end of Table 6.



# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
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
1997.....	121,506,446	60,753,223	91,129,835	109,355,801	115,431,124	120,291,382
1998.....	123,775,831	61,887,916	92,831,873	111,398,248	117,587,039	122,538,073
<b>Adjusted gross income (millions of dollars):</b>						
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
1997.....	5,023,492	695,461	1,755,854	2,872,065	3,426,368	4,150,657
1998.....	5,469,211	747,781	1,879,611	3,075,495	3,672,564	4,458,967
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
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
1997.....	731,210	31,154	133,328	267,805	350,425	487,431
1998.....	788,452	33,212	136,488	275,615	363,946	514,442

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Average tax rate (percentage):</b> <sup>4</sup>						
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
1997.....	14.56	4.48	7.59	9.32	10.23	11.74
1998.....	14.42	4.44	7.26	8.96	9.91	11.54
<b>Adjusted gross income share (percentage):</b>						
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
1997.....	100.00	13.84	34.95	57.17	68.21	82.62
1998.....	100.00	13.67	34.37	56.23	67.15	81.53
<b>Total income tax share (percentage):</b>						
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
1997.....	100.00	4.26	18.23	36.62	47.92	66.66
1998.....	100.00	4.21	17.31	34.96	46.16	65.25

N/A-- Not applicable.

<sup>1</sup> The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Tables 5 and 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 1998, there were 3,686 returns with no adjusted gross income that reported income tax, mostly alternative minimum tax, totaling \$90.1 million.

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

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

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

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
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
1997.....	121,555,156	1,215,552	6,077,758	12,155,516	30,388,789	60,777,578
1998.....	123,852,016	1,247,707	6,238,533	12,477,066	31,192,666	62,385,331
<b>Income floor on percentiles (current dollars):</b>						
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
1997.....	N/A	268,889	110,949	79,598	47,738	24,551
1998.....	N/A	300,204	119,791	84,532	49,966	25,365
<b>Income floor on percentiles (constant dollars): <sup>2</sup></b>						
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
1997.....	N/A	167,532	69,127	49,594	29,743	15,297
1998.....	N/A	187,043	74,636	52,668	31,131	15,804

Footnotes at end of Table 8.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Income (millions of dollars):</b>						
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
1997.....	5,112,706	918,007	1,679,877	2,242,353	3,353,245	4,409,075
1998.....	5,626,390	1,075,542	1,930,728	2,550,179	3,753,512	4,881,173
<b>Total income tax (millions of dollars):<sup>3</sup></b>						
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
1997.....	731,123	238,978	376,046	459,674	595,060	699,131
1998.....	788,370	266,211	418,694	509,238	650,254	755,237
<b>Average tax rate (percentage):<sup>4</sup></b>						
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
1997.....	14.30	26.03	22.39	20.50	17.75	15.86
1998.....	14.01	24.75	21.69	19.97	17.32	15.47

Footnotes at end of Table 8.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Descending cumulative percentiles				
		Top 1 percent	Top 5 percent	Top 10 percent	Top 25 percent	Top 50 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Income share (percentage):</b>						
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
1997.....	100.00	17.96	32.86	43.86	65.59	86.24
1998.....	100.00	19.12	34.32	45.33	66.71	86.76
<b>Total income tax share (percentage):</b>						
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
1997.....	100.00	32.69	51.43	62.87	81.39	95.62
1998.....	100.00	33.77	53.11	64.59	82.48	95.80

Footnotes at end of Table 8.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Number of returns: <sup>1</sup></b>						
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
1997.....	121,555,156	60,777,578	91,166,367	109,399,640	115,477,398	120,339,604
1998.....	123,852,016	62,385,331	93,577,997	112,293,596	118,532,129	123,522,955
<b>Income (millions of dollars):</b>						
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
1997.....	5,112,706	703,631	1,759,461	2,870,353	3,432,828	4,194,699
1998.....	5,626,390	768,740	1,919,256	3,155,494	3,810,034	4,945,955
<b>Total income tax (millions of dollars): <sup>3</sup></b>						
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
1997.....	731,123	31,992	136,063	271,450	355,078	492,146
1998.....	788,370	34,755	143,139	290,004	388,166	611,326

Footnotes at end of table.

# Individual Income Tax Rates and Tax Shares, 1998

**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 1986-1998--Continued**

[All figures are estimates based on samples]

Item, tax year	Total	Ascending cumulative percentiles				
		Bottom 50 percent	Bottom 75 percent	Bottom 90 percent	Bottom 95 percent	Bottom 99 percent
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Average tax rate (percentage):<sup>4</sup></b>						
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
1997.....	14.30	4.55	7.73	9.46	10.34	11.73
1998.....	14.01	4.52	7.46	9.19	10.19	12.36
<b>Income share (percentage):</b>						
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
1997.....	100.00	13.76	34.41	56.14	67.14	82.04
1998.....	100.00	13.66	34.11	56.08	67.72	87.91
<b>Total income tax share (percentage):</b>						
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
1997.....	100.00	4.38	18.61	37.13	48.57	67.31
1998.....	100.00	4.41	18.16	36.79	49.24	77.54

N/A--Not applicable.

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

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

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

<sup>4</sup> Average tax rate was computed by dividing total income tax (see footnote 3) by income, using the 1979 Income Concept (see text and Figure 1).