

Section 1

Introduction and Changes in Law

Introduction

This report contains complete individual income tax data for Tax Year 2001. The statistics are based on a stratified probability sample of individual income tax returns, selected before audit, which represents a population of over 130 million Forms 1040, 1040A, and 1040EZ, including electronic returns, filed for Tax Year 2001.

Table A on the following pages presents selected income and tax items for Tax Years 1997, 1998, 1999, 2000, and 2001 as they appear on the forms and provides the percentage change for each item between 2000 and 2001. When comparing income and tax items from different years, it is important to consider any changes in the tax law, which may have affected the data. These tax law changes are explained below. To assist year-to-year comparisons, Table A includes the items in both current dollars and constant 1990 dollars, as adjusted by the U.S. Department of Labor's consumer price index (CPI-U).

For Tax Year 2001, the number of individual tax returns filed increased by just under 1.0 million, or 1.8 percent. Adjusted gross income (AGI) fell \$194.8 billion, or 3.1 percent from 2000 to 2001, compared to the 8.7 percent growth recorded from 1999 to 2000. Total tax liability decreased 9.0 percent to \$930.2 billion. Several components of AGI showed decreases for between 2000 and 2001: net capital gains less loss decreased 47.1 percent; dividends decreased 18.7 percent; and total IRA distributions decreased 14.3 percent.

This report is divided into six sections. Section 1 explains the requirements for filing, changes in the law for 2001, and the 1979 Income Concept. Section 2 describes the sample of individual income tax returns upon which the statistics are based. Section 3 contains tables of detailed aggregate statistics on individual tax returns. Section 4 provides explanations of the terms used in the tables. The tax forms appear in Section 5 and Section 6 contains a subject index.

Table A--Selected Income and Tax Items for Selected Years, 19 Dollars¹

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

Item	1997	1998
	(1)	(2)
All returns*	122,421,991	124,770,662
Form 1040 returns.....	68,781,991	71,162,837
Electronically filed returns.....	6,972,994	9,450,121
Form 1040A returns.....	24,780,076	25,987,822
Electronically filed returns.....	8,475,296	10,285,487
Form 1040EZ returns.....	21,154,656	20,830,173
Electronically filed returns.....	8,839,265	9,150,964
Form 1040PC returns.....	7,705,268	6,789,831
Salaries & wages		
Number of returns.....	104,404,985	106,535,263
Amount.....	3,613,918,456	3,879,762,259
Taxable interest received		
Number of returns.....	67,300,571	67,231,792
Amount.....	171,700,242	178,333,632
Tax-exempt interest		
Number of returns.....	4,925,914	4,778,374
Amount.....	49,016,921	50,223,365
Dividends in AGI		
Number of returns.....	29,507,639	30,423,274
Amount.....	120,493,432	118,479,991
State income tax refund		
Number of returns.....	19,218,388	19,544,265
Amount.....	14,094,351	14,707,844
Alimony received		
Number of returns.....	413,109	437,410
Amount.....	4,965,883	5,118,123
Business or profession net income, less loss		
Number of returns.....	16,937,575	17,104,786
Amount.....	186,741,216	202,400,115
Net capital gain in AGI less loss		
Number of returns.....	24,240,112	25,690,397
Amount.....	356,083,267	446,083,839
Capital gain distributions reported on Form 1040		
Number of returns.....	N/A	N/A
Amount.....	N/A	N/A
Sales of property other than capital assets, net gain less loss		
Number of returns.....	1,744,602	1,719,937
Amount.....	-1,460,402	-1,575,698
Total IRA distributions		
Number of returns.....	6,761,089	8,530,379
Amount.....	79,009,673	133,357,445
Taxable IRA distributions in AGI		
Number of returns.....	6,214,044	7,774,091
Amount.....	55,182,520	74,094,367
Total pensions & annuities		
Number of returns.....	20,948,184	22,211,348
Amount.....	382,935,981	441,521,385
Taxable pensions & annuities in AGI		
Number of returns.....	19,496,575	20,473,407
Amount.....	259,711,251	280,650,198
Rents, royalties, partnerships, estates, trusts, etc.		
Number of returns.....	14,480,636	14,647,697
Amount.....	198,823,191	219,258,921
Farm net income less loss		
Number of returns.....	2,160,954	2,091,845
Amount.....	-6,847,443	-7,933,778
Unemployment compensation in AGI		
Number of returns.....	7,124,100	7,082,562
Amount.....	17,230,102	16,814,669
Social security benefits (received)		
Number of returns.....	11,351,510	12,136,792
Amount.....	139,958,629	154,953,370
Taxable social security benefits in AGI		
Number of returns.....	8,307,938	8,941,171
Amount.....	61,557,689	68,702,700
Foreign earned income exclusion ²		
Number of returns.....	297,534	308,284
Amount.....	13,170,179	13,455,924
Net operating loss ²		
Number of returns.....	568,443	539,802
Amount.....	51,343,546	48,297,886
Other income, net gain less loss ²		
Number of returns.....	4,737,237	5,088,222
Amount.....	19,085,136	21,554,040
Total income, net gain less loss		
Number of returns.....	122,332,599	124,652,387
Amount.....	5,016,904,666	5,467,503,555

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1997-2001, in Current and Constant 1990 Dollars--Continued¹

Figures are estimates based on samples--money amounts are in thousands of dollars

Item	Current dollars					Percent change, 2000 to 2001
	1997	1998	1999	2000	2001	
	(1)	(2)	(3)	(4)	(5)	(6)
Individual taxpayer IRA adjustment						
Number of returns.....	4,068,958	3,868,017	3,687,149	3,505,032	3,448,457	-1.6
Amount.....	8,662,694	8,188,452	7,883,438	7,477,074	7,406,866	-0.9
Interest on student loan interest deduction						
Number of returns.....	N/A	3,763,742	4,136,505	4,477,986	4,405,667	-1.6
Amount.....	N/A	1,730,768	2,254,531	2,639,472	2,711,733	2.7
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	16,912	42,235	50,393	65,415	69,957	6.9
Amount.....	22,454	62,071	81,977	120,330	123,296	2.5
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less expenses						
Number of returns.....	780,813	809,246	986,313	956,586	944,791	-1.2
Amount.....	1,847,578	1,684,183	2,230,965	2,137,803	2,180,570	2.0
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax						
Number of returns.....	13,513,228	13,756,483	14,029,609	14,300,140	14,574,036	1.9
Amount.....	14,868,362	15,960,341	16,689,650	17,392,967	18,134,959	4.3
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	3,284,842	3,380,867	3,491,539	3,564,624	3,559,792	-0.1
Amount.....	3,869,842	4,693,286	6,755,071	7,569,198	8,177,397	8.0
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	1,189,981	1,177,487	1,264,007	1,287,706	1,290,496	0.2
Amount.....	10,237,623	11,039,683	11,928,242	12,475,396	13,114,412	5.1
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	918,302	828,922	805,367	863,436	890,649	3.2
Amount.....	234,237	217,913	236,115	286,507	197,533	-31.1
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	623,646	590,898	610,609	656,724	656,635	(Z)
Amount.....	6,311,455	6,877,808	7,247,919	7,460,164	7,472,718	0.2
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	654	1,543	5,782	4,411	4,122	-6.6
Amount.....	16,361	38,994	77,574	42,400	92,074	117.2
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	118,629	164,646	198,438	170,106	183,906	8.1
Amount.....	884,074	1,037,209	1,313,318	1,008,208	961,209	-4.7
Employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less half of self-employment tax, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan, less employer's contribution to a 401(k) plan or an employer's profit-sharing plan						
Number of returns.....	18,785,760	21,998,366	22,659,973	23,197,425	23,497,092	1.3
Amount.....	46,954,680	51,530,709	56,698,800	58,609,518	60,572,768	3.3
Adjusted gross income or loss (AGI)						
Number of returns.....	4,969,949,986	5,415,972,847	5,855,467,909	6,365,376,648	6,170,603,942	-3.1
Amount.....						
Itemized deductions						
Number of returns.....	36,624,595	38,186,186	40,244,305	42,534,320	44,562,307	4.8
Amount.....	620,810,172	676,460,336	741,376,847	822,360,510	884,528,260	7.6
Standard deduction						
Number of returns.....	84,844,302	85,576,463	85,755,366	85,670,504	84,238,232	-1.7
Amount.....	441,695,925	459,457,374	463,960,491	470,820,881	481,907,591	2.4
Excess standard deduction						
Number of returns.....	84,844,302	85,576,463	85,755,366	85,670,504	84,238,232	-1.7
Amount.....	428,362,726	445,400,450	449,696,182	456,084,883	466,971,032	2.4
Additional standard deduction						
Number of returns.....	11,136,379	11,081,634	11,200,024	11,330,554	11,116,629	-1.9
Amount.....	13,333,199	14,056,924	14,264,309	14,735,998	14,936,559	1.4
Less deductions						
Number of returns.....	110,720,898	111,924,583	113,863,898	116,391,403	115,862,109	-0.5
Amount.....	3,984,130,897	4,357,840,879	4,730,367,366	5,157,822,794	4,910,329,307	-4.8
Number of exemptions.....	241,279,259	245,592,958	248,657,119	252,332,427	256,186,046	1.5
Option amount.....	627,825,050	650,347,285	669,241,317	690,109,474	727,554,990	5.4
Adjusted taxable income						
Number of returns.....	99,314,519	100,801,271	102,845,571	105,259,292	104,174,655	-1.0
Amount.....	3,429,109,165	3,780,838,200	4,136,119,714	4,544,242,424	4,268,506,425	-6.1
From table, rate schedules, etc.						
Number of returns.....	99,217,292	100,793,439	102,831,402	105,254,144	104,163,693	-1.0
Amount.....	738,819,027	813,227,104	906,345,754	1,008,626,180	926,642,321	-8.1
Additional taxes						
Number of returns.....	59,250	47,690	36,960	23,487	25,334	7.9
Amount.....	663,002	341,757	466,001	126,524	198,998	57.3
Native minimum tax						
Number of returns.....	618,072	853,433	1,018,063	1,304,198	1,120,047	-14.1
Amount.....	4,005,101	5,014,549	6,477,697	9,600,840	6,756,705	-29.6
Net tax before credits						
Number of returns.....	99,225,503	100,797,716	102,834,362	105,277,966	104,195,834	-1.0
Amount.....	739,482,029	813,568,861	906,811,755	1,018,218,948	933,567,474	-8.3
Child care credit						
Number of returns.....	5,795,530	6,128,155	6,182,193	6,368,101	6,184,508	-2.9
Amount.....	2,464,005	2,660,573	2,675,147	2,793,860	2,721,061	-2.6
Credit for elderly or disabled						
Number of returns.....	190,343	180,473	181,813	155,796	139,097	-10.7
Amount.....	41,281	35,689	33,629	32,608	30,496	-6.5
Elderly tax credit						
Number of returns.....	N/A	24,810,781	26,016,019	26,404,521	26,452,875	0.2
Amount.....	N/A	15,143,468	19,398,625	19,689,359	22,427,229	13.9
Retirement credits						
Number of returns.....	N/A	4,652,596	6,436,654	6,815,316	7,212,554	5.8
Amount.....	N/A	3,376,647	4,772,443	4,851,178	5,156,254	6.3
Charitable contribution credit						
Number of returns.....	30,721	40,668	47,349	42,681	47,737	11.8
Amount.....	58,522	83,046	103,016	91,866	88,781	-3.4

Notes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1997-2001, in Current and Constant 1990 Dollars--Continued¹

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

Item	Current dollars					Percent change, 2000 to 2001
	1997	1998	1999	2000	2001	
	(1)	(2)	(3)	(4)	(5)	(6)
Foreign tax credit						
Number of returns.....	2,334,015	2,995,294	3,266,544	3,935,699	3,942,604	0.2
Amount.....	4,073,461	4,677,022	4,941,010	5,990,360	6,254,559	4.4
General business credit						
Number of returns.....	306,254	272,197	287,658	275,115	269,648	-2.0
Amount.....	826,320	732,487	783,920	764,253	713,974	-6.6
Prior year minimum tax credit						
Number of returns.....	118,571	108,583	166,010	199,554	248,255	24.4
Amount.....	681,282	818,389	996,461	1,287,661	1,438,041	11.7
Rate reduction credit						
Number of returns.....	N/A	N/A	N/A	N/A	22,096,605	(X)
Amount.....	N/A	N/A	N/A	N/A	5,057,456	(X)
Total credits ³						
Number of returns.....	8,712,146	32,114,860	34,813,611	36,028,685	49,066,700	36.2
Amount.....	8,410,868	27,823,908	33,974,279	35,753,613	44,160,998	23.5
Income tax less credits ¹						
Number of returns.....	98,794,570	96,581,077	97,752,068	100,163,625	97,389,985	-2.8
Amount.....	731,071,161	785,744,954	872,837,476	982,465,335	889,406,476	-9.5
Self-employment tax						
Number of returns.....	13,515,150	13,757,431	14,029,609	14,300,140	14,575,011	1.9
Amount.....	29,738,153	31,914,256	33,372,365	34,778,824	36,262,878	4.3
Recapture taxes						
Number of returns.....	26,922	22,300	12,243	14,144	11,686	-17.4
Amount.....	133,018	238,980	215,699	298,862	286,974	-4.0
Social security, Medicare tax on tip income not reported						
Number of returns.....	267,055	245,028	254,489	265,007	288,275	8.8
Amount.....	27,826	26,264	29,477	35,753	35,879	0.4
Tax on qualified retirement plans						
Number of returns.....	3,415,245	3,786,186	4,076,050	4,334,527	4,571,187	5.5
Amount.....	2,335,845	2,699,419	3,074,825	3,414,692	3,259,975	-4.5
Advanced earned income credit payments						
Number of returns.....	239,664	217,555	171,629	174,967	135,554	-22.5
Amount.....	122,398	105,877	94,004	72,958	51,492	-29.4
Household employment taxes						
Number of returns.....	310,367	284,706	286,175	259,906	250,622	-3.6
Amount..... ^{1,4}	763,897	752,307	759,438	795,638	804,086	1.1
Total tax liability						
Number of returns.....	102,359,516	100,813,446	102,194,476	104,685,747	102,557,013	-2.0
Amount.....	768,290,921	826,621,050	916,992,618	1,022,172,309	930,280,996	-9.0
Income tax withheld						
Number of returns.....	106,483,908	109,144,689	111,193,931	113,733,442	114,798,386	0.9
Amount.....	582,124,212	636,248,491	695,526,980	763,901,388	773,325,891	1.2
Estimated tax payments						
Number of returns.....	12,766,410	13,072,121	13,169,356	13,326,669	13,167,856	-1.2
Amount.....	162,584,233	177,750,952	196,915,946	221,621,893	220,195,712	-0.6
Earned income credit ¹						
Number of returns.....	19,391,179	19,704,707	19,260,339	19,277,225	19,593,121	1.6
Amount.....	30,388,582	31,591,789	31,903,081	32,296,350	33,375,971	3.3
Additional child tax credit						
Number of returns.....	N/A	754,363	985,579	1,104,143	8,562,900	675.5
Amount.....	N/A	508,972	812,404	977,641	4,994,877	410.9
Payment with an extension request						
Number of returns.....	1,597,435	1,540,573	1,510,206	1,610,937	1,448,213	-10.1
Amount.....	38,918,434	45,640,225	53,984,319	63,396,711	42,495,018	-33.0
Excess social security tax withheld						
Number of returns.....	1,267,562	1,303,642	1,377,613	1,640,582	1,436,745	-12.4
Amount.....	1,399,705	1,523,584	1,712,649	2,184,849	1,915,349	-12.3
Other payments:						
Form 2439						
Number of returns.....	68,097	41,688	37,879	50,698	20,955	-58.7
Amount.....	55,227	46,076	151,723	399,047	88,649	-77.8
Form 4136						
Number of returns.....	445,633	446,489	426,878	395,555	386,698	-2.2
Amount.....	101,328	108,376	95,029	90,578	108,963	20.3
Total payments ¹						
Number of returns.....	115,138,784	117,835,317	119,809,259	122,243,874	123,451,338	1.0
Amount.....	815,571,720	893,418,466	981,100,157	1,084,868,447	1,076,500,696	-0.8
Overpayment, total						
Number of returns.....	88,311,237	93,434,624	94,827,237	95,921,082	102,310,895	6.7
Amount.....	140,110,378	167,987,055	182,049,186	196,198,780	236,981,755	20.8
Overpayment refunded						
Number of returns.....	85,381,040	90,233,356	91,600,741	93,000,030	99,011,975	6.5
Amount.....	119,706,937	144,445,788	155,513,635	167,577,365	202,274,032	20.7
Refund credited to next year						
Number of returns.....	4,109,601	4,567,379	4,514,663	4,255,215	5,408,878	27.1
Amount.....	20,403,441	23,541,268	26,535,551	28,621,415	34,708,129	21.3
Tax due at time of filing						
Number of returns.....	31,198,382	28,429,856	29,200,902	30,624,423	24,581,181	-19.7
Amount.....	93,909,641	102,151,442	119,091,512	134,944,362	91,830,967	-31.9
Tax penalty						
Number of returns.....	5,920,839	5,019,736	5,285,114	5,813,525	5,318,905	-8.5
Amount.....	1,080,062	961,802	1,149,865	1,441,719	1,060,320	-26.5

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1997-2001, in Current and Constant 1990 Dollars--Continued¹

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

Item	Constant 1990 dollars ⁵					Percent change, 2000 to 2001
	1997	1998	1999	2000	2001	
	(7)	(8)	(9)	(10)	(11)	(12)
All returns*	122,421,991	124,770,662	127,075,145	129,373,500	130,255,237	0.7
Form 1040 returns.....	68,781,991	71,162,837	74,165,814	78,846,102	80,500,011	2.1
Electronically filed returns.....	6,972,994	9,450,121	13,173,514	16,018,213	20,811,215	29.9
Form 1040A returns.....	24,780,076	25,987,822	26,961,302	28,826,589	28,293,817	-1.8
Electronically filed returns.....	8,475,296	10,285,487	12,462,963	13,889,642	15,007,182	8.0
Form 1040EZ returns.....	21,154,656	20,830,173	20,752,420	21,700,809	21,461,409	-1.1
Electronically filed returns.....	8,839,265	9,150,964	9,858,843	10,170,740	11,043,091	8.6
Form 1040PC returns.....	7,705,268	6,789,831	5,195,609	NA	NA	NA
Salaries & wages						
Number of returns.....	104,404,985	106,535,263	108,183,782	110,168,714	111,227,450	1.0
Amount.....	2,942,930,339	3,093,909,297	3,241,155,654	3,381,007,161	3,369,172,855	-0.4
Taxable interest received						
Number of returns.....	67,300,571	67,231,792	67,218,877	68,046,458	67,479,816	-0.8
Amount.....	139,821,044	142,211,828	137,784,499	151,230,402	146,256,689	-3.3
Tax-exempt interest						
Number of returns.....	4,925,914	4,778,374	4,801,877	4,658,345	4,557,381	-2.2
Amount.....	39,916,059	40,050,530	41,186,672	40,934,656	41,020,204	0.2
Dividends in AGI						
Number of returns.....	29,507,639	30,423,274	32,226,492	34,140,604	32,621,151	-4.5
Amount.....	98,121,687	94,481,652	103,894,527	111,523,277	88,216,475	-20.9
State income tax refund						
Number of returns.....	19,218,388	19,544,265	20,811,334	20,921,057	22,132,023	5.8
Amount.....	11,477,485	11,728,743	14,098,984	13,892,136	15,660,147	12.7
Alimony received						
Number of returns.....	413,109	437,410	418,989	442,335	437,859	-1.0
Amount.....	4,043,879	4,081,438	4,278,821	4,698,260	4,934,212	5.0
Business or profession net income, less loss						
Number of returns.....	16,937,575	17,104,786	17,312,125	17,600,010	18,018,349	2.4
Amount.....	152,069,394	161,403,600	163,462,013	162,265,063	159,979,702	-1.4
Net capital gain in AGI less loss						
Number of returns.....	24,240,112	25,690,397	21,493,841	22,875,460	23,470,401	2.6
Amount.....	289,970,087	355,728,739	416,310,538	466,418,522	239,977,094	-48.5
Capital gain distributions reported on Form 1040						
Number of returns.....	N/A	N/A	6,206,662	6,645,305	2,486,027	-62.6
Amount.....	N/A	N/A	9,382,102	11,989,999	1,002,574	-91.6
Sales of property other than capital assets, net gain less loss						
Number of returns.....	1,744,602	1,719,937	1,732,925	1,700,051	1,615,884	-5.0
Amount.....	-1,189,252	-1,256,537	-1,342,973	-697,370	-1,399,997	-100.8
Total IRA distributions						
Number of returns.....	6,761,089	8,530,379	8,751,378	9,381,311	9,363,959	-0.2
Amount.....	64,340,125	106,345,650	98,287,313	104,949,807	87,501,884	-16.6
Taxable IRA distributions in AGI						
Number of returns.....	6,214,044	7,774,091	8,129,376	8,732,291	8,834,138	1.2
Amount.....	44,936,906	59,086,417	68,345,813	75,088,488	69,614,454	-7.3
Total pensions & annuities						
Number of returns.....	20,948,184	22,211,348	23,180,716	23,793,404	24,317,375	2.2
Amount.....	311,837,118	352,090,419	398,617,157	418,823,723	393,302,084	-6.1
Taxable pensions & annuities in AGI						
Number of returns.....	19,496,575	20,473,407	21,343,646	21,765,211	22,262,775	2.3
Amount.....	211,491,247	223,803,986	238,675,070	247,213,734	249,996,612	1.1
Rents, royalties, partnerships, estates, trusts, etc.						
Number of returns.....	14,480,636	14,647,697	14,536,311	14,332,632	14,542,983	1.5
Amount.....	161,908,136	174,847,624	193,405,020	191,263,583	197,951,443	3.5
Farm net income less loss						
Number of returns.....	2,160,954	2,091,845	2,046,308	2,061,784	2,006,871	-2.7
Amount.....	-5,576,094	-6,326,777	-4,896,405	-6,854,460	-8,121,610	-18.5
Unemployment compensation in AGI						
Number of returns.....	7,124,100	7,082,562	6,775,723	6,478,292	8,799,885	35.8
Amount.....	14,031,028	13,408,827	13,749,631	12,832,553	19,845,701	54.7
Social security benefits (received)						
Number of returns.....	11,351,510	12,136,792	12,487,903	13,627,723	13,753,080	0.9
Amount.....	113,972,825	123,567,281	128,025,485	141,568,181	145,036,506	2.4
Taxable social security benefits in AGI						
Number of returns.....	8,307,938	8,941,171	9,459,189	10,608,572	10,779,279	1.6
Amount.....	50,128,411	54,786,842	58,885,471	68,257,983	69,047,500	1.2
Foreign earned income exclusion ²						
Number of returns.....	297,534	308,284	314,486	358,391	292,006	-18.5
Amount.....	10,724,901	10,730,402	11,087,485	11,562,725	10,291,339	-11.0
Net operating loss ²						
Number of returns.....	568,443	539,802	578,583	527,417	611,473	15.9
Amount.....	41,810,705	38,515,061	38,929,114	36,491,863	40,202,999	10.2
Other income, net gain less loss ²						
Number of returns.....	4,737,237	5,088,222	5,160,532	5,815,404	5,610,987	-3.5
Amount.....	15,541,642	17,188,230	17,944,925	19,248,982	14,397,762	-25.2
Total income, net gain less loss						
Number of returns.....	122,332,599	124,652,387	126,840,986	129,148,570	130,014,403	0.7
Amount.....	4,085,427,252	4,360,050,682	4,636,993,498	4,874,041,052	4,598,654,399	-5.7

Footnotes at end of table.

Table A--Selected Income and Tax Items for Selected Years, 1997-2001, in Current and Constant 1990 Dollars--Continued¹

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

Item	Constant 1990 dollars*					Percent change, 2000 to 2001
	1997	1998	1999	2000	2001	
	(7)	(8)	(9)	(10)	(11)	(12)
Total taxpayer IRA adjustment						
Number of returns.....	4,068,958	3,868,017	3,687,149	3,505,032	3,448,457	-1.6
Amount.....	7,054,311	6,529,866	6,183,089	5,673,046	5,466,322	-3.6
Student loan interest deduction						
Number of returns.....	N/A	3,763,742	4,136,505	4,477,986	4,405,667	-1.6
Amount.....	N/A	1,380,198	1,768,260	2,002,634	2,001,279	-0.1
Medical savings account deduction						
Number of returns.....	16,912	42,235	50,393	65,415	69,957	6.9
Amount.....	18,285	49,498	64,296	91,297	90,993	-0.3
Moving expenses						
Number of returns.....	780,813	809,246	986,313	956,586	944,791	-1.2
Amount.....	1,504,542	1,343,049	1,749,776	1,622,005	1,609,277	-0.8
One-half of self-employment tax						
Number of returns.....	13,513,228	13,756,483	14,029,609	14,300,140	14,574,036	1.9
Amount.....	12,107,787	12,727,545	13,089,922	13,196,485	13,383,734	1.4
Self-employed health insurance						
Number of returns.....	3,284,842	3,380,867	3,491,539	3,564,624	3,559,792	-0.1
Amount.....	3,151,337	3,742,652	5,298,095	5,742,942	6,034,979	5.1
Keogh retirement plan						
Number of returns.....	1,189,981	1,177,487	1,264,007	1,287,706	1,290,496	0.2
Amount.....	8,336,827	8,803,575	9,355,484	9,465,399	9,678,533	2.3
Penalty on early withdrawal of savings						
Number of returns.....	918,302	828,922	805,367	863,436	890,649	3.2
Amount.....	190,747	173,774	185,188	217,380	145,781	-32.9
Alimony paid adjustment						
Number of returns.....	623,646	590,898	610,609	656,724	656,635	(Z)
Amount.....	5,139,621	5,484,695	5,684,642	5,660,215	5,514,921	-2.6
Foreign housing deductions						
Number of returns.....	654	1,543	5,782	4,411	4,122	-6.6
Amount.....	13,323	31,096	60,842	32,170	67,951	111.2
Other adjustments						
Number of returns.....	118,629	164,646	198,438	170,106	183,906	8.1
Amount.....	719,930	827,120	1,030,053	764,953	709,379	-7.3
Total statutory adjustments						
Number of returns.....	18,785,760	21,998,366	22,659,973	23,197,425	23,497,092	1.3
Amount.....	38,236,710	41,093,069	44,469,647	44,468,527	44,703,150	0.5
Adjusted gross income or loss (AGI)						
Amount.....	4,141,624,988	4,318,957,613	4,592,523,850	4,829,572,571	4,553,951,249	-5.7
Total itemized deductions						
Number of returns.....	36,624,595	38,186,186	40,244,305	42,534,320	44,562,307	4.8
Amount.....	505,545,743	539,442,054	581,472,037	623,945,759	652,788,384	4.6
Total standard deduction						
Number of returns.....	84,844,302	85,576,463	85,755,366	85,670,504	84,238,232	-1.7
Amount.....	359,687,235	366,393,440	363,890,581	357,223,734	355,651,359	-0.4
Basic standard deduction						
Number of returns.....	84,844,302	85,576,463	85,755,366	85,670,504	84,238,232	-1.7
Amount.....	348,829,581	355,183,772	352,702,888	346,043,159	344,628,068	-0.4
Additional standard deduction						
Number of returns.....	11,136,379	11,081,634	11,200,024	11,330,554	11,116,629	-1.9
Amount.....	10,857,654	11,209,668	11,187,693	11,180,575	11,023,291	-1.4
AGI less deductions						
Number of returns.....	110,720,898	111,924,583	113,863,898	116,391,403	115,862,109	-0.5
Amount.....	3,244,406,268	3,475,152,216	3,710,092,052	3,913,370,860	3,623,859,267	-7.4
Number of exemptions.....	241,279,259	245,592,958	248,657,119	252,332,427	256,186,046	1.5
Exemption amount.....	511,258,184	518,618,250	524,895,151	523,603,546	536,940,952	2.5
Taxable income						
Number of returns.....	99,314,519	100,801,271	102,845,571	105,259,292	104,174,655	-1.0
Amount.....	2,792,434,173	3,015,022,488	3,244,015,462	3,447,831,885	3,150,189,244	-8.6
Tax from table, rate schedules, etc.						
Number of returns.....	99,217,292	100,793,439	102,831,402	105,254,144	104,163,693	-1.0
Amount.....	601,644,159	648,506,463	710,859,415	765,270,243	683,868,872	-10.6
Additional taxes						
Number of returns.....	59,250	47,690	36,960	23,487	25,334	7.9
Amount.....	539,904	272,533	365,491	95,997	146,862	53.0
Alternative minimum tax						
Number of returns.....	618,072	853,433	1,018,063	1,304,198	1,120,047	-14.1
Amount.....	3,261,483	3,998,843	5,080,547	7,284,401	4,986,498	-31.5
Income tax before credits						
Number of returns.....	99,225,503	100,797,716	102,834,362	105,277,966	104,195,834	-1.0
Amount.....	602,184,063	648,778,996	711,224,906	772,548,519	688,979,686	-10.8
Child care credit						
Number of returns.....	5,795,530	6,128,155	6,182,193	6,368,101	6,184,508	-2.9
Amount.....	2,006,519	2,121,669	2,098,155	2,119,772	2,008,163	-5.3
Credit for elderly or disabled						
Number of returns.....	190,343	180,473	181,813	155,796	139,097	-10.7
Amount.....	33,616	28,460	26,376	24,741	22,506	-9.0
Child tax credit						
Number of returns.....	N/A	24,810,781	26,016,019	26,404,521	26,452,875	0.2
Amount.....	N/A	12,076,131	15,214,608	14,938,816	16,551,461	10.8
Education credits						
Number of returns.....	N/A	4,652,596	6,436,654	6,815,316	7,212,554	5.8
Amount.....	N/A	2,692,701	3,743,093	3,680,712	3,805,354	3.4
Adoption credit						
Number of returns.....	30,721	40,668	47,349	42,681	47,737	11.8
Amount.....	47,656	66,225	80,797	69,701	65,521	-6.0

Footnotes at end of table.

Individual Returns 2001

Table A--Selected Income and Tax Items for Selected Years, 1997-2001, in Current and Constant 1990**Dollars--Continued¹**

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

Item	Constant 1990 dollars ²					Percent change, 2000 to 2001
	1997	1998	1999	2000	2001	
	(7)	(8)	(9)	(10)	(11)	(12)
Foreign tax credit						
Number of returns.....	2,334,015	2,995,294	3,266,544	3,935,699	3,942,604	0.2
Amount.....	3,317,151	3,729,683	3,875,302	4,545,038	4,615,911	1.6
General business credit						
Number of returns.....	306,254	272,197	287,658	275,115	269,648	-2.0
Amount.....	672,899	584,120	614,839	579,858	526,918	-9.1
Prior year minimum tax credit						
Number of returns.....	118,571	108,583	166,010	199,554	248,255	24.4
Amount.....	554,790	652,623	781,538	976,981	1,061,285	8.6
Rate reduction credit						
Number of returns.....	N/A	N/A	N/A	N/A	22,096,605	(X)
Amount.....	N/A	N/A	N/A	N/A	3,732,440	(X)
Total credits ³						
Number of returns.....	8,712,146	32,114,860	34,813,611	36,028,685	49,066,700	36.2
Amount.....	6,849,241	22,188,124	26,646,493	27,127,172	32,591,142	20.1
Income tax less credits ¹						
Number of returns.....	98,794,570	96,581,077	97,752,068	100,163,625	97,389,985	-2.8
Amount.....	595,334,822	626,590,872	684,578,413	745,421,347	656,388,543	-11.9
Self-employment tax						
Number of returns.....	13,515,150	13,757,431	14,029,609	14,300,140	14,575,011	1.9
Amount.....	24,216,737	25,449,965	26,174,404	26,387,575	26,762,272	1.4
Recapture taxes						
Number of returns.....	26,922	22,300	12,243	14,144	11,686	-17.4
Amount.....	108,321	190,574	169,176	226,754	211,789	-6.6
Social security, Medicare tax on tip income not reported						
Number of returns.....	267,055	245,028	254,489	265,007	288,275	8.8
Amount.....	22,660	20,944	23,119	27,127	26,479	-2.4
Tax on qualified retirement plans						
Number of returns.....	3,415,245	3,786,186	4,076,050	4,334,527	4,571,187	5.5
Amount.....	1,902,154	2,152,647	2,411,627	2,590,813	2,405,886	-7.1
Advanced earned income credit payments						
Number of returns.....	239,664	217,555	171,629	174,967	135,554	-22.5
Amount.....	99,673	84,431	73,729	55,355	38,001	-31.3
Household employment taxes						
Number of returns.....	310,367	284,706	286,175	259,906	250,622	-3.6
Amount.....	622,066	599,926	595,638	603,671	593,421	-1.7
Total tax liability ⁴						
Number of returns.....	102,359,516	100,813,446	102,194,476	104,685,747	102,557,013	-2.0
Amount.....	625,644,072	659,187,440	719,209,896	775,548,034	686,554,241	-11.5
Income tax withheld						
Number of returns.....	106,483,908	109,144,689	111,193,931	113,733,442	114,798,386	0.9
Amount.....	474,042,518	507,375,192	545,511,357	579,591,341	570,720,215	-1.5
Estimated tax payments						
Number of returns.....	12,766,410	13,072,121	13,169,356	13,326,669	13,167,856	-1.2
Amount.....	132,397,584	141,747,171	154,443,879	168,150,146	162,506,061	-3.4
Earned income credit ¹						
Number of returns.....	19,391,179	19,704,707	19,260,339	19,277,225	19,593,121	1.6
Amount.....	24,746,402	25,192,814	25,022,024	24,504,059	24,631,713	0.5
Additional child tax credit						
Number of returns.....	N/A	754,363	985,579	1,104,143	8,562,900	675.5
Amount.....	N/A	405,879	637,180	741,761	3,686,256	397.0
Payment with an extension request						
Number of returns.....	1,597,435	1,540,573	1,510,206	1,610,937	1,448,213	-10.1
Amount.....	31,692,536	36,395,714	42,340,642	48,100,691	31,361,637	-34.8
Excess social security tax withheld						
Number of returns.....	1,267,562	1,303,642	1,377,613	1,640,582	1,436,745	-12.4
Amount.....	1,139,825	1,214,979	1,343,254	1,657,700	1,413,542	-14.7
Other payments:						
Form 2439						
Number of returns.....	68,097	41,688	37,879	50,698	20,955	-58.7
Amount.....	44,973	36,743	118,998	302,767	65,424	-78.4
Form 4136						
Number of returns.....	445,633	446,489	426,878	395,555	386,698	-2.2
Amount.....	82,515	86,424	74,533	68,724	80,415	17.0
Total payments ¹						
Number of returns.....	115,138,784	117,835,317	119,809,259	122,243,874	123,451,338	1.0
Amount.....	664,146,352	712,454,917	769,490,319	823,117,183	794,465,458	-3.5
Overpayment, total						
Number of returns.....	88,311,237	93,434,624	94,827,237	95,921,082	102,310,895	6.7
Amount.....	114,096,399	133,960,969	142,783,675	148,860,986	174,894,284	17.5
Overpayment refunded						
Number of returns.....	85,381,040	90,233,356	91,600,741	93,000,030	99,011,975	6.5
Amount.....	97,481,219	115,188,029	121,971,478	127,145,193	149,279,728	17.4
Refund credited to next year						
Number of returns.....	4,109,601	4,567,379	4,514,663	4,255,215	5,408,878	27.1
Amount.....	16,615,180	18,772,941	20,812,197	21,715,793	25,614,855	18.0
Tax due at time of filing						
Number of returns.....	31,198,382	28,429,856	29,200,902	30,624,423	24,581,181	-19.7
Amount.....	76,473,649	81,460,480	93,405,107	102,385,707	67,771,931	-33.8
Tax penalty						
Number of returns.....	5,920,839	5,019,736	5,285,114	5,813,525	5,318,905	-8.5
Amount.....	879,529	766,987	901,855	1,093,869	782,524	-28.5

¹ All items correspond to the Form 1040 line items. Therefore, some may differ from the SOI items shown in the Basic Tables in Section 3.² Line 21 on Form 1040 consists of other income minus foreign earned income exclusion and net operating loss.³ Total credits includes the values for mortgage interest tax credit and "other credits" not tabulated here.⁴ Total tax liability includes the values for "other taxes" not tabulated here.⁵ Inflation-adjusted data were calculated using the consumer price index in the "Economic Report of the President," 2000 (Bureau of Labor Statistics), Table B-59; based on 1990=100

N/A = Not applicable

(Z) Less than .05 percent.

(X) Percentage not computed.

Figure 1--General Filing Requirements

Marital Status	Filing Status	Age	Gross Income
Single (including divorced and legally separated)	Single	under 65	\$7,450
		65 or older	\$8,550
	Head of household	under 65	\$9,550
		65 or older	\$10,650
Married with a child and living apart from spouse during the last six months of 2001	Head of household	under 65 65 or older	\$9,550 \$10,650
Married and living with spouse at the end of 2001 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$13,400
		65 or older (one spouse)	\$14,300
		65 or older (both spouses)	\$15,200
	Married, separate return	any age	\$2,900
Married, not living with spouse at the end of 2001 (or on the date spouse died)	Married, joint or separate return	any age	\$2,900
Widowed in 1999 or 2000 and not remarried in 2001	Single	under 65	\$7,450
		65 or older	\$8,550
	Head of household	under 65	\$9,550
		65 or older	\$10,650
	Qualifying widow(er) with dependent child	under 65 65 or older	\$10,500 \$11,400

Requirements for Filing

The filing requirements for Tax Year 2001 were based on gross income, marital status, age, and, to a lesser extent, dependency and blindness. Gross income included all income received in the form of money, property, and services that was not expressly exempt from tax. Generally, a citizen or resident of the United States was required to file a tax return if gross income for the year was at least as much as the amount shown for the appropriate filing status in Figure 1. Figure 2 shows the filing requirements for taxpayers who could be claimed as a dependent by another person (such as a parent)

In addition to the general filing requirements, an individual was obligated to file a return for Tax Year 2001 if he or she:

1. Was liable for any of the following taxes:
 - Social security or Medicare tax on unreported tip income;
 - Uncollected social security, Medicare, or railroad retirement tax on reported tip income or group-term life insurance;
 - Alternative minimum tax;
 - Tax on an individual retirement arrangement (IRA) or a qualified retirement plan;
 - Tax from the recapture of investment credit or low-income housing credit;
 - Tax from medical savings accounts (MSA);

Figure 2.-Filing Requirements for Children and Other Dependents

If someone (such as a parent) can claim the individual as a dependent, and any of the four conditions listed below applies, he or she must file a return.

In this chart unearned income includes taxable interest, ordinary dividends, and capital gain distributions. Earned income includes wages, tips, and taxable scholarship and fellowship grants. Gross income is the total of unearned and earned income.

Caution: an individual's gross income was \$2,900 or more, he or she generally could not be claimed as a dependent unless the individual was under age 19 or under age 24 and a full-time student.

1. Single dependents under 65 must file a return if-

- Earned income was more than \$4,550, or
- Unearned income was over \$750, or
- Gross income was more than the larger of (a) \$750 or (b) earned income (up to \$4,300) plus \$250.

2. Single dependents 65 or older or blind must file a return if-

- Earned income was more than \$5,650 (\$6,750 if 65 or older and blind), or
- Unearned income was more than \$1,850 (\$2,950 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$4,300) plus \$250 or \$700, whichever is larger; plus \$1,100 (\$2,200 if 65 or older and blind).

3. Married dependents under 65 must file a return if-

- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.
- Earned income was more than \$3,800, or
- Unearned income was over \$750, or
- Gross income was more than the larger of \$750 or earned income (up to \$3,550) plus \$250.

4. Married dependents 65 or older or blind must file a return if-

- Earned income was more than \$4,700 (\$5,600 if 65 or older and blind), or
- Unearned was more than \$1,650 (\$2,550 if 65 or older and blind), or
- Gross income was more than the total of earned income (up to \$3,550) plus \$250 or \$750, whichever is larger, plus \$900 (\$1,800 if 65 or older and blind).
- Gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

- 2. Received any advanced earned income credit (AEIC) payments.
- 3. Had net earnings from self-employment of at least \$400; or
- 4. Had wages of \$108.28 or more from a church or qualified church-controlled

organization that was exempt from employer social security and Medicare taxes.

Data shown in this report include individuals who were not required to file tax returns, but did so for any of a number of reasons. For example, an individual might have filed a return to obtain a refund

of tax withheld, or take advantage of the earned income credit.

Changes in Law or Administrative Procedures

Major changes in effect for Tax Year 2001 that influenced the Statistics of Income data are listed below. Section 4, Explanation of Terms, provides more detailed explanations and definitions of the terms used in this report.

Alternative Minimum Tax

For Tax Year 2001, the AMT exemption amounts increased by \$4,000 for married taxpayers filing joint returns and surviving spouses, and by \$2,000 for single taxpayers or married taxpayers filing separate returns. This increased the AMT exemption amounts to \$49,000 for married couples filing a joint return and surviving spouse, \$24,500 for married couples filing separate returns, estates, and trusts, and \$35,750 for single taxpayers and heads of household.

Capital Gains Tax Rate

The rate at which net gains (less losses) on sales of capital assets that were held for at least five years was lowered to 8 percent for 2001 for those individuals who would otherwise have paid a 10-percent tax rate on these gains.

Child Tax Credit

The maximum amount of the child tax credit for each qualifying child was increased from \$500 to \$600 for 2001. The refundable portion of the child tax credit was also extended to families with fewer than three children. It was refundable to the extent of 10 percent of the amount by which a taxpayer's earned income exceeded \$10,000. Families with more than three children could choose the greater of this value, or the amount by which the taxpayer's social security taxes exceeded his or her earned income credit.

Earned Income Credit

The maximum amount of the earned income credit increased, as did the amounts of earned income and investment income an individual could have and still claim the credit. The maximum amount of investment income (interest, dividends and capital gain income) a taxpayer could have and still claim the credit increased to \$2,450 from \$2,400. The maximum credit for taxpayers with no qualifying children increased to \$364. For these taxpayers, earned income and modified AGI had to be less than \$10,710 (up from \$10,380 for 2000). For taxpayers with one qualifying child, the maximum credit increased to \$2,428 and, for taxpayers with two or more qualifying children, the maximum credit increased to \$4,008. To be eligible for the credit, a taxpayer's earned income and modified AGI had to be less than \$28,281 for one qualifying child, or less than \$32,121 for two or more qualifying children.

Taxpayers with investment income totaling more than \$2,450 (up from \$2,400 in 2000) were not eligible to receive the EIC.

Exemption Amount

Indexing for inflation increased to \$2,900 the deduction for each exemption to which the taxpayer was entitled for 2001, an increase over the \$2,800 allowed for 2000. The AGI threshold for the limitation of exemption amounts was also indexed for inflation, increasing from \$128,950 to \$132,950 for single filers; \$193,400 to \$199,450 for married persons filing jointly and surviving spouses; \$161,150 to \$166,200 for heads of household; and \$96,700 to \$99,725 for married persons filing separately. The phase-out of the deduction for exemptions was completed at AGI levels above \$255,450 for single filers; \$321,950 for married persons filing jointly and surviving spouses; \$288,700 for heads of household; and \$160,975 for married persons filing separately. Above these levels, no deduction for exemptions was allowed.

Foreign Earned Income Exclusion

For 2001, the amount of foreign earned income that could have been excluded from income increased from \$76,000 to \$78,000.

Itemized Deductions

If a taxpayer's AGI was greater than \$132,950 (\$66,475 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from \$128,950 (\$64,475) for 2000, as a result of inflation indexing. 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: (a) 80 percent of the non-exempt deductions, or (b) 3 percent of the amount of AGI in excess of the limitation threshold.

Rate Reduction Credit

Individual taxpayers were eligible for a rate reduction credit if they did not receive an advance payment (based on the income shown on their 2000 tax return) equal to 5 percent of the first \$6,000 of taxable income for single or married filing separately taxpayers, \$10,000 for head of household taxpayers, and \$12,000 for married taxpayers filing jointly or qualified widowers. The rate reduction credit was, however, reduced by the amount of the advance rate reduction credit issued in the form of a check in the summer of 2001, which was based on information on the taxpayer's 2000 tax return.

Self-employment Tax

The ceiling on taxable "self-employment income" was raised, for 2001, to \$80,400 for the social security portion (12.4 percent) of the self-employment tax. The limit was \$76,200 for 2000.

Standard Deduction

The standard deduction increased for 2001 as a result of indexing for inflation. For single filers, the standard deduction rose from \$4,400 to \$4,550; for married persons filing jointly or surviving spouses,

from \$7,350 to \$7,600; for married persons filing separately, from \$3,675 to \$3,800; and for heads of household, from \$6,450 to \$6,650. The amount of standard deduction for a dependent was the greater of \$750 or the dependent's earned income plus \$250 (but not more than the regular standard deduction amount). Taxpayers who were age 65 or over or blind could claim an additional standard deduction amount of \$900 or \$1,100 depending on marital status.

Student Loan Interest Deduction

For 2001, the maximum deduction allowed for eligible taxpayers for interest paid on qualified higher education loans increased to \$2,500 from \$2,000 for 2000. These loans must have gone towards qualified expenses of either the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer at the time the debt was incurred. The deduction was phased out when a taxpayer's modified AGI was between \$40,000 - \$55,000 (\$60,000 - \$75,000, joint returns).

Tax Rate Reductions

For tax years beginning after December 31, 2000, a new 10 percent regular income tax rate will be used for a portion of the taxable income replacing the former 15 percent rate, but for Tax Year 2001, the 10 percent applies to the first \$6,000 for dependent filers only. Taxpayers other than dependents received benefits equivalent to the 10 percent rate bracket via the rate reduction credit. Also for tax year 2001, there was a reduction of the former tax rates of 28 percent, 31 percent, 36 percent and 39.6 percent to 27.5 percent, 30.5 percent, 35.5 percent, and 39.1 percent respectively.

The 1979 Income Concept: A Retrospective Income Definition

In order to analyze changes in income and taxes over a period of years, a consistent definition of income must be used. The income concept available

from Federal income tax returns, AGI, was designed to facilitate tax

Figure 3.-Calculation of the 1979 Income Concept for 2001

1979 Total Income Concept=

Income or Loss:

- Salaries and wages ¹
- Interest ¹
- Dividends ¹
- Taxable refunds ¹
- Alimony received ¹
- Sales of capital assets, net gain or loss ¹
- Other gains and losses (Form 4797) ¹
- Business net income or loss ¹
- Farm net income or loss ¹
- Rent net income or loss ¹
- Royalty net income or loss ¹
- Partnership net income or loss ¹
- S Corporation net income or loss ¹
- Farm rental net income or loss ¹
- Estate or trust net income or loss ¹
- Unemployment compensation ¹
- Depreciation in excess of straight-line depreciation ²
- Total pension income ^{3,5}
- Other net income or loss ⁴
- Net operating loss ¹

Deductions:

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

¹ Included in adjusted gross income (less deficit) (AGI) for Tax Year 2001.

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

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

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

⁵ Not fully included in AGI for Tax Year 2001.

⁶ Not included in AGI for Tax Year 2001.

administration, and its definition has changed over time to reflect modifications to the Internal Revenue Code. Tax laws of the 1980's (the Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984, and the Tax Reform Act of 1986) made significant changes to the components of AGI, which made it more difficult to use AGI for accurate comparisons of income from year to year. For this reason, it was decided to develop an income definition that would be consistent over several years, and would allow comparisons both before and after the major tax legislation of the 1980's.

The result was a retrospective income definition known as the 1979 Income Concept, reflecting a base period from 1979 through 1986. It was calculated using only data available from individual income tax returns. By using the same income items in the calculation each year, its definition was consistent throughout the base years. In addition, this retrospective income definition could be used in future years to compare income by continuing to include the same components that were common to all years.

The calculation of the 1979 Income Concept is shown in Figure 3. Several items partially excluded from AGI for the base years were fully included in this new income measure, the largest of which was capital gains. The full amount of all capital gains, as well as all dividends and unemployment compensation, was included in the income calculation. Total pensions, annuities, IRA distributions, and roll-overs were added, including the non-taxable portions that were excluded from AGI. Social security benefits were omitted because they were not reported on tax returns until 1984. Also, any depreciation in excess of straight-line depreciation, which was subtracted in computing AGI, was added back.

Deductions that could be subtracted in the calculation of the 1979 Income Concept were limited to employee business expenses, alimony paid, and moving expenses. These same items were also subtracted in computing AGI until 1987 when

unreimbursed business expenses and moving expenses were changed from

Table B--All Returns: Selected Income and Tax Items, by Size of Income Concept, 2001

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

Size of income	Income			
	2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)
All returns, total.....	130,255,237	6,170,604	130,255,237	6,287,645
Under \$10,000.....	26,384,333	55,382	25,927,404	50,017
\$10,000 under \$20,000.....	23,380,151	348,945	23,386,012	349,240
\$20,000 under \$30,000.....	18,534,407	458,705	19,252,263	476,711
\$30,000 under \$40,000.....	13,843,640	480,541	14,429,233	500,770
\$40,000 under \$50,000.....	10,612,617	475,360	10,610,378	474,985
\$50,000 under \$60,000.....	8,399,671	460,640	8,168,655	448,214
\$60,000 under \$70,000.....	6,484,350	420,113	6,156,907	398,523
\$70,000 under \$80,000.....	5,046,596	377,478	4,790,170	358,669
\$80,000 under \$90,000.....	3,785,570	320,389	3,533,664	299,567
\$90,000 under \$100,000.....	2,747,484	259,972	2,613,471	247,204
\$100,000 under \$125,000.....	4,279,704	476,654	4,250,746	473,682
\$125,000 under \$150,000.....	2,283,192	311,183	2,206,404	301,000
\$150,000 under \$175,000.....	1,167,614	188,519	1,217,007	196,266
\$175,000 under \$200,000.....	738,688	137,962	788,228	147,414
\$200,000 under \$300,000.....	1,328,260	319,063	1,464,065	352,801
\$300,000 under \$400,000.....	471,670	162,260	562,476	193,640
\$400,000 under \$500,000.....	218,442	97,270	261,692	116,560
\$500,000 under \$1,000,000.....	355,617	240,864	423,273	286,292
\$1,000,000 under \$1,500,000.....	85,479	103,192	96,149	116,158
\$1,500,000 under \$2,000,000.....	36,491	62,634	39,714	68,287
\$2,000,000 under \$5,000,000.....	52,157	154,968	57,734	170,044
\$5,000,000 under \$10,000,000.....	12,266	83,519	12,709	86,209
\$10,000,000 and over.....	6,836	174,989	6,881	175,390
Size of income	Taxable interest received			
	2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)
All returns, total.....	67,479,816	198,178	67,479,816	198,178
Under \$10,000.....	8,072,314	11,142	7,789,971	11,226
\$10,000 under \$20,000.....	8,017,657	15,447	7,867,582	15,195
\$20,000 under \$30,000.....	7,341,592	13,333	7,868,280	16,482
\$30,000 under \$40,000.....	7,020,614	12,501	7,568,355	15,068
\$40,000 under \$50,000.....	6,478,993	11,435	6,523,601	12,441
\$50,000 under \$60,000.....	5,854,953	10,587	5,679,867	10,798
\$60,000 under \$70,000.....	4,938,561	10,564	4,657,234	9,108
\$70,000 under \$80,000.....	4,031,130	8,831	3,818,418	7,220
\$80,000 under \$90,000.....	3,166,651	7,298	2,949,990	6,641
\$90,000 under \$100,000.....	2,353,519	6,220	2,236,918	5,729
\$100,000 under \$125,000.....	3,832,417	12,006	3,796,789	11,412
\$125,000 under \$150,000.....	2,097,942	9,151	2,014,524	7,205
\$150,000 under \$175,000.....	1,093,156	5,245	1,133,173	4,885
\$175,000 under \$200,000.....	696,914	4,091	748,881	3,835
\$200,000 under \$300,000.....	1,273,053	10,001	1,400,941	10,292
\$300,000 under \$400,000.....	456,138	5,886	544,542	5,901
\$400,000 under \$500,000.....	213,178	3,565	254,730	3,568
\$500,000 under \$1,000,000.....	349,498	9,679	414,715	9,881
\$1,000,000 under \$1,500,000.....	84,532	5,046	95,082	5,211
\$1,500,000 under \$2,000,000.....	36,229	3,328	39,397	3,240
\$2,000,000 under \$5,000,000.....	51,745	8,352	57,311	8,517
\$5,000,000 under \$10,000,000.....	12,208	4,623	12,647	4,523
\$10,000,000 and over.....	6,824	9,847	6,868	9,801

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2001--Continued

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

Size of income	Business or profession net income less loss				Sales of capital assets			
	2001 Adjusted Gross Income		1979 Income Concept		2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total.....	18,018,349	216,772	18,018,349	216,772	25,956,428	326,527	25,956,428	326,527
Under \$10,000.....	3,266,350	4,775	3,036,308	2,487	3,291,056	5,817	3,183,476	6,273
\$10,000 under \$20,000.....	2,593,326	17,665	2,577,117	16,057	2,285,463	2,177	2,229,074	2,142
\$20,000 under \$30,000.....	2,038,035	15,572	2,116,872	14,990	2,073,110	2,184	2,296,273	2,636
\$30,000 under \$40,000.....	1,744,151	14,450	1,788,863	12,940	2,097,409	2,404	2,303,895	2,739
\$40,000 under \$50,000.....	1,511,702	12,109	1,566,100	12,011	2,039,519	2,291	2,086,479	3,113
\$50,000 under \$60,000.....	1,312,044	10,782	1,323,498	11,886	1,928,316	2,954	1,910,233	3,131
\$60,000 under \$70,000.....	1,095,171	12,199	1,061,932	9,951	1,789,737	4,458	1,638,869	3,830
\$70,000 under \$80,000.....	936,177	11,903	884,142	9,977	1,565,943	3,056	1,476,002	3,388
\$80,000 under \$90,000.....	692,357	8,106	704,954	10,757	1,408,545	3,740	1,269,692	3,870
\$90,000 under \$100,000.....	482,894	7,857	467,589	7,521	1,028,076	3,713	959,691	3,500
\$100,000 under \$125,000.....	762,459	15,600	767,272	14,598	1,941,705	9,741	1,894,758	9,961
\$125,000 under \$150,000.....	492,495	14,049	485,150	14,065	1,238,638	8,921	1,182,402	8,060
\$150,000 under \$175,000.....	262,454	9,561	287,571	10,286	716,644	7,070	719,721	7,255
\$175,000 under \$200,000.....	177,240	7,211	188,964	7,640	512,640	8,032	538,402	6,850
\$200,000 under \$300,000.....	342,245	20,683	395,207	22,149	972,800	20,339	1,056,050	19,741
\$300,000 under \$400,000.....	124,067	9,963	145,119	12,323	384,923	13,032	437,251	12,598
\$400,000 under \$500,000.....	56,333	5,171	64,997	6,019	182,444	10,366	209,522	10,646
\$500,000 under \$1,000,000.....	84,749	9,273	106,802	10,635	317,044	31,891	364,176	31,670
\$1,000,000 under \$1,500,000.....	19,500	2,961	22,181	3,261	79,247	17,655	88,550	17,877
\$1,500,000 under \$2,000,000.....	8,396	1,374	9,084	1,490	34,535	13,132	37,443	13,195
\$2,000,000 under \$5,000,000.....	11,579	2,445	13,919	2,632	49,971	38,636	55,328	38,910
\$5,000,000 under \$10,000,000.....	2,928	1,017	2,988	994	11,922	26,621	12,354	26,880
\$10,000,000 and over.....	1,698	2,045	1,722	2,102	6,742	88,300	6,787	88,262

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S corporation net income less loss			
	2001 Adjusted Gross Income		1979 Income Concept		2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total.....	9,677,389	32,894	9,677,389	32,894	6,496,507	225,110	6,496,507	225,110
Under \$10,000.....	889,194	-955	845,981	-988	576,942	-29,896	557,420	-30,023
\$10,000 under \$20,000.....	1,037,505	1,111	990,958	1,176	408,330	26	388,367	-361
\$20,000 under \$30,000.....	923,525	642	1,037,750	763	398,373	1,011	413,968	835
\$30,000 under \$40,000.....	923,545	262	988,813	894	385,986	1,215	426,556	1,325
\$40,000 under \$50,000.....	874,776	533	886,868	258	418,313	2,088	421,005	1,632
\$50,000 under \$60,000.....	780,528	766	787,892	818	409,083	3,367	426,416	3,409
\$60,000 under \$70,000.....	718,001	305	688,549	319	432,190	2,814	454,602	3,127
\$70,000 under \$80,000.....	583,297	384	525,337	833	380,939	3,882	348,353	3,558
\$80,000 under \$90,000.....	526,431	1,156	489,737	759	340,909	3,288	304,080	3,092
\$90,000 under \$100,000.....	386,364	626	363,848	502	247,792	3,313	230,019	2,843
\$100,000 under \$125,000.....	680,493	2,393	672,575	2,407	513,908	8,256	499,023	7,951
\$125,000 under \$150,000.....	409,048	2,048	388,822	1,883	378,271	8,936	353,953	7,769
\$150,000 under \$175,000.....	210,090	1,982	210,166	1,582	261,395	7,911	257,885	7,778
\$175,000 under \$200,000.....	133,804	1,673	146,702	1,759	188,586	6,494	200,503	6,759
\$200,000 under \$300,000.....	263,181	4,117	279,783	4,009	463,240	26,269	476,420	25,066
\$300,000 under \$400,000.....	111,505	2,654	124,284	2,669	217,165	18,596	228,967	19,029
\$400,000 under \$500,000.....	58,839	1,841	62,297	1,805	118,930	13,710	125,007	14,405
\$500,000 under \$1,000,000.....	100,934	4,077	115,964	4,118	216,320	43,717	234,738	45,342
\$1,000,000 under \$1,500,000.....	27,437	1,905	29,173	1,953	58,810	22,118	62,528	22,337
\$1,500,000 under \$2,000,000.....	12,777	943	13,652	928	26,749	13,623	28,353	14,098
\$2,000,000 under \$5,000,000.....	18,549	2,289	20,426	2,291	38,959	30,963	42,702	31,549
\$5,000,000 under \$10,000,000.....	4,638	1,035	4,875	1,049	9,538	14,137	9,837	14,243
\$10,000,000 and over.....	2,928	1,105	2,936	1,107	5,780	19,275	5,804	19,346

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2001--Continued

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

Size of income	Nondeductible passive losses				Estate and trust net income less loss			
	2001 Adjusted Gross Income		1979 Income Concept		2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total.....	1,281,049	15,332	1,281,049	15,332	537,342	10,220	537,342	10,220
Under \$10,000.....	110,613	2,561	137,688	5,879	52,101	-292	52,479	-277
\$10,000 under \$20,000.....	53,632	812	61,966	181	45,588	214	45,777	219
\$20,000 under \$30,000.....	55,221	319	45,130	183	32,843	104	38,052	137
\$30,000 under \$40,000.....	59,751	415	78,533	267	29,674	223	40,581	298
\$40,000 under \$50,000.....	55,171	313	54,828	403	44,207	315	41,528	368
\$50,000 under \$60,000.....	57,361	527	56,354	137	36,141	271	30,285	192
\$60,000 under \$70,000.....	64,773	247	49,739	288	30,843	169	32,965	204
\$70,000 under \$80,000.....	37,723	164	34,135	221	25,164	203	18,096	91
\$80,000 under \$90,000.....	40,563	211	43,335	373	20,481	237	24,467	196
\$90,000 under \$100,000.....	33,959	145	32,246	223	26,398	159	19,285	122
\$100,000 under \$125,000.....	93,795	785	95,977	612	38,746	191	35,421	188
\$125,000 under \$150,000.....	111,141	925	97,587	704	26,617	171	29,129	276
\$150,000 under \$175,000.....	107,003	938	95,700	592	23,115	528	21,630	459
\$175,000 under \$200,000.....	76,371	569	69,340	512	13,065	240	13,155	256
\$200,000 under \$300,000.....	142,580	1,476	134,714	997	36,402	1,078	36,341	1,051
\$300,000 under \$400,000.....	61,942	639	63,386	555	15,250	596	15,944	596
\$400,000 under \$500,000.....	31,466	441	36,199	340	8,267	334	8,479	342
\$500,000 under \$1,000,000.....	51,719	1,133	56,004	836	18,435	1,547	19,178	1,556
\$1,000,000 under \$1,500,000.....	14,418	516	15,677	332	4,987	595	5,176	603
\$1,500,000 under \$2,000,000.....	6,576	298	6,802	215	2,508	476	2,599	449
\$2,000,000 under \$5,000,000.....	10,423	603	10,893	498	4,278	1,446	4,534	1,478
\$5,000,000 under \$10,000,000.....	2,859	482	2,846	281	1,284	834	1,292	820
\$10,000,000 and over.....	1,988	813	1,971	702	946	579	950	596
Size of income	Pensions and annuities in AGI ¹		Pensions and annuities ¹		Total statutory adjustments			
	2001 Adjusted Gross Income		1979 Income Concept		2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total.....	26,371,995	433,073	28,521,525	651,489	23,497,092	60,573	15,425,321	67,020
Under \$10,000.....	2,300,961	11,699	2,205,872	11,936	3,115,470	2,679	265,242	2,474
\$10,000 under \$20,000.....	4,676,871	41,861	4,626,105	41,878	3,235,013	3,683	690,063	3,522
\$20,000 under \$30,000.....	3,652,254	43,867	4,235,353	54,164	3,037,226	4,320	1,313,049	6,044
\$30,000 under \$40,000.....	2,832,581	39,985	3,402,226	55,451	2,738,432	4,517	1,725,944	6,419
\$40,000 under \$50,000.....	2,503,977	40,611	2,724,405	48,033	2,302,581	4,158	1,845,827	6,607
\$50,000 under \$60,000.....	2,224,610	39,140	2,219,207	42,973	1,917,440	3,814	1,739,886	6,079
\$60,000 under \$70,000.....	1,886,206	35,571	1,790,374	36,724	1,428,462	3,237	1,633,966	5,583
\$70,000 under \$80,000.....	1,400,282	31,277	1,381,696	30,665	1,118,587	3,056	1,352,888	4,746
\$80,000 under \$90,000.....	1,117,173	27,469	1,043,551	25,857	798,943	2,614	1,081,976	3,816
\$90,000 under \$100,000.....	758,595	17,401	812,760	20,877	567,923	2,177	785,156	3,106
\$100,000 under \$125,000.....	1,210,176	31,874	1,408,170	44,637	986,000	4,271	1,288,941	5,821
\$125,000 under \$150,000.....	661,829	21,973	779,765	30,095	621,587	3,568	577,316	2,797
\$150,000 under \$175,000.....	341,506	12,547	478,329	22,784	348,689	2,466	330,039	1,986
\$175,000 under \$200,000.....	195,078	8,003	296,248	17,123	226,767	1,883	200,257	1,351
\$200,000 under \$300,000.....	329,072	14,273	549,555	45,506	496,287	5,296	342,892	2,656
\$300,000 under \$400,000.....	114,587	5,446	227,057	29,010	198,706	2,656	111,836	1,073
\$400,000 under \$500,000.....	48,122	2,334	102,079	17,850	97,912	1,398	45,564	530
\$500,000 under \$1,000,000.....	75,828	4,362	164,098	42,048	164,408	2,734	65,908	1,291
\$1,000,000 under \$1,500,000.....	18,874	1,327	34,460	11,473	42,199	797	13,705	367
\$1,500,000 under \$2,000,000.....	7,801	591	13,463	5,108	18,651	391	5,298	192
\$2,000,000 under \$5,000,000.....	11,276	924	20,512	13,459	25,859	537	7,436	323
\$5,000,000 under \$10,000,000.....	2,783	274	4,106	2,672	6,281	151	1,513	137
\$10,000,000 and over.....	1,554	263	2,132	1,168	3,667	169	617	100

Footnotes at end of table

Table B--All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 2001--Continued

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

Size of income	Total itemized deductions				Taxable income			
	2001 Adjusted Gross Income		1979 Income Concept		2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All returns, total.....	44,562,308	884,528	44,543,182	842,995	104,174,654	4,268,506	104,174,654	4,268,506
Under \$10,000.....	808,165	10,428	879,594	10,570	7,027,648	11,639	7,016,281	12,295
\$10,000 under \$20,000.....	2,285,860	27,270	2,335,582	25,538	17,649,495	104,485	17,559,082	104,762
\$20,000 under \$30,000.....	3,509,166	41,655	3,860,784	43,231	17,879,805	229,159	18,429,082	240,548
\$30,000 under \$40,000.....	4,521,917	55,823	4,763,195	55,924	13,662,415	288,449	14,225,348	310,956
\$40,000 under \$50,000.....	4,761,828	63,886	4,714,089	59,645	10,543,259	305,197	10,495,642	317,431
\$50,000 under \$60,000.....	4,734,902	67,319	4,636,031	62,805	8,371,009	308,864	8,114,731	308,369
\$60,000 under \$70,000.....	4,476,981	69,694	4,258,973	62,740	6,463,274	288,131	6,109,189	278,028
\$70,000 under \$80,000.....	3,886,214	64,939	3,697,147	59,179	5,037,540	264,477	4,771,549	252,816
\$80,000 under \$90,000.....	3,086,716	55,698	2,894,303	49,914	3,779,299	229,206	3,515,049	213,962
\$90,000 under \$100,000.....	2,359,201	46,647	2,197,893	41,936	2,742,503	187,760	2,605,756	177,595
\$100,000 under \$125,000.....	3,805,832	84,691	3,739,132	79,339	4,273,948	353,569	4,236,598	343,962
\$125,000 under \$150,000.....	2,113,433	55,471	2,023,462	50,498	2,281,173	235,328	2,196,053	221,293
\$150,000 under \$175,000.....	1,097,452	32,656	1,123,293	31,196	1,164,641	146,036	1,212,663	144,055
\$175,000 under \$200,000.....	699,145	23,210	735,791	22,600	737,781	108,478	782,853	108,500
\$200,000 under \$300,000.....	1,259,799	51,011	1,348,416	50,667	1,325,253	260,958	1,457,435	263,023
\$300,000 under \$400,000.....	446,140	23,972	515,221	24,698	470,972	138,132	557,558	144,284
\$400,000 under \$500,000.....	204,439	13,831	240,018	14,248	217,530	83,623	258,894	86,832
\$500,000 under \$1,000,000.....	326,597	29,745	383,388	31,148	354,612	211,318	418,577	218,296
\$1,000,000 under \$1,500,000.....	77,997	11,882	87,632	12,187	85,193	91,492	95,777	94,354
\$1,500,000 under \$2,000,000.....	33,462	7,007	36,411	7,100	36,326	55,760	39,523	56,972
\$2,000,000 under \$5,000,000.....	48,754	16,756	54,073	17,026	51,964	138,523	57,514	141,383
\$5,000,000 under \$10,000,000.....	11,673	9,196	12,083	9,148	12,205	74,551	12,647	75,182
\$10,000,000 and over.....	6,634	21,742	6,673	21,657	6,811	153,370	6,853	153,607

Size of income	Total tax credits				Total income tax			
	2001 Adjusted Gross Income		1979 Income Concept		2001 Adjusted Gross Income		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
All returns, total.....	49,792,710	45,631	49,792,710	45,631	94,763,530	887,974	94,763,530	887,974
Under \$10,000.....	2,030,296	183	2,041,981	191	6,465,206	1,311	6,452,031	1,464
\$10,000 under \$20,000.....	10,226,101	3,373	10,179,644	3,400	13,790,836	11,999	13,713,256	12,045
\$20,000 under \$30,000.....	9,344,610	7,039	9,473,772	7,067	14,059,835	27,184	14,611,798	28,857
\$30,000 under \$40,000.....	6,049,958	5,429	6,160,859	5,534	12,845,487	38,461	13,402,937	42,153
\$40,000 under \$50,000.....	4,743,606	4,863	4,709,248	4,794	10,307,873	44,465	10,258,091	46,794
\$50,000 under \$60,000.....	3,915,378	4,336	3,834,276	4,263	8,285,649	46,775	8,040,618	47,374
\$60,000 under \$70,000.....	3,085,047	3,484	2,980,704	3,355	6,442,695	45,323	6,093,414	44,274
\$70,000 under \$80,000.....	2,605,714	3,089	2,610,431	3,055	5,026,752	43,935	4,753,957	42,207
\$80,000 under \$90,000.....	2,000,107	2,202	1,915,239	2,164	3,774,023	41,269	3,512,361	38,554
\$90,000 under \$100,000.....	1,503,482	1,573	1,423,400	1,449	2,740,260	35,497	2,601,262	33,739
\$100,000 under \$125,000.....	1,954,584	1,975	1,970,818	1,904	4,275,829	72,562	4,227,309	70,520
\$125,000 under \$150,000.....	785,321	502	776,043	530	2,282,082	52,161	2,196,111	48,843
\$150,000 under \$175,000.....	312,077	305	333,167	280	1,165,667	34,253	1,213,315	33,394
\$175,000 under \$200,000.....	221,431	313	248,455	328	737,502	26,288	782,303	26,168
\$200,000 under \$300,000.....	432,811	803	480,964	828	1,326,708	69,006	1,456,795	68,621
\$300,000 under \$400,000.....	191,908	569	217,481	651	471,076	40,149	556,897	41,230
\$400,000 under \$500,000.....	92,826	419	107,317	469	218,121	25,435	259,282	25,916
\$500,000 under \$1,000,000.....	179,201	1,308	200,423	1,411	355,075	67,781	419,086	69,327
\$1,000,000 under \$1,500,000.....	48,502	771	53,465	801	85,321	30,260	95,923	31,094
\$1,500,000 under \$2,000,000.....	22,115	484	23,467	507	36,430	18,478	39,634	18,835
\$2,000,000 under \$5,000,000.....	33,726	1,134	37,417	1,163	52,042	45,842	57,606	46,762
\$5,000,000 under \$10,000,000.....	8,600	543	8,807	556	12,235	24,208	12,677	24,384
\$10,000,000 and over.....	5,306	933	5,331	929	6,825	45,332	6,866	45,422

1 Individual Retirement Arrangements are included in the calculation of "Pensions and annuities."

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

adjustments to itemized deductions. Starting in 1994, moving expenses were once more made an adjustment to income. The amounts reported for employee business expenses by taxpayers who itemized deductions were subtracted in the calculation of the 1979 Income Concept. Taxpayers who did not itemize deductions, however, could not claim this expense (as well as moving expenses prior to 1994). For this reason, the deduction for these two expenses beginning in 1987 is not completely comparable to that for previous years.

Comparison of AGI with 1979 Income Concept

The Tax Reform Act of 1986 (TRA 86) made extensive changes to the calculation of AGI beginning with 1987. These changes made necessary a revision of the calculation of the 1979 Income Concept, in order to make tax years beginning with 1987 comparable to the base years, 1979 through 1986. The law changes limited the deduction of passive losses and eliminated unreimbursed employee business expenses and moving expenses as "adjustments" (moving expenses changed back for 1994) in figuring AGI beginning with Tax Year 1987. Since passive losses had been fully deductible for both income measures prior to 1987, the disallowed passive losses had to be deducted in the 1979 Income Concept calculation for tax years after 1986.

Some income items, such as capital gains, that had been partially excluded from AGI under prior law were fully included. The new law also eliminated or restricted some deductions. Therefore, if AGI is used to measure income, comparisons between 1986 income and tax data with that for years after 1986 are misleading. A more accurate comparison can be made using the 1979 Income Concept because it measures income in the same way for all years. Table B shows total income and selected tax items for 2001 using AGI and the 1979 Income Concept, classified by size of 2001 AGI.

Before TRA 86 became effective, a comparison of income measured by AGI with that measured by the 1979 Income Concept showed significant differences at income levels of \$200,000 or more.

But, with the elimination of preferential treatment of various income items by TRA 86, such as the exclusion of a portion of capital gains, much of the difference disappeared. Under tax law prior to 1987, the capital gains exclusion accounted for the largest difference at the higher income levels between the two income measures. For 2001, 1979 Concept income was 1.9 percent higher than income as calculated using AGI. This difference was primarily attributed to the inclusion of more than \$194.2 billion in nontaxable pensions and annuities (including IRA distributions) in the 1979 Income Concept.

Income for all returns, using the 1979 Income Concept, decreased 3.9 percent for 2001; income for the \$200,000 and above group decreased 18.1 percent, after increasing 17.6 percent for 2000. Total income tax for all returns decreased 9.5 percent; and total income tax reported for the \$200,000 and above income group decreased 18.5 percent for 2001, following an increase of 18.1 percent for 2000.

The average tax rates (income tax as a percentage of total income) for each income class and both income concepts for years 1986 through 2001 are shown in Figure 4.

For the population as a whole, average tax rates for 2001 (based on the 1979 Income Concept) are higher than those for 1986 (before tax reform). However, between these 2 years, the average tax rates declined in all income categories below \$500,000. The remaining two income categories show the following increases in average tax rates between 1986 and 2001: returns with income between \$500,000 and \$1,000,000 increased 0.5 percentage points; and returns with income exceeding \$1,000,000 increased 5.6 percentage points. Although the average tax rate for 2001 was calculated using a lower maximum marginal tax rate of 39.1 percent for 2001 compared to 50 percent for 1986, it was calculated on income that included all capital gains (long-term gains could be partially excluded from income for 1986). Also, certain deductions from income that were allowed for 1986 were limited or eliminated beginning with 1987.

Figure 4--Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-2001

Size of 2001 AGI	Total income tax as a percentage of adjusted gross income															
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All returns, total.....	14.8	13.3	13.4	13.3	13.1	12.9	13.1	13.5	13.7	14.0	14.5	14.7	14.6	15.0	15.4	14.4
Under \$10,000.....	4.3	4.0	4.0	3.8	3.7	3.5	3.2	3.0	3.0	3.0	3.1	3.2	2.9	3.0	3.3	2.4
\$10,000 under \$20,000.....	7.8	6.8	6.5	6.4	6.1	5.5	5.1	4.9	4.8	4.7	4.6	4.3	4.3	4.1	4.1	3.4
\$20,000 under \$30,000.....	10.6	9.4	9.3	9.3	9.1	8.7	8.4	8.2	8.1	7.9	7.7	7.6	6.8	6.7	6.5	5.9
\$30,000 under \$40,000.....	12.2	10.6	10.9	10.9	10.6	10.5	10.2	10.1	10.0	9.8	9.7	9.6	8.8	8.6	8.5	8.0
\$40,000 under \$50,000.....	13.8	11.8	11.6	11.5	11.4	11.0	10.8	10.7	10.8	10.7	10.8	10.7	10.0	9.8	9.8	9.4
\$50,000 under \$60,000.....	15.5	13.5	13.2	12.9	12.4	12.1	11.6	11.5	11.4	11.4	11.3	11.3	10.7	10.6	10.6	10.2
\$60,000 under \$70,000.....	16.9	15.1	14.5	14.2	13.8	13.2	12.9	12.7	12.6	12.5	12.3	12.1	11.4	11.2	11.2	10.8
\$70,000 under \$80,000.....	18.7	16.5	15.6	15.3	14.9	14.4	14.0	13.9	13.8	13.6	13.6	13.4	12.6	12.4	12.1	11.6
\$80,000 under \$90,000.....	19.9	17.8	16.6	16.2	15.8	15.4	15.0	15.1	14.9	14.6	14.6	14.4	13.5	13.5	13.5	12.9
\$90,000 under \$100,000.....	20.8	18.8	17.4	17.3	16.6	16.0	15.9	15.7	15.9	15.8	15.4	15.2	14.8	14.5	14.4	13.7
\$100,000 under \$125,000.....	23.1	20.1	18.8	18.4	17.5	17.3	16.9	17.0	17.0	16.9	16.7	16.5	16.0	15.8	15.8	15.2
\$125,000 under \$150,000.....	25.2	21.8	20.3	19.8	19.2	18.6	18.7	18.6	18.6	18.3	18.4	17.7	17.7	17.6	17.4	16.8
\$150,000 under \$175,000.....	28.0	23.0	21.6	21.1	20.4	19.8	19.6	19.7	19.9	19.9	19.8	19.3	18.8	19.0	18.6	18.2
\$175,000 under \$200,000.....	29.3	23.9	22.5	21.8	21.1	21.0	20.7	21.2	21.4	20.9	20.9	20.5	20.0	20.0	19.9	19.1
\$200,000 under \$300,000.....	31.1	25.8	23.7	22.8	22.6	22.7	22.9	23.8	23.9	23.8	23.4	22.9	22.4	22.4	22.4	21.6
\$300,000 under \$400,000.....	33.7	27.0	24.0	23.6	23.7	24.3	24.4	26.9	26.9	26.8	26.6	26.1	25.4	25.4	25.0	24.7
\$400,000 under \$500,000.....	36.2	28.2	24.1	23.9	23.6	24.9	25.3	28.4	28.6	28.7	28.2	27.4	26.9	26.7	26.6	26.1
\$500,000 under \$1,000,000.....	38.4	29.0	24.6	24.0	24.0	25.7	26.0	30.0	30.2	30.2	30.1	29.0	28.2	28.4	28.3	28.1
\$1,000,000 or more.....	40.2	28.6	25.0	24.2	24.1	26.2	26.8	31.2	31.1	31.4	30.8	28.8	27.5	27.9	27.7	28.3

Size of 2001 AGI	Total income tax as a percentage of 1979 Income Concept															
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total.....	13.3	13.1	13.3	13.2	13.0	12.7	12.8	13.3	13.5	13.8	14.3	14.5	14.2	14.6	15.0	14.1
Under \$10,000.....	4.9	4.2	4.4	4.3	4.3	4.0	3.5	3.2	3.2	3.1	3.2	3.4	3.1	3.2	3.6	2.9
\$10,000 under \$20,000.....	7.6	6.7	6.5	6.4	6.1	5.5	5.1	4.8	4.8	4.7	4.6	4.4	4.2	4.1	4.0	3.4
\$20,000 under \$30,000.....	10.0	9.3	9.3	9.3	9.1	8.7	8.3	8.2	8.1	7.9	7.8	7.6	6.9	6.8	6.6	6.1
\$30,000 under \$40,000.....	11.6	10.7	10.7	10.9	10.7	10.5	10.2	10.2	10.1	10.1	10.0	9.8	9.1	8.9	9.0	8.4
\$40,000 under \$50,000.....	12.6	11.7	11.7	11.5	11.5	11.1	10.9	10.8	11.0	11.0	11.1	11.0	10.3	10.1	10.2	9.9
\$50,000 under \$60,000.....	13.8	13.4	13.2	12.9	12.5	12.0	11.6	11.6	11.6	11.6	11.6	11.5	11.0	10.9	10.9	10.6
\$60,000 under \$70,000.....	14.9	15.0	14.5	14.2	13.8	13.2	12.9	12.7	12.7	12.5	12.5	12.4	11.4	11.4	11.5	11.1
\$70,000 under \$80,000.....	15.8	16.2	15.4	15.2	14.6	14.2	13.7	13.7	13.6	13.6	13.5	13.3	12.6	12.4	12.3	11.8
\$80,000 under \$90,000.....	16.7	17.5	16.1	16.2	15.5	15.1	14.6	14.7	14.6	14.4	14.5	14.2	13.3	13.4	13.4	12.9
\$90,000 under \$100,000.....	16.8	18.1	17.1	16.8	16.1	15.5	15.2	15.3	15.4	15.5	15.2	15.2	14.5	14.0	14.2	13.6
\$100,000 under \$125,000.....	18.3	19.3	18.0	17.7	16.9	16.6	16.2	16.3	16.3	16.2	16.1	16.0	15.2	15.4	15.4	14.9
\$125,000 under \$150,000.....	19.0	20.6	19.6	18.8	18.0	17.3	17.2	17.7	17.4	17.4	17.3	16.7	16.6	16.6	16.6	16.2
\$150,000 under \$175,000.....	19.3	21.2	20.6	20.0	19.1	18.3	17.8	18.0	18.5	18.1	18.4	18.2	17.1	17.5	17.5	17.0
\$175,000 under \$200,000.....	20.3	22.5	21.6	20.7	20.0	18.6	19.0	19.1	19.4	19.2	18.9	18.8	18.1	18.4	18.0	17.8
\$200,000 under \$300,000.....	22.6	23.8	22.3	21.5	21.4	20.5	20.2	21.4	21.5	21.5	21.3	20.4	19.4	19.9	20.2	19.5
\$300,000 under \$400,000.....	22.6	24.5	22.6	21.9	21.5	21.6	21.6	23.5	23.7	23.7	23.1	24.0	21.5	21.3	21.7	21.3
\$400,000 under \$500,000.....	23.4	26.5	23.2	22.7	22.3	23.0	21.4	25.4	24.8	25.1	25.0	24.3	22.6	23.2	21.5	22.2
\$500,000 under \$1,000,000.....	23.7	26.7	23.5	22.0	21.7	23.5	22.6	26.3	26.1	26.7	27.1	26.1	24.3	24.0	24.3	24.2
\$1,000,000 or more.....	21.4	26.8	24.5	23.2	23.2	25.2	26.1	29.5	30.1	30.4	29.8	27.5	26.2	26.1	26.0	27.0