# SOI BULLETIN

*A Quarterly Statistics of Income Report*

**Volume 28 , Number 3**

The *Statistics of Income (SOI) Bulletin* is issued quarterly, in February, May, August, and November, by the Statistics of Income Division of the Internal Revenue Service. The report provides the earliest published annual financial statistics obtained from the various types of tax and information returns filed, as well as information from periodic or special analytical studies of particular interest to students of the U.S. tax system, tax policymakers, and tax administrators. Selected historical and other data tables, previously published in every issue of the *SOI Bulletin*, now are published only in the spring issue of the *Bulletin*. These tables are also available on SOI's pages of the IRS Web site (www.irs.gov/taxstats).

Information on the availability of supplemental data on the topics included in this issue, special tabulations undertaken on a reimbursable basis, or other SOI subjects, may be obtained by telephoning the SOI's Statistical Information Services (202-874-0410), or by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, D.C. 20013-2608.

The *SOI Bulletin* is prepared under the direction of Martha Eller Gangi, Chief, Statistical Data Section. Paul Bastuscheck (layout and graphics), James Dalton (writer-editor), Heather Lilley (layout and graphics), Lisa Smith (layout and graphics editor), Bobbie Vaira (publishing services coordinator), and Dorothy Wallace (layout and graphics) are the editorial staff who prepare the manuscript. Jim Hobbs and Emily Gross also made major contributions in the production of this issue. Views expressed in the articles are those of the authors and do not necessarily represent the views of the Treasury Department or the Internal Revenue Service.

**NOTE:** When using information from this report, cite the publication as follows—
Internal Revenue Service
Statistics of Income Bulletin
Winter 2009
Washington, D.C.

For sale by the
Superintendent of Documents
P.O. Box 371954
Pittsburgh, PA 15250–7954

**Inside this Issue** 3

## *Featured Articles:*

**Individual Income Tax Rates and Shares, 2006** 5
*by Kyle Mudry and Justin Bryan*

**Split-Interest Trusts, Filing Year 2007** 46
*by Lisa Schreiber*

**Unrelated Business Income Tax Returns, 2005** 76
*by Melissa Ludlum*

**Foreign Recipients of U.S. Income, 2005** 99
*by Scott Luttrell*

**Projections of Federal Tax Return Filings: Calendar Years 2008-2015** 110
*by Jeff Matsuo*

**Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing** 120
*by Marty Harris*

## *Departments:*

SOI Sampling Methodology and Data Limitations 130

Public Release of SOI Information 133

SOI Projects and Contacts 134

SOI Products and Services 138

Index—Previously Published Articles and Data Releases Inside Cover

# Inside this Issue

## Individual Income Tax Rates and Shares, 2006

*by Kyle Mudry and Justin Bryan*

For Tax Year 2006, taxpayers filed 138.4 million individual income tax returns, of which 92.7 million, or 67.0 percent, were classified as taxable returns. A taxable return is a return on which the taxpayer reports total income tax greater than zero dollars. This represents an increase of 2.4 percent in the number of taxable returns since 2005. Adjusted gross income (AGI) on taxable returns rose 8.5 percent to $7,439 billion for 2006, while total income tax rose 9.5 percent to $1,024 billion. The average tax rate for taxable returns rose approximately 0.2 percentage points to 13.8 percent for 2006.

Taxpayers with an AGI of at least $388,806, the top 1 percent of taxpayers, accounted for 22.1 percent of AGI for 2006. This represents an increase in income share of 0.9 percentage points from the previous year. These taxpayers accounted for 39.9 percent of the total income tax reported, an increase from 39.4 percent in 2005. The top 5 percent of taxpayers accounted for 36.7 percent of AGI and 60.1 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported AGI of at least $153,542. In 2005, the cutoff for this group was $145,283.

## Split-Interest Trusts, Filing Year 2007

*by Lisa Schreiber*

In Filing Year 2007, some 123,659 entities filed Form 5227, *Split-Interest Trust Information Return*. Reported total net income was $12.2 billion, an increase of 22.1 percent over that reported in Filing Year 2006. Total accumulations, including ordinary income, short-term and long-term capital gains, and nontaxable income, also increased, from $66.3 billion in 2006 to $73.1 billion in 2007. A comparison of beginning- and end-of-year accumulations shows that trustees continued to distribute less income than trusts earned during the year. End-of-year net asset values reported for split-interest trusts increased to $115.4 billion in 2007, while end-of-year book value of assets and end-of-year book value of liabilities increased by 8.6 percent and 12.4 percent, respectively. Investments continued to make up the majority of assets reported for all types of split-interest trusts.

## Unrelated Business Income Tax Returns, 2005

*by Melissa Ludlum*

Charitable and other types of tax-exempt organizations reported more than $10 billion in gross unrelated business income on Form 990-T, *Exempt Organization Business Income Tax Return*, for Tax Year 2005. Between 2004 and 2005, total unrelated business income tax liability increased by 49 percent to $543.3 million.

Charitable organizations, tax-exempt under section 501(c)(3), were the most common Form 990-T filers, representing nearly one-third of all organizations that filed the return for Tax Year 2005. These organizations reported 56 percent of all gross unrelated business income for the year, claimed 60 percent of deductions, and accounted for nearly half of all unrelated business income tax liability.

Nearly 83 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate, with tax-exempt trusts accounting for the remainder of filers. Corporate filers reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax for Tax Year 2005. Compared to corporate filers, tax-exempt trusts accounted for larger proportions of total investment income and net unrelated business income.

## Foreign Recipients of U.S. Income, 2005

*by Scott Luttrell*

During Tax Year 2005, foreign persons received $378.4 billion in U.S.-source income and $333.2 billion, or 88.0 percent, was exempt from withholding taxes. For 2005, interest payments ($211.8 billion) accounted for 56.0 percent of total income paid to foreign recipients. Dividends and notional principal contract income combined accounted for $113.5 billion, or 30.0 percent of total income. Rents and royalties accounted for $21.5 billion, or 5.7 percent of total income. Corporations were the leading recipients of the largest categories of income, as corporations earned the most interest (69.0 percent), dividends (47.5 percent), notional principal contract income (95.5 percent), and rents and royalties income (92.8 percent). The effective tax rate on all U.S.-source income subject to withholding in 2005 was 14.7 percent, significantly

below the statutory rate of 30.0 percent, due largely to reduced withholding rates permitted under tax treaties.

## Projections of Federal Tax Return Filings: Calendar Years 2008-2015

*by Jeff Matsuo*

For Calendar Year (CY) 2009, the Internal Revenue Service (IRS) Office of Research projects that taxpayers will file 240 million Federal tax returns and supplemental documents. This number, which includes individual, corporation, partnership, and estate tax returns, as well as applications for extension of time to file and amended returns, among others, represents a decrease of 4.3 percent from estimated return filings of 250.8 million for CY 2008. The Office of Research also estimates that the Economic Stimulus Act of 2008 increased CY 2008 filings of Form 1040, 1040A, and 1040EZ returns by approximately 14.4 million returns over baseline projections for that year.

After CY 2009, return filings are projected to grow at an average annual rate of 1.1 percent and are expected to reach 256.9 million by 2015. Electronically filed individual income tax returns are projected to be 58 percent of all individual income tax returns filed in 2008 and 78 percent of those returns filed in 2015.

## Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

*by Marty Harris*

Allocation, the identification and movement of taxpayer-reported data items to other, more specific items or categories, is one of many statistical processes that the Statistics of Income (SOI) Division applies to U.S. corporate income tax returns selected for the SOI sample, which includes Forms 1120, 1120A, 1120S, 1120F, 1120L, 1120PC, 1120 RIC, and 1120 REIT. Allocation is key to enriching SOI corporation data that are used by tax policy and other researchers. Without it, corporate data would be subject to significant overstatement or understatement. For Tax Year 2005, the total amount allocated was more than $10.5 trillion. This article examines some of the characteristics of returns for which allocation is utilized, as well as the proportion of published SOI corporate data accounted for by allocation.

## In the Next Issue

The following articles are tentatively planned for inclusion in the spring 2009 issue of the *Statistics of Income Bulletin*, scheduled to be published in May 2009:

- High-Income Tax Returns, Tax Year 2006;
- Foreign-Earned Income and Foreign Tax Credits, Tax Year 2006;
- Estate Tax Returns, Filing Years 2001-2007;
- Quality Zone Academy Bond Issuance and Investment;
- Retrospective Panel of Private Foundations, Results;
- International Boycott Reports; and
- U.S. Possessions Corporations, Tax Year 2005.

# Individual Income Tax Rates and Shares, 2006

*by Kyle Mudry and Justin Bryan*

Taxpayers filed 138.4 million individual income tax returns for Tax Year 2006, of which 92.7 million (or 67.0 percent) were classified as taxable returns. A taxable return is a one that has total income tax greater than $0. This represents an increase of 2.4 percent in taxable returns from 2005. Adjusted gross income (AGI) on these taxable returns rose 8.5 percent to $7,439 billion for 2006, while total income tax rose 9.5 percent to $1,024 billion. The average tax rate for taxable returns rose, approximately 0.2 percentage points to 13.8 percent for 2006.

Taxpayers with an AGI of at least $388,806, the top 1 percent of taxpayers, accounted for 22.1 percent of AGI for 2006. This represents an increase in income share of 0.9 percentage points from the previous year. These taxpayers accounted for 39.9 percent of the total income tax reported, an increase from 39.4 percent in 2005. The top 5 percent of taxpayers accounted for 36.7 percent of AGI and 60.1 percent of total income tax. To be included in the top 5 percent, a taxpayer must have reported AGI of at least $153,542, whereas, in 2005, the cutoff for this group was $145,283.

This article discusses individual income tax rates and tax shares and the computation of "total income tax" for 2006. It provides explanations of selected terms and describes 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 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 statistics in this article, the average tax rate is "total income tax" (see *Explanation of Selected Terms*) divided by AGI reported on returns showing some income tax liability.

*Kyle Mudry and Justin Bryan are economists with the Individual Returns Analysis Section. This article was prepared under the direction of Jeff Hartzok, Chief.*

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 *Income and Tax Concept*).

The following sections describe the measurement of the average and marginal tax rates in more detail and discuss statistics based on these rates for 2006.

## Average Tax Rates

Figure A presents income statistics for 1986 through 2006 (based on each year's definition of AGI and on the common 1979 Income Concept) and taxes reported (see *Income and Tax Concepts*). These tax years can be partitioned into seven distinct periods:

(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). For 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 for some upper-income taxpayers.

(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 for some upper-income taxpayers.

[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.

## Figure A

### Adjusted Gross Income, Total Income Tax, Average Tax Rate, and Average Total Income Tax, Tax Years 1986-2006

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

| Tax year | Total number of returns | Taxable returns | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of returns | As a percentage of total returns [1] | Adjusted gross income (less deficit) | Total income tax | Average tax rate (percent) [2], [3] | Average per return (whole dollars) [3] | | | |
| | | | | | | | Current dollars | | Constant dollars [4] | |
| | | | | | | | Adjusted gross income (less deficit) | Total income tax | Adjusted gross income (less deficit) | Total income tax |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| | Using each tax year's adjusted gross income | | | | | | | | | |
| 1986 | 103,045,170 | 83,967,413 | 81.5 | 2,440 | 367 | 15.1 | 29,062 | 4,374 | 26,516 | 3,991 |
| 1987 | 106,996,270 | 86,723,796 | 81.1 | 2,701 | 369 | 13.7 | 31,142 | 4,257 | 27,414 | 3,747 |
| 1988 | 109,708,280 | 87,135,332 | 79.4 | 2,990 | 413 | 13.8 | 34,313 | 4,738 | 29,005 | 4,005 |
| 1989 | 112,135,673 | 89,178,355 | 79.5 | 3,158 | 433 | 13.7 | 35,415 | 4,855 | 28,560 | 3,915 |
| 1990 | 113,717,138 | 89,862,434 | 79.0 | 3,299 | 447 | 13.6 | 36,711 | 4,976 | 28,088 | 3,807 |
| 1991 | 114,730,123 | 88,733,587 | 77.3 | 3,337 | 448 | 13.4 | 37,603 | 5,054 | 27,609 | 3,711 |
| 1992 | 113,604,503 | 86,731,946 | 76.3 | 3,484 | 476 | 13.7 | 40,168 | 5,491 | 28,630 | 3,914 |
| 1993 | 114,601,819 | 86,435,367 | 75.4 | 3,564 | 503 | 14.1 | 41,233 | 5,817 | 28,535 | 4,026 |
| 1994 | 115,943,131 | 87,619,446 | 75.6 | 3,737 | 535 | 14.3 | 42,646 | 6,104 | 28,776 | 4,119 |
| 1995 | 118,218,327 | 89,252,989 | 75.5 | 4,008 | 588 | 14.7 | 44,901 | 6,593 | 29,463 | 4,326 |
| 1996 | 120,351,208 | 90,929,350 | 75.6 | 4,342 | 658 | 15.2 | 47,750 | 7,239 | 30,433 | 4,614 |
| 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 |
| 1999 | 127,075,145 | 94,546,080 | 74.4 | 5,581 | 877 | 15.7 | 59,028 | 9,280 | 35,431 | 5,570 |
| 2000 | 129,373,500 | 96,817,603 | 74.8 | 6,083 | 981 | 16.1 | 62,832 | 10,129 | 36,488 | 5,882 |
| 2001 | 130,255,237 | 94,763,530 | 72.8 | 5,847 | 888 | 15.2 | 61,702 | 9,370 | 34,840 | 5,291 |
| 2002 | 130,076,443 | 90,963,896 | 69.9 | 5,641 | 797 | 14.1 | 62,015 | 8,762 | 34,472 | 4,870 |
| 2003 | 130,423,626 | 88,921,904 | 68.2 | 5,747 | 748 | 13.0 | 64,625 | 8,412 | 35,122 | 4,572 |
| 2004 | 132,226,042 | 89,101,934 | 67.4 | 6,266 | 832 | 13.3 | 70,318 | 9,337 | 37,225 | 4,943 |
| 2005 | 134,372,678 | 90,593,081 | 67.4 | 6,857 | 935 | 13.6 | 75,687 | 10,319 | 38,754 | 5,284 |
| 2006 | * 138,394,754 | 92,740,927 | 67.0 | 7,439 | 1,024 | 13.8 | 80,218 | 11,041 | 39,791 | 5,477 |
| | Using 1979 Income Concept [5] | | | | | | | | | |
| 1986 | 103,045,170 | 83,967,413 | 81.5 | 2,703 | 367 | 13.6 | 32,194 | 4,374 | 29,374 | 3,991 |
| 1987 | 106,996,270 | 86,723,796 | 81.1 | 2,736 | 369 | 13.5 | 31,551 | 4,257 | 27,774 | 3,747 |
| 1988 | 109,708,280 | 87,135,332 | 79.4 | 3,011 | 413 | 13.7 | 34,556 | 4,738 | 29,210 | 4,005 |
| 1989 | 112,135,673 | 89,178,355 | 79.5 | 3,188 | 433 | 13.6 | 35,752 | 4,855 | 28,832 | 3,915 |
| 1990 | 113,717,138 | 89,862,434 | 79.0 | 3,335 | 447 | 13.4 | 37,108 | 4,976 | 28,392 | 3,807 |
| 1991 | 114,730,123 | 88,733,587 | 77.3 | 3,387 | 448 | 13.2 | 38,169 | 5,054 | 28,024 | 3,711 |
| 1992 | 113,604,503 | 86,731,946 | 76.3 | 3,553 | 476 | 13.4 | 40,964 | 5,491 | 29,198 | 3,914 |
| 1993 | 114,601,819 | 86,435,367 | 75.4 | 3,625 | 503 | 13.9 | 41,938 | 5,817 | 29,023 | 4,026 |
| 1994 | 115,943,131 | 87,619,446 | 75.6 | 3,796 | 535 | 14.1 | 43,322 | 6,104 | 29,232 | 4,119 |
| 1995 | 118,218,327 | 89,252,989 | 75.5 | 4,075 | 588 | 14.4 | 45,655 | 6,593 | 29,957 | 4,326 |
| 1996 | 120,351,208 | 90,929,350 | 75.6 | 4,418 | 658 | 14.9 | 48,582 | 7,239 | 30,964 | 4,614 |
| 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 |
| 1999 | 127,075,145 | 94,546,080 | 74.4 | 5,736 | 877 | 15.3 | 60,666 | 9,280 | 36,414 | 5,570 |
| 2000 | 129,373,500 | 96,817,603 | 74.8 | 6,294 | 981 | 15.6 | 65,012 | 10,129 | 37,754 | 5,882 |
| 2001 | 130,255,237 | 94,763,530 | 72.8 | 5,943 | 888 | 14.9 | 62,716 | 9,370 | 35,413 | 5,291 |
| 2002 | 130,076,443 | 90,963,896 | 69.9 | 5,758 | 797 | 13.8 | 63,297 | 8,762 | 35,184 | 4,870 |
| 2003 | 130,423,626 | 88,921,904 | 68.2 | 5,849 | 748 | 12.8 | 65,777 | 8,412 | 35,749 | 4,572 |
| 2004 | 132,226,042 | 89,101,934 | 67.4 | 6,399 | 832 | 13.0 | 71,817 | 9,337 | 38,019 | 4,943 |
| 2005 | 134,372,678 | 90,593,081 | 67.4 | 7,016 | 935 | 13.3 | 77,448 | 10,319 | 39,656 | 5,284 |
| 2006 | * 138,394,754 | 92,740,927 | 67.0 | 7,640 | 1,024 | 13.4 | 82,379 | 11,041 | 40,863 | 5,477 |

* Includes 742,859 Form 1040 EZ-T returns.

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

[2] Average tax rate is "total income tax" (column 5) divided by "adjusted gross income less deficit (AGI)" (column 4).

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

[4] Constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[5] These statistics are based on adjusted gross income less deficit (AGI) recomputed to reflect the 1979 Income Concept, thus enabling more valid comparisons to be made of the average tax rates among years. Changes in the definition of AGI among years render direct comparison of the unadjusted figures misleading. For additional information, see Statistics of Income-Individual Income Tax Returns, for 1986-2005. See Figure G for components of the 1979 Income Concept.

(6) Tax Years 1997 through 2000 were subject to the Taxpayer Relief Act of 1997 which 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 *Income and Tax Concepts)*.

(7) Tax Years 2001 through 2006 were affected by two new laws, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). EGTRRA included a new 10-percent tax rate bracket, as well as reductions in tax rates for brackets higher than 15 percent of one-half percentage point for 2001 and 1 percentage point for 2002. It also included increases in the child tax credit and an increase in alternative minimum tax exemptions. Tax Year 2003, under JGTRRA, saw additional rate reductions in ordinary marginal tax rates higher than the 15-percent rate, as well as expansions to particular income thresholds in the rates from 15 percent and below. Also, the rate for most long-term capital gains was reduced from 20 percent to 15 percent. Further, qualified dividends were taxed at this same 15-percent rate. These changes are detailed in the previously published article, Individual Income Tax Rates and Shares, 2003, in Appendix C (under *Tax Rate Reduction*). Beginning in 2004, the Working Families Tax Relief Act increased the additional child tax credit refundability rate from 10 percent to 15 percent.

About 92.7 million, or 67.0 percent, of the 138.4 million individual returns filed for 2006 were classified as taxable returns. This was a 2.4-percent increase in taxable returns from 2005. Total AGI reported on taxable returns increased 8.5 percent to $7,439 billion. Total income on taxable returns rose using the 1979 Income Concept as well, increasing 8.9 percent to $7,640 billion for 2006. Total income tax rose by over $89 billion (9.5 percent) to $1,024 billion for 2006. Average AGI for taxable returns rose to $80,218 for 2006, a 6.0-percent increase from 2005. Average income tax also rose by 7.0 percent to $11,041 for 2006.

In order to analyze the average tax rate over time, it is necessary to use a more consistent measure of income than AGI because some tax law changes resulted in the definition of AGI changing from year to year. The 1979 Income Concept controls for much of this variation in tax law, and its use provides a more consistent estimate of the average tax rate across years. Under the 1979 Concept, the average tax rate for 2006 rose to 13.4 percent from 13.3 percent for the previous year.

As shown in Figure B, the average tax rate on all taxable returns as a percentage of AGI was 13.8 percent for 2006. The average tax rate for the AGI-size classes ranged from 2.7 percent for the "$1 under $10,000" AGI-size class to 23.6 percent for the "$500,000 under $1,000,000" AGI-size class.

The average tax rate of 13.8 percent for 2006 for all income classes combined was an increase of approximately 0.2 percentage points from 13.6 percent for 2005. The average tax rate for taxable returns fell in every AGI-size class except for the $1 under $10,000 class, which increased by 0.2 percentage point from 2005 to 2.7 percent. The overall average rate increased despite this decline in each AGI class because individuals tended to move to higher income classes which, in turn, faced higher tax rates. For example, in 2006, the number of taxable returns in every positive AGI class between $1 and under $30,000 decreased, while all others increased, especially at the higher income levels. Also, the number of taxable returns reporting AGI of $1 million or more increased by 16.6 percent from 2005.

## 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 Figure C and Table 1. These statistics are based on individual income tax returns showing a positive taxable income amount based on "tax generated" and items of income that were subject to the regular income tax, generally those included in AGI.[2] The *Income and Tax Concepts* section of this article explains the determination of the marginal tax rate bracket into which a return is assumed to fall. Table 2 contains additional data based on ordinary tax rates and pres-

[2] 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, in some situations, the receipt of some forms of tax-exempt income, such as tax-exempt interest, could have influenced the taxability of other income, in particular Social Security benefits. When this situation occurred, income made taxable by the receipt of other forms of nontaxable income was included in AGI.

## Figure B

### Taxable Returns: Number of Returns, Adjusted Gross Income, and Total Income Tax, by Size of Adjusted Gross Income, Tax Years 2005 and 2006

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

| Tax year, item | Total | Size of adjusted gross income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Under $1 [1] | $1 under $10,000 | $10,000 under $20,000 | $20,000 under $30,000 | $30,000 under $50,000 | $50,000 under $100,000 | $100,000 under $200,000 | $200,000 under $500,000 | $500,000 under $1,000,000 | $1,000,000 or more |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) |
| **Tax Year 2006:** | | | | | | | | | | | |
| Number of taxable returns | 92,741 | 6 | 4,225 | 11,496 | 11,630 | 20,486 | 28,799 | 12,041 | 3,115 | 588 | 353 |
| Adjusted gross income (less deficit) | 7,439,473 | -5,988 | 27,753 | 172,504 | 290,722 | 808,020 | 2,044,851 | 1,600,506 | 893,337 | 398,745 | 1,209,023 |
| Total income tax | 1,023,920 | 181 | 743 | 7,132 | 17,898 | 59,803 | 184,463 | 209,381 | 177,041 | 94,214 | 273,064 |
| Average tax rate (percent) [2] | 13.8 | [3] | 2.7 | 4.1 | 6.2 | 7.4 | 9.0 | 13.1 | 19.8 | 23.6 | 22.6 |
| **Tax Year 2005:** | | | | | | | | | | | |
| Number of taxable returns | 90,593 | 5 | 4,524 | 11,741 | 11,745 | 20,432 | 27,821 | 10,767 | 2,732 | 523 | 303 |
| Adjusted gross income (less deficit) | 6,856,723 | -6,680 | 30,448 | 176,775 | 293,474 | 804,970 | 1,967,468 | 1,425,108 | 787,269 | 354,471 | 1,023,421 |
| Total income tax | 934,836 | 133 | 746 | 7,386 | 18,371 | 60,162 | 178,811 | 189,468 | 159,395 | 84,700 | 235,664 |
| Average tax rate (percent) [2] | 13.6 | [3] | 2.5 | 4.2 | 6.3 | 7.5 | 9.1 | 13.3 | 20.2 | 23.9 | 23.0 |
| **Change in:** | | | | | | | | | | | |
| Number of taxable returns | 2,148 | 1 | -299 | -245 | -114 | 54 | 978 | 1,274 | 383 | 65 | 50 |
| Percent | 2.4 | 29.1 | -6.6 | -2.1 | -1.0 | 0.3 | 3.5 | 11.8 | 14.0 | 12.4 | 16.6 |
| Adjusted gross income (less deficit) | 582,750 | 693 | -2,695 | -4,271 | -2,752 | 3,050 | 77,383 | 175,398 | 106,069 | 44,274 | 185,602 |
| Percent | 8.5 | -10.4 | -8.9 | -2.4 | -0.9 | 0.4 | 3.9 | 12.3 | 13.5 | 12.5 | 18.1 |
| Total income tax | 89,084 | 48 | -3 | -253 | -472 | -359 | 5,652 | 19,913 | 17,646 | 9,514 | 37,400 |
| Percent | 9.5 | 35.9 | -0.5 | -3.4 | -2.6 | -0.6 | 3.2 | 10.5 | 11.1 | 11.2 | 15.9 |
| Average tax rate: | | | | | | | | | | | |
| Percentage point change | 0.1 | [4] | 0.2 | [5] | -0.1 | -0.1 | -0.1 | -0.2 | -0.4 | -0.3 | -0.4 |

[1] Includes returns with adjusted gross deficit. Tax in these returns represents some combination of alternative minimum tax, Form 4972 tax on lump-sum distributions from qualified retirement plans, and Form 8814 tax on a child's interest and dividends not reflected in adjusted gross income or taxable income.
[2] Average tax rate is "total income tax" as a percentage of adjusted gross income less deficit (AGI). The average tax rate was calculated from unrounded data.
[3] Percentage not computed.
[4] Change not computed.
[5] Less than 0.05 percent.
NOTE: Detail may not add to totals because of rounding.

ents statistics on income and tax generated at each ordinary tax rate by size of AGI.

For 2006, the number of individual returns with modified taxable income rose 2.2 percent to 106.7 million.[3] The amount of modified taxable income reported on these returns increased 8.6 percent to $5,580.4 billion. The tax generated on taxable returns rose by 9.1 percent to $1,061.3 billion. 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 tax rate categories (defined in *Income and Tax Concepts*).

Returns with modified taxable income in the "15-percent" (ordinary income) marginal tax rate bracket contained the largest share of returns for 2006, at 38.7 percent. These returns reported 19.2 percent of modified taxable income for 2006 and 13.0 percent of income tax generated. Conversely, taxpayers in the "35-percent" (ordinary income) marginal rate, the least represented bracket, accounted for only 0.9 percent of returns, but reported 22.0 percent of modified taxable income and 33.0 percent of tax generated (the largest of any tax bracket). The "10-percent" (ordinary income) marginal rate bracket reported the second largest share of returns at 24.1 percent. However, it only accounted for 2.5 percent of modified taxable income and 1.3 percent of tax generated. With a 20.9-percent share of returns, making it the third largest, the "25-percent" (ordinary income) marginal rate bracket reported 27.0 percent of modified taxable income and 23.9 percent of tax generated. Returns in the "28-percent" (ordinary income) marginal rate bracket represented 3.8 percent of the

[3] The 2005 data are from Mudry, Kyle and Justin Bryan, "Individual Income Tax Rates and Shares, 2005," *Statistics of Income Bulletin,* Winter 2008, Volume 27, Number 3, pp. 8-47.

## Figure C

**Returns with Modified Taxable Income: Tax Generated at All Rates on Returns with the Indicated Marginal Tax Rate, Tax Year 2006**

[Money amounts are in thousands of dollars]

| Marginal tax rate classes | Number of returns | | Modified taxable income | | Tax generated | |
|---|---|---|---|---|---|---|
| | Number | Percent of total | Amount | Percent of total | Amount | Percent of total |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Total** | **106,658,774** | **100.0** | **5,580,354,544** | **100.0** | **1,061,283,363** | **100.0** |
| 5 percent | 1,151,527 | 1.1 | 8,346,340 | 0.1 | 417,350 | [1] |
| 10 percent | 25,752,688 | 24.1 | 138,754,410 | 2.5 | 13,365,867 | 1.3 |
| 10 percent (Form 8814) [2] | 19,240 | [1] | 17,907 | [1] | 1,796 | [1] |
| 15 percent | 41,304,877 | 38.7 | 1,069,736,810 | 19.2 | 137,673,528 | 13.0 |
| 15 percent (capital gains) [3] | 8,639,561 | 8.1 | 536,927,394 | 9.6 | 70,077,993 | 6.6 |
| 25 percent | 22,314,164 | 20.9 | 1,503,962,573 | 27.0 | 253,145,760 | 23.9 |
| 25 percent (capital gains) | 442,189 | 0.4 | 80,060,597 | 1.4 | 13,260,613 | 1.2 |
| 28 percent | 4,020,037 | 3.8 | 568,137,742 | 10.2 | 117,747,721 | 11.1 |
| 28 percent (capital gains) | 71,581 | 0.1 | 11,294,494 | 0.2 | 2,078,922 | 0.2 |
| 33 percent | 1,587,873 | 1.5 | 431,351,363 | 7.7 | 102,570,049 | 9.7 |
| 35 percent | 1,002,051 | 0.9 | 1,226,989,916 | 22.0 | 350,015,255 | 33.0 |
| Form 8615 [4] | 352,987 | 0.3 | 4,774,997 | 0.1 | 928,508 | 0.1 |

[1] Less than 0.05 percent.
[2] Form 8814 was filed for a dependent child under age 18 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between $850 and $8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.
[3] The 15 percent capital gains rate also includes qualified dividends.
[4] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of $1,700. The returns in this rate classification are not distributed by tax rate.
NOTE: Detail may not add to totals because of rounding.

total share of returns and accounted for 10.2 percent of modified taxable income and 11.1 percent of tax generated. Returns in the "33-percent" (ordinary income) marginal rate bracket represented the second smallest share of ordinary tax rate returns at 1.5 percent. It also accounted for 7.7 percent of modified taxable income, as well as 9.7 percent of tax generated. Returns in the capital gain and dividends, 15-percent, 25-percent, and 28-percent tax brackets represented 8.6 percent of returns (with modified taxable income), and reported a total of 11.3 percent of modified taxable income and 8.0 percent of tax generated.

As shown in Table 2, the total tax generated for 2006 at the 15-percent rate was more than any other rate. The 32.7 percent of income taxed at this rate was reported by 74.1 percent of returns with modified taxable income, producing 25.8 percent of tax generated. The 35-percent rate generated the next largest amount of income tax. Tax in that bracket was reported on only 0.9 percent of returns. However, 11.2 percent of all modified taxable income was taxed at this rate, generating 20.5 percent of tax generated. The 25-percent rate had the third largest amount of tax generated. Tax in that bracket was reported on 27.5 percent of returns, with 14.1 percent of all modified taxable income taxed at this rate, generating 18.5 percent of 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. It does not include the "alternative minimum tax" (AMT) nor does it exclude allowable tax credits. Figure D illustrates the derivation of the aggregate tax generated for 2005 and 2006 returns. 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 ," which also includes distributed tax on trust accumulations.

As shown (Figure D and column 5 of Table 1), the tax generated by applying statutory ordinary income and capital gain tax rates to modified taxable income was $1,061.3 billion, a 9.1-percent increase from 2005.[4] For most taxpayers, tax generated was

[4] Tax generated does not include certain other taxes reported on individual returns, such as self-employment tax (the Social Security and Medicare tax on income from self-employment), the Social Security tax on certain tip income, household employment taxes, tax from the recapture of prior-year investment, low-income housing, or other credits, penalty tax applicable to early withdrawals from an Individual Retirement Arrangement (IRA) or other qualified retirement plans, and tax on trusts, accumulation, and distributions. The statistics for "total tax liability," shown in Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2, include these taxes.

equal to income tax before credits. However, for some taxpayers, income tax before credits included the alternative minimum tax (AMT) and/or special taxes on lump-sum distributions from qualified retirement plans (when a 10-year averaging method was used).[5] The AMT increased sharply by 23.8 percent to $21.6 billion for 2006.

Income tax before credits was $1,082.9 billion for 2006, up from $990.2 billion, representing a 9.4-percent increase from 2005. Taxpayers used $58.9 billion of tax credits to reduce their income tax before credits. The earned income credit (EIC) is included in this computation to the extent that its application did not reduce income tax before credits below zero. Any portion of the EIC that is refundable to the taxpayer because it exceeds the taxpayer's liability and any portion of the EIC used to reduce taxes other than income taxes are excluded from the computation of income tax after credits.[6] Income tax after credits (Figure D) totaled $1,023.9 billion as did total income tax (the sum of income tax after credits and tax on trust accumulation distributions). These taxes both represented a 9.5-percent increase from 2005.

Table 4 provides estimates of income tax before credits by type of tax computation for returns with modified taxable income. For 2006, the number of returns with the Schedule D and qualified dividend tax computation increased 3.6 percent, from 21.7 million to 22.5 million. Along with this was an increase in income tax before credits and tax generated at these lower rates. These taxpayers paid $107.2 billion (column 8) less in tentative taxes than they would have if they had not received the benefits of the lower capital gain and qualified dividend tax rates. This was up from the $91.7 billion in savings from using these rates for 2005 (column 8). The average tax savings for those who had these capital gains rose from $4,228 per return for 2005 to $4,776 for 2006.

Tax Year 2006 saw an increase of 1.3 million returns that calculated taxes with a regular tax computation only. For 2006, the number of returns filed by children under age 18 with Form 8615 for reporting investment income over $1,700 increased 149 percent to just under 353 thousand. Using Form 8615 to compute their tax (as if their incomes were treated as the marginal incomes of their parents or guardians), these children generated just over $885.7 million at their parents' rates (column 7) of tax revenue which is $17.3 million (column 8) less than the $903.0 million (column 6) of tax that would have been generated using ordinary tax computations at the children's rates.

## Figure D

**Derivation of Tax Years 2005 and 2006 Total Income Tax as Shown in Statistics of Income**

[Money amounts are in billions of dollars]

| Item | 2005 | 2006 | Percentage change |
|---|---|---|---|
| | (1) | (2) | (3) |
| **Tax generated from tax rate schedules or tax table** | **972.7** | **1,061.3** | **9.1** |
| PLUS: | | | |
| Tax on lump-sum distributions from qualified retirement plans | [1] | [1] | [2] |
| Alternative minimum tax | 17.4 | 21.6 | 23.8 |
| EQUALS: | | | |
| **Income tax before credits** | **990.2** | **1,082.9** | **9.4** |
| LESS: Tax credits, total [3] | 55.3 | 58.9 | 6.5 |
| Child-care credit | 3.5 | 3.5 | 0.7 |
| Child tax credit [3] | 32.0 | 31.7 | -1.0 |
| Education credit | 6.1 | 7.0 | 14.8 |
| Foreign tax credit | 9.4 | 11.0 | 17.1 |
| General business credit | 0.9 | 1.3 | 48.4 |
| Earned income credit (limited to the amount needed to reduce total income tax to zero) | 0.7 | 0.8 | 7.0 |
| Credit for prior-year minimum tax | 1.1 | 1.0 | -4.6 |
| Retirement savings contribution credit | 0.9 | 0.9 | -5.4 |
| Other credits [4] | 0.7 | 1.7 | 152.0 |
| EQUALS: | | | |
| **Income tax after credits** | **934.8** | **1,023.9** | **9.5** |
| PLUS: Trusts accumulation distribution | [1] | [1] | [2] |
| EQUALS: | | | |
| **Total income tax** | **934.8** | **1,023.9** | **9.5** |

[1] Less than $0.05 billion.
[2] Percentage not computed.
[3] Does not include the additional child tax credit that for 2006 was $16.25 billion which was refunded to taxpayers and not included in total income tax.
[4] Includes the elderly or disabled credit, empowerment zone and community renewal employment credit, mortgage interest credit, adoption credit, DC first time home buyer's credit, nonconventional source fuel credit, and other credits.
NOTE: Detail may not add to totals because of rounding.

### 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 be able to legally reduce, or totally eliminate, their tax burdens. The AMT provisions may recapture some of the tax reductions under the ordinary

[5] The income amounts on which these special computations for lump-sum distributions were based were not reflected in current-year AGI or current-year taxable income.

[6] For 2006, the total earned income credit was $44.4 billion. This amount includes the amount used to reduce income tax ($0.8 billion), the amount used to reduce other taxes reported on individual income tax returns ($4.5 billion), and the amount refunded to taxpayers ($39.1 billion). Table 4 in Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2, shows these amounts.

income tax. Form 6251, *Alternative Minimum Tax—Individuals*, is used to calculate AMT (see *Computation of Alternative Minimum Taxable Income).*

Figure E presents statistics, by size of AGI, on AMT reported by taxpayers filing Form 6251 with their returns. Some taxpayers included Form 6251 even though their tax liabilities were not increased due to AMT. The tabulations in Figure E include such forms. For 2006, AMT liability rose 23.8 percent to $21.6 billion from $17.4 billion in 2005. However, the number of returns that were subject to AMT actually decreased by 38,216 for the period. Alternative Minimum Taxable Income (AMTI) increased 13.0 percent from 2005. In addition, AMT increased tax liability for some taxpayers who did not have any AMT liability by limiting certain business tax credits.

Figure F shows the number of taxpayers with AMT liability and the amount of that liability for each of the years 1986 through 2006. Much of the variation in the number of taxpayers affected by AMT and in the amount of AMT liability during the mid-to-late 1980s and early 1990s was attributable to tax law changes such as TRA86, RRA90 (Revenue Reconciliation Act of 1990), and OBRA93, which altered AMT. Since then, the impact of AMT has increased partially because AMT exemptions have not been automatically indexed annually for the effects of inflation, whereas various parameters of the ordinary income tax (such as tax brackets, exemptions,

## Figure E

**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 2005 and 2006**

[Money amounts are in thousands of dollars]

| Size of adjusted gross income | Total adjustments and preferences [1] | | Alternative minimum taxable income [1] | | Alternative minimum tax | |
|---|---|---|---|---|---|---|
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| | Tax Year 2006 | | | | | |
| **All returns** | **7,649,456** | **193,574,256** | **8,681,086** | **2,171,427,757** | **3,966,540** | **21,564,586** |
| Under $1 [2] | 100,438 | 2,059,227 | 130,121 | -9,237,984 | 6,751 | 184,922 |
| $1 under $10,000 | 115,896 | 180,034 | 340,907 | 924,822 | 3,226 | 2,594 |
| $10,000 under $20,000 | 146,532 | 313,176 | 300,401 | 3,243,402 | 3,055 | 4,785 |
| $20,000 under $30,000 | 191,041 | 554,570 | 308,991 | 6,368,615 | 4,180 | 14,627 |
| $30,000 under $40,000 | 189,913 | 891,725 | 287,734 | 8,425,735 | 3,811 | 11,992 |
| $40,000 under $50,000 | 228,166 | 1,338,984 | 297,476 | 11,597,576 | 7,816 | 17,190 |
| $50,000 under $75,000 | 687,982 | 6,009,902 | 821,835 | 44,535,540 | 87,680 | 105,899 |
| $75,000 under $100,000 | 699,213 | 7,455,989 | 762,821 | 57,955,216 | 129,240 | 180,430 |
| $100,000 under $200,000 | 2,181,882 | 37,335,931 | 2,261,719 | 296,296,237 | 1,096,666 | 2,128,778 |
| $200,000 under $500,000 | 2,470,712 | 62,142,281 | 2,519,195 | 674,603,146 | 2,242,146 | 10,982,445 |
| $500,000 under $1,000,000 | 411,222 | 21,511,690 | 420,183 | 260,007,906 | 284,262 | 3,230,498 |
| $1,000,000 or more | 226,457 | 53,780,747 | 229,704 | 816,707,547 | 97,710 | 4,700,425 |
| | Tax Year 2005 | | | | | |
| **All returns** | **7,433,534** | **174,509,523** | **8,270,156** | **1,922,027,257** | **4,004,756** | **17,421,071** |
| Under $1 [2] | 96,769 | 1,473,947 | 131,785 | -8,129,282 | 6,152 | 137,419 |
| $1 under $10,000 | 115,963 | 279,577 | 314,427 | 1,023,238 | 2,739 | 10,585 |
| $10,000 under $20,000 | 180,647 | 417,569 | 301,303 | 3,231,288 | 924 | 2,075 |
| $20,000 under $30,000 | 174,965 | 576,229 | 266,899 | 5,261,458 | 3,989 | 8,236 |
| $30,000 under $40,000 | 193,244 | 807,603 | 245,302 | 6,877,303 | 2,806 | 9,267 |
| $40,000 under $50,000 | 230,223 | 1,428,357 | 273,595 | 10,617,629 | 20,439 | 29,940 |
| $50,000 under $75,000 | 707,022 | 6,165,540 | 822,719 | 44,814,981 | 127,175 | 128,416 |
| $75,000 under $100,000 | 687,090 | 7,946,629 | 730,989 | 55,644,816 | 180,455 | 266,632 |
| $100,000 under $200,000 | 2,364,847 | 40,373,226 | 2,434,996 | 316,140,733 | 1,453,782 | 2,661,737 |
| $200,000 under $500,000 | 2,152,921 | 54,598,446 | 2,202,913 | 586,897,315 | 1,934,237 | 8,842,035 |
| $500,000 under $1,000,000 | 337,485 | 17,779,102 | 347,968 | 215,844,422 | 201,570 | 2,333,727 |
| $1,000,000 or more | 192,359 | 42,663,296 | 197,259 | 683,803,357 | 70,487 | 2,991,005 |

[1] See Figures I and J for the calculation of alternative minimum taxable income and the list of alternative minimum tax adjustments and preferences.
[2] Includes returns with adjusted gross deficit.
NOTE: Detail may not add to totals because of rounding.

## Figure F

### Alternative Minimum Tax, Tax Years 1986-2006

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

| Tax year | Highest statutory alternative minimum tax rate | Alternative minimum tax | |
|---|---|---|---|
| | | Number of returns | Amount |
| | (1) | (2) | (3) |
| 1986 | 20 | 608,907 | 6,713,149 |
| 1987 | 21 | 139,779 | 1,674,898 |
| 1988 | 21 | 113,562 | 1,027,884 |
| 1989 | 21 | 117,483 | 831,012 |
| 1990 | 21 | 132,103 | 830,313 |
| 1991 | 24 | 243,672 | 1,213,426 |
| 1992 | 24 | 287,183 | 1,357,063 |
| 1993 | 28 | 334,615 | 2,052,790 |
| 1994 | 28 | 368,964 | 2,212,094 |
| 1995 | 28 | 414,106 | 2,290,576 |
| 1996 | 28 | 477,898 | 2,812,746 |
| 1997 | [1] 28 | 618,072 | 4,005,101 |
| 1998 | [1] 28 | 853,433 | 5,014,549 |
| 1999 | [1] 28 | 1,018,063 | 6,477,697 |
| 2000 | [1] 28 | 1,304,197 | 9,600,840 |
| 2001 | [1] 28 | 1,120,047 | 6,756,705 |
| 2002 | [1] 28 | 1,910,789 | 6,853,901 |
| 2003 | [1] 28 | 2,357,975 | 9,469,803 |
| 2004 | [1] 28 | 3,096,299 | 13,029,239 |
| 2005 | [1] 28 | 4,004,756 | 17,421,071 |
| 2006 | [1] 28 | 3,966,540 | 21,564,586 |

[1] Top rate on most long-term capital gains was 20 percent, for 2003-06, 15 percent.

etc.) have been indexed annually for inflation. In both EGTRRA in 2001 and JGTRRA in 2003, AMT exemptions were increased, while ordinary tax rates declined. For 2004, 2005, and 2006, AMT levels rose to $13.0 billion, $17.4 billion, and $21.6 billion respectively.

The amount in 2006 set the all-time high paid by individual taxpayers, surpassing the previous high set last year. This marks the fifth consecutive year of increases in AMT levels. Since 2001, the generated amount of AMT has increased by a total of 219.2 percent. Also, during this same time, the number of returns paying AMT has more than tripled from 1.1 million to 4.0 million.

### Income and Tax Shares

Historical statistics from 1986 through 2006 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 or income item, 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 tax years beginning in 1986.

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

Consider, for example, the data in Table 5 for the 135.7 million returns filed for 2006 with positive AGI.[7] The average tax rate for these returns was 12.6 percent, a 0.15-percentage point increase from 2005. (A sizable portion of returns with positive AGI are nontaxable, accounting for the difference in the computation of this particular average tax rate versus the 13.8-percent average tax rate for taxable returns only. See Figure A.) The average tax rate increased for the third year in a row after having fallen for 3 previous years, bottoming out at 11.9 percent in 2003.

Despite 3 years of overall tax rate increases, the average tax rate paid by the top 1 percent has decreased for the past 5 years, while the rates paid by the top 10 percent, 25 percent, and 50 percent all increased from 2005. The top 1 percent, 5 percent, 10 percent, 25 percent, and 50 percent all also recorded a larger share of the income tax burden than their respective shares of AGI. For 2006, returns in the top 1 percent reported 22.1 percent of total AGI and 39.9 percent of income tax. The amount of AGI needed for inclusion in this percentile group (i.e., the AGI floor) was $388,806. For 2005, the returns in this percentile group (i.e., those with at least $364,657 in AGI) reported 21.2 percent of total AGI and 39.4 percent of total income tax.

For 2006, returns in the top 5-percent group (returns reporting AGI of $153,542 or more) reported 36.7 percent of total AGI and 60.1 percent of income tax, compared to 35.7 percent and 59.7 percent, respectively, for 2005 (when the AGI floor was $145,283). For 2006, returns in the top 10-percent group (returns with AGI of at least $108,904) earned 47.3 percent of AGI and paid 70.8 percent of income

[7] The percentile groupings of tax filers exclude returns with zero or negative AGI.

tax. For 2006, returns in this percentile group (with AGI of $103,912 or more) reported 46.4 percent of total AGI and 70.3 percent of income tax. The top 50-percent group (earning $31,987 or more) accounted for 87.5 percent of income and paid almost all (97.0 percent) of the income tax for 2005.

The statistics by percentile in Tables 5 and 6 for years prior to 1991 and in 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 tax returns within each class.[8] For 1991 and later years, the statistics by percentiles in Tables 5 and 6, and Tables 7 and 8 for 1994 through 2006 were computed based on an actual ranking of returns in the statistical sample that served as the basis for Individual Statistics of Income estimates. Differences under the two methods were judged to be minor enough so that pre-1991 and post-1990 data are believed to be comparable.

## Explanation of Selected Terms

This appendix provides brief explanations of the major tax concepts discussed. For more extensive definitions, see *Individual Income Tax Returns 2006*, Statistics of Income Division, Internal Revenue Service, Publication 1304.

*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), self-employed health insurance deductions, and one-half of Social Security taxes for the self-employed). 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 and qualified dividends) less the amount of tax that would have resulted from not having used any of these provisions (regular tax computation).

*Dividends*—Ordinary dividend income consisted of distributions of money, stock, or other property received by taxpayers from domestic and foreign corporations, either directly or passed through estates, trusts, partnerships, or regulated investment companies. Ordinary dividends also included distributions from money market mutual funds.

Ordinary dividends did not include nontaxable distributions of stock or stock rights, returns of capital, capital gains, or liquidation distributions. Taxpayers were also instructed to exclude amounts paid on deposits or withdrawable accounts in banks, mutual savings banks, cooperative banks, savings and loan associations, and credit unions, which were treated as interest income.

Qualified dividends are the ordinary dividends received in tax years beginning after 2002 that met certain conditions. These conditions include: the dividend must have been paid by a U.S. corporation or a "qualified" foreign corporation; the stock ownership must have met certain holding period requirements; the dividends were not from certain institutions, such as mutual savings banks, cooperative banks, credit unions, tax-exempt organizations, or farmer cooperatives; and the dividends were not for any share of stock which was part of an employee stock ownership plan (ESOP). The maximum tax rate for qualified dividends was 15 percent generally (or 5 percent for amounts that would otherwise have been taxed at the 10-percent or 15-percent regular income rate).

*Form 8615 tax computation*—Form 8615 was used to compute the tax on investment income of children under age 18 who had investment income of more than $1,700. Generally, such income was taxed as the marginal income of the parents. Before 2006, this form was only for children under the age of 14.

*Income tax before credits*—This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Schedule D tax worksheet, foreign-earned income tax worksheet, Schedule J, or Form 8615, plus Form (s) 8814, any additional taxes from Form 4972, and the alternative minimum tax.

*Income tax before credits (regular tax computation)*—This amount consisted of the tax liability on ordinary income, computed by using the tax table or applying the rates from one of the four tax rate

[8] For an explanation of the osculatory interpolation technique, see Oh, H. Lock (1978), "Osculatory Interpolation with a Monotonicity Constraint," *1977 Proceedings of the American Statistical Association, Section on Statistical Computing.*

schedules, plus any additional tax (tax on lump-sum distributions from qualified retirement plans). When Form 8615 tax was payable on investment income of children, for this concept, all the income was taxed at the child's rate rather than at the rate of the parents. When Schedule D tax was payable on net long-term capital gains, the tax was based on the regular tax rates rather than the 5-percent, 15-percent, 25-percent, or 28-percent tax rate for capital gains. When tax was payable on a qualified dividend, the tax was based on regular tax rates instead of the maximum tax rate for qualified dividends, 15 percent (5 percent for amounts that would otherwise have been taxed in the 10-percent tax bracket). This is in contrast to the computation of Income Tax Before Credits (see above), in which special tax computations such as those involved on Form 8615, Schedule D and qualified dividends are taken into account. See Table 4.

*Marginal tax rate*—See *Income and Tax Concepts.*

*Modified taxable income*—See *Income and Tax Concepts.*

*Regular tax computation*—Depending on marital status and size of taxable income, the taxpayer used one of the four tax rate schedules (or an approximation from the tax table) 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 and qualified dividend tax computation*—Schedule D was used to compute the 5-percent, 15-percent, 25-percent, and 28-percent taxes on net long-term capital gains (in excess of net short-term capital losses) if such computations were beneficial to the taxpayer. Any investment interest allocated to long-term capital gains (on Form 4952) was excluded from this computation. Qualified dividends were taxed at a maximum tax rate of 15 percent (5 percent for amounts that would otherwise have been taxed in the 15-percent bracket).

*Taxable income*—Taxable income is AGI less the sum of personal exemption amounts and either the standard deduction for nonitemizers 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 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, low-income housing and a few other business 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 or alternative minimum tax), tax generated equals "income tax before credits."

*Total income tax*— This is the sum of income tax after credits and tax on accumulated trust distribution from Form 4970, less the portion of EIC used to offset other taxes as well as the refundable portion of EIC (with tax limited to zero).

## Income Tax Structure

Taxpayers must file an income tax return if they meet certain minimum filing requirements. The filing requirements for 2006 generally were based on the amount of "gross income," filing status, age, dependency, and blindness.[9] 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 2006 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 Rail-

[9] Taxpayers fall into one of five filing statuses: single; married filing jointly; married filing separately; head of household; or surviving spouse. Being age 65 or older or being legally blind affects the amount of the standard deduction and, hence, the filing requirements. Taxpayers who are (or could be) dependents of other taxpayers have different filing requirements. For more information on general filing requirements, see Bryan, Justin, "Individual Income Tax Returns: 2006," *Statistics of Income Bulletin*, Fall 2008, Volume 28, Number 2.

road 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); recapture tax on investment credit, low-income housing credit, or a few other business credits; 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.[10] Adjusted gross income (AGI) is equal to gross income less deductions for certain expenses.[11] "Taxable income," the base on which income tax before credits is computed, equals AGI less the amount for personal exemptions and less either total allowable itemized deductions for taxpayers who itemize deductions, or the standard deduction (including the additional amounts for age and blindness) for all other taxpayers.

Income tax before credits is calculated from taxable income using: tax tables 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 J for farmers and fishermen to income-average; foreign-earned income worksheet; Schedule D and Qualified Dividends worksheet for net long-term capital gains and qualified dividends; or some combination of the above. For 2006, the tax rates for each filing status were 5 percent, 10 percent, 15 percent, 25 percent, 26 percent, 28 percent, 33 percent, and 35 percent. The tax rates of 5 percent and 15 percent were used for net long-term capital gains (in excess of net short-term capital losses). The 26-percent tax rate was only for the alternative minimum tax. Income tax before credits includes any alternative minimum tax.[12]

To calculate their Federal income tax liability for 2006, 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.[13] 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 tables and the tax rate schedules could produce different amounts of tax for the same amount of taxable income. Use of the tax tables 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 tables with taxable income that was subject to the 33-percent marginal rate, the maximum difference in tax between the tax rate schedules and the tax table was $8.25.[14] However, for most taxpayers, the actual difference in tax was smaller.

## Changes in Law for 2006

*Additional child tax credits*—Modifications were made to the additional child tax credit for 2006. In Tax Year 2005, the credit limit based on earned income was 15 percent of a taxpayers' earned income that exceeded $11,000. For 2006, the limit was 15 percent of a taxpayer's earned income that exceeded $11,300.

*Alternative minimum tax (AMT)*—For Tax Year 2006, the minimum exemption rose to $62,550 for a married couple filing a joint return, up from $58,000 in 2005, and to $42,500 for singles and heads of household, up from $40,250, and to $31,275 for a married person filing separately, up from $29,000.

*Earned income credit (EIC)*—The maximum amount of the earned income credit increased, as

[10] 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 income 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.

[11] 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, the health insurance deduction for certain self-employed taxpayers, or one-half of self-employment tax.

[12] Income tax before credits includes tax on lump-sum distributions from qualified retirement plans.

[13] 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. For taxable income above $3,000, the brackets were $50 wide.

[14] For example, assume a taxpayer filing as "married filing separately" reported taxable income of $98,000. Using the tax table, the tax would be $22,339, but, using the tax rate schedules, the tax would be $22,330.75, a difference of $8.25.

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 $2,800 from $2,700. The maximum credit for taxpayers with no qualifying children increased to $412 from $399. For these taxpayers, earned income and AGI had to be less than $12,120 ($14,120 if married filing jointly) to get any EIC. For taxpayers with one qualifying child, the maximum credit increased $85 to $2,747, and, for taxpayers with two or more qualifying children, the maximum credit increased to $4,536 from $4,400. To be eligible for the credit, a taxpayer's earned income and AGI had to be less than $32,001 ($34,001 for married filing jointly) for one qualifying child, or less than $36,348 ($38,348 for married filing jointly) for two or more qualifying children.

*Exemption amount*—For Tax Year 2006, the exemption amount increased by $100 to $3,300. Taxpayers could have lost a portion of their exemption benefits if their adjusted gross incomes were above certain amounts ($112,875 for married persons filing separately, $150,500 for single individuals, $188,150 for heads of household, and $225,750 for married persons filing jointly or qualifying widow(er)s). For 2006, taxpayers could lose no more than two-thirds of the dollar amount of their exemptions, so that the amount of each exemption could not be reduced to less than $1,100. For 2005 and previous years, exemption amounts could be reduced to zero.

*Federal telephone excise tax credit*—Taxpayers who were billed after February 28, 2003, and before August 1, 2006, for Federal telephone excise tax on long distance or bundled telephone service may have taken a credit or refund for Tax Year 2006. Individuals were eligible to receive this credit even if they owed no tax or if they had not received a refund of this excise tax from their service providers. Taxpayers could request the standard amount of the credit based on the number of exemptions claimed on their returns (number of exemptions: 0 = $0, 1 = $30, 2 = $40, 3 = $50, 4 or more = $60) or the actual amount shown on their bills. Individuals who did not otherwise have to file an income tax return filed Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*, in order to obtain their refunds. A total of 742,859 Form 1040 EZ-T returns were filed for Tax Year 2006, and a total of 96.9 million taxpayers claimed the tax credit for a total of $4.2 billion.

*Foreign-earned income*—Taxpayers who claimed the foreign-earned income exclusion or the foreign housing deduction on Form 2555, *Foreign-Earned Income,* had to use the foreign-earned income tax worksheet to figure their tax. Taxpayers had to refigure their tax on nonexcluded income using the tax tables that would have applied had they not claimed the exclusion. This change in the law affected 138.9 thousand taxpayers for Tax Year 2006, and they had to pay an additional $806.5 million in taxes because of this.

*General business credits*—The Energy Tax Incentives Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Act of 2005 provided tax incentives for energy-efficient buildings and appliances, alternative and clean fuel vehicle credits, and other incentives and credits related to energy production and excise taxes.

*Health savings account deduction*—The deduction was limited to the annual deductible on the qualifying high-deductible health plan, but not more than $2,700 ($5,450 if family coverage), an increase from $2,650 ($5,250 if family coverage) in 2005. These limits were $700 higher if the taxpayer was age 55 or older ($1,400 if both spouses were 55 or older). For 2005, these higher amounts for age 55 or older were $600 and $1,200 respectively.

*Indexing*—The following items increased due to indexing for inflation: personal exemption amounts, the basic standard deduction amounts, the tax bracket boundaries, and the beginning income amounts for limiting certain itemized deductions and for the partial phaseout of personal exemptions. The maximum amount of earnings subject to self-employment tax increased based on the percentage change in average covered earnings.

*Individual retirement arrangement deduction*—For 2006, a taxpayer or both taxpayers for taxpayers filing jointly were able to take an IRA deduction up to $4,000 ($5,000 if age 50 or older—up from $4,500 for 2005) if not covered by a retirement plan, or if covered by a retirement plan but their modified AGI was less than $60,000 ($85,000 if married filing jointly or qualifying widow(er)). This was up from $80,000 if married filing jointly or qualifying widow(er) for 2005. Military members serving in combat zone localities could count tax-free combat

pay in figuring how much to contribute to a Roth or traditional IRA. This allowed members of the military with no taxable earned income to make contributions, unlike in previous years.

*Itemized deductions*—If a taxpayer's AGI was greater than $150,500 ($75,250 if married filing separately), his or her itemized deductions may have been limited; the threshold was increased from $145,950 ($72,975 if married filing separately) for 2005, 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) 53.33 percent of the nonexempt deductions, or (b) 2 percent of the amount of AGI in excess of the limitation threshold. For Tax Year 2006, this reduction was only two-thirds of the amount of the reduction that would have otherwise applied for 2005.

*Katrina Emergency Tax Relief Act of 2005*—The Katrina Emergency Tax Relief Act of 2005 provided an additional exemption of $500 in years 2005 or 2006 for each Hurricane Katrina-displaced individual claimed by the taxpayer. The total additional exemption claimed for all years cannot exceed: $2,000 for married taxpayers filing jointly, $1,000 for married taxpayers filing separately, and $2,000 for all other taxpayers. A Hurricane Katrina-displaced individual is a person (1) whose main home on August 28, 2005, was in the Hurricane Katrina disaster area, (2) who is displaced from that home, and (3) who is provided housing free of charge in the taxpayer's main home for a period of 60 consecutive days which end in the taxable year in which the exemption is claimed. The additional exemption is not subject to the income-based phaseouts applicable to personal exemptions, and is allowed as a deduction in computing alternative minimum taxable income.

*Kiddie tax*—For Tax Year 2006, the age limit for children who received taxable income and needed to figure tax using their parents' higher marginal rates increased from 14 to 18. Also, the amount of taxable investment income a child could have before being taxed at the parents' rate rose to $1,700, up from $1,600. Due to this change, approximately 353.0 thousand taxpayers generated taxes of $885.7 million at their parents' rates in 2006 compared to 2005 when 141.6 thousand taxpayers generated $419.4 million.

*Residential energy credit*—For 2006, taxpayers could receive a 10-percent credit for buying qualified energy efficiency improvements for their main homes. The maximum credit was $500, and no more than $200 of the credit could be attributable to expenses for windows. Over 4.3 million taxpayers claimed this credit for a total of $1.0 billion.

## Income and Tax Concepts

As discussed in the *Income Tax Structure* section, gross income is all income received that is not specifically excluded. 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 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 the income and deduction items included in this concept. The 1979 Income Concept applied to 2005 includes many income and deduction items that are also components of AGI (Figure G). However, unlike AGI, the 1979 Income Concept also includes some 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.[15]

[15] For more details on the income computation under the 1979 Income Concept for 2006, see *Individual Income Tax Returns 2006*, Statistics of Income Division, Internal Revenue Service, Publication 1304.

## Figure G

### Components of the 1979 Income Concept, Tax Year 2006

**Income or loss:**
- Salaries and wages [1]
- Interest [1]
- Dividends [1]
- Taxable refunds [1]
- Alimony received [1]
- Capital gain distributions not reported on Schedule D [1]
- Capital gains reported on Schedule D minus allowable losses [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], [4]
- Other net income or loss [5]
- 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 2006.
[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] Not fully included in AGI for Tax Year 2006.
[5] Includes an adjustment to add back amounts reported for the "foreign-earned income exclusion."
[6] Not included in AGI for Tax Year 2006.

### Modified Taxable Income

This concept is relevant only for "prior-year returns" (about 4.5 million returns) or certain farm sole proprietor returns using income-averaging on Schedule J (about 45 thousand returns) or those returns with foreign-earned income having to use a worksheet to determine their taxes (about 138.9 thousand returns).. For all other returns, modified taxable income is identical to taxable income.

This is the term used in 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 incomes reported on these prior-year returns and those filed with a Schedule J or foreign-earned income are 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. income tax rate structure, different portions of taxable income are taxed at different rates. Figure H illustrates how income tax is determined for a single taxpayer with AGI of $407,000 who used the standard deduction. As shown in the example, six different tax rates were applied to the taxable income to arrive at total tax. The first $7,550 of taxable income were taxed at the 10-percent rate; the next $23,100 of taxable income were taxed at the 15-percent rate; the next $43,550 were taxed at the 25-percent rate; the next $80,600 were taxed at the 28-percent rate; the next $181,750 were taxed at the 33-percent rate; and the remaining $64,200 were taxed at the 35-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. In the example, the marginal tax rate is 35 percent.

## Figure H

### Income Tax Calculation for a Single Taxpayer With One Exemption Who Used the Standard Deduction, Tax Year 2006

[Money amounts are in dollars]

| Item | Amount |
|---|---|
| Adjusted gross income | 407,000 |
| Less: Exemption | [1] 1,100 |
| Standard deduction | 5,150 |
| Equals: Taxable income | 400,750 |
| Tax based on tax rates for single taxpayers: | |
| First $7,550 taxed at 10 percent | 755 |
| Next $23,100 taxed at 15 percent | 3,465 |
| Next $43,550 taxed at 25 percent | 10,887.50 |
| Next $80,600 taxed at 28 percent | 22,568 |
| Next $181,750 taxed at 33 percent | 59,977.50 |
| Next $64,200 taxed at 35 percent | 22,470 |
| Total tax from tax rate schedule | 120,123 |

[1] The exemption amount was limited to $1,100 because AGI exceeded $273,000.

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, the marginal tax rate is not always apparent. For instance, investment income of a dependent under age 18 in excess of a specific amount is treated differently than salaries and wages of the same dependent. The investment income in excess of $1,700 was taxed at the marginal tax rate of the parents, whereas 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 both 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." Additional complexity is added 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 (highest) 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 or qualified dividends and that amount was less than or equal to the 15-percent tax bracket limit, the return was defined as having a "5-percent" 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 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 25-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" 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 25-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, dividend, and capital gain distribution income of their dependents under age 18 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 of 10 percent.

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/or qualified dividends, and presence of Form 8615 or Form 8814. Returns were classified into one of the following twelve mutually exclusive marginal tax rate categories: (1) 5-percent rate (capital gains); (2) 10-percent rate; (3) Form 8814 (10-percent rate with no tax liability other than that generated by the dependent's income); (4) 15-percent rate; (5) 15-percent (capital gains); (6) 25-percent rate; (7) 25-percent (capital gains); (8) 28-percent rate; (9) 28-percent (capital gains); (10) 33-percent rate; (11) 35-percent rate; and (12) Form 8615 (with income taxed at any rate).[16]

Table 1 presents statistics by marginal tax rate classification and filing status for returns with modi-

[16] For some taxpayers, the statutory marginal tax rate may differ from the effective marginal tax rate. For example, extra income received by certain taxpayers may result in the partial phaseout of their personal exemptions, as well as some of their itemized deductions. Therefore, an extra $1 of income could add more than $1 of taxable income. While this taxpayer could face a statutory marginal tax rate of 35 percent, the effective marginal rate faced by the taxpayer would be somewhat higher.

fied 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 amounts 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) show 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. The alternative minimum tax was not included in the statistics by marginal tax rate.

For example, consider returns in the "joint returns and returns of surviving spouses" filing status that were included in the "35-percent" marginal tax rate classification. The total modified taxable income for the estimated 845,900 returns in this classification "at all rates" was $1,021.5 billion (column 3), and the total tax generated was $290.9 billion (column 5). Approximately $514.4 billion (column 4) of the modified taxable income were subject to tax at the marginal tax rate of 35 percent. This modified taxable income generated $180.1 billion (column 6) in tax at the 35-percent tax rate, with the remainder generated at some or all of the lower eight tax rates.

Table 2 provides statistics on the tax generated, in total and at each tax rate bracket, for returns with modified taxable income. Returns in this table are classified by size of AGI. The tax generated at each tax rate was computed based on the modified taxable income for each individual return.

For example, the 3.1 million returns included in the "$200,000 under $500,000" income-size classification showed total modified taxable income of $732.3 billion and generated total tax of $168.4 billion. Of this $732.3 billion of modified taxable income, $42.7 billion were taxed at 10 percent (ordinary tax rate); $128.0 billion were taxed at 15 percent (ordinary tax rate); $168.0 billion were taxed at 25 percent (ordinary tax) rate; $152.0 billion were taxed at 28 percent (ordinary tax) rate; $121.1 billion were taxed at 33 percent rate; and $12.9 billion were taxed at 35 percent. Approximately $6.3 billion were taxed at the 5-percent rate; $97.7 billion were taxed at the 15-percent capital gain and qualified dividend rate; $3.2 billion were taxed at the 25-percent capital gain rate; $0.2 billion were taxed at the 28-percent capital gain rate, with the remainder from tax related to special capital gain tax rates and Forms 8814 and 8615.

Table 3 presents statistics on the income and tax generated at each tax rate by filing status, for returns with modified taxable income. Over 0.8 million of the 45.4 million returns with modified taxable income filed jointly (including surviving spouses) had some income taxed at the 35-percent tax rate. For these returns, the taxable income subject to this rate was $514.4 billion, and the tax generated was $180.1 billion.

## 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 were taken for personal exemptions (Figures I and J). 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 then 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 2006).

**Figure I**

**Calculation of Alternative Minimum Taxable Income (AMTI), Tax Year 2006**

| | |
|---|---|
| | Taxable income before deduction for personal exemptions |
| PLUS: | Adjustments and preferences (see Figure J) |
| PLUS: | Net operating loss deduction |
| MINUS: | Overall itemized deductions limitation |
| MINUS: | Alternative tax net operating loss deduction [1] |
| EQUALS: | Alternative minimum taxable income |

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

AMTI was reduced by an exemption amount which depended on the filing status of the individual and which was subject to phaseout at higher AMTI levels. The AMTI exemption for single filers (and heads of households) for 2006 was $42,500; for joint filers and surviving spouses, $62,550; and for married persons filing separately, $31,275. 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 exemption was phased out completely for individuals whose filing status was single or head of household, married filing jointly, and married filing separately, at $282,500, $400,200, and $200,100, 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 and qualified dividends (recalculated for AMT purposes) that were taxed at lower rates (5 percent, 15 percent, and 25 percent) were taxed at these same rates for the AMT, with the rest of AMTI being taxed at the rates mentioned above (26 percent 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 18 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 $6,050 plus their "earned incomes." 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 18 of the same parents had regular tax greater than this dependent's own tentative minimum tax.)

## Data Sources and Limitations

These statistics are based on a sample of individual income tax returns (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) filed during Calendar Year 2007. Returns in the sample were stratified based on: (1) the larger of positive income or negative income (absolute value); (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.[17] Returns were then selected at rates ranging from 0.10 percent to 100 percent. The 2006 data are based on a sample of 321,006 returns and an estimated final population of 138,485,446 returns. The corresponding sample and population for the 2005 data were 292,966 and 134,494,440 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 (CVs) are used to measure that magnitude. Figure K shows estimated CVs 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 *SOI Sampling Methodology and Data Limitations*, found near the back of this issue.

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

## Figure K

### Coefficients of Variation for Selected Items, by Size of Adjusted Gross Income, Tax Year 2006

[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 | | | |
| | (1) | (2) | (3) | (4) | (5) |
| **Total** | **0.12** | **0.12** | **0.17** | **0.18** | **0.18** |
| Under $2,000 [1] | 5.13 | 6.29 | 6.62 | 25.36 | 25.36 |
| $2,000 under $4,000 | 4.66 | 5.59 | 6.61 | 6.61 | 6.61 |
| $4,000 under $6,000 | 3.23 | 4.85 | 5.56 | 5.52 | 5.52 |
| $6,000 under $8,000 | 2.82 | 3.09 | 3.43 | 3.47 | 3.47 |
| $8,000 under $10,000 | 2.12 | 2.87 | 3.06 | 3.34 | 3.34 |
| $10,000 under $12,000 | 1.89 | 2.18 | 2.22 | 2.43 | 2.43 |
| $12,000 under $14,000 | 1.85 | 2.00 | 2.08 | 2.23 | 2.23 |
| $14,000 under $16,000 | 1.75 | 1.94 | 1.98 | 2.18 | 2.18 |
| $16,000 under $18,000 | 1.72 | 1.90 | 1.95 | 2.18 | 2.18 |
| $18,000 under $20,000 | 1.62 | 1.84 | 1.88 | 2.17 | 2.17 |
| $20,000 under $25,000 | 0.97 | 1.10 | 1.15 | 1.37 | 1.37 |
| $25,000 under $30,000 | 1.01 | 1.11 | 1.16 | 1.37 | 1.37 |
| $30,000 under $40,000 | 0.76 | 0.82 | 0.85 | 0.97 | 0.97 |
| $40,000 under $50,000 | 0.78 | 0.83 | 0.87 | 0.98 | 0.98 |
| $50,000 under $75,000 | 0.50 | 0.54 | 0.58 | 0.64 | 0.64 |
| $75,000 under $100,000 | 0.71 | 0.73 | 0.77 | 0.81 | 0.81 |
| $100,000 under $200,000 | 0.58 | 0.58 | 0.60 | 0.60 | 0.60 |
| $200,000 under $500,000 | 0.69 | 0.65 | 0.67 | 0.66 | 0.66 |
| $500,000 under $1,000,000 | 0.95 | 0.85 | 0.88 | 0.88 | 0.88 |
| $1,000,000 under $1,500,000 | 1.16 | 1.12 | 1.16 | 1.17 | 1.17 |
| $1,500,000 under $2,000,000 | 0.86 | 0.88 | 0.92 | 0.92 | 0.92 |
| $2,000,000 under $5,000,000 | 0.99 | 1.23 | 1.53 | 1.55 | 1.55 |
| $5,000,000 under $10,000,000 | 0.54 | 0.45 | 0.49 | 0.49 | 0.49 |
| $10,000,000 or more | 0.02 | 0.01 | 0.02 | 0.02 | 0.02 |

[1] Includes returns with adjusted gross deficit.

## Table 1. Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2006

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

| Filing status, tax rate classes | Classified by the 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 | | |
| | | | At all rates | At marginal rate | At all rates | At marginal rate | Total | As a percentage of Adjusted gross income less deficit | As a percentage of Modified taxable income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| **All returns** | | | | | | | | | |
| **All tax rates** | **106,658,774** | **7,842,167,353** | **5,580,354,544** | **1,986,699,246** | **1,061,283,363** | **462,956,708** | **1,023,300,348** | **13.0** | **18.3** |
| 5 percent | 1,151,527 | 27,701,952 | 8,346,340 | 8,346,231 | 417,350 | 417,312 | 383,080 | 1.4 | 4.6 |
| 10 percent | 25,752,688 | 526,398,164 | 138,754,410 | 128,511,169 | 13,365,867 | 12,851,117 | 7,122,378 | 1.4 | 5.1 |
| 10 percent (Form 8814) [1] | 19,240 | -7,919 | 17,907 | 17,907 | 1,796 | 1,796 | 6,826 | [4] | 38.1 |
| 15 percent | 41,304,877 | 1,805,310,493 | 1,069,736,810 | 613,977,076 | 137,673,528 | 92,096,561 | 110,746,584 | 6.1 | 10.4 |
| 15 percent (capital gains) [2] | 8,639,561 | 774,171,191 | 536,927,394 | 217,345,910 | 70,077,993 | 32,601,887 | 68,241,017 | 8.8 | 12.7 |
| 25 percent | 22,314,164 | 2,017,884,595 | 1,503,962,573 | 254,642,952 | 253,145,760 | 63,660,738 | 246,911,616 | 12.2 | 16.4 |
| 25 percent (capital gains) | 442,189 | 94,804,743 | 80,060,597 | 6,861,803 | 13,260,613 | 1,715,451 | 13,832,445 | 14.6 | 17.3 |
| 28 percent | 4,020,037 | 703,069,357 | 568,137,742 | 41,499,306 | 117,747,721 | 11,619,806 | 120,719,611 | 17.2 | 21.2 |
| 28 percent (capital gains) | 71,581 | 13,754,748 | 11,294,494 | 1,045,431 | 2,078,922 | 292,721 | 2,188,233 | 15.9 | 19.4 |
| 33 percent | 1,587,873 | 509,361,358 | 431,351,363 | 87,525,981 | 102,570,049 | 28,883,574 | 107,380,555 | 21.1 | 24.9 |
| 35 percent | 1,002,051 | 1,364,567,706 | 1,226,989,916 | 622,722,005 | 350,015,255 | 217,952,702 | 344,894,798 | 25.3 | 28.1 |
| Form 8615 [3] | 352,987 | 5,150,965 | 4,774,997 | 4,203,477 | 928,508 | 863,043 | 873,205 | 17.0 | 18.3 |
| **Joint returns and returns of surviving spouses** | | | | | | | | | |
| **All tax rates** | **45,391,852** | **5,287,113,548** | **3,849,427,406** | **1,319,780,255** | **758,086,750** | **326,792,949** | **733,754,945** | **13.9** | **19.1** |
| 5 percent | 321,946 | 15,402,702 | 4,488,252 | 4,488,142 | 224,429 | 224,407 | 205,909 | 1.3 | 4.6 |
| 10 percent | 7,359,293 | 240,118,797 | 61,282,226 | 55,279,464 | 5,829,274 | 5,527,946 | 2,907,005 | 1.2 | 4.7 |
| 10 percent (Form 8814) [1] | 9,863 | -104,232 | 10,368 | 10,368 | 1,040 | 1,040 | 6,826 | [4] | 65.8 |
| 15 percent | 16,576,126 | 1,045,032,131 | 611,973,278 | 361,661,915 | 79,280,787 | 54,249,287 | 61,484,987 | 5.9 | 10.0 |
| 15 percent (capital gains) [2] | 5,544,510 | 581,936,154 | 400,873,976 | 153,635,831 | 52,393,252 | 23,045,375 | 50,315,306 | 8.6 | 12.6 |
| 25 percent | 10,852,508 | 1,296,629,277 | 952,338,858 | 134,718,007 | 158,650,461 | 33,679,502 | 153,403,341 | 11.8 | 16.1 |
| 25 percent (capital gains) | 281,664 | 69,949,557 | 58,855,331 | 4,987,803 | 9,733,657 | 1,246,951 | 10,179,707 | 14.6 | 17.3 |
| 28 percent | 2,326,638 | 481,786,640 | 384,204,622 | 21,708,180 | 78,201,477 | 6,078,290 | 80,612,729 | 16.7 | 21.0 |
| 28 percent (capital gains) | 46,340 | 10,191,242 | 8,280,609 | 694,495 | 1,497,884 | 194,459 | 1,591,454 | 15.6 | 19.2 |
| 33 percent | 1,227,064 | 409,711,044 | 345,663,286 | 68,146,293 | 81,340,285 | 22,488,277 | 85,476,312 | 20.9 | 24.7 |
| 35 percent | 845,900 | 1,136,460,236 | 1,021,456,602 | 514,449,757 | 290,934,203 | 180,057,415 | 287,571,371 | 25.3 | 28.2 |
| Form 8615 [3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | [4] | [4] |
| **Returns of married persons filing separately** | | | | | | | | | |
| **All tax rates** | **2,174,867** | **153,813,933** | **117,178,658** | **53,984,899** | **24,540,501** | **14,280,102** | **23,943,022** | **15.6** | **20.4** |
| 5 percent | 8,451 | 276,885 | 69,938 | 69,938 | 3,496 | 3,497 | 2,804 | 1.0 | 4.0 |
| 10 percent | 314,014 | 4,914,125 | 1,319,516 | 1,254,716 | 128,736 | 125,472 | 103,012 | 2.1 | 7.8 |
| 10 percent (Form 8814) [1] | * 7 | * -15,049 | * 3 | * 3 | 0 | 0 | 0 | [4] | [4] |
| 15 percent | 1,027,096 | 31,408,803 | 18,783,198 | 11,028,622 | 2,429,774 | 1,654,293 | 2,139,772 | 6.8 | 11.4 |
| 15 percent (capital gains) [2] | 102,197 | 13,051,538 | 9,760,131 | 7,353,048 | 1,371,958 | 1,102,957 | 1,470,046 | 11.3 | 15.1 |
| 25 percent | 528,841 | 31,086,547 | 23,190,920 | 5,003,001 | 3,880,325 | 1,250,750 | 3,841,070 | 12.4 | 16.6 |
| 25 percent (capital gains) | 7,771 | 2,168,329 | 1,838,007 | 240,747 | 305,127 | 60,187 | 336,209 | 15.5 | 18.3 |

Footnotes at end of table.

## Table 1. Returns with Modified Taxable Income: Tax Classified by Marginal Tax Rate and by Filing Status, Tax Year 2006—Continued

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

| Filing status, tax rate classes | Classified by the 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 | | |
| | | | At all rates | At marginal rate | At all rates | At marginal rate | Total | As a percentage of Adjusted gross income less deficit | As a percentage of Modified taxable income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| **Returns of married persons filing separately** | | | | | | | | | |
| 28 percent | 104,988 | 10,847,239 | 8,692,950 | 704,571 | 1,739,211 | 197,280 | 1,785,977 | 16.5 | 20.5 |
| 28 percent (capital gains) | 657 | 168,691 | 144,179 | 63,869 | 31,887 | 17,883 | 32,817 | 19.5 | 22.8 |
| 33 percent | 49,667 | 8,175,581 | 6,872,881 | 1,272,536 | 1,607,607 | 419,937 | 1,662,129 | 20.3 | 24.2 |
| 35 percent | 31,179 | 51,731,245 | 46,506,934 | 26,993,847 | 13,042,380 | 9,447,846 | 12,569,187 | 24.3 | 27.0 |
| Form 8615 [3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | [4] | [4] |
| **Returns of heads of households** | | | | | | | | | |
| **All tax rates** | **13,526,875** | **556,591,736** | **301,094,986** | **133,491,009** | **46,806,599** | **23,245,904** | **36,803,628** | **6.6** | **12.2** |
| 5 percent | 28,690 | 1,046,889 | 325,331 | 325,331 | 16,268 | 16,267 | 8,883 | 0.8 | 2.7 |
| 10 percent | 5,775,685 | 130,405,313 | 30,229,898 | 29,932,369 | 3,008,571 | 2,993,237 | 306,851 | 0.2 | 1.0 |
| 10 percent (Form 8814) [1] | 7,729 | 80,958 | 6,218 | 6,218 | 623 | 623 | 0 | [4] | [4] |
| 15 percent | 5,857,705 | 233,991,461 | 126,937,735 | 63,965,766 | 15,892,220 | 9,594,865 | 9,358,725 | 4.0 | 7.4 |
| 15 percent (capital gains) [2] | 365,107 | 25,161,559 | 16,631,159 | 6,085,493 | 2,146,889 | 912,824 | 1,922,799 | 7.6 | 11.6 |
| 25 percent | 1,329,939 | 109,708,855 | 78,494,249 | 17,297,541 | 13,279,346 | 4,324,385 | 12,669,803 | 11.5 | 16.1 |
| 25 percent (capital gains) | 13,080 | 2,811,099 | 2,429,329 | 249,475 | 404,939 | 62,369 | 427,253 | 15.2 | 17.6 |
| 28 percent | 87,051 | 15,360,267 | 12,277,922 | 1,150,528 | 2,634,227 | 322,148 | 2,816,963 | 18.3 | 22.9 |
| 28 percent (capital gains) | * 3,036 | * 321,834 | * 253,537 | * 27,198 | * 47,644 | * 7,615 | * 47,224 | * 14.7 | * 18.6 |
| 33 percent | 37,260 | 11,516,443 | 9,904,583 | 2,315,504 | 2,444,123 | 764,116 | 2,569,479 | 22.3 | 25.9 |
| 35 percent | 21,595 | 26,187,059 | 23,605,026 | 12,135,587 | 6,931,750 | 4,247,455 | 6,675,649 | 25.5 | 28.3 |
| Form 8615 [3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | [4] | [4] |
| **Returns of single persons** | | | | | | | | | |
| **All tax rates** | **45,565,179** | **1,844,648,135** | **1,312,653,493** | **479,443,084** | **231,849,512** | **98,637,752** | **228,798,753** | **12.4** | **17.4** |
| 5 percent | 792,440 | 10,975,477 | 3,462,819 | 3,462,819 | 173,157 | 173,141 | 165,485 | 1.5 | 4.8 |
| 10 percent | 12,303,695 | 150,959,929 | 45,922,770 | 42,044,620 | 4,399,285 | 4,204,462 | 3,805,510 | 2.5 | 8.3 |
| 10 percent (Form 8814) [1] | * 1,642 | * 30,405 | * 1,318 | * 1,318 | * 133 | * 133 | 0 | [4] | [4] |
| 15 percent | 17,843,951 | 494,878,097 | 312,042,600 | 177,320,772 | 40,070,748 | 26,598,116 | 37,763,101 | 7.6 | 12.1 |
| 15 percent (capital gains) [2] | 2,627,748 | 154,021,939 | 109,662,128 | 50,271,538 | 14,165,893 | 7,540,731 | 14,532,866 | 9.4 | 13.3 |
| 25 percent | 9,602,877 | 580,459,916 | 449,938,546 | 97,624,402 | 77,335,628 | 24,406,101 | 76,997,403 | 13.3 | 17.1 |
| 25 percent (capital gains) | 139,674 | 19,875,758 | 16,937,930 | 1,383,778 | 2,816,890 | 345,945 | 2,889,277 | 14.5 | 17.1 |
| 28 percent | 1,501,361 | 195,075,211 | 162,962,248 | 17,936,028 | 35,172,807 | 5,022,088 | 35,503,942 | 18.2 | 21.8 |
| 28 percent (capital gains) | 21,547 | 3,072,982 | 2,616,170 | 259,868 | 501,506 | 72,763 | 516,738 | 16.8 | 19.8 |
| 33 percent | 273,882 | 79,958,290 | 68,910,613 | 15,791,648 | 17,178,035 | 5,211,244 | 17,672,635 | 22.1 | 25.6 |
| 35 percent | 103,377 | 150,189,166 | 135,421,355 | 69,142,814 | 39,106,922 | 24,199,985 | 38,078,592 | 25.4 | 28.1 |
| Form 8615 [3] | 352,987 | 5,150,965 | 4,774,997 | 4,203,477 | 928,508 | 863,043 | 873,205 | 17.0 | 18.3 |

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

[1] Form 8814 was filed for a dependent child under age 18 for whom the parents made the election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between $850 and $8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15 percent capital gains rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 18 to eport the child's investment income in excess of $1,700. The returns in this rate classification are not distributed by tax rate.

[4] Percentage not computed.

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

## Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006

[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: 5 percent | | |
|---|---|---|---|---|---|---|---|
| | | | | | Number of returns | Income taxed at rate | Tax generated at rate |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| **Total** | **106,658,774** | **5,579,105,232** | **5,580,354,544** | **1,061,283,363** | **12,761,691** | **71,118,752** | **3,556,337** |
| Under $2,000 [1] | 333,185 | 148,463 | 152,384 | 10,867 | 215,970 | 93,830 | 4,696 |
| $2,000 under $4,000 | 393,372 | 520,951 | 528,454 | 52,708 | 242,077 | 204,417 | 10,221 |
| $4,000 under $6,000 | 887,021 | 863,366 | 867,382 | 83,024 | 204,368 | 261,830 | 13,091 |
| $6,000 under $8,000 | 1,180,325 | 2,363,844 | 2,370,326 | 238,533 | 146,683 | 208,017 | 10,410 |
| $8,000 under $10,000 | 2,011,905 | 4,089,984 | 4,102,339 | 406,204 | 165,502 | 292,318 | 14,618 |
| $10,000 under $12,000 | 2,529,783 | 7,624,699 | 7,630,993 | 754,870 | 247,395 | 288,787 | 14,443 |
| $12,000 under $14,000 | 2,621,735 | 11,954,530 | 11,967,972 | 1,193,483 | 274,899 | 469,347 | 23,477 |
| $14,000 under $16,000 | 2,940,733 | 16,061,007 | 16,073,701 | 1,609,722 | 263,628 | 538,281 | 26,918 |
| $16,000 under $18,000 | 3,057,122 | 20,474,244 | 20,489,929 | 2,140,998 | 241,451 | 510,594 | 25,536 |
| $18,000 under $20,000 | 3,443,534 | 25,444,391 | 25,467,224 | 2,795,763 | 290,701 | 575,386 | 28,773 |
| $20,000 under $25,000 | 8,828,262 | 84,958,925 | 85,056,763 | 9,784,387 | 815,192 | 1,799,186 | 89,979 |
| $25,000 under $30,000 | 8,251,278 | 111,591,561 | 111,656,367 | 13,325,950 | 845,048 | 2,414,786 | 120,764 |
| $30,000 under $40,000 | 13,731,528 | 265,072,833 | 265,293,734 | 32,970,635 | 1,597,122 | 5,194,359 | 259,795 |
| $40,000 under $50,000 | 10,512,281 | 284,971,930 | 285,177,742 | 38,102,778 | 1,353,523 | 5,455,865 | 272,836 |
| $50,000 under $75,000 | 18,708,956 | 743,782,211 | 744,232,638 | 107,343,865 | 2,969,845 | 14,809,963 | 740,597 |
| $75,000 under $100,000 | 11,102,049 | 660,318,278 | 660,681,476 | 99,607,990 | 1,851,338 | 14,118,365 | 705,956 |
| $100,000 under $200,000 | 12,067,873 | 1,181,233,546 | 1,181,992,599 | 213,889,256 | 772,440 | 14,372,204 | 718,643 |
| $200,000 under $500,000 | 3,116,220 | 731,857,395 | 732,277,004 | 168,370,440 | 190,501 | 6,309,725 | 315,502 |
| $500,000 under $1,000,000 | 588,226 | 348,055,997 | 347,985,796 | 92,728,417 | 40,768 | 1,637,192 | 81,864 |
| $1,000,000 under $1,500,000 | 150,189 | 161,556,432 | 161,483,285 | 44,152,720 | 12,202 | 530,982 | 26,551 |
| $1,500,000 under $2,000,000 | 63,848 | 98,151,682 | 98,061,076 | 26,816,518 | 5,985 | 279,244 | 13,963 |
| $2,000,000 under $5,000,000 | 98,500 | 265,082,448 | 264,771,604 | 72,283,115 | 9,577 | 466,103 | 23,306 |
| $5,000,000 under $10,000,000 | 24,917 | 153,833,151 | 153,612,831 | 39,972,419 | 3,025 | 157,300 | 7,865 |
| $10,000,000 or more | 15,931 | 399,093,365 | 398,420,925 | 92,648,701 | 2,451 | 130,671 | 6,534 |

| Size of adjusted gross income | Tax generated at specified rate—continued: 10 percent | | | 10 percent (from Form 8814) [2] | | |
|---|---|---|---|---|---|---|
| | Number of returns | Income taxed at rate | Tax generated at rate | Number of returns | Income taxed at rate | Tax generated at rate |
| | (8) | (9) | (10) | (11) | (12) | (13) |
| **Total** | **105,189,855** | **1,033,637,088** | **103,363,709** | **175,397** | **139,646** | **13,993** |
| Under $2,000 [1] | 177,160 | 49,508 | 4,951 | 2,562 | 3,761 | 376 |
| $2,000 under $4,000 | 287,459 | 183,568 | 18,357 | * 698 | * 542 | * 55 |
| $4,000 under $6,000 | 803,707 | 444,138 | 44,414 | 0 | 0 | 0 |
| $6,000 under $8,000 | 1,153,419 | 2,025,705 | 202,571 | * 866 | * 298 | * 30 |
| $8,000 under $10,000 | 1,944,233 | 3,636,187 | 363,619 | * 1,925 | * 937 | * 94 |
| $10,000 under $12,000 | 2,445,717 | 7,236,113 | 723,611 | * 2,355 | * 1,725 | * 173 |
| $12,000 under $14,000 | 2,554,894 | 11,205,642 | 1,120,564 | 4,063 | 3,468 | 349 |
| $14,000 under $16,000 | 2,887,247 | 14,958,266 | 1,495,827 | * 2,564 | * 2,514 | * 252 |
| $16,000 under $18,000 | 3,020,719 | 17,689,478 | 1,768,948 | * 2,947 | * 2,126 | * 214 |
| $18,000 under $20,000 | 3,387,513 | 19,341,366 | 1,934,137 | * 2,538 | * 1,061 | * 107 |
| $20,000 under $25,000 | 8,709,674 | 56,123,440 | 5,612,344 | * 2,325 | * 1,428 | * 144 |
| $25,000 under $30,000 | 8,182,866 | 63,896,258 | 6,389,626 | * 2,982 | * 1,818 | * 184 |
| $30,000 under $40,000 | 13,646,327 | 126,953,412 | 12,695,341 | 6,945 | 4,872 | 489 |
| $40,000 under $50,000 | 10,454,320 | 112,209,998 | 11,221,000 | 10,294 | 6,375 | 641 |
| $50,000 under $75,000 | 18,602,026 | 226,336,105 | 22,633,611 | 28,978 | 21,319 | 2,138 |
| $75,000 under $100,000 | 11,037,241 | 149,144,766 | 14,914,477 | 21,959 | 16,231 | 1,625 |
| $100,000 under $200,000 | 11,955,091 | 167,018,658 | 16,701,866 | 40,841 | 30,510 | 3,053 |
| $200,000 under $500,000 | 3,048,380 | 42,724,743 | 4,272,474 | 25,869 | 24,194 | 2,421 |
| $500,000 under $1,000,000 | 564,629 | 7,915,923 | 791,592 | 8,293 | 9,033 | 904 |
| $1,000,000 under $1,500,000 | 141,612 | 1,977,465 | 197,747 | 2,567 | 3,063 | 306 |
| $1,500,000 under $2,000,000 | 59,371 | 825,167 | 82,517 | 1,141 | 1,243 | 124 |
| $2,000,000 under $5,000,000 | 90,548 | 1,248,284 | 124,828 | 1,834 | 2,088 | 209 |
| $5,000,000 under $10,000,000 | 22,144 | 306,459 | 30,646 | 472 | 588 | 59 |
| $10,000,000 or more | 13,559 | 186,439 | 18,644 | 378 | 451 | 45 |

Footnotes at end of table.

**Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—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 | | | | | |
|---|---|---|---|---|---|---|
| | 15 percent | | | 15 percent (capital gains and qualified dividends) | | |
| | Number of returns | Income taxed at rate | Tax generated at rate | Number of returns | Income taxed at rate | Tax generated at rate |
| | (14) | (15) | (16) | (17) | (18) | (19) |
| **Total** | **78,987,673** | **1,827,399,429** | **274,109,914** | **13,103,694** | **710,432,860** | **106,565,265** |
| Under $2,000 [1] | 0 | 0 | 0 | 0 | 0 | 0 |
| $2,000 under $4,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $4,000 under $6,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $6,000 under $8,000 | * 698 | * 1,253 | * 188 | 0 | 0 | 0 |
| $8,000 under $10,000 | * 7,635 | * 9,172 | * 1,376 | 0 | 0 | 0 |
| $10,000 under $12,000 | * 1,804 | * 2,110 | * 317 | 0 | 0 | 0 |
| $12,000 under $14,000 | 182,982 | 129,539 | 19,431 | 0 | 0 | 0 |
| $14,000 under $16,000 | 205,545 | 430,519 | 64,578 | 0 | 0 | 0 |
| $16,000 under $18,000 | 1,785,231 | 2,189,813 | 328,472 | 0 | 0 | 0 |
| $18,000 under $20,000 | 1,909,351 | 5,516,272 | 827,441 | 0 | 0 | 0 |
| $20,000 under $25,000 | 4,582,979 | 26,953,407 | 4,043,011 | 0 | 0 | 0 |
| $25,000 under $30,000 | 5,277,035 | 45,144,215 | 6,771,632 | 0 | 0 | 0 |
| $30,000 under $40,000 | 10,553,498 | 132,645,630 | 19,896,845 | 28,090 | 16,323 | 2,450 |
| $40,000 under $50,000 | 9,665,238 | 151,333,366 | 22,700,005 | 632,136 | 1,297,976 | 194,714 |
| $50,000 under $75,000 | 18,088,522 | 409,890,691 | 61,483,604 | 1,641,186 | 7,976,307 | 1,196,487 |
| $75,000 under $100,000 | 10,935,293 | 392,666,860 | 58,900,029 | 2,127,929 | 11,685,615 | 1,752,896 |
| $100,000 under $200,000 | 11,878,481 | 494,916,604 | 74,237,491 | 5,572,059 | 61,931,958 | 9,289,940 |
| $200,000 under $500,000 | 3,026,977 | 127,998,233 | 19,199,735 | 2,272,456 | 97,684,463 | 14,652,727 |
| $500,000 under $1,000,000 | 560,896 | 23,833,857 | 3,575,079 | 507,109 | 72,998,494 | 10,949,784 |
| $1,000,000 under $1,500,000 | 140,727 | 5,969,672 | 895,451 | 134,917 | 43,107,734 | 6,466,163 |
| $1,500,000 under $2,000,000 | 59,028 | 2,490,726 | 373,609 | 58,372 | 29,463,986 | 4,419,599 |
| $2,000,000 under $5,000,000 | 90,162 | 3,778,560 | 566,784 | 90,271 | 88,775,562 | 13,316,337 |
| $5,000,000 under $10,000,000 | 22,057 | 930,937 | 139,641 | 23,728 | 65,141,852 | 9,771,278 |
| $10,000,000 or more | 13,536 | 567,994 | 85,199 | 15,439 | 230,352,590 | 34,552,889 |

| Size of adjusted gross income | Tax generated at specified rate—continued | | | | | |
|---|---|---|---|---|---|---|
| | 25 percent | | | 25 percent (capital gains) | | |
| | 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) |
| **Total** | **29,370,033** | **785,142,547** | **196,285,637** | **855,216** | **15,384,573** | **3,846,240** |
| Under $2,000 [1] | 0 | 0 | 0 | 0 | 0 | 0 |
| $2,000 under $4,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $4,000 under $6,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $6,000 under $8,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $8,000 under $10,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $10,000 under $12,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $12,000 under $14,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $14,000 under $16,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $16,000 under $18,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $18,000 under $20,000 | * 48 | * 659 | * 165 | 0 | 0 | 0 |
| $20,000 under $25,000 | * 917 | * 9,929 | * 2,482 | 0 | 0 | 0 |
| $25,000 under $30,000 | 1,562 | 5,508 | 1,377 | 0 | 0 | 0 |
| $30,000 under $40,000 | 301,909 | 208,356 | 52,089 | * 1,007 | * 4 | * 1 |
| $40,000 under $50,000 | 3,147,302 | 14,689,828 | 3,672,457 | 11,120 | 1,200 | 301 |
| $50,000 under $75,000 | 5,808,570 | 84,896,035 | 21,224,009 | 51,452 | 64,096 | 16,028 |
| $75,000 under $100,000 | 5,502,205 | 89,749,848 | 22,437,462 | 80,700 | 152,427 | 38,114 |
| $100,000 under $200,000 | 10,854,279 | 377,411,401 | 94,352,850 | 329,317 | 1,335,992 | 334,034 |
| $200,000 under $500,000 | 2,897,382 | 167,985,415 | 41,996,354 | 230,971 | 3,153,101 | 788,304 |
| $500,000 under $1,000,000 | 540,275 | 31,721,514 | 7,930,379 | 79,651 | 2,318,597 | 579,659 |
| $1,000,000 under $1,500,000 | 136,452 | 7,986,168 | 1,996,542 | 24,505 | 1,158,486 | 289,625 |
| $1,500,000 under $2,000,000 | 57,006 | 3,345,482 | 836,371 | 12,261 | 732,376 | 183,096 |
| $2,000,000 under $5,000,000 | 87,543 | 5,104,543 | 1,276,136 | 22,094 | 2,160,495 | 540,127 |
| $5,000,000 under $10,000,000 | 21,432 | 1,259,055 | 314,764 | 7,005 | 1,340,285 | 335,072 |
| $10,000,000 or more | 13,151 | 768,807 | 192,202 | 5,133 | 2,967,515 | 741,879 |

Footnotes at end of table.

**Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—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 | | | 28 percent (capital gains) | | |
| | Number of returns | Income taxed at rate | Tax generated at rate | Number of returns | Income taxed at rate | Tax generated at rate |
| | (26) | (27) | (28) | (29) | (30) | (31) |
| **Total** | **6,626,142** | **270,372,582** | **75,704,323** | **97,447** | **2,339,269** | **654,998** |
| Under $2,000 [1] | 0 | 0 | 0 | 0 | 0 | 0 |
| $2,000 under $4,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $4,000 under $6,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $6,000 under $8,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $8,000 under $10,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $10,000 under $12,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $12,000 under $14,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $14,000 under $16,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $16,000 under $18,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $18,000 under $20,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $20,000 under $25,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $25,000 under $30,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $30,000 under $40,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $40,000 under $50,000 | * 48 | * 780 | * 218 | * 2,021 | * 47 | * 13 |
| $50,000 under $75,000 | 8,384 | 30,320 | 8,490 | * 7,265 | * 7,004 | * 1,961 |
| $75,000 under $100,000 | 436,127 | 2,682,927 | 751,220 | 9,313 | 7,333 | 2,054 |
| $100,000 under $200,000 | 2,689,377 | 62,572,623 | 17,520,334 | 44,273 | 127,974 | 35,833 |
| $200,000 under $500,000 | 2,671,122 | 151,986,274 | 42,556,157 | 20,580 | 200,734 | 56,206 |
| $500,000 under $1,000,000 | 515,690 | 33,361,697 | 9,341,275 | 7,079 | 201,432 | 56,401 |
| $1,000,000 under $1,500,000 | 130,574 | 8,432,599 | 2,361,128 | 2,525 | 146,624 | 41,055 |
| $1,500,000 under $2,000,000 | 55,261 | 3,581,570 | 1,002,840 | 1,112 | 55,610 | 15,571 |
| $2,000,000 under $5,000,000 | 85,414 | 5,510,506 | 1,542,942 | 2,033 | 546,318 | 152,969 |
| $5,000,000 under $10,000,000 | 21,124 | 1,371,091 | 383,905 | 705 | 354,114 | 99,152 |
| $10,000,000 or more | 13,022 | 842,196 | 235,815 | 541 | 692,078 | 193,782 |

| Size of adjusted gross income | Tax generated at specified rate—continued | | | | | |
|---|---|---|---|---|---|---|
| | 33 percent | | | 35 percent | | |
| | Number of returns | Income taxed at rate | Tax generated at rate | Number of returns | Income taxed at rate | Tax generated at rate |
| | (32) | (33) | (34) | (35) | (36) | (37) |
| **Total** | **2,589,923** | **237,462,316** | **78,362,564** | **1,002,051** | **622,722,005** | **217,952,702** |
| Under $2,000 [1] | 0 | 0 | 0 | 0 | 0 | 0 |
| $2,000 under $4,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $4,000 under $6,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $6,000 under $8,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $8,000 under $10,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $10,000 under $12,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $12,000 under $14,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $14,000 under $16,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $16,000 under $18,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $18,000 under $20,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $20,000 under $25,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $25,000 under $30,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $30,000 under $40,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $40,000 under $50,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| $50,000 under $75,000 | * 96 | * 1,457 | * 481 | 0 | 0 | 0 |
| $75,000 under $100,000 | 564 | 7,025 | 2,318 | 0 | 0 | 0 |
| $100,000 under $200,000 | 101,382 | 1,885,491 | 622,212 | 1,437 | 10,625 | 3,719 |
| $200,000 under $500,000 | 1,697,958 | 121,062,409 | 39,950,595 | 272,377 | 12,894,416 | 4,513,046 |
| $500,000 under $1,000,000 | 494,241 | 71,350,085 | 23,545,528 | 448,687 | 102,301,308 | 35,805,458 |
| $1,000,000 under $1,500,000 | 125,696 | 18,318,581 | 6,045,132 | 117,644 | 73,700,373 | 25,795,131 |
| $1,500,000 under $2,000,000 | 53,312 | 7,812,853 | 2,578,241 | 50,403 | 49,418,977 | 17,296,642 |
| $2,000,000 under $5,000,000 | 83,092 | 12,097,580 | 3,992,201 | 79,085 | 144,810,466 | 50,683,663 |
| $5,000,000 under $10,000,000 | 20,690 | 3,032,145 | 1,000,608 | 19,821 | 79,616,978 | 27,865,942 |
| $10,000,000 or more | 12,892 | 1,894,690 | 625,248 | 12,597 | 159,968,864 | 55,989,102 |

Footnotes at end of table.

## Table 2. Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income, Tax Year 2006—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 | | |
|---|---|---|---|
| | Form 8615 [3] | | |
| | Number of returns | Income taxed at rate | Tax generated at rate |
| | (38) | (39) | (40) |
| **Total** | **352,987** | **4,203,477** | **863,043** |
| Under $2,000 [1] | 31,466 | 5,285 | 832 |
| $2,000 under $4,000 | 118,109 | 139,928 | 24,059 |
| $4,000 under $6,000 | 54,996 | 161,414 | 25,463 |
| $6,000 under $8,000 | 31,964 | 135,053 | 25,264 |
| $8,000 under $10,000 | 24,547 | 163,725 | 26,404 |
| $10,000 under $12,000 | 12,409 | 102,259 | 16,219 |
| $12,000 under $14,000 | 15,954 | 159,975 | 29,507 |
| $14,000 under $16,000 | 11,522 | 144,121 | 21,977 |
| $16,000 under $18,000 | * 6,555 | * 97,919 | * 17,700 |
| $18,000 under $20,000 | * 1,972 | * 32,480 | * 5,005 |
| $20,000 under $25,000 | 9,577 | 169,372 | 36,064 |
| $25,000 under $30,000 | 7,543 | 193,781 | 42,016 |
| $30,000 under $40,000 | 8,489 | 270,778 | 63,051 |
| $40,000 under $50,000 | * 4,179 | * 182,307 | * 40,101 |
| $50,000 under $75,000 | * 3,430 | * 199,343 | * 35,804 |
| $75,000 under $100,000 | * 5,873 | * 450,079 | * 101,647 |
| $100,000 under $200,000 | * 2,862 | * 378,560 | * 68,498 |
| $200,000 under $500,000 | * 761 | * 253,296 | * 66,718 |
| $500,000 under $1,000,000 | * 521 | * 336,665 | * 70,445 |
| $1,000,000 under $1,500,000 | * 122 | * 151,539 | * 37,882 |
| $1,500,000 under $2,000,000 | * 33 | * 53,842 | * 13,939 |
| $2,000,000 under $5,000,000 | 83 | 271,098 | 63,604 |
| $5,000,000 under $10,000,000 | ** 20 | ** 150,658 | ** 30,844 |
| $10,000,000 or more | ** | ** | ** |

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

** Data combined to prevent disclosure of specific taxpayer information.

[1] Includes returns with adjusted gross deficit.

[2] Form 8814 was filed for a dependent child under age 18 for whom the parents made the election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between $850 and $8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of $1,700. The returns in this rate classification are not distributed by tax rate.

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

## Table 3. Returns with Modified Taxable Income: Taxable Income and Tax, Classified by Tax Rate and by Filing Status, Tax Year 2006

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

| Tax rate class | 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 |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **All tax rates** | **106,658,774** | **5,580,354,544** | **1,061,277,890** | **45,391,852** | **3,849,427,406** | **758,084,535** | **2,174,867** | **117,178,658** |
| 5 percent | 12,761,691 | 71,118,752 | 3,555,938 | 7,105,969 | 47,201,096 | 2,360,055 | 129,275 | 705,381 |
| 10 percent | 105,189,855 | 1,033,637,088 | 103,363,709 | 44,930,813 | 622,134,651 | 62,213,465 | 2,157,296 | 15,168,422 |
| 10 percent (Form 8814) [1] | 175,397 | 139,646 | 13,993 | 146,302 | 123,309 | 12,352 | 147 | 127 |
| 15 percent | 78,987,673 | 1,827,399,429 | 274,109,914 | 37,501,697 | 1,210,659,130 | 181,598,870 | 1,841,905 | 28,869,004 |
| 15 percent (capital gains) [2] | 13,103,694 | 710,432,860 | 106,564,929 | 8,466,662 | 532,085,641 | 79,812,846 | 195,768 | 25,535,216 |
| 25 percent | 29,370,033 | 785,142,547 | 196,285,637 | 15,531,094 | 522,206,066 | 130,551,517 | 721,910 | 11,912,753 |
| 25 percent (capital gains) | 855,216 | 15,384,573 | 3,846,143 | 576,487 | 11,738,561 | 2,934,640 | 16,552 | 525,433 |
| 28 percent | 6,626,142 | 270,372,582 | 75,704,323 | 4,409,201 | 193,771,718 | 54,256,081 | 185,834 | 3,738,943 |
| 28 percent (capital gains) | 97,447 | 2,339,269 | 654,995 | 67,238 | 1,633,442 | 457,364 | 1,136 | 148,195 |
| 33 percent | 2,589,923 | 237,462,316 | 78,362,564 | 2,072,964 | 193,424,034 | 63,829,931 | 80,846 | 3,581,338 |
| 35 percent | 1,002,051 | 622,722,005 | 217,952,702 | 845,900 | 514,449,757 | 180,057,415 | 31,179 | 26,993,847 |
| Form 8615 [3] | 352,987 | 4,203,477 | 863,043 | 0 | 0 | 0 | 0 | 0 |

| Tax rate class | Returns of married persons filing separately—continued | Returns of heads of households | | | Returns of single persons | | |
|---|---|---|---|---|---|---|---|
| | 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 |
| | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
| **All tax rates** | **24,540,390** | **13,526,875** | **301,094,986** | **46,806,046** | **45,565,179** | **1,312,653,493** | **231,846,919** |
| 5 percent | 35,269 | 496,751 | 2,216,652 | 110,833 | 5,029,697 | 20,995,622 | 1,049,781 |
| 10 percent | 1,516,842 | 13,478,568 | 112,701,455 | 11,270,145 | 44,623,178 | 283,632,560 | 28,363,256 |
| 10 percent (Form 8814) [1] | 13 | 24,325 | 13,527 | 1,358 | 4,624 | 2,683 | 271 |
| 15 percent | 4,330,351 | 7,697,144 | 114,360,061 | 17,154,009 | 31,946,927 | 473,511,234 | 71,026,685 |
| 15 percent (capital gains) [2] | 3,830,282 | 359,663 | 15,441,129 | 2,316,169 | 4,081,600 | 137,370,874 | 20,605,631 |
| 25 percent | 2,978,188 | 1,489,080 | 31,979,513 | 7,994,878 | 11,627,948 | 219,044,214 | 54,761,054 |
| 25 percent (capital gains) | 131,358 | 20,151 | 393,496 | 98,374 | 242,026 | 2,727,084 | 681,771 |
| 28 percent | 1,046,904 | 145,909 | 5,943,713 | 1,664,240 | 1,885,198 | 66,918,208 | 18,737,098 |
| 28 percent (capital gains) | 41,495 | 3,146 | 33,349 | 9,338 | 25,927 | 524,284 | 146,799 |
| 33 percent | 1,181,842 | 58,855 | 5,876,505 | 1,939,247 | 377,259 | 34,580,440 | 11,411,545 |
| 35 percent | 9,447,846 | 21,595 | 12,135,587 | 4,247,455 | 103,377 | 69,142,814 | 24,199,985 |
| Form 8615 [3] | 0 | 0 | 0 | 0 | 352,987 | 4,203,477 | 863,043 |

[1] Form 8814 was filed for a dependent child under age 18 for whom the parents made an election to report the child's investment income (if it was from interest, dividends, or capital gains totaling between $850 and $8,500) on the parents' income tax return. This rate classification is comprised of those returns with a tax liability only from the dependent's income.

[2] The 15 percent capital gains rate also includes qualified dividends.

[3] Form 8615 was filed for a child under age 18 to report the child's investment income in excess of $1,700. The returns in this rate classification are not distributed by tax rate.

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

## Table 4. Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2005 and 2006

[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 2005 | | | | Tax Year 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | Income tax before credits (regular tax computation) [1] | | Tax generated | Difference due to special tax computation [2] | Income tax before credits (regular tax computation) [1] | | Tax generated | Difference due to special tax computation [2] |
| | Number of returns | Amount | Amount | | Number of returns | Amount | Amount | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **Returns with regular tax computation only** | | | | | | | | |
| **Total** | **81,028,120** | **396,300,504** | **396,026,640** | **0** | **82,283,552** | **419,758,698** | **419,499,609** | **0** |
| Under $5,000 [3] | 284,018 | 21,359 | 21,359 | 0 | 288,786 | 19,731 | 19,731 | 0 |
| $5,000 under $10,000 | 3,850,619 | 624,301 | 624,301 | 0 | 3,482,283 | 558,817 | 558,816 | 0 |
| $10,000 under $15,000 | 6,039,149 | 2,528,026 | 2,528,026 | 0 | 5,964,638 | 2,453,627 | 2,453,565 | 0 |
| $15,000 under $20,000 | 7,579,909 | 5,599,169 | 5,599,135 | 0 | 7,279,957 | 5,347,153 | 5,346,923 | 0 |
| $20,000 under $25,000 | 7,938,918 | 9,086,914 | 9,085,825 | 0 | 8,003,582 | 8,971,731 | 8,971,513 | 0 |
| $25,000 under $30,000 | 7,454,831 | 12,367,596 | 12,367,382 | 0 | 7,395,670 | 12,092,082 | 12,090,886 | 0 |
| $30,000 under $40,000 | 11,841,642 | 29,119,400 | 29,117,809 | 0 | 12,107,304 | 29,382,767 | 29,380,711 | 0 |
| $40,000 under $50,000 | 8,663,652 | 32,148,799 | 32,144,409 | 0 | 8,717,227 | 31,871,571 | 31,870,452 | 0 |
| $50,000 under $75,000 | 14,015,996 | 81,055,445 | 81,044,529 | 0 | 14,338,006 | 82,057,678 | 82,049,505 | 0 |
| $75,000 under $100,000 | 7,076,366 | 64,200,816 | 64,182,788 | 0 | 7,549,229 | 67,565,889 | 67,547,352 | 0 |
| $100,000 under $200,000 | 5,506,370 | 94,578,674 | 94,511,559 | 0 | 6,240,777 | 105,211,314 | 105,171,199 | 0 |
| $200,000 under $500,000 | 687,214 | 38,339,802 | 38,285,795 | 0 | 815,335 | 43,592,552 | 43,530,488 | 0 |
| $500,000 under $1,000,000 | 67,230 | 11,811,280 | 11,771,546 | 0 | 74,251 | 12,911,894 | 12,866,394 | 0 |
| $1,000,000 under $1,500,000 | 11,573 | 4,064,837 | 4,046,290 | 0 | 13,332 | 4,589,295 | 4,578,779 | 0 |
| $1,500,000 under $2,000,000 | 4,316 | 2,242,679 | 2,227,404 | 0 | 4,736 | 2,409,127 | 2,396,978 | 0 |
| $2,000,000 under $5,000,000 | 5,090 | 4,441,339 | 4,418,794 | 0 | 7,115 | 6,531,176 | 6,501,066 | 0 |
| $5,000,000 under $10,000,000 | 879 | 1,833,448 | 1,822,538 | 0 | 967 | 1,998,088 | 1,978,024 | 0 |
| $10,000,000 or more | 347 | 2,236,622 | 2,227,150 | 0 | 356 | 2,194,206 | 2,187,226 | 0 |
| **Returns with Form 8615 tax computation** | | | | | | | | |
| **Total** | **141,612** | **443,840** | **419,425** | **-24,414** | **352,987** | **902,985** | **885,659** | **-17,326** |
| Under $5,000 [3] | 75,994 | 14,233 | 18,545 | 4,312 | 181,301 | 39,027 | 47,623 | 8,596 |
| $5,000 under $10,000 | 30,456 | 18,043 | 29,306 | 11,263 | 79,780 | 46,170 | 69,668 | 23,498 |
| $10,000 under $15,000 | 13,373 | 15,450 | 18,249 | 2,798 | 33,649 | 43,483 | 58,843 | 15,360 |
| $15,000 under $20,000 | * 4,553 | * 8,614 | * 14,033 | * 5,419 | 14,763 | 27,655 | 35,832 | 8,177 |
| $20,000 under $25,000 | * 3,213 | * 8,887 | * 14,336 | * 5,449 | 9,577 | 24,562 | 37,631 | 13,069 |
| $25,000 under $30,000 | * 3,240 | * 11,754 | * 18,576 | * 6,821 | 7,543 | 26,983 | 42,337 | 15,354 |
| $30,000 under $40,000 | * 2,549 | * 12,425 | * 17,239 | * 4,814 | 8,489 | 40,875 | 63,337 | 22,462 |
| $40,000 under $50,000 | * 1,872 | * 10,764 | * 14,354 | * 3,590 | * 4,179 | * 31,903 | * 40,304 | * 8,401 |
| $50,000 under $75,000 | * 2,528 | * 29,939 | * 27,754 | * -2,185 | * 3,430 | * 38,356 | * 35,872 | * -2,484 |
| $75,000 under $100,000 | * 624 | * 9,548 | * 13,259 | * 3,710 | * 5,873 | * 96,782 | * 102,207 | * 5,426 |
| $100,000 under $200,000 | * 1,549 | * 44,966 | * 33,637 | * -11,329 | * 2,862 | * 91,601 | * 68,564 | * -23,038 |
| $200,000 under $500,000 | 1,228 | 96,553 | 75,326 | -21,227 | * 761 | * 73,915 | * 66,722 | * -7,193 |
| $500,000 under $1,000,000 | * 305 | * 62,680 | * 54,636 | * -8,044 | * 521 | * 107,362 | * 70,447 | * -36,915 |
| $1,000,000 under $1,500,000 | * 82 | * 33,970 | * 28,066 | * -5,904 | * 122 | * 50,575 | * 37,882 | * -12,693 |
| $1,500,000 under $2,000,000 | * 16 | * 7,785 | * 3,477 | * -4,307 | * 33 | * 18,179 | * 13,939 | * -4,240 |
| $2,000,000 under $5,000,000 | * 19 | * 21,829 | * 17,161 | * -4,667 | 83 | 93,232 | 63,606 | -29,625 |
| $5,000,000 under $10,000,000 | * 8 | * 18,603 | * 9,525 | * -9,078 | ** 20 | ** 52,324 | ** 30,844 | ** -21,480 |
| $10,000,000 or more | * 3 | * 17,795 | * 11,946 | * -5,850 | ** | ** | ** | ** |

Footnotes at end of table.

## Table 4. Returns with Modified Taxable Income: Tax Classified by Type of Tax Computation and by Size of Adjusted Gross Income, Tax Years 2005 and 2006—Continued

[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 2005 | | | | Tax Year 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | Income tax before credits (regular tax computation) [1] | | Tax generated | Difference due to special tax computation [2] | Income tax before credits (regular tax computation) [1] | | Tax generated | Difference due to special tax computation [2] |
| | Number of returns | Amount | Amount | | Number of returns | Amount | Amount | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **Returns with Schedule D and qualified dividends tax computation** | | | | | | | | |
| **Total** | **21,677,179** | **648,370,905** | **556,720,072** | **-91,650,833** | **22,454,716** | **718,631,459** | **611,385,367** | **-107,246,092** |
| Under $5,000 [3] | 138,271 | 19,243 | 14,837 | -4,407 | 111,011 | 15,628 | 11,468 | -4,160 |
| $5,000 under $10,000 | 289,597 | 82,031 | 65,888 | -16,143 | 242,149 | 68,368 | 54,123 | -14,245 |
| $10,000 under $15,000 | 514,733 | 222,687 | 189,952 | -32,735 | 452,701 | 197,873 | 168,989 | -28,883 |
| $15,000 under $20,000 | 612,188 | 477,144 | 418,206 | -58,938 | 545,920 | 442,355 | 378,009 | -64,346 |
| $20,000 under $25,000 | 738,478 | 848,330 | 755,385 | -92,945 | 691,658 | 818,782 | 725,292 | -93,490 |
| $25,000 under $30,000 | 786,326 | 1,330,149 | 1,181,694 | -148,455 | 774,299 | 1,309,110 | 1,150,340 | -158,770 |
| $30,000 under $40,000 | 1,627,410 | 3,992,041 | 3,656,318 | -335,723 | 1,519,769 | 3,779,834 | 3,418,595 | -361,238 |
| $40,000 under $50,000 | 1,745,402 | 6,727,356 | 6,217,918 | -509,438 | 1,723,174 | 6,623,279 | 6,077,079 | -546,200 |
| $50,000 under $75,000 | 4,126,681 | 26,026,832 | 24,312,251 | -1,714,581 | 4,242,132 | 26,806,712 | 24,869,995 | -1,936,716 |
| $75,000 under $100,000 | 3,280,362 | 32,201,106 | 30,273,964 | -1,927,143 | 3,468,933 | 33,797,175 | 31,508,122 | -2,289,054 |
| $100,000 under $200,000 | 5,148,904 | 103,374,429 | 96,938,906 | -6,435,523 | 5,687,194 | 114,413,162 | 107,019,167 | -7,393,996 |
| $200,000 under $500,000 | 1,976,715 | 125,508,287 | 112,396,952 | -13,111,335 | 2,213,703 | 135,163,659 | 121,345,632 | -13,818,027 |
| $500,000 under $1,000,000 | 433,693 | 81,225,172 | 70,387,989 | -10,837,183 | 484,755 | 88,966,725 | 76,975,222 | -11,991,503 |
| $1,000,000 under $1,500,000 | 108,253 | 38,821,657 | 33,221,144 | -5,600,513 | 126,768 | 44,892,947 | 37,817,421 | -7,075,526 |
| $1,500,000 under $2,000,000 | 48,490 | 25,438,981 | 21,234,478 | -4,204,503 | 54,002 | 27,989,726 | 23,213,317 | -4,776,409 |
| $2,000,000 under $5,000,000 | 72,054 | 67,247,286 | 54,962,574 | -12,284,712 | 82,486 | 76,242,725 | 62,056,547 | -14,186,177 |
| $5,000,000 under $10,000,000 | 18,189 | 39,775,810 | 31,286,880 | -8,488,930 | 20,987 | 45,474,554 | 35,326,266 | -10,148,288 |
| $10,000,000 or more | 11,433 | 95,052,365 | 69,204,737 | -25,847,628 | 13,076 | 111,628,845 | 79,269,782 | -32,359,064 |

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

** Data combined to prevent disclosure of certain taxpayer information.

[1] Includes special taxes (tax on lump sum distributions from Form 4972 and tax on election to report child's interest and dividends, Form 8814) not included in tax generated.

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

[3] Includes returns with adjusted gross deficit.

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

**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 1986-2006**

[All figures are estimates based on samples]

| Item, tax year | Total | Descending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Top 1 percent | Top 5 percent | Top 10 percent | Top 25 percent | Top 50 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns [1]:** | | | | | | |
| 1986 | 102,087,623 | 1,020,876 | 5,104,381 | 10,208,762 | 25,521,906 | 51,043,811 |
| 1987 | 106,154,761 | 1,061,548 | 5,307,738 | 10,615,476 | 26,538,690 | 53,077,380 |
| 1988 | 108,872,859 | 1,088,729 | 5,443,643 | 10,887,286 | 27,218,214 | 54,436,429 |
| 1989 | 111,312,721 | 1,113,127 | 5,565,636 | 11,131,272 | 27,828,181 | 55,656,361 |
| 1990 | 112,812,262 | 1,128,123 | 5,640,613 | 11,281,226 | 28,203,066 | 56,406,132 |
| 1991 | 113,804,104 | 1,138,041 | 5,690,205 | 11,380,410 | 28,451,026 | 56,902,052 |
| 1992 | 112,652,759 | 1,126,528 | 5,632,638 | 11,265,276 | 28,163,190 | 56,326,380 |
| 1993 | 113,681,387 | 1,136,814 | 5,684,069 | 11,368,139 | 28,420,347 | 56,840,694 |
| 1994 | 114,989,920 | 1,149,899 | 5,749,496 | 11,498,992 | 28,747,480 | 57,494,960 |
| 1995 | 117,274,186 | 1,172,742 | 5,863,709 | 11,727,419 | 29,318,546 | 58,637,093 |
| 1996 | 119,441,767 | 1,194,418 | 5,972,088 | 11,944,177 | 29,860,442 | 59,720,884 |
| 1997 | 121,503,284 | 1,215,033 | 6,075,164 | 12,150,328 | 30,375,821 | 60,751,642 |
| 1998 | 123,775,831 | 1,237,758 | 6,188,792 | 12,377,583 | 30,943,958 | 61,887,915 |
| 1999 | 126,008,974 | 1,260,090 | 6,300,449 | 12,600,897 | 31,502,244 | 63,004,487 |
| 2000 | 128,227,143 | 1,282,271 | 6,411,357 | 12,822,714 | 32,056,786 | 64,113,572 |
| 2001 | 128,817,051 | 1,288,171 | 6,440,853 | 12,881,705 | 32,204,263 | 64,408,526 |
| 2002 | 128,323,986 | 1,283,240 | 6,416,199 | 12,832,399 | 32,080,997 | 64,161,993 |
| 2003 | 128,609,786 | 1,286,098 | 6,430,489 | 12,860,979 | 32,152,447 | 64,304,893 |
| 2004 | 130,371,156 | 1,303,712 | 6,518,558 | 13,037,116 | 32,592,789 | 65,185,578 |
| 2005 | 132,611,637 | 1,326,116 | 6,630,582 | 13,261,164 | 33,152,909 | 66,305,819 |
| 2006 | 135,719,160 | 1,357,192 | 6,785,958 | 13,571,916 | 33,929,790 | 67,859,580 |
| **Adjusted gross income floor on percentiles (current dollars):** | | | | | | |
| 1986 | N/A | 118,818 | 62,377 | 48,656 | 32,242 | 17,302 |
| 1987 | N/A | 139,289 | 68,414 | 52,921 | 33,983 | 17,768 |
| 1988 | N/A | 157,136 | 72,735 | 55,437 | 35,398 | 18,367 |
| 1989 | N/A | 163,869 | 76,933 | 58,263 | 36,839 | 18,993 |
| 1990 | N/A | 167,421 | 79,064 | 60,287 | 38,080 | 19,767 |
| 1991 | N/A | 170,139 | 81,720 | 61,944 | 38,929 | 20,097 |
| 1992 | N/A | 181,904 | 85,103 | 64,457 | 40,378 | 20,803 |
| 1993 | N/A | 185,715 | 87,386 | 66,077 | 41,210 | 21,179 |
| 1994 | N/A | 195,726 | 91,226 | 68,753 | 42,742 | 21,802 |
| 1995 | N/A | 209,406 | 96,221 | 72,094 | 44,207 | 22,344 |
| 1996 | N/A | 227,546 | 101,141 | 74,986 | 45,757 | 23,174 |
| 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 |
| 1999 | N/A | 293,415 | 120,846 | 87,682 | 52,965 | 26,415 |
| 2000 | N/A | 313,469 | 128,336 | 92,144 | 55,225 | 27,682 |
| 2001 | N/A | 292,913 | 127,904 | 92,754 | 56,085 | 28,528 |
| 2002 | N/A | 285,424 | 126,525 | 92,663 | 56,401 | 28,654 |
| 2003 | N/A | 295,495 | 130,080 | 94,891 | 57,343 | 29,019 |
| 2004 | N/A | 328,049 | 137,056 | 99,112 | 60,041 | 30,122 |
| 2005 | N/A | 364,657 | 145,283 | 103,912 | 62,068 | 30,881 |
| 2006 | N/A | 388,806 | 153,542 | 108,904 | 64,702 | 31,987 |

Footnotes at end of table.

**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 1986-2006—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) |
| **Adjusted gross income floor on percentiles (constant dollars) [2]:** | | | | | | |
| 1986 | N/A | 108,411 | 56,913 | 44,394 | 29,418 | 15,786 |
| 1987 | N/A | 122,614 | 60,224 | 46,585 | 29,915 | 15,641 |
| 1988 | N/A | 132,828 | 61,484 | 46,861 | 29,922 | 15,526 |
| 1989 | N/A | 132,152 | 62,043 | 46,986 | 29,709 | 15,317 |
| 1990 | N/A | 128,096 | 60,493 | 46,126 | 29,135 | 15,124 |
| 1991 | N/A | 124,919 | 60,000 | 45,480 | 28,582 | 14,756 |
| 1992 | N/A | 129,654 | 60,658 | 45,942 | 28,780 | 14,828 |
| 1993 | N/A | 128,522 | 60,475 | 45,728 | 28,519 | 14,657 |
| 1994 | N/A | 132,069 | 61,556 | 46,392 | 28,841 | 14,711 |
| 1995 | N/A | 137,406 | 63,137 | 47,306 | 29,007 | 14,661 |
| 1996 | N/A | 145,026 | 64,462 | 47,792 | 29,163 | 14,769 |
| 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 |
| 1999 | N/A | 176,119 | 72,537 | 52,630 | 31,792 | 15,855 |
| 2000 | N/A | 182,038 | 74,527 | 53,510 | 32,070 | 16,075 |
| 2001 | N/A | 165,394 | 72,221 | 52,374 | 31,669 | 16,108 |
| 2002 | N/A | 158,657 | 70,331 | 51,508 | 31,351 | 15,928 |
| 2003 | N/A | 160,595 | 70,696 | 51,571 | 31,165 | 15,771 |
| 2004 | N/A | 173,663 | 72,555 | 52,468 | 31,785 | 15,946 |
| 2005 | N/A | 186,716 | 74,390 | 53,206 | 31,781 | 15,812 |
| 2006 | N/A | 192,860 | 76,162 | 54,020 | 32,094 | 15,867 |
| **Adjusted gross income (millions of current dollars):** | | | | | | |
| 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 | 5,023,457 | 872,826 | 1,597,107 | 2,151,401 | 3,267,600 | 4,327,992 |
| 1998 | 5,469,211 | 1,010,245 | 1,796,647 | 2,393,716 | 3,589,600 | 4,721,430 |
| 1999 | 5,909,329 | 1,152,820 | 2,011,763 | 2,652,835 | 3,927,308 | 5,126,164 |
| 2000 | 6,423,977 | 1,336,773 | 2,267,403 | 2,955,386 | 4,313,786 | 5,589,755 |
| 2001 | 6,241,036 | 1,094,296 | 1,996,492 | 2,690,589 | 4,071,034 | 5,379,286 |
| 2002 | 6,113,778 | 985,781 | 1,867,787 | 2,553,475 | 3,935,504 | 5,244,029 |
| 2003 | 6,287,586 | 1,054,567 | 1,960,676 | 2,663,470 | 4,078,227 | 5,407,851 |
| 2004 | 6,875,123 | 1,306,417 | 2,299,595 | 3,049,275 | 4,546,401 | 5,952,781 |
| 2005 | 7,507,958 | 1,591,711 | 2,683,934 | 3,487,010 | 5,069,455 | 6,544,824 |
| 2006 | 8,122,040 | 1,791,886 | 2,977,714 | 3,843,144 | 5,535,830 | 7,105,599 |

Footnotes at end of table.

**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 1986-2006—Continued**

[All figures are estimates based on samples]

| Item, tax year | Total | Descending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Top 1 percent | Top 5 percent | Top 10 percent | Top 25 percent | Top 50 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Total income tax (millions of current dollars) [3]:** | | | | | | |
| 1986 | 366,979 | 94,491 | 156,240 | 200,703 | 278,976 | 343,289 |
| 1987 | 369,046 | 91,559 | 159,642 | 205,230 | 283,857 | 346,655 |
| 1988 | 412,761 | 113,841 | 188,303 | 236,411 | 321,297 | 389,145 |
| 1989 | 432,838 | 109,259 | 190,188 | 241,458 | 334,258 | 407,599 |
| 1990 | 447,061 | 112,338 | 195,088 | 247,514 | 344,340 | 421,075 |
| 1991 | 448,349 | 111,267 | 194,480 | 250,282 | 346,511 | 423,759 |
| 1992 | 476,163 | 131,156 | 218,479 | 276,213 | 373,700 | 452,070 |
| 1993 | 502,720 | 145,836 | 238,083 | 297,808 | 398,516 | 478,563 |
| 1994 | 534,754 | 154,337 | 254,106 | 317,902 | 425,402 | 509,256 |
| 1995 | 588,331 | 178,035 | 287,741 | 357,402 | 472,808 | 561,225 |
| 1996 | 658,124 | 212,626 | 335,433 | 411,404 | 535,164 | 629,684 |
| 1997 | 727,303 | 241,239 | 377,241 | 459,639 | 594,007 | 696,161 |
| 1998 | 788,452 | 274,009 | 424,506 | 512,836 | 651,964 | 755,240 |
| 1999 | 877,292 | 317,419 | 486,464 | 583,002 | 732,890 | 842,168 |
| 2000 | 980,521 | 366,929 | 553,670 | 660,150 | 823,706 | 942,179 |
| 2001 | 887,882 | 300,898 | 472,823 | 576,163 | 736,053 | 852,642 |
| 2002 | 796,862 | 268,608 | 428,680 | 523,812 | 668,558 | 768,963 |
| 2003 | 747,939 | 256,340 | 406,597 | 492,452 | 627,380 | 722,027 |
| 2004 | 831,890 | 306,902 | 475,224 | 567,273 | 705,915 | 804,471 |
| 2005 | 934,703 | 368,132 | 557,759 | 657,085 | 803,772 | 906,028 |
| 2006 | 1,023,739 | 408,369 | 615,680 | 724,740 | 883,153 | 993,176 |
| **Average tax rate (percentage) [4]:** | | | | | | |
| 1986 | 14.54 | 33.13 | 25.68 | 22.64 | 18.72 | 16.32 |
| 1987 | 13.12 | 26.41 | 22.10 | 19.77 | 16.61 | 14.60 |
| 1988 | 13.21 | 24.04 | 21.14 | 19.18 | 16.47 | 14.64 |
| 1989 | 13.12 | 23.34 | 20.71 | 18.77 | 16.27 | 14.53 |
| 1990 | 12.95 | 23.25 | 20.46 | 18.50 | 16.06 | 14.36 |
| 1991 | 12.75 | 24.37 | 20.62 | 18.63 | 15.93 | 14.20 |
| 1992 | 12.94 | 25.05 | 21.19 | 19.13 | 16.25 | 14.44 |
| 1993 | 13.32 | 28.01 | 22.71 | 20.20 | 16.90 | 14.90 |
| 1994 | 13.50 | 28.23 | 23.04 | 20.48 | 17.15 | 15.11 |
| 1995 | 13.86 | 28.73 | 23.53 | 20.97 | 17.58 | 15.47 |
| 1996 | 14.34 | 28.87 | 24.07 | 21.55 | 18.12 | 15.96 |
| 1997 | 14.48 | 27.64 | 23.62 | 21.36 | 18.18 | 16.09 |
| 1998 | 14.42 | 27.12 | 23.63 | 21.42 | 18.16 | 16.00 |
| 1999 | 14.85 | 27.53 | 24.18 | 21.98 | 18.66 | 16.43 |
| 2000 | 15.26 | 27.45 | 24.42 | 22.34 | 19.09 | 16.86 |
| 2001 | 14.23 | 27.50 | 23.68 | 21.41 | 18.08 | 15.85 |
| 2002 | 13.03 | 27.25 | 22.95 | 20.51 | 16.99 | 14.66 |
| 2003 | 11.90 | 24.31 | 20.74 | 18.49 | 15.38 | 13.35 |
| 2004 | 12.10 | 23.49 | 20.67 | 18.60 | 15.53 | 13.51 |
| 2005 | 12.45 | 23.13 | 20.78 | 18.84 | 15.86 | 13.84 |
| 2006 | 12.60 | 22.79 | 20.68 | 18.86 | 15.95 | 13.98 |

Footnotes at end of table.

**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 1986-2006—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) |
| **Adjusted gross income share (percentage):** | | | | | | |
| 1986 | 100.00 | 11.30 | 24.11 | 35.12 | 59.04 | 83.34 |
| 1987 | 100.00 | 12.32 | 25.67 | 36.90 | 60.75 | 84.37 |
| 1988 | 100.00 | 15.16 | 28.51 | 39.45 | 62.44 | 85.07 |
| 1989 | 100.00 | 14.19 | 27.84 | 39.00 | 62.28 | 85.04 |
| 1990 | 100.00 | 14.00 | 27.62 | 38.77 | 62.13 | 84.97 |
| 1991 | 100.00 | 12.99 | 26.83 | 38.20 | 61.85 | 84.87 |
| 1992 | 100.00 | 14.23 | 28.01 | 39.23 | 62.47 | 85.08 |
| 1993 | 100.00 | 13.79 | 27.76 | 39.05 | 62.45 | 85.08 |
| 1994 | 100.00 | 13.80 | 27.85 | 39.19 | 62.64 | 85.11 |
| 1995 | 100.00 | 14.60 | 28.81 | 40.16 | 63.37 | 85.46 |
| 1996 | 100.00 | 16.04 | 30.36 | 41.59 | 64.32 | 85.92 |
| 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 |
| 1999 | 100.00 | 19.51 | 34.04 | 44.89 | 66.46 | 86.75 |
| 2000 | 100.00 | 20.81 | 35.30 | 46.01 | 67.15 | 87.01 |
| 2001 | 100.00 | 17.53 | 31.99 | 43.11 | 65.23 | 86.19 |
| 2002 | 100.00 | 16.12 | 30.55 | 41.77 | 64.37 | 85.77 |
| 2003 | 100.00 | 16.77 | 31.18 | 42.36 | 64.86 | 86.01 |
| 2004 | 100.00 | 19.00 | 33.45 | 44.35 | 66.13 | 86.58 |
| 2005 | 100.00 | 21.20 | 35.75 | 46.44 | 67.52 | 87.17 |
| 2006 | 100.00 | 22.06 | 36.66 | 47.32 | 68.16 | 87.49 |
| **Total income tax share (percentage):** | | | | | | |
| 1986 | 100.00 | 25.75 | 42.57 | 54.69 | 76.02 | 93.54 |
| 1987 | 100.00 | 24.81 | 43.26 | 55.61 | 76.92 | 93.93 |
| 1988 | 100.00 | 27.58 | 45.62 | 57.28 | 77.84 | 94.28 |
| 1989 | 100.00 | 25.24 | 43.94 | 55.78 | 77.22 | 94.17 |
| 1990 | 100.00 | 25.13 | 43.64 | 55.36 | 77.02 | 94.19 |
| 1991 | 100.00 | 24.82 | 43.38 | 55.82 | 77.29 | 94.52 |
| 1992 | 100.00 | 27.54 | 45.88 | 58.01 | 78.48 | 94.94 |
| 1993 | 100.00 | 29.01 | 47.36 | 59.24 | 79.27 | 95.19 |
| 1994 | 100.00 | 28.86 | 47.52 | 59.45 | 79.55 | 95.23 |
| 1995 | 100.00 | 30.26 | 48.91 | 60.75 | 80.36 | 95.39 |
| 1996 | 100.00 | 32.31 | 50.97 | 62.51 | 81.32 | 95.68 |
| 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 |
| 1999 | 100.00 | 36.18 | 55.45 | 66.45 | 83.54 | 96.00 |
| 2000 | 100.00 | 37.42 | 56.47 | 67.33 | 84.01 | 96.09 |
| 2001 | 100.00 | 33.89 | 53.25 | 64.89 | 82.90 | 96.03 |
| 2002 | 100.00 | 33.71 | 53.80 | 65.73 | 83.90 | 96.50 |
| 2003 | 100.00 | 34.27 | 54.36 | 65.84 | 83.88 | 96.54 |
| 2004 | 100.00 | 36.89 | 57.13 | 68.19 | 84.86 | 96.70 |
| 2005 | 100.00 | 39.38 | 59.67 | 70.30 | 85.99 | 96.93 |
| 2006 | 100.00 | 39.89 | 60.14 | 70.79 | 86.27 | 97.01 |

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 5. By excluding deficit returns, lternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] For Table 5, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[3] Total income tax is income tax after credits (includes alternative minimum tax) reported on returns that showed a positive amount for adjusted gross income. Therefore, total income tax excludes alternative minimum tax, Form 8814 tax (tax on a child's interest or dividends), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

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

**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 1986-2006**

[All figures are estimates based on samples]

| Item, tax year | Total | Ascending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Bottom 50 percent | Bottom 75 percent | Bottom 90 percent | Bottom 95 percent | Bottom 99 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns [1]:** | | | | | | |
| 1986 | 102,087,623 | 51,043,811 | 76,565,717 | 91,878,861 | 96,983,242 | 101,066,747 |
| 1987 | 106,154,761 | 53,077,380 | 79,616,071 | 95,539,285 | 100,847,023 | 105,093,213 |
| 1988 | 108,872,858 | 54,436,429 | 81,654,643 | 97,985,572 | 103,429,215 | 107,784,129 |
| 1989 | 111,312,721 | 55,656,361 | 83,484,542 | 100,181,451 | 105,747,087 | 110,199,596 |
| 1990 | 112,812,262 | 56,406,132 | 84,609,198 | 101,531,038 | 107,171,651 | 111,684,141 |
| 1991 | 113,804,104 | 56,902,052 | 85,353,078 | 102,423,694 | 108,113,899 | 112,666,063 |
| 1992 | 112,652,759 | 56,326,380 | 84,489,560 | 101,387,483 | 107,020,121 | 111,526,231 |
| 1993 | 113,681,387 | 56,840,693 | 85,261,040 | 102,313,248 | 107,997,318 | 112,544,573 |
| 1994 | 114,989,920 | 57,494,960 | 86,242,440 | 103,490,928 | 109,240,424 | 113,840,021 |
| 1995 | 117,274,186 | 58,637,093 | 87,955,640 | 105,546,767 | 111,410,477 | 116,101,444 |
| 1996 | 119,441,767 | 59,720,883 | 89,581,325 | 107,497,590 | 113,469,679 | 118,247,349 |
| 1997 | 121,503,284 | 60,751,642 | 91,127,463 | 109,352,956 | 115,428,120 | 120,288,251 |
| 1998 | 123,775,831 | 61,887,916 | 92,831,873 | 111,398,248 | 117,587,039 | 122,538,073 |
| 1999 | 126,008,974 | 63,004,487 | 94,506,731 | 113,408,077 | 119,708,525 | 124,748,884 |
| 2000 | 128,227,143 | 64,113,572 | 96,170,357 | 115,404,429 | 121,815,786 | 126,944,872 |
| 2001 | 128,817,051 | 64,408,526 | 96,612,788 | 115,935,346 | 122,376,198 | 127,528,880 |
| 2002 | 128,323,986 | 64,161,993 | 96,242,990 | 115,491,587 | 121,907,787 | 127,040,746 |
| 2003 | 128,609,786 | 64,304,893 | 96,457,340 | 115,748,807 | 122,179,297 | 127,323,688 |
| 2004 | 130,371,156 | 65,185,578 | 97,778,367 | 117,334,040 | 123,852,598 | 129,067,444 |
| 2005 | 132,611,637 | 66,305,819 | 99,458,728 | 119,350,473 | 125,981,055 | 131,285,521 |
| 2006 | 135,719,160 | 67,859,580 | 101,789,370 | 122,147,244 | 128,933,202 | 134,361,968 |
| **Adjusted gross income (millions of current dollars):** | | | | | | |
| 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 | 5,023,457 | 695,465 | 1,755,857 | 2,872,056 | 3,426,350 | 4,150,631 |
| 1998 | 5,469,211 | 747,781 | 1,879,611 | 3,075,495 | 3,672,564 | 4,458,967 |
| 1999 | 5,909,329 | 783,164 | 1,982,021 | 3,256,494 | 3,897,565 | 4,756,509 |
| 2000 | 6,423,977 | 834,222 | 2,110,190 | 3,468,590 | 4,156,573 | 5,087,204 |
| 2001 | 6,241,036 | 861,750 | 2,170,001 | 3,550,447 | 4,244,543 | 5,146,740 |
| 2002 | 6,113,778 | 869,750 | 2,178,274 | 3,560,303 | 4,245,991 | 5,127,997 |
| 2003 | 6,287,586 | 879,735 | 2,209,359 | 3,624,117 | 4,326,911 | 5,233,019 |
| 2004 | 6,875,123 | 922,342 | 2,328,722 | 3,825,848 | 4,575,529 | 5,568,706 |
| 2005 | 7,507,958 | 963,135 | 2,438,504 | 4,020,948 | 4,824,024 | 5,916,248 |
| 2006 | 8,122,040 | 1,016,441 | 2,586,209 | 4,278,895 | 5,144,325 | 6,330,153 |

Footnotes at end of table.

**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 1986-2006—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) |
| **Total income tax (millions of current dollars) [2]:** | | | | | | |
| 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 | 727,303 | 31,134 | 133,296 | 267,664 | 350,062 | 486,064 |
| 1998 | 788,452 | 33,212 | 136,488 | 275,615 | 363,946 | 514,442 |
| 1999 | 877,292 | 35,126 | 144,402 | 294,290 | 390,828 | 559,874 |
| 2000 | 980,521 | 38,343 | 156,816 | 320,371 | 426,851 | 613,592 |
| 2001 | 887,882 | 35,239 | 151,826 | 311,719 | 415,059 | 586,984 |
| 2002 | 796,862 | 27,899 | 128,304 | 273,050 | 368,182 | 528,254 |
| 2003 | 747,939 | 25,912 | 120,564 | 255,486 | 341,341 | 491,597 |
| 2004 | 831,890 | 27,418 | 125,973 | 264,617 | 356,666 | 524,988 |
| 2005 | 934,703 | 28,673 | 130,930 | 277,618 | 376,942 | 566,571 |
| 2006 | 1,023,739 | 30,561 | 140,586 | 298,999 | 408,058 | 615,370 |
| **Average tax rate (percentage) [3]:** | | | | | | |
| 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 | 14.48 | 4.48 | 7.59 | 9.32 | 10.22 | 11.71 |
| 1998 | 14.42 | 4.44 | 7.26 | 8.96 | 9.91 | 11.54 |
| 1999 | 14.85 | 4.49 | 7.29 | 9.04 | 10.03 | 11.77 |
| 2000 | 15.26 | 4.60 | 7.43 | 9.24 | 10.27 | 12.06 |
| 2001 | 14.23 | 4.09 | 7.00 | 8.78 | 9.78 | 11.41 |
| 2002 | 13.03 | 3.21 | 5.89 | 7.67 | 8.67 | 10.30 |
| 2003 | 11.90 | 2.95 | 5.46 | 7.05 | 7.89 | 9.39 |
| 2004 | 12.10 | 2.97 | 5.41 | 6.92 | 7.80 | 9.43 |
| 2005 | 12.45 | 2.98 | 5.37 | 6.90 | 7.81 | 9.58 |
| 2006 | 12.60 | 3.01 | 5.44 | 6.99 | 7.93 | 9.72 |

Footnotes at end of table.

**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 1986-2006—Continued**

[All figures are estimates based on samples]

| Item, tax year | Total | Ascending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Bottom 50 percent | Bottom 75 percent | Bottom 90 percent | Bottom 95 percent | Bottom 99 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Adjusted gross income share (percentage):** | | | | | | |
| 1986 | 100.00 | 16.66 | 40.96 | 64.88 | 75.89 | 88.70 |
| 1987 | 100.00 | 15.63 | 39.25 | 63.10 | 74.33 | 87.68 |
| 1988 | 100.00 | 14.93 | 37.56 | 60.55 | 71.49 | 84.84 |
| 1989 | 100.00 | 14.96 | 37.72 | 61.00 | 72.16 | 85.81 |
| 1990 | 100.00 | 15.03 | 37.87 | 61.23 | 72.38 | 86.00 |
| 1991 | 100.00 | 15.13 | 38.15 | 61.80 | 73.17 | 87.01 |
| 1992 | 100.00 | 14.92 | 37.53 | 60.77 | 71.99 | 85.77 |
| 1993 | 100.00 | 14.92 | 37.55 | 60.95 | 72.24 | 86.21 |
| 1994 | 100.00 | 14.89 | 37.36 | 60.81 | 72.15 | 86.20 |
| 1995 | 100.00 | 14.54 | 36.63 | 59.84 | 71.19 | 85.40 |
| 1996 | 100.00 | 14.08 | 35.68 | 58.41 | 69.64 | 83.96 |
| 1997 | 100.00 | 13.84 | 34.95 | 57.17 | 68.21 | 82.63 |
| 1998 | 100.00 | 13.67 | 34.37 | 56.23 | 67.15 | 81.53 |
| 1999 | 100.00 | 13.25 | 33.54 | 55.11 | 65.96 | 80.49 |
| 2000 | 100.00 | 12.99 | 32.85 | 53.99 | 64.70 | 79.19 |
| 2001 | 100.00 | 13.81 | 34.77 | 56.89 | 68.01 | 82.47 |
| 2002 | 100.00 | 14.23 | 35.63 | 58.23 | 69.45 | 83.88 |
| 2003 | 100.00 | 13.99 | 35.14 | 57.64 | 68.82 | 83.23 |
| 2004 | 100.00 | 13.42 | 33.87 | 55.65 | 66.55 | 81.00 |
| 2005 | 100.00 | 12.83 | 32.48 | 53.56 | 64.25 | 78.80 |
| 2006 | 100.00 | 12.51 | 31.84 | 52.68 | 63.34 | 77.94 |
| **Total income tax share (percentage):** | | | | | | |
| 1986 | 100.00 | 6.46 | 23.98 | 45.31 | 57.43 | 74.25 |
| 1987 | 100.00 | 6.07 | 23.08 | 44.39 | 56.74 | 75.19 |
| 1988 | 100.00 | 5.72 | 22.16 | 42.72 | 54.38 | 72.42 |
| 1989 | 100.00 | 5.83 | 22.78 | 44.22 | 56.06 | 74.76 |
| 1990 | 100.00 | 5.81 | 22.98 | 44.64 | 56.36 | 74.87 |
| 1991 | 100.00 | 5.48 | 22.71 | 44.18 | 56.62 | 75.18 |
| 1992 | 100.00 | 5.06 | 21.52 | 41.99 | 54.12 | 72.46 |
| 1993 | 100.00 | 4.81 | 20.73 | 40.76 | 52.64 | 70.99 |
| 1994 | 100.00 | 4.77 | 20.45 | 40.55 | 52.48 | 71.14 |
| 1995 | 100.00 | 4.61 | 19.64 | 39.25 | 51.09 | 69.74 |
| 1996 | 100.00 | 4.32 | 18.68 | 37.49 | 49.03 | 67.69 |
| 1997 | 100.00 | 4.28 | 18.33 | 36.80 | 48.13 | 66.83 |
| 1998 | 100.00 | 4.21 | 17.31 | 34.96 | 46.16 | 65.25 |
| 1999 | 100.00 | 4.00 | 16.46 | 33.55 | 44.55 | 63.82 |
| 2000 | 100.00 | 3.91 | 15.99 | 32.67 | 43.53 | 62.58 |
| 2001 | 100.00 | 3.97 | 17.10 | 35.11 | 46.75 | 66.11 |
| 2002 | 100.00 | 3.50 | 16.10 | 34.27 | 46.20 | 66.29 |
| 2003 | 100.00 | 3.46 | 16.12 | 34.16 | 45.64 | 65.73 |
| 2004 | 100.00 | 3.30 | 15.14 | 31.81 | 42.87 | 63.11 |
| 2005 | 100.00 | 3.07 | 14.01 | 29.70 | 40.33 | 60.62 |
| 2006 | 100.00 | 2.99 | 13.73 | 29.21 | 39.86 | 60.11 |

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 6. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] Total income tax is income tax after credits (includes 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, dividends or capital gains), 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.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

**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 1986-2006**

[All figures are estimates based on samples]

| Item, tax year | Total | Descending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Top 1 percent | Top 5 percent | Top 10 percent | Top 25 percent | Top 50 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns [1]:** | | | | | | |
| 1986 | 101,988,805 | 1,019,888 | 5,099,440 | 10,198,881 | 25,497,201 | 50,994,402 |
| 1987 | 106,191,624 | 1,061,916 | 5,309,581 | 10,619,162 | 26,547,906 | 53,095,812 |
| 1988 | 108,879,154 | 1,088,792 | 5,443,958 | 10,887,915 | 27,219,788 | 54,439,577 |
| 1989 | 111,328,835 | 1,113,288 | 5,566,442 | 11,132,884 | 27,832,209 | 55,664,418 |
| 1990 | 112,717,959 | 1,127,180 | 5,635,898 | 11,271,796 | 28,179,490 | 56,358,980 |
| 1991 | 113,823,123 | 1,138,231 | 5,691,156 | 11,382,312 | 28,455,781 | 56,911,562 |
| 1992 | 112,687,747 | 1,126,877 | 5,634,387 | 11,268,775 | 28,171,937 | 56,343,874 |
| 1993 | 113,721,706 | 1,137,217 | 5,686,085 | 11,372,171 | 28,430,426 | 56,860,853 |
| 1994 | 115,061,112 | 1,150,611 | 5,753,056 | 11,506,111 | 28,765,278 | 57,530,556 |
| 1995 | 117,333,779 | 1,173,338 | 5,866,689 | 11,733,378 | 29,333,445 | 58,666,889 |
| 1996 | 119,487,813 | 1,194,878 | 5,974,391 | 11,948,781 | 29,871,953 | 59,743,906 |
| 1997 | 121,555,156 | 1,215,552 | 6,077,758 | 12,155,516 | 30,388,789 | 60,777,578 |
| 1998 | 123,852,016 | 1,238,520 | 6,192,601 | 12,385,202 | 30,963,004 | 61,926,008 |
| 1999 | 126,107,596 | 1,261,076 | 6,305,380 | 12,610,760 | 31,526,899 | 63,053,798 |
| 2000 | 128,340,271 | 1,283,403 | 6,417,014 | 12,834,027 | 32,085,068 | 64,170,135 |
| 2001 | 128,863,007 | 1,288,630 | 6,443,150 | 12,886,301 | 32,215,752 | 64,431,504 |
| 2002 | 128,415,184 | 1,284,152 | 6,420,759 | 12,841,518 | 32,103,796 | 64,207,592 |
| 2003 | 128,757,145 | 1,287,571 | 6,437,857 | 12,875,715 | 32,189,286 | 64,378,573 |
| 2004 | 130,508,966 | 1,305,090 | 6,525,448 | 13,050,897 | 32,627,242 | 65,254,483 |
| 2005 | 132,730,734 | 1,327,307 | 6,636,537 | 13,273,073 | 33,182,684 | 66,365,367 |
| 2006 | 135,854,749 | 1,358,547 | 6,792,737 | 13,585,475 | 33,963,687 | 67,927,375 |
| **Income floor on percentiles (current dollars):** | | | | | | |
| 1986 | N/A | 147,863 | 68,362 | 52,035 | 33,623 | 17,909 |
| 1987 | N/A | 145,624 | 69,222 | 53,094 | 34,165 | 17,959 |
| 1988 | N/A | 161,774 | 73,451 | 55,532 | 35,432 | 18,534 |
| 1989 | N/A | 169,603 | 77,542 | 58,429 | 36,783 | 19,152 |
| 1990 | N/A | 174,813 | 80,400 | 60,623 | 38,026 | 19,947 |
| 1991 | N/A | 180,268 | 83,300 | 62,413 | 38,913 | 20,302 |
| 1992 | N/A | 197,031 | 87,370 | 65,283 | 40,423 | 21,041 |
| 1993 | N/A | 199,698 | 88,992 | 66,685 | 41,013 | 21,390 |
| 1994 | N/A | 210,742 | 93,186 | 69,118 | 42,480 | 22,000 |
| 1995 | N/A | 224,523 | 98,420 | 72,210 | 43,860 | 22,575 |
| 1996 | N/A | 246,268 | 103,489 | 75,574 | 45,508 | 23,378 |
| 1997 | N/A | 268,889 | 110,949 | 79,598 | 47,738 | 24,551 |
| 1998 | N/A | 301,513 | 120,262 | 84,904 | 50,232 | 25,612 |
| 1999 | N/A | 332,253 | 126,643 | 89,172 | 52,399 | 26,487 |
| 2000 | N/A | 353,945 | 134,128 | 93,715 | 54,592 | 27,647 |
| 2001 | N/A | 323,861 | 131,728 | 93,633 | 55,203 | 28,404 |
| 2002 | N/A | 315,937 | 132,253 | 93,833 | 55,695 | 28,541 |
| 2003 | N/A | 327,160 | 134,818 | 96,021 | 56,573 | 28,896 |
| 2004 | N/A | 363,905 | 142,975 | 100,957 | 59,112 | 29,899 |
| 2005 | N/A | 402,354 | 152,048 | 105,958 | 61,055 | 30,588 |
| 2006 | N/A | 437,036 | 162,043 | 111,560 | 63,694 | 31,693 |

Footnotes at end of table.

**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 1986-2006—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) |
| **Income floor on percentiles (constant dollars) [2]:** | | | | | | |
| 1986 | N/A | 134,912 | 62,374 | 47,477 | 30,678 | 16,340 |
| 1987 | N/A | 128,190 | 60,935 | 46,738 | 30,075 | 15,809 |
| 1988 | N/A | 136,749 | 62,089 | 46,942 | 29,951 | 15,667 |
| 1989 | N/A | 136,777 | 62,534 | 47,120 | 29,664 | 15,445 |
| 1990 | N/A | 133,751 | 61,515 | 46,383 | 29,094 | 15,262 |
| 1991 | N/A | 132,355 | 61,160 | 45,825 | 28,571 | 14,906 |
| 1992 | N/A | 140,436 | 62,274 | 46,531 | 28,812 | 14,997 |
| 1993 | N/A | 138,199 | 61,586 | 46,149 | 28,383 | 14,803 |
| 1994 | N/A | 142,201 | 62,879 | 46,638 | 28,664 | 14,845 |
| 1995 | N/A | 147,325 | 64,580 | 47,382 | 28,780 | 14,813 |
| 1996 | N/A | 156,959 | 65,959 | 48,167 | 29,004 | 14,900 |
| 1997 | N/A | 167,532 | 69,127 | 49,594 | 29,743 | 15,297 |
| 1998 | N/A | 183,962 | 73,375 | 51,802 | 30,648 | 15,627 |
| 1999 | N/A | 199,432 | 76,016 | 53,525 | 31,452 | 15,899 |
| 2000 | N/A | 205,543 | 77,891 | 54,422 | 31,703 | 16,055 |
| 2001 | N/A | 182,869 | 74,381 | 52,870 | 31,171 | 16,038 |
| 2002 | N/A | 175,618 | 73,515 | 52,158 | 30,959 | 15,865 |
| 2003 | N/A | 177,804 | 73,271 | 52,185 | 30,746 | 15,704 |
| 2004 | N/A | 192,644 | 75,688 | 53,445 | 31,293 | 15,828 |
| 2005 | N/A | 206,018 | 77,854 | 54,254 | 31,262 | 15,662 |
| 2006 | N/A | 216,784 | 80,378 | 55,337 | 31,594 | 15,721 |
| **Income (millions of current dollars):** | | | | | | |
| 1986 | 2,804,691 | 427,513 | 796,935 | 1,097,550 | 1,732,231 | 2,368,620 |
| 1987 | 2,856,118 | 363,880 | 749,240 | 1,067,438 | 1,741,747 | 2,411,715 |
| 1988 | 3,153,639 | 484,675 | 911,170 | 1,255,108 | 1,973,061 | 2,683,524 |
| 1989 | 3,336,571 | 486,976 | 947,363 | 1,317,619 | 2,085,003 | 2,838,481 |
| 1990 | 3,497,118 | 504,687 | 987,582 | 1,376,162 | 2,182,091 | 2,973,847 |
| 1991 | 3,577,337 | 478,756 | 985,590 | 1,390,924 | 2,224,979 | 3,038,428 |
| 1992 | 3,763,002 | 556,421 | 1,090,019 | 1,509,728 | 2,369,701 | 3,206,490 |
| 1993 | 3,849,532 | 554,075 | 1,105,014 | 1,537,285 | 2,422,475 | 3,278,866 |
| 1994 | 4,033,642 | 579,564 | 1,161,972 | 1,617,250 | 2,544,400 | 3,436,167 |
| 1995 | 4,317,506 | 653,717 | 1,284,726 | 1,772,890 | 2,754,988 | 3,692,267 |
| 1996 | 4,670,644 | 772,868 | 1,462,979 | 1,984,931 | 3,025,107 | 4,015,461 |
| 1997 | 5,112,706 | 918,007 | 1,679,877 | 2,242,353 | 3,353,245 | 4,409,075 |
| 1998 | 5,626,390 | 1,072,779 | 1,925,214 | 2,542,399 | 3,742,006 | 4,869,467 |
| 1999 | 6,082,931 | 1,236,081 | 2,166,370 | 2,825,789 | 4,099,929 | 5,290,805 |
| 2000 | 6,601,494 | 1,424,436 | 2,430,957 | 3,138,299 | 4,495,910 | 5,758,808 |
| 2001 | 6,361,523 | 1,159,037 | 2,121,055 | 2,828,677 | 4,202,776 | 5,491,703 |
| 2002 | 6,262,714 | 1,057,775 | 2,005,658 | 2,712,226 | 4,092,069 | 5,383,263 |
| 2003 | 6,429,711 | 1,122,582 | 2,091,401 | 2,813,645 | 4,226,517 | 5,539,087 |
| 2004 | 7,044,141 | 1,383,978 | 2,453,830 | 3,228,229 | 4,726,625 | 6,111,786 |
| 2005 | 7,701,103 | 1,678,406 | 2,863,229 | 3,694,152 | 5,278,659 | 6,729,456 |
| 2006 | 8,365,645 | 1,900,311 | 3,202,445 | 4,101,178 | 5,798,340 | 7,340,135 |

Footnotes at end of table.

**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 1986-2006—Continued**

[All figures are estimates based on samples]

| Item, tax year | Total | Descending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Top 1 percent | Top 5 percent | Top 10 percent | Top 25 percent | Top 50 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Total income tax (millions of current dollars) [3]:** | | | | | | |
| 1986 | 366,763 | 93,128 | 155,553 | 198,862 | 277,578 | 342,296 |
| 1987 | 368,924 | 89,908 | 158,485 | 204,050 | 282,970 | 346,228 |
| 1988 | 412,549 | 112,208 | 186,793 | 235,121 | 320,152 | 388,631 |
| 1989 | 432,643 | 107,508 | 188,588 | 240,229 | 333,285 | 407,106 |
| 1990 | 446,906 | 110,530 | 192,991 | 245,856 | 342,926 | 420,345 |
| 1991 | 448,177 | 107,926 | 192,548 | 246,745 | 345,168 | 423,180 |
| 1992 | 476,067 | 127,361 | 216,303 | 272,361 | 372,352 | 451,494 |
| 1993 | 502,638 | 142,329 | 235,908 | 294,238 | 397,261 | 477,997 |
| 1994 | 534,693 | 150,133 | 250,770 | 314,909 | 423,743 | 508,540 |
| 1995 | 588,292 | 173,877 | 284,036 | 354,427 | 471,035 | 560,748 |
| 1996 | 658,059 | 208,071 | 331,404 | 407,726 | 532,750 | 628,918 |
| 1997 | 731,123 | 238,978 | 376,046 | 459,674 | 595,060 | 699,131 |
| 1998 | 783,437 | 262,464 | 413,303 | 503,577 | 644,182 | 749,547 |
| 1999 | 877,199 | 307,382 | 479,531 | 577,903 | 729,679 | 841,172 |
| 2000 | 980,459 | 355,911 | 546,102 | 654,155 | 819,937 | 941,304 |
| 2001 | 887,770 | 291,907 | 466,057 | 570,430 | 732,094 | 851,539 |
| 2002 | 796,763 | 259,192 | 420,834 | 517,937 | 664,670 | 767,890 |
| 2003 | 747,800 | 248,107 | 400,202 | 487,657 | 624,070 | 720,861 |
| 2004 | 831,815 | 297,199 | 467,728 | 562,092 | 702,203 | 803,521 |
| 2005 | 934,524 | 359,060 | 549,667 | 651,220 | 800,022 | 904,857 |
| 2006 | 1,023,556 | 396,274 | 605,877 | 717,713 | 878,565 | 991,763 |
| **Average tax rate (percentage) [4]:** | | | | | | |
| 1986 | 13.08 | 21.78 | 19.52 | 18.12 | 16.02 | 14.45 |
| 1987 | 12.92 | 24.71 | 21.15 | 19.12 | 16.25 | 14.36 |
| 1988 | 13.08 | 23.15 | 20.50 | 18.73 | 16.23 | 14.48 |
| 1989 | 12.97 | 22.08 | 19.91 | 18.23 | 15.98 | 14.34 |
| 1990 | 12.78 | 21.90 | 19.54 | 17.87 | 15.72 | 14.13 |
| 1991 | 12.53 | 22.54 | 19.54 | 17.74 | 15.51 | 13.93 |
| 1992 | 12.65 | 22.89 | 19.84 | 18.04 | 15.71 | 14.08 |
| 1993 | 13.06 | 25.69 | 21.35 | 19.14 | 16.40 | 14.58 |
| 1994 | 13.26 | 25.90 | 21.58 | 19.47 | 16.65 | 14.80 |
| 1995 | 13.63 | 26.60 | 22.11 | 19.99 | 17.10 | 15.19 |
| 1996 | 14.09 | 26.92 | 22.65 | 20.54 | 17.61 | 15.66 |
| 1997 | 14.30 | 26.03 | 22.39 | 20.50 | 17.75 | 15.86 |
| 1998 | 13.92 | 24.47 | 21.47 | 19.81 | 17.21 | 15.39 |
| 1999 | 14.42 | 24.87 | 22.14 | 20.45 | 17.80 | 15.90 |
| 2000 | 14.85 | 24.99 | 22.46 | 20.84 | 18.24 | 16.35 |
| 2001 | 13.96 | 25.19 | 21.97 | 20.17 | 17.42 | 15.51 |
| 2002 | 12.72 | 24.50 | 20.98 | 19.10 | 16.24 | 14.26 |
| 2003 | 11.63 | 22.10 | 19.14 | 17.33 | 14.77 | 13.01 |
| 2004 | 11.81 | 21.47 | 19.06 | 17.41 | 14.86 | 13.15 |
| 2005 | 12.13 | 21.39 | 19.20 | 17.63 | 15.16 | 13.45 |
| 2006 | 12.24 | 20.85 | 18.92 | 17.50 | 15.15 | 13.51 |

Footnotes at end of table.

**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 1986-2006—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) |
| **Income share (percentage):** | | | | | | |
| 1986 | 100.00 | 15.24 | 28.41 | 39.13 | 61.76 | 84.45 |
| 1987 | 100.00 | 12.74 | 26.23 | 37.37 | 60.98 | 84.44 |
| 1988 | 100.00 | 15.37 | 28.89 | 39.80 | 62.56 | 85.09 |
| 1989 | 100.00 | 14.60 | 28.39 | 39.49 | 62.49 | 85.07 |
| 1990 | 100.00 | 14.43 | 28.24 | 39.35 | 62.40 | 85.04 |
| 1991 | 100.00 | 13.38 | 27.55 | 38.88 | 62.20 | 84.94 |
| 1992 | 100.00 | 14.79 | 28.97 | 40.12 | 62.97 | 85.21 |
| 1993 | 100.00 | 14.39 | 28.71 | 39.93 | 62.93 | 85.18 |
| 1994 | 100.00 | 14.37 | 28.81 | 40.09 | 63.08 | 85.19 |
| 1995 | 100.00 | 15.14 | 29.76 | 41.06 | 63.81 | 85.52 |
| 1996 | 100.00 | 16.55 | 31.32 | 42.50 | 64.77 | 85.97 |
| 1997 | 100.00 | 17.96 | 32.86 | 43.86 | 65.59 | 86.24 |
| 1998 | 100.00 | 19.07 | 34.22 | 45.19 | 66.51 | 86.55 |
| 1999 | 100.00 | 20.32 | 35.61 | 46.45 | 67.40 | 86.98 |
| 2000 | 100.00 | 21.58 | 36.82 | 47.54 | 68.10 | 87.23 |
| 2001 | 100.00 | 18.22 | 33.34 | 44.47 | 66.07 | 86.33 |
| 2002 | 100.00 | 16.89 | 32.03 | 43.31 | 65.34 | 85.96 |
| 2003 | 100.00 | 17.46 | 32.53 | 43.76 | 65.73 | 86.15 |
| 2004 | 100.00 | 19.65 | 34.84 | 45.83 | 67.10 | 86.76 |
| 2005 | 100.00 | 21.79 | 37.18 | 47.97 | 68.54 | 87.38 |
| 2006 | 100.00 | 22.72 | 38.28 | 49.02 | 69.31 | 87.74 |
| **Total income tax share (percentage):** | | | | | | |
| 1986 | 100.00 | 25.39 | 42.41 | 54.22 | 75.68 | 93.33 |
| 1987 | 100.00 | 24.37 | 42.96 | 55.31 | 76.70 | 93.85 |
| 1988 | 100.00 | 27.20 | 45.28 | 56.99 | 77.60 | 94.20 |
| 1989 | 100.00 | 24.85 | 43.59 | 55.53 | 77.03 | 94.10 |
| 1990 | 100.00 | 24.73 | 43.18 | 55.01 | 76.73 | 94.06 |
| 1991 | 100.00 | 24.08 | 42.96 | 55.06 | 77.02 | 94.42 |
| 1992 | 100.00 | 26.75 | 45.44 | 57.21 | 78.21 | 94.84 |
| 1993 | 100.00 | 28.32 | 46.93 | 58.54 | 79.04 | 95.10 |
| 1994 | 100.00 | 28.08 | 46.90 | 58.90 | 79.25 | 95.11 |
| 1995 | 100.00 | 29.56 | 48.28 | 60.25 | 80.07 | 95.32 |
| 1996 | 100.00 | 31.62 | 50.36 | 61.96 | 80.96 | 95.57 |
| 1997 | 100.00 | 32.69 | 51.43 | 62.87 | 81.39 | 95.62 |
| 1998 | 100.00 | 33.50 | 52.76 | 64.28 | 82.23 | 95.67 |
| 1999 | 100.00 | 35.04 | 54.67 | 65.88 | 83.18 | 95.89 |
| 2000 | 100.00 | 36.30 | 55.70 | 66.72 | 83.63 | 96.01 |
| 2001 | 100.00 | 32.88 | 52.50 | 64.25 | 82.46 | 95.92 |
| 2002 | 100.00 | 32.53 | 52.82 | 65.01 | 83.42 | 96.38 |
| 2003 | 100.00 | 33.18 | 53.52 | 65.21 | 83.45 | 96.40 |
| 2004 | 100.00 | 35.73 | 56.23 | 67.57 | 84.42 | 96.60 |
| 2005 | 100.00 | 38.42 | 58.82 | 69.68 | 85.61 | 96.83 |
| 2006 | 100.00 | 38.72 | 59.19 | 70.12 | 85.83 | 96.89 |

N/A—Not applicable.

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 7. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] For Table 7, constant dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers (CPI-U, 1982-84=100). For 2006, the CPI-U = 201.6.

[3] Total income tax is income tax after credits (includes 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, dividends, or capital gains), and Form 4972 tax (tax on lump-sum distributions from qualified retirement plans) reported on some returns with a negative amount for adjusted gross income. See also footnote 1.

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

**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 1986-2006**

[All figures are estimates based on samples]

| Item, tax year | Total | Ascending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Bottom 50 percent | Bottom 75 percent | Bottom 90 percent | Bottom 95 percent | Bottom 99 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns [1]:** | | | | | | |
| 1986 | 101,988,805 | 50,994,402 | 76,491,604 | 91,789,924 | 96,889,365 | 100,968,917 |
| 1987 | 106,191,624 | 53,095,812 | 79,643,718 | 95,572,462 | 100,882,043 | 105,129,708 |
| 1988 | 108,879,154 | 54,439,577 | 81,659,366 | 97,991,239 | 103,435,196 | 107,790,362 |
| 1989 | 111,328,835 | 55,664,417 | 83,496,626 | 100,195,951 | 105,762,393 | 110,215,547 |
| 1990 | 112,717,959 | 56,358,980 | 84,538,469 | 101,446,163 | 107,082,061 | 111,590,779 |
| 1991 | 113,823,123 | 56,911,562 | 85,367,342 | 102,440,811 | 108,131,967 | 112,684,892 |
| 1992 | 112,687,747 | 56,343,874 | 84,515,810 | 101,418,972 | 107,053,360 | 111,560,870 |
| 1993 | 113,721,706 | 56,860,853 | 85,291,280 | 102,349,535 | 108,035,621 | 112,584,489 |
| 1994 | 115,061,112 | 57,530,556 | 86,295,834 | 103,555,001 | 109,308,056 | 113,910,501 |
| 1995 | 117,333,779 | 58,666,890 | 88,000,334 | 105,600,401 | 111,467,090 | 116,160,441 |
| 1996 | 119,487,813 | 59,743,907 | 89,615,860 | 107,539,032 | 113,513,422 | 118,292,935 |
| 1997 | 121,555,156 | 60,777,578 | 91,166,367 | 109,399,640 | 115,477,398 | 120,339,604 |
| 1998 | 123,852,016 | 61,926,008 | 92,889,012 | 111,466,814 | 117,659,415 | 122,613,496 |
| 1999 | 126,107,596 | 63,053,798 | 94,580,697 | 113,496,836 | 119,802,216 | 124,846,520 |
| 2000 | 128,340,271 | 64,170,135 | 96,255,203 | 115,506,243 | 121,923,257 | 127,056,868 |
| 2001 | 128,863,007 | 64,431,504 | 96,647,255 | 115,976,706 | 122,419,857 | 127,574,377 |
| 2002 | 128,415,184 | 64,207,592 | 96,311,388 | 115,573,666 | 121,994,425 | 127,131,032 |
| 2003 | 128,757,145 | 64,378,573 | 96,567,859 | 115,881,431 | 122,319,288 | 127,469,574 |
| 2004 | 130,508,966 | 65,254,483 | 97,881,725 | 117,458,069 | 123,983,518 | 129,203,876 |
| 2005 | 132,730,734 | 66,365,367 | 99,548,051 | 119,457,661 | 126,094,197 | 131,403,427 |
| 2006 | 135,854,749 | 67,927,375 | 101,891,062 | 122,269,274 | 129,062,012 | 134,496,202 |
| **Income (millions of current dollars):** | | | | | | |
| 1986 | 2,804,691 | 436,071 | 1,072,460 | 1,707,142 | 2,007,756 | 2,377,178 |
| 1987 | 2,856,118 | 444,403 | 1,114,372 | 1,788,680 | 2,106,878 | 2,492,238 |
| 1988 | 3,153,639 | 470,115 | 1,180,578 | 1,898,531 | 2,242,469 | 2,668,964 |
| 1989 | 3,336,571 | 498,089 | 1,251,567 | 2,018,952 | 2,389,207 | 2,849,595 |
| 1990 | 3,497,118 | 523,271 | 1,315,027 | 2,120,956 | 2,509,535 | 2,992,431 |
| 1991 | 3,577,337 | 538,910 | 1,352,358 | 2,186,413 | 2,591,748 | 3,098,582 |
| 1992 | 3,763,002 | 556,512 | 1,393,300 | 2,253,273 | 2,672,983 | 3,206,581 |
| 1993 | 3,849,532 | 570,666 | 1,427,057 | 2,312,247 | 2,744,518 | 3,295,456 |
| 1994 | 4,033,642 | 597,475 | 1,489,242 | 2,416,392 | 2,871,670 | 3,454,078 |
| 1995 | 4,317,506 | 625,239 | 1,562,518 | 2,544,615 | 3,032,780 | 3,663,789 |
| 1996 | 4,670,644 | 655,183 | 1,645,537 | 2,685,713 | 3,207,665 | 3,897,777 |
| 1997 | 5,112,706 | 703,631 | 1,759,461 | 2,870,353 | 3,432,828 | 4,194,699 |
| 1998 | 5,626,390 | 756,923 | 1,884,384 | 3,083,991 | 3,701,176 | 4,553,611 |
| 1999 | 6,082,931 | 792,125 | 1,983,002 | 3,257,142 | 3,916,561 | 4,846,850 |
| 2000 | 6,601,494 | 842,686 | 2,105,584 | 3,463,195 | 4,170,537 | 5,177,058 |
| 2001 | 6,361,523 | 869,820 | 2,158,748 | 3,532,846 | 4,240,468 | 5,202,486 |
| 2002 | 6,262,714 | 879,451 | 2,170,646 | 3,550,488 | 4,257,056 | 5,204,939 |
| 2003 | 6,429,711 | 890,624 | 2,203,193 | 3,616,066 | 4,338,310 | 5,307,129 |
| 2004 | 7,044,141 | 932,354 | 2,317,516 | 3,815,911 | 4,590,311 | 5,660,163 |
| 2005 | 7,701,103 | 971,647 | 2,422,444 | 4,006,951 | 4,837,875 | 6,022,698 |
| 2006 | 8,365,645 | 1,025,509 | 2,567,304 | 4,264,467 | 5,163,200 | 6,465,334 |

Footnotes at end of table.

**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 1986-2006—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) |
| **Total income tax (millions of current dollars) [2]:** | | | | | | |
| 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 | 783,437 | 33,889 | 139,249 | 279,860 | 370,134 | 520,973 |
| 1999 | 877,199 | 36,027 | 147,520 | 299,294 | 397,669 | 569,817 |
| 2000 | 980,459 | 39,155 | 160,521 | 326,304 | 434,357 | 624,548 |
| 2001 | 887,770 | 36,230 | 155,676 | 317,341 | 421,713 | 595,863 |
| 2002 | 796,763 | 28,872 | 132,093 | 278,827 | 375,930 | 537,571 |
| 2003 | 747,800 | 26,939 | 123,731 | 260,143 | 347,598 | 499,694 |
| 2004 | 831,815 | 28,294 | 129,610 | 269,723 | 364,087 | 534,616 |
| 2005 | 934,524 | 29,668 | 134,499 | 283,305 | 384,857 | 575,464 |
| 2006 | 1,023,556 | 31,796 | 144,991 | 305,843 | 417,680 | 627,282 |
| **Average tax rate (percentage) [3]:** | | | | | | |
| 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 | 13.92 | 4.48 | 7.39 | 9.07 | 10.00 | 11.44 |
| 1999 | 14.42 | 4.55 | 7.44 | 9.19 | 10.15 | 11.76 |
| 2000 | 14.85 | 4.65 | 7.62 | 9.42 | 10.41 | 12.06 |
| 2001 | 13.96 | 4.17 | 7.21 | 8.98 | 9.95 | 11.45 |
| 2002 | 12.72 | 3.28 | 6.09 | 7.85 | 8.83 | 10.33 |
| 2003 | 11.63 | 3.02 | 5.62 | 7.19 | 8.01 | 9.42 |
| 2004 | 11.81 | 3.03 | 5.59 | 7.07 | 7.93 | 9.45 |
| 2005 | 12.13 | 3.05 | 5.55 | 7.07 | 7.96 | 9.55 |
| 2006 | 12.24 | 3.10 | 5.65 | 7.17 | 8.09 | 9.70 |

Footnotes at end of table.

**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 1986-2006—Continued**

[All figures are estimates based on samples]

| Item, tax year | Total | Ascending cumulative percentiles | | | | |
|---|---|---|---|---|---|---|
| | | Bottom 50 percent | Bottom 75 percent | Bottom 90 percent | Bottom 95 percent | Bottom 99 percent |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Income share (percentage):** | | | | | | |
| 1986 | 100.00 | 15.55 | 38.24 | 60.87 | 71.59 | 84.76 |
| 1987 | 100.00 | 15.56 | 39.02 | 62.63 | 73.77 | 87.26 |
| 1988 | 100.00 | 14.91 | 37.44 | 60.20 | 71.11 | 84.63 |
| 1989 | 100.00 | 14.93 | 37.51 | 60.51 | 71.61 | 85.40 |
| 1990 | 100.00 | 14.96 | 37.60 | 60.65 | 71.76 | 85.57 |
| 1991 | 100.00 | 15.06 | 37.80 | 61.12 | 72.45 | 86.62 |
| 1992 | 100.00 | 14.79 | 37.03 | 59.88 | 71.03 | 85.21 |
| 1993 | 100.00 | 14.82 | 37.07 | 60.07 | 71.29 | 85.61 |
| 1994 | 100.00 | 14.81 | 36.92 | 59.91 | 71.19 | 85.63 |
| 1995 | 100.00 | 14.48 | 36.19 | 58.94 | 70.24 | 84.86 |
| 1996 | 100.00 | 14.03 | 35.23 | 57.50 | 68.68 | 83.45 |
| 1997 | 100.00 | 13.76 | 34.41 | 56.14 | 67.14 | 82.04 |
| 1998 | 100.00 | 13.45 | 33.49 | 54.81 | 65.78 | 80.93 |
| 1999 | 100.00 | 13.02 | 32.60 | 53.55 | 64.39 | 79.68 |
| 2000 | 100.00 | 12.77 | 31.90 | 52.46 | 63.18 | 78.42 |
| 2001 | 100.00 | 13.67 | 33.93 | 55.53 | 66.66 | 81.78 |
| 2002 | 100.00 | 14.04 | 34.66 | 56.69 | 67.97 | 83.11 |
| 2003 | 100.00 | 13.85 | 34.27 | 56.24 | 67.47 | 82.54 |
| 2004 | 100.00 | 13.24 | 32.90 | 54.17 | 65.16 | 80.35 |
| 2005 | 100.00 | 12.62 | 31.46 | 52.03 | 62.82 | 78.21 |
| 2006 | 100.00 | 12.26 | 30.69 | 50.98 | 61.72 | 77.28 |
| **Total income tax share (percentage):** | | | | | | |
| 1986 | 100.00 | 6.67 | 24.32 | 45.78 | 57.59 | 74.61 |
| 1987 | 100.00 | 6.15 | 23.30 | 44.69 | 57.04 | 75.63 |
| 1988 | 100.00 | 5.80 | 22.40 | 43.01 | 54.72 | 72.80 |
| 1989 | 100.00 | 5.90 | 22.97 | 44.47 | 56.41 | 75.15 |
| 1990 | 100.00 | 5.94 | 23.27 | 44.99 | 56.82 | 75.27 |
| 1991 | 100.00 | 5.58 | 22.98 | 44.94 | 57.04 | 75.92 |
| 1992 | 100.00 | 5.16 | 21.79 | 42.79 | 54.56 | 73.25 |
| 1993 | 100.00 | 4.90 | 20.96 | 41.46 | 53.07 | 71.68 |
| 1994 | 100.00 | 4.89 | 20.75 | 41.10 | 53.10 | 71.92 |
| 1995 | 100.00 | 4.68 | 19.93 | 39.75 | 51.72 | 70.44 |
| 1996 | 100.00 | 4.43 | 19.04 | 38.04 | 49.64 | 68.38 |
| 1997 | 100.00 | 4.38 | 18.61 | 37.13 | 48.57 | 67.31 |
| 1998 | 100.00 | 4.33 | 17.77 | 35.72 | 47.24 | 66.50 |
| 1999 | 100.00 | 4.11 | 16.82 | 34.12 | 45.33 | 64.96 |
| 2000 | 100.00 | 3.99 | 16.37 | 33.28 | 44.30 | 63.70 |
| 2001 | 100.00 | 4.08 | 17.54 | 35.75 | 47.50 | 67.12 |
| 2002 | 100.00 | 3.62 | 16.58 | 34.99 | 47.18 | 67.47 |
| 2003 | 100.00 | 3.60 | 16.55 | 34.79 | 46.48 | 66.82 |
| 2004 | 100.00 | 3.40 | 15.58 | 32.43 | 43.77 | 64.27 |
| 2005 | 100.00 | 3.17 | 14.39 | 30.32 | 41.18 | 61.58 |
| 2006 | 100.00 | 3.11 | 14.17 | 29.88 | 40.81 | 61.28 |

[1] The number of returns with negative adjusted gross income, i.e., returns with an adjusted gross deficit, and the corresponding amounts for adjusted gross deficit, were excluded from Table 8. By excluding deficit returns, alternative minimum tax reported on some of these returns was also excluded. For Tax Year 2006, there were 6,301 returns with no adjusted gross income that reported income tax.

[2] Total income tax is income tax after credits (includes 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, dividends or capital gains), 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.

[3] The average tax rate was computed by dividing total income tax (see footnote 2) by (positive) adjusted gross income.

# Split-Interest Trusts, Filing Year 2007

*by Lisa Schreiber*

Form 5227, *Split-Interest Trust Information Return,* is filed by entities with both charitable and noncharitable beneficiaries. In Filing Year 2007, preparers filed 123,659 Forms 5227, only slightly less than the number filed in 2006.[1] End-of-year net asset values reported for split-interest trusts increased to $115.4 billion in 2007, as end-of-year book value of assets and end-of-year book value of liabilities increased by 8.6 percent and 12.4 percent, respectively, between 2006 and 2007.

A split-interest trust (SIT) can be created by a will or a trust instrument. The trust instrument specifies the term of the trust, designates the trustee(s) as well as the beneficiaries, and provides parameters for managing assets and distributing income. The instrument usually specifies the contents of the trust. The individual who owns, and then transfers, the assets that make up the trust corpus, is known as the grantor. The individuals and entities that receive income are known as beneficiaries.

A trustee is charged with holding, investing, and distributing the income and assets of the trust. A trustee may be an individual, a group of individuals, or an entity such as a bank or charity. Each trustee must ensure that all transactions, including distributions, conform to the requirements of the trust document and to any applicable laws. Additionally, trustees must coordinate the preparation, verification, and submission of all required State and Federal tax forms.

There are three distinct types of split-interest trusts: charitable remainder trusts, charitable lead trusts, and pooled income funds. In 2007, some 115,754 returns for charitable remainder trusts were submitted, a decrease of 0.3 percent (Figure A). Trustees for charitable lead trusts submitted 6,377 returns in 2007, an increase of 1.3 percent over 2006 filings. Pooled income fund returns experienced the most dramatic change, as the number of returns filed declined by 8.8 percent, to 1,528 returns in 2007.

*Lisa Schreiber is an economist with the Special Studies Special Projects Section. This article was prepared under the direction of Melissa Ludlum, Chief.*

## Charitable Remainder Trusts

Under a charitable remainder trust (CRT) agreement, an income stream is distributed annually to one or more noncharitable beneficiaries for a defined period. The period may be either a fixed duration, statutorily limited to 20 years, or the lifetime of a noncharitable beneficiary.[2] At the conclusion of the period, the trust is dissolved, and the remaining value is distributed to predetermined charitable beneficiaries.[3] At the time of trust creation, the present value of the expected future charitable distribution must equal at least 10.0 percent of the initial fair market value of the assets placed in the trust.[4]

The donor must file Form 709, *U.S. Gift Tax Return,* for all assets contributed to the trust that exceed the gift tax threshold.[5] At the time of trust creation, the donor is eligible for a gift tax deduction if the charitable beneficiary has been named. The donor also receives an income tax deduction based on an estimate of the charitable distribution. A noncharitable beneficiary must report the distributions as gross income on Form 1040, *U.S. Individual Income Tax Return*.

There are two types of charitable remainder trusts. Charitable remainder annuity trusts (CRATs) and charitable remainder unitrusts (CRUTs) differ in the calculation of the noncharitable distribution amount. Charitable remainder annuity trusts annually distribute a fixed percentage, between 5.0 percent and 50.0 percent, of the initial fair market value of the property in the trust. As a result, the amount of the distribution to noncharitable beneficiaries from a CRAT should be the same each year. Charitable remainder unitrusts distribute a fixed percentage of the fair market value of the trust property, valued annually. This percentage is called the "unitrust percentage" and must be between 5.0 percent and 50.0 percent. Therefore, the value of the distribution to noncharitable beneficiaries from a CRUT, called the

[1] A filing year includes all returns submitted to IRS processing between January 1 and December 31 of that year. Returns filed in 2007 were primarily for Tax Year 2006.

[2] For more information on the allowable duration of charitable remainder trusts, see Internal Revenue Code section 664(d)(1)(A) and 664(d)(2)(A).

[3] The qualifications for a "charitable beneficiary" are detailed in Internal Revenue Code section 170(c).

[4] The method for determining the fair market value of a trust is given in Internal Revenue Code section 7520.

[5] For Tax Year 2006, any gift exceeding $12,000 is taxable and is included in the donor's lifetime exclusion. The gift tax threshold is indexed for inflation. In the case of a couple who are splitting gifts, the threshold is doubled. For further explanation of gift tax law, see Jacobson, Darien and Melissa Laine, "Wealth Transfers, 2005 Gifts," *SOI Bulletin,* Summer 2008.

## Figure A

### Profile of Split-Interest Trusts, by Type of Trust, Filing Years 2006 and 2007

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

| Item | All | | | Charitable remainder trusts | | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | Percentage change | 2006 | 2007 | Percentage change |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **124,036** | **123,659** | **-0.3** | **116,062** | **115,754** | **-0.3** |
| **Net asset value, end-of-year [1]** | **106,277,977** | **115,391,956** | **8.6** | **88,805,076** | **95,821,559** | **7.9** |
| Book value of assets, end-of-year [2] | 108,248,391 | 117,605,947 | 8.6 | 90,163,123 | 97,307,466 | 7.9 |
| Book value of liabilities, end-of-year [2] | 1,970,413 | 2,213,991 | 12.4 | 1,358,047 | 1,485,907 | 9.4 |

| Item | Charitable lead trusts | | | Pooled income funds | | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | Percentage change | 2006 | 2007 | Percentage change |
| | (7) | (8) | (9) | (10) | (11) | (12) |
| **Number of returns** | **6,298** | **6,377** | **1.3** | **1,676** | **1,528** | **-8.8** |
| **Net asset value, end-of-year [1]** | **15,989,128** | **18,093,904** | **13.2** | **1,483,773** | **1,476,493** | **-0.5** |
| Book value of assets, end-of-year [2] | 16,485,658 | 18,690,926 | 13.4 | 1,599,610 | 1,607,555 | 0.5 |
| Book value of liabilities, end-of-year [2] | 496,529 | 597,022 | 20.2 | 115,837 | 131,062 | 13.1 |

[1] Calculated as the end-of-year book value of assets (Form 5227, Part IV, line 37, column (b)) minus the end-of-year book value of liabilities (line 43, column (b)).
[2] Taken from Form 5227, Part IV, column (b).
NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

unitrust amount, may vary from year to year, depending on the value of the assets in the trust.

There are two common variants of charitable remainder unitrusts that allow for added flexibility of noncharitable distributions. One variant, a net income charitable remainder unitrust (NI-CRUT), permits the trustee to distribute only the amount of trust income earned in that year, when that amount is less than the distribution that would otherwise be required.[6] This allows the trustee to limit distributions in years when the trust's income is low to avoid depletion of the trust corpus. A related variant is called the net income with makeup charitable remainder unitrust (NIM-CRUT).[7] A NIM-CRUT works like a NI-CRUT, in that the trustee is allowed to distribute the lesser of the trust income or the required percentage of fair market value. However, the reductions in required distributions accumulate. The trustee must make up for previous distribution deficiencies when trust income permits.

Charitable remainder unitrusts may accept property transfers throughout the life of the trust. These are called "additional contributions." These contributions may be in the form of any asset, including cash and stock. All additional contributions must be detailed on an attachment to Form 5227 filed for the year in which the contribution was received. The presence of additional contributions complicates the calculation of the unitrust amount. Preparers must prorate the value of the contributions based on the date they were donated to the trust.[8] The unitrust amount is then calculated by multiplying the unitrust percentage by the sum of balance sheet net fair market value of assets and the prorated value of the additional contributions.

## Charitable Lead Trusts

Under a charitable lead trust (CLT) agreement, a charitable organization receives the income interest of the trust assets, while the remainder interest is

6 For more information regarding net income charitable remainder unitrusts, see Internal Revenue Code section 664(d)(3)(A).

7 For more information regarding net income with makeup charitable remainder unitrusts, see Internal Revenue Code section 664(d)(3)(B).

8 Prorating requires the preparer to calculate the number of days remaining in the year when the additional contribution is made. This number is then divided by the total number of days in the calendar year. The resulting percentage is then multiplied by the value of the additional contribution to determine the prorated value of the additional contributions.

assigned to a noncharitable beneficiary, usually the grantor or the grantor's spouse. Annual distributions are made to a predetermined charitable beneficiary. The amount of CLT distributions is not constrained by minimum or maximum payout restrictions. At the conclusion of the trust's predetermined life, the remaining income and assets are distributed to the designated noncharitable beneficiary.[9]

Charitable lead trusts are classified as annuity trusts or unitrusts depending on the calculation of the distribution amount. Charitable lead annuity trusts (CLATs) distribute a fixed dollar amount of the initial fair market value of the trust property. Charitable lead unitrusts (CLUTs) distribute a fixed percentage of the net fair market value of the trust property, determined annually. CLATs tend to be favored over CLUTs. CLATs do not require that the trust property be revalued annually, therefore reducing the trustee's costs. CLATs also allow the noncharitable remainder beneficiaries to benefit from the appreciation of trust assets.

CLTs are further classified by the role of the donor. If the donor of the trust assets is the noncharitable beneficiary, the trust is classified as a grantor charitable lead trust. In this case, the grantor will receive an income tax deduction for the tax year in which the trust is established up to the amount of the present value of the future charitable distributions as well as a gift tax deduction.[10] Because a grantor CLT is not considered a separate taxable entity, the grantor must pay tax on income earned by the trust. Grantor CLTs are generally used to convert future charitable contributions into a current tax deduction. A trust is classified as a nongrantor charitable lead trust if the donor of the trust property is not a beneficiary. In the case of nongrantor charitable lead trusts, the grantor receives only a gift tax charitable deduction at the time of the trust creation equal to the present value of the future charitable distributions. The nongrantor CLT is considered a fully taxable separate entity for income tax purposes. As a result, the grantor is not liable for tax owed on trust income.

## Pooled Income Funds

Under a pooled income fund (PIF) arrangement, donors to a charitable organization contribute assets to a pool of donated assets and in return receive income payments for the remainder of the grantors' lifetimes.[11] The transfer of assets to the fund must be irrevocable, meaning it cannot be altered or cancelled without consent of the beneficiary. Generally, donors contribute to existing pooled income funds, thus incurring far lower administrative costs to the grantor than a charitable remainder trust. At the time of donation, the grantor receives income and gift tax deductions equal to the estimated value of the eventual charitable contribution. The donee charity, commonly a large educational institution, is responsible for the maintenance of the fund, including investing assets and making distributions to beneficiaries. PIFs are prohibited from investing in tax-exempt securities. Each year, grantors receive a distribution from the fund based on the ratio of their contributions to the value of the investment pool and the return on the fund assets for that year. These distributions are reported as gross income on the grantor's Form 1040, *Individual Income Tax Return*. At the time of the donor's death, the charity receives the grantor's prorated share of the value of the PIF.

## Analysis Overview

Form 5227, *Split-Interest Trust Information Return*, must be submitted for each calendar year a split-interest trust is in existence.[12] Form 5227 must be filed with the IRS by April 15 of the year following the applicable calendar year. Form 5227 is used to disclose the financial activities of the trust, not to calculate tax liability. If a charitable remainder trust incurred any taxable income during the calendar year, Form 1041, *U.S. Income Tax Return for Estates and Trusts*, must be completed.[13]

Charitable remainder trusts remained the most common type of split-interest trust (Figure A). Pooled income funds again made up the smallest percentage, 1.2 percent, of the SIT population. The

[9] In order to qualify, the individual or individuals must be the donor, the donor's spouse, a linear ancestor of a noncharitable beneficiary, or the spouse of a linear ancestor of a noncharitable beneficiary. For more information, see Treasury Regulations 1.1170A-6(c)(2)(i).

[10] This charitable deduction is limited. In general, individuals may not receive an income tax deduction for a charitable contribution in excess of 50.0 percent of the taxpayer's contribution base, usually equal to the adjusted gross income. This and other related limitations on charitable deductions are further described in Internal Revenue Code section 170(b).

[11] Pooled income funds are further discussed under Internal Revenue Code section 642(c)(5).

[12] Split-interest trusts created before May 27, 1969, are exempt from having to file Form 5227, as long as no amounts have been transferred to the trust since May 27, 1969.

[13] Beginning in Tax Year 2007, charitable remainder trusts with unrelated business income are required to file Form 4720, *Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code*. Filing Year 2008 data will be the first filing year to be affected by this change.

majority of returns filed in 2007 were for ongoing trusts, in neither the first nor last year of existence. However, just as in 2006, approximately 3.4 percent of the population comprised initial returns, which are filed for newly created trusts (Figure B).[14] Final returns were slightly more common; in 2007, preparers for terminating trusts filed 4,202 returns, or 3.4 percent of the total population. The average lifetime of a terminating trust in Filing Year 2007 was approximately 12 years.[15] Terminating pooled income funds had the longest average lifetime of all the SIT types, slightly more than 15 years. This extended lifetime could be explained by the institutional structure of PIFs, in which a single charity oversees the assets of multiple donors.

A paid preparer completed 75.5 percent of returns filed in 2007 (Figure C), nearly the same percentage as in 2006. However, in some instances,

## Figure B

### Return Filing Status, Filing Year 2007

[All figures are estimates based on samples]

| Return filing status | All | Charitable remainder annuity trusts | Charitable remainder unitrusts | Charitable lead trusts | Pooled income funds |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| **All returns** | **123,659** | **20,187** | **95,567** | **6,377** | **1,528** |
| Initial [1] | 4,165 | 634 | 3,289 | 242 | 0 |
| Final [2] | 4,202 | 1,257 | 2,575 | 310 | * 60 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.
[1] An initial return status is denoted by selecting the "Initial return" box on line E of Form 5227.
[2] A final return status is denoted by selecting the "Final return" box on line E of Form 5227.

## Figure C

### Utilization of Paid Preparers and Distribution of Trustee Type, by Type of Trust, Filing Years 2006 and 2007

[All figures are estimates based on samples]

| Preparer status/type of trustee | All | | Charitable remainder annuity trusts | | Charitable remainder unitrusts | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **All returns** | **124,036** | **123,659** | **21,296** | **20,187** | **94,767** | **95,567** |
| Paid preparer [1] | 93,717 | 93,338 | 13,262 | 12,583 | 74,492 | 74,627 |
| Unpaid preparer | 30,318 | 30,321 | 8,033 | 7,604 | 20,274 | 20,940 |
| Noninstitutional trustee | 3,306 | 3,480 | 432 | 523 | 2,604 | 2,752 |
| Institutional trustee | 27,012 | 26,840 | 7,601 | 7,080 | 17,670 | 18,188 |

| Preparer status/type of trustee | Charitable lead trusts | | Pooled income funds | |
|---|---|---|---|---|
| | 2006 | 2007 | 2006 | 2007 |
| | (7) | (8) | (9) | (10) |
| **All returns** | **6,298** | **6,377** | **1,676** | **1,528** |
| Paid preparer [1] | 5,217 | 5,319 | 746 | 809 |
| Unpaid preparer | 1,081 | 1,058 | 930 | 719 |
| Noninstitutional trustee | 187 | 155 | 83 | 50 |
| Institutional trustee | 894 | 903 | 847 | 669 |

[1] The presence of a paid preparer is indicated on Form 5227 by the completion of the paid preparer section found on page 4 of the return.
NOTE: Detail may not add to totals due to rounding.

[14] An initial return denotes the first return filed for a trust during its lifetime. Generally, these returns cover the tax year in which the trust was created.
[15] The trust lifetime was estimated by subtracting the year of the reported creation date from the tax year of the final return.

the trustee type may indicate the presence of a professional preparer even when the return does not indicate a paid preparer. Of those returns that did not indicate a paid preparer, 88.5 percent reported institutions, such as banks or charities, as the trustee. When entities such as these act as trustee, it is likely that the return was professionally prepared even if a paid preparer did not sign the return. For example, while paid preparers completed only 52.9 percent of the returns filed for pooled income funds, institutional trustees were reported for 93.0 percent of the PIF returns that did not indicate a paid preparer. CLTs were the type of trust most likely to be completed by a paid preparer. In 2007, only 16.6 percent of forms filed for CLTs did not utilize a paid preparer.

Form 5227 is divided into several parts, many of which are completed for only one type of split-interest trust. All trusts report some distribution information as well as the total fair market value of assets owned by the trust at the end of the tax year. The distribution information varies in detail based on the type of trust. While forms filed for CRTs require detailed information regarding both required and actual distributions, forms for CLTs and PIFs must include only general information about required distributions. The balance sheet portion of *Split-Interest Trust Information Return* is a detailed listing of the assets and liabilities of the trust, and is completed, at least in part, by all SITs. There are three separate valuations for each asset and liability category: beginning-of-year book value; end-of-year book value; and fair market value. The beginning- and end-of-year book values are reported for all types of trusts. For all SITs, the end-of-year book value of trust assets increased from $108.2 billion in 2006 to $117.6 billion in Filing Year 2007. The fair market valuation is only required for charitable remainder unitrusts. Tax law requires the fair market value to be assessed on the same date and using the same method each year that a Form 5227 is filed for a CRUT. For valuation purposes, assets are apportioned into several categories, including cash, receivables, and investments. Investments are further separated into five categories: U.S. and State government obligations; corporate stock; corporate bonds; land, buildings, and equipment; and other. Liabilities are also separated into five categories, including accounts payable and deferred revenue.

This article focuses on split-interest trust reporting for Filing Year 2007, reporting, primarily, information and activities that occurred during Calendar Year 2006. Throughout this article, trusts are described in terms of size as being small, medium, or large, based on the trust's reported end-of-year total book value of assets. Small trusts are defined as those that reported total assets of $500,000 or less, including those trusts that either did not report end-of-year book value of total assets, or that reported the amount as zero.[16] Medium trusts are defined as those with between $500,000 and $3.0 million in total assets. Large trusts are defined as those that reported total assets of $3.0 million or more.

## Analysis by Type of Trust

### Charitable Remainder Trusts

The income and deductions portion of Form 5227 is completed only for charitable remainder trusts, for which 115,754 returns were filed in 2007 (Figure D). Reported ordinary income is divided into seven classifications that include interest income, ordinary dividends, and business income or loss. Total ordinary income of $4.5 billion was reported for CRTs in 2007, of which $4.2 billion, or 92.6 percent, was reported for CRUTs. Deductions allocable to ordinary income are divided into three classifications: interest, taxes, and other, and totaled $1.1 billion in 2007.[17] The total ordinary income less deductions allocable to ordinary income is referred to in this article as "net ordinary income." In 2007, this amount was $3.4 billion, an increase of 38.9 percent over Filing Year 2006.

Capital gains and losses are reported separately from net ordinary income. The total short-term capital gain or loss amount, as well as the total long-term capital gain or loss amount, is taken from Form 1041 Schedule D, *Capital Gains and Losses,* for the corresponding tax year. Deductions reduce the short- and long-term amounts, resulting in a "net short-term capital gain (loss)" and a "net long-term capital gain (loss)." Charitable remainder trust returns reported total net capital gains of $8.7 billion in 2007 (Figure D). This is an increase of 16.9 percent from $7.4 bil-

[16] Trusts that do not report end-of-year total assets, or that report the amount as zero, are often final-year filers. In those instances, the trusts usually report asset amounts for the beginning of the year, but, as they have terminated, there are no trust assets to report for the end of the year.

[17] Charitable remainder trusts are not allowed deductions for personal exemptions, charitable contributions, net operating losses, income distributions, capital loss carryforwards, Federal income taxes, or Federal excise taxes.

## Figure D

### Overview of Charitable Remainder Trusts, Filing Years 2006 and 2007

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

| Item | All charitable remainder trusts | | | Charitable remainder annuity trusts | | | Charitable remainder unitrusts | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | Percentage change | 2006 | 2007 | Percentage change | 2006 | 2007 | Percentage change |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| **Number of returns** | **116,062** | **115,754** | **-0.3** | **21,296** | **20,187** | **-5.2** | **94,767** | **95,567** | **0.8** |
| **Total net income [1]** | **9,991,947** | **12,202,714** | **22.1** | **853,971** | **897,233** | **5.1** | **9,137,976** | **11,305,480** | **23.7** |
| Net ordinary income [2] | 2,425,472 | 3,369,978 | 38.9 | 235,279 | 278,178 | 18.2 | 2,190,193 | 3,091,800 | 41.2 |
| Total ordinary income | 2,973,122 | 4,513,954 | 51.8 | 289,283 | 333,170 | 15.2 | 2,683,840 | 4,180,784 | 55.8 |
| Total ordinary deductions | 547,649 | 1,143,976 | 108.9 | 54,003 | 54,991 | 1.8 | 493,645 | 1,088,985 | 120.6 |
| Total net capital gains (losses) [3] | 7,439,099 | 8,697,265 | 16.9 | 579,224 | 583,360 | 0.7 | 6,859,875 | 8,113,905 | 18.3 |
| Net short-term capital gains (losses) | 287,726 | 292,253 | 1.6 | 18,504 | 16,862 | -8.9 | 269,222 | 275,391 | 2.3 |
| Net long-term capital gains (losses) | 7,151,373 | 8,405,012 | 17.5 | 560,720 | 566,498 | 1.0 | 6,590,653 | 7,838,514 | 18.9 |
| Nontaxable income [4] | 127,376 | 135,470 | 6.4 | 39,468 | 35,695 | -9.6 | 87,908 | 99,775 | 13.5 |
| **Total accumulations for tax year [5]** | **66,278,298** | **73,120,564** | **10.3** | **5,407,534** | **5,543,820** | **2.5** | **60,870,765** | **67,576,745** | **11.0** |
| Prior year undistributed | 56,286,350 | 60,914,270 | 8.2 | 4,553,562 | 4,646,586 | 2.0 | 51,732,788 | 56,267,684 | 8.8 |
| Current year accumulations | 9,991,947 | 12,202,714 | 22.1 | 853,971 | 897,233 | 5.1 | 9,137,976 | 11,305,480 | 23.7 |
| Undistributed at end of tax year [6] | 59,734,950 | 65,358,365 | 9.4 | 4,481,374 | 4,696,376 | 4.8 | 55,253,576 | 60,661,988 | 9.8 |
| **Total distributions [7][8]** | **7,210,404** | **8,421,393** | **16.8** | **1,232,106** | **1,014,336** | **-17.7** | **5,978,298** | **7,407,058** | **23.9** |
| **Total book value of assets at end of year** | **90,163,123** | **97,307,466** | **7.9** | **9,041,175** | **9,280,129** | **2.6** | **81,121,949** | **88,027,337** | **8.5** |
| Cash, savings, and temporary cash investments | 6,746,676 | 7,390,860 | 9.5 | 763,038 | 881,078 | 15.5 | 5,983,637 | 6,509,782 | 8.8 |
| Receivables due [9] | 1,281,565 | 1,439,057 | 12.3 | 155,005 | 163,869 | 5.7 | 1,126,560 | 1,275,188 | 13.2 |
| Inventories and prepaid expenses | 10,273 | 9,388 | -8.6 | 2,457 | 810 | -67.0 | 7,816 | 8,578 | 9.7 |
| Investments | 79,535,080 | 86,390,796 | 8.6 | 7,834,583 | 8,035,104 | 2.6 | 71,700,498 | 78,355,692 | 9.3 |
| Other assets [10] | 2,589,506 | 2,077,341 | -19.8 | 286,088 | 199,264 | -30.3 | 2,303,418 | 1,878,078 | -18.5 |
| **Total book value of liabilities at end of year** | **1,358,047** | **1,485,907** | **9.4** | **166,179** | **199,877** | **20.3** | **1,191,868** | **1,286,030** | **7.9** |
| **Net book value assets at end of year [11]** | **88,805,077** | **95,821,558** | **7.9** | **8,874,996** | **9,080,252** | **2.3** | **79,930,081** | **86,741,306** | **8.5** |

[1] Calculated as the sum of "ordinary income less deductions" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21(d)).
[2] Taken from "ordinary income less deductions" (Form 5227, Part I, line 13).
[3] Calculated as the sum of "net short-term capital gains (losses)" (Form 5227, Part I, line 16) and "net long-term capital gains (losses)" (line 19).
[4] Taken from "current tax year nontaxable income" (Form 5227, Part II, line 21(d)).
[5] Taken from Form 5227, Part II, line 22.
[6] Taken from Form 5227, Part II, line 23.
[7] Calculated as the sum of all distributions reported on Part III of Form 5227.
[8] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[9] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), and "other notes and loans receivable" (line 29, column (b)).
[10] Calculated as the sum of charitable purpose land, buildings, and equipment (Form 5227, Part IV, line 35, column (b)) and other assets (line 36, column (b)).
[11] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets (line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting error.
NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

lion in 2006. Net long-term capital gains made up approximately 96.6 percent, or $8.4 billion, of total net capital gains reported for CRTs in 2007. This is an increase of nearly $1.3 billion over the net-long-term capital gains reported for CRTs in 2006.

In this article, total net income is defined as the sum of net ordinary income, net capital gains, and nontaxable income. Nontaxable income, likely from Federal, State and local government bonds, is also reported separately from ordinary income. Charitable remainder trusts reported $135.5 million in nontaxable income in 2007, an increase of 6.4 percent from the $127.4 million reported in 2006 (Figure D). Total net income reported for charitable remainder trusts increased by 22.1 percent, from $10.0 billion in 2006 to $12.2 billion in 2007, despite the relatively small change in the number of returns filed. This increase is attributable to the sizable increase in both net ordinary income and total net capital gains reported for CRTs.

The accumulation schedule shows the flow of income through the trust from January 1 to December 31 of the tax year.[18] This section is also only completed for charitable remainder trusts. Income is reported in two categories: undistributed income from prior years and current-year income. Income in these two categories is further disaggregated by source: ordinary; net short-term capital gains and losses; net long-term capital gains and losses; and nontaxable. Returns filed for CRTs in 2007 reported total accumulations, including ordinary income, short-term and long-term capital gains, and nontaxable income, of $73.1 billion (Figure D). Approximately $60.9 billion of the accumulations were undistributed from prior tax years. The accumulation schedule also shows undistributed income at the end of the current tax year, which is the amount of income held by the trust on the last day of the calendar year, once all payouts and distributions have been recorded. In Filing Year 2007, some $65.4 billion were reported for end-of-year undistributed income. This amount exceeded the beginning-of-year income accumulation by $4.4 billion, or 7.3 percent, meaning that, in aggregate, trustees of CRTs distributed less income than the trust earned. As a result, the trust accumulates income from year to year, increasing the asset value. In Filing Year 2007, end-of-year income accumulations exceeded the beginning-of-year amounts by 6.1 percent. As shown in Figure D, returns filed for charitable remainder trusts reported $8.4 billion in distributions and end-of-year book value of assets of $97.3 billion in Filing Year 2007.

### Charitable Remainder Annuity Trusts

During Filing Year 2007, some 20,187 Forms 5227 were filed for charitable remainder annuity trusts. This is a 5.2-percent decrease from Filing Year 2006, when 21,296 returns were filed. As in 2006, the majority of CRATs included in Filing Year 2007 were small trusts, with end-of-year book value of total assets less than $500,000 (Figure E). Approximately $897.2 million in total net income was reported for CRATs in 2007, which is a 5.1-percent increase from 2006. While net ordinary income increased substantially, by 18.2 percent, between the 2 years, short-term capital gains and nontaxable income fell by 8.9 percent and 9.6 percent, respectively. The reported value of net long-term capital gains increased slightly

## Figure E

**Charitable Remainder Annuity Trusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007**

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

| Item | Total | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **20,187** | **16,156** | **3,604** | **427** |
| **Total net income [2]** | **897,233** | **178,227** | **365,341** | **353,665** |
| Net ordinary income [3] | 278,178 | 61,864 | 100,832 | 115,481 |
| Total ordinary income | 333,170 | 76,707 | 122,909 | 133,553 |
| Deductions allocable to ordinary income | 54,991 | 14,843 | 22,076 | 18,072 |
| Net short-term capital gain or (loss) [4] | 16,862 | 4,182 | 9,685 | 2,995 |
| Net long-term capital gain or (loss) [5] | 566,498 | 106,046 | 239,544 | 220,908 |
| Nontaxable income [6] | 35,695 | 6,134 | 15,280 | 14,280 |

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "ordinary income less deductions" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21 (d)).

[3] Taken from "ordinary income less deductions" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 16.

[5] Taken from Form 5227, Part I, line 19.

[6] Taken from Form 5227, Part II, line 21(d).

NOTE: Detail may not add to totals due to rounding.

[18] Any distributions made after December 31 of a tax year, for that tax year, will be included as undistributed at the end of the tax year on the accumulation schedule.

from $560.7 million in 2006 to $566.5 million in 2007, and continued to compose the majority of net income reported for CRATs.

Reported total accumulations for charitable remainder annuity trusts increased to $5.5 billion in Filing Year 2007 (Figure F). This included $897.2 million in current-year income, an increase of 5.1 percent over Filing Year 2006. The percentage of current-year income comprised of net long-term capital gains declined from 65.7 percent in 2006 to 63.1 percent in 2007. Net long-term capital gains reported to be $4.7 billion in 2007 increased slightly as a percentage of undistributed income. Undistributed income at the end of the year exceeded the beginning-of-year amount by only $49.8 million, or 1.1 percent, a relatively small percentage of income accumulations for CRTs as a whole.

Figure G shows distributions made by charitable remainder annuity trusts in Filing Year 2007. In total, $1.0 billion were distributed. The allocation of distributions between sizes of CRATs in 2007 is relatively consistent, especially when compared to previ-

## Figure F

### Charitable Remainder Annuity Trusts: Accumulation Information, by Type of Income, Filing Year 2007

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

| Item | Total | Type of income | | | |
|---|---|---|---|---|---|
| | | Net ordinary income | Capital gains (losses) | | Nontaxable income |
| | | | Net short-term | Net long-term | |
| | (1) | (2) | (3) | (4) | (5) |
| **Total accumulations [1]** | **5,543,820** | **534,944** | **49,493** | **4,779,049** | **180,334** |
| Prior-year undistributed [2] | 4,646,586 | 256,766 | 22,875 | 4,222,307 | 144,639 |
| Current-year accumulations [3] | 897,233 | 278,178 | 16,862 | 566,498 | 35,695 |
| **Undistributed at end of tax year [4]** | **4,696,376** | **212,919** | **32,132** | **4,301,635** | **149,691** |

[1] Taken from Form 5227, Part II, line 22.
[2] Taken from Form 5227, Part II, line 20.
[3] Taken from Form 5227, Part II, line 21.
[4] Taken from Form 5227, Part II, line 23.
NOTES: Detail may not add to totals due to rounding. Additionally, the total accumulations for capital gains (losses) may be skewed due to netting short- and long-term values together.

## Figure G

### Charitable Remainder Annuity Trusts: Distributions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | All | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **20,187** | **16,156** | **3,604** | **427** |
| **Total distributions [2]** | **1,014,336** | **378,648** | **305,923** | **329,764** |
| Ordinary income [3] | 325,117 | 129,831 | 93,123 | 102,164 |
| Short-term capital gains [4] | 19,781 | 3,454 | 6,995 | 9,332 |
| Long-term capital gains [5] | 442,691 | 147,378 | 149,407 | 145,906 |
| Nontaxable income [6] | 31,997 | 10,087 | 12,061 | 9,850 |
| Corpus [7] | 194,749 | 87,898 | 44,337 | 62,513 |

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.
[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[3] Reported on Form 5227, Part III, column (a).
[4] Reported on Form 5227, Part III, column (b).
[5] Reported on Form 5227, Part III, column (c).
[6] Reported on Form 5227, Part III, column (d).
[7] Reported on Form 5227, Part III, column (e).
NOTE: Detail may not add to totals due to rounding.

ous years. Small CRATs accounted for 37.3 percent of distributions, despite making up 80.0 percent of all returns filed for CRATs. Medium CRATs made up 17.9 percent of the population but accounted for 30.2 percent of distributions. Finally, while large CRATs made up only 2.1 percent of the CRAT population, preparers for these trusts reported 32.5 percent of total distributions. Long-term capital gains continued to represent the largest portion of distributions for CRATs of all sizes; however, the percentage of total distributions made up of long-term capital gains decreased from 45.9 percent in 2006 to 43.6 percent in 2007. Corpus distributions also contributed less to total distributions in Filing Year 2007 than in 2006. Ordinary income, however, increased as a percentage of total distributions from 22.1 percent in 2006 to 32.1 percent in 2007. Short-term capital gains were the smallest component of distributions for all CRAT sizes.

Overall, distributions from CRATs decreased by 17.7 percent between Filing Years 2006 and 2007. One source of year-to-year variation in aggregate estimates is changes in the CRAT population due to the creation or termination of trusts. In the first year of a trust's life, trustees are permitted to distribute only a percentage of the required noncharitable distribution, based on the date the trust was created.[19] Additionally, trustees of terminating trusts must distribute all remaining trust income and corpus to beneficiaries, resulting in extremely large distributions. Figure H presents the 2006 and 2007 Filing Year data for CRATs that did not begin or terminate during the year. Large changes between 2006 and 2007 observed in the population of all returns are muted when looking only at ongoing trusts. In contrast with the population, distributions for ongoing trusts increased by 3.8 percent between 2006 and 2007. The decrease in corpus distributions was 41.1 percent for the population, but only 4.9 percent when initial and final trusts were removed.

Figure I shows the allocation of distributions among basic beneficiary types. Trust grantors received the largest percentage of total distributions, 59.5 percent, or $604.0 million. Charitable beneficiaries received 16.4 percent of all reported distributions. Nongrantor individuals received 18.5 percent of all distributions in 2007, an increase from 2006 when they received 12.1 percent of all distributions. In contrast, noncharitable entities, which include noncharitable trusts as well as partnerships and cor-

## Figure H

### Charitable Remainder Annuity Trusts: Distributions, Filing Years 2006 and 2007

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

| Distribution type | All returns | | | Ongoing returns [1] | | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | Percentage change | 2006 | 2007 | Percentage change |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Total distributions [2]** | **1,232,106** | **1,014,336** | **-17.7** | **747,930** | **776,279** | **3.8** |
| Ordinary income [3] | 272,509 | 325,117 | 19.3 | 208,577 | 231,792 | 11.1 |
| Short-term capital gains [4] | 29,389 | 19,781 | -32.7 | 20,469 | 19,252 | -5.9 |
| Long-term capital gains [5] | 565,694 | 442,691 | -21.7 | 356,736 | 373,707 | 4.8 |
| Nontaxable income [6] | 34,056 | 31,997 | -6.0 | 32,073 | 27,856 | -13.1 |
| Corpus [7] | 330,457 | 194,749 | -41.1 | 130,074 | 123,673 | -4.9 |

[1] This category includes only returns that did not make initial or final distributions during the filing year.
[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[3] Reported on Form 5227, Part III, column (a).
[4] Reported on Form 5227, Part III, column (b).
[5] Reported on Form 5227, Part III, column (c).
[6] Reported on Form 5227, Part III, column (d).
[7] Reported on Form 5227, Part III, column (e).
NOTE: Detail may not add to totals due to rounding.

[19] This percentage is calculated by dividing the number of days remaining in the year when the trust was created, by the total number of days in the calendar year. The resulting percentage is multiplied by the value of required distributions. This computation is commonly referred to as the "short-year adjustment."

## Figure I

### Charitable Remainder Annuity Trusts: Distributions, by Beneficiary and Income Type, Filing Year 2007

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

| Beneficiary type | Total distributions [1] | Ordinary income [2] | Short-term capital gains [3] | Long-term capital gains [4] | Nontaxable income [5] | Corpus [6] |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **All beneficiary types** | **1,014,336** | **325,117** | **19,781** | **442,691** | **31,997** | **194,749** |
| Grantor | 603,971 | 177,587 | 15,027 | 283,459 | 19,431 | 108,468 |
| Other individual | 187,604 | 59,463 | 3,962 | 83,341 | 11,205 | 29,632 |
| Charity | 166,676 | 76,893 | 419 | 38,827 | 636 | 49,902 |
| Noncharitable entity | 56,084 | 11,174 | * 373 | 37,064 | * 726 | 6,747 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.
[1] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[2] Reported on Form 5227, Part III, column (a).
[3] Reported on Form 5227, Part III, column (b).
[4] Reported on Form 5227, Part III, column (c).
[5] Reported on Form 5227, Part III, column (d).
[6] Reported on Form 5227, Part III, column (e).
NOTE: Detail may not add to totals due to rounding.

porations, received only 5.5 percent of distributions, compared to 13.7 percent in 2006. Long-term capital gains made up the largest percentage of distributions to all beneficiary types, with the exception of charities, which received more ordinary income than any other type.

Assets with an end-of-year book value of approximately $9.3 billion were reported for charitable remainder annuity trusts in Filing Year 2007 (Figure J), which is only 2.6 percent higher than Filing Year 2006. The value of inventories and prepaid expenses fell by 67.0 percent, from $2.5 million in 2006, to ap-

## Figure J

### Charitable Remainder Annuity Trusts: Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | | Size of end-of-year book value of total assets | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Under $500,000 [1] | | $500,000 under $3 million | | $3 million or more | |
| | Amount | Percentage of total investments | Amount | Percentage of total investments | Amount | Percentage of total investments | Amount | Percentage of total investments |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **Total book value of assets at end of year** | **9,280,129** | **N/A** | **1,788,803** | **N/A** | **3,832,433** | **N/A** | **3,658,892** | **N/A** |
| **Total investments** | **8,035,104** | **100.0** | **1,541,925** | **100.0** | **3,277,501** | **100.0** | **3,215,678** | **100.0** |
| U.S. and State government obligations [2] | 1,192,677 | 14.8 | 163,094 | 10.6 | 493,494 | 15.1 | 536,088 | 16.7 |
| Corporate stock [3] | 4,142,474 | 51.6 | 841,597 | 54.6 | 1,716,976 | 52.4 | 1,583,901 | 49.3 |
| Corporate bonds [4] | 1,159,100 | 14.4 | 242,521 | 15.7 | 481,227 | 14.7 | 435,352 | 13.5 |
| Other investments [5] | 1,540,853 | 19.2 | 294,713 | 19.1 | 585,804 | 17.9 | 660,337 | 20.5 |
| **Total book value of liabilities at end of year** | **199,877** | **N/A** | **38,737** | **N/A** | **135,615** | **N/A** | **25,525** | **N/A** |

N/A—Not applicable.
[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.
[2] Taken from Form 5227, Part IV, line 32a, column (b).
[3] Taken from Form 5227, Part IV, line 32b, column (b).
[4] Taken from Form 5227, Part IV, line 32c, column (b).
[5] Calculated as the sum of land, buildings, and equipment (Form 5227, Part IV, line 33, column (b)) and other investments (line 34, column (b)).
NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

proximately $810,000 in 2007. Other assets, including charitable purpose land, buildings, and equipment, all declined significantly between the 2 years. The allocation of assets in the investment portfolios of trusts filing in 2007 mirrors that of previous years. Investments comprised the largest portion of assets, more than $8.0 billion, or 86.6 percent of the total. Corporate stock made up 51.6 percent of the total investments reported, and comprised the largest portion of the investment portfolio for all sizes of CRATs. Figure J also shows that $199.9 million in liabilities were reported for CRATs in Filing Year 2007, an increase of 20.3 percent from 2006.

### Charitable Remainder Unitrusts

The number of Forms 5227 filed for charitable remainder unitrusts in 2007 was 95,567, virtually unchanged from 2006. As in previous years, the majority of returns filed in 2007 were for small CRUTs, those with less than $500,000 in end-of-year book value of assets. In Filing Year 2007, about $11.3 billion in total net income were reported for charitable remainder unitrusts (Figure K). This was an increase of 23.7 percent over the total net income reported in 2006. Total ordinary deductions increased by 120.6 percent between 2006 and 2007. Net long-term capital gains comprised the largest portion of the income, with $7.8 billion reported, an increase of 18.9 percent from Filing Year 2006. Nontaxable income made up the smallest portion of income for all categories of CRUTs, accounting for only 0.9 percent of total income for all CRUTs.

Returns filed for charitable remainder unitrusts in 2007 reported $67.6 billion in total accumulations, an increase of 11.0 percent over Filing Year 2006 (Figure L). Total accumulations included $56.3 billion in prior-year undistributed income. Net long-term capital gains made up 87.1 percent of total accumulations. Undistributed income at the end of the tax year reported for CRUTs totaled $60.7 billion in 2007, an increase of 9.8 percent from Filing Year 2006. End-of-year undistributed income exceeded the beginning-of-year values by 7.8 percent, accounting for the majority of income accumulations for the CRT population. This income accumulation is slightly higher than the 6.8-percent increase reported in 2006.

## Figure K

**Charitable Remainder Unitrusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007**

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

| Item | Total | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **95,567** | **65,371** | **26,437** | **3,758** |
| **Total net income [2]** | **11,305,480** | **1,141,355** | **3,024,129** | **7,139,996** |
| Net ordinary income [3] | 3,091,800 | 377,546 | 799,850 | 1,914,403 |
| Total ordinary income | 4,180,784 | 478,290 | 992,666 | 2,709,829 |
| Deductions allocable to ordinary income | 1,088,985 | 100,743 | 192,815 | 795,426 |
| Net short-term capital gain or (loss) [4] | 275,391 | 38,434 | 76,262 | 160,695 |
| Net long-term capital gain or (loss) [5] | 7,838,514 | 710,471 | 2,104,677 | 5,023,366 |
| Nontaxable income [6] | 99,775 | 14,904 | 43,339 | 41,532 |

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "ordinary income less deductions" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21 (d)).

[3] Taken from "ordinary income less deductions" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 16.

[5] Taken from Form 5227, Part I, line 19.

[6] Taken from Form 5227, Part II, line 21(d).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

## Figure L

### Charitable Remainder Unitrusts: Accumulation Information, by Type of Income, Filing Year 2007

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

| Item | Total | Type of income | | | |
|---|---|---|---|---|---|
| | | Net ordinary income | Capital gains (losses) | | Nontaxable income |
| | | | Net short-term | Net long-term | |
| | (1) | (2) | (3) | (4) | (5) |
| **Total accumulations [1]** | **67,576,745** | **6,338,906** | **1,898,656** | **58,871,864** | **467,317** |
| Prior-year undistributed [2] | 56,267,684 | 3,247,107 | 1,447,412 | 51,205,624 | 367,542 |
| Current-year accumulations [3] | 11,305,480 | 3,091,800 | 275,391 | 7,838,514 | 99,775 |
| **Undistributed at end of tax year [4]** | **60,661,988** | **4,128,904** | **1,301,869** | **54,805,961** | **425,254** |

[1] Taken from Form 5227, Part II, line 22.
[2] Taken from Form 5227, Part II, line 20.
[3] Taken from Form 5227, Part II, line 21.
[4] Taken from Form 5227, Part II, line 23.
NOTES: Detail may not add to totals due to rounding. Additionally, the total accumulations for capital gains (losses) may be skewed due to netting short- and long-term values together.

Charitable remainder unitrust distributions are shown in Figure M. During Filing Year 2007, some $7.4 billion in distributions were reported. Of this, large CRUTs, which made up just 3.9 percent of all CRUTs in 2007, accounted for 40.5 percent of total distributions that year, a decrease from Filing Year 2006 when they accounted for 43.2 percent of all distributions. In contrast, small CRUTs, which made up 68.4 percent of the CRUT filing population in 2007, reported distributions composing only 29.7 percent of the total. Long-term capital gains remained the largest source of distributions for charitable remainder unitrusts in all size classes, accounting for 50.8 percent of all distributions made by charitable remainder unitrusts. Nontaxable income contributed the smallest share to distributions for all CRUT

## Figure M

### Charitable Remainder Unitrusts: Distributions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | All | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **95,567** | **65,371** | **26,437** | **3,758** |
| **Total distributions [2]** | **7,407,058** | **2,200,954** | **2,205,973** | **3,000,131** |
| Ordinary income [3] | 2,219,866 | 353,354 | 759,744 | 1,106,769 |
| Short-term capital gains [4] | 604,303 | 40,717 | 106,293 | 457,292 |
| Long-term capital gains [5] | 3,759,754 | 1,337,853 | 1,075,997 | 1,345,904 |
| Nontaxable income [6] | 43,404 | 9,993 | 18,973 | 14,438 |
| Corpus [7] | 779,731 | 459,038 | 244,966 | 75,728 |

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.
[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[3] Reported on Form 5227, Part III, column (a).
[4] Reported on Form 5227, Part III, column (b).
[5] Reported on Form 5227, Part III, column (c).
[6] Reported on Form 5227, Part III, column (d).
[7] Reported on Form 5227, Part III, column (e).
NOTE: Detail may not add to totals due to rounding.

returns filed in 2007, making up only 0.6 percent of overall total distributions.

Overall distributions from CRUTs increased by 23.9 percent between 2006 and 2007; however, as with CRATs, the ongoing trusts exhibit less change than the population (Figure N). The figure shows that distributions increased by 8.0 percent between the 2 years for ongoing trusts, which differs from the overall change. Corpus distributions, commonly made by terminating trusts, increased by 43.0 percent for the population but by only 5.2 percent for the ongoing returns. Similarly, long-term capital gain distributions increased by 23.2 percent for the population of all returns, but decreased by 1.1 percent for ongoing returns.

Figure O presents the allocation of distributions reported for charitable remainder unitrusts in 2007 among basic beneficiary types. Grantors received $4.3 billion, or 58.3 percent of distributions reported for charitable remainder unitrusts in 2007. The second most common beneficiary type was charities, which received $1.4 billion in distributions, or 18.6 percent of all distributions. Noncharitable entities were the least common beneficiary of CRUTs, re-

## Figure N

### Charitable Remainder Unitrusts: Distributions, Filing Years 2006 and 2007

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

| Distribution type | All returns | | | Ongoing returns [1] | | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | Percentage change | 2006 | 2007 | Percentage change |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Total distributions [2]** | **5,978,298** | **7,407,058** | **23.9** | **5,497,046** | **5,934,755** | **8.0** |
| Ordinary income [3] | 1,829,156 | 2,219,866 | 21.4 | 1,790,616 | 2,149,105 | 20.0 |
| Short-term capital gains [4] | 509,175 | 604,303 | 18.7 | 497,745 | 589,926 | 18.5 |
| Long-term capital gains [5] | 3,052,897 | 3,759,754 | 23.2 | 2,823,939 | 2,793,824 | -1.1 |
| Nontaxable income [6] | 41,725 | 43,404 | 4.0 | 37,470 | 36,667 | -2.1 |
| Corpus [7] | 545,345 | 779,731 | 43.0 | 347,276 | 365,233 | 5.2 |

[1] This category includes only returns that did not make initial or final distributions during the filing year.
[2] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[3] Reported on Form 5227, Part III, column (a).
[4] Reported on Form 5227, Part III, column (b).
[5] Reported on Form 5227, Part III, column (c).
[6] Reported on Form 5227, Part III, column (d).
[7] Reported on Form 5227, Part III, column (e).
NOTE: Detail may not add to totals due to rounding.

## Figure O

### Charitable Remainder Unitrusts: Distributions, by Beneficiary and Income Type, Filing Year 2007

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

| Beneficiary type | Total distributions [1] | Ordinary income [2] | Short-term capital gains [3] | Long-term capital gains [4] | Nontaxable income [5] | Corpus [6] |
|---|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **All beneficiary types** | **7,407,058** | **2,219,866** | **604,303** | **3,759,754** | **43,404** | **779,731** |
| Grantor | 4,320,047 | 1,547,930 | 244,783 | 2,301,893 | 24,444 | 200,997 |
| Other individual | 1,046,194 | 419,609 | 58,371 | 464,364 | 14,735 | 89,113 |
| Non-charitable entity | 659,563 | 218,253 | 286,888 | 127,420 | * 90 | 26,913 |
| Charity | 1,381,254 | 34,074 | 14,260 | 866,077 | 4,135 | 462,709 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.
[1] May include distributions made after December 31 of the tax year and therefore may not be reflected on the accumulation schedule.
[2] Reported on Form 5227, Part III, column (a).
[3] Reported on Form 5227, Part III, column (b).
[4] Reported on Form 5227, Part III, column (c).
[5] Reported on Form 5227, Part III, column (d).
[6] Reported on Form 5227, Part III, column (e).
NOTE: Detail may not add to totals due to rounding.

ceiving 8.9 percent of all distributions. However, noncharitable entities were the most likely to receive short-term capital gain distributions. Charities were the most likely to receive distributions from trust corpus.

Charitable remainder unitrust returns filed in 2007 reported $88.0 billion for end-of-year book value of assets (Figure P). Nearly all asset categories increased in value between 2006 and 2007. Approximately 89.0 percent of the asset value was made up of investments, a slight increase from returns filed in 2006. The investment patterns reported for CRUTs in 2007 mirror the patterns from previous years. Corporate stock, reported to be $40.2 billion, continued to comprise the majority of the investment portfolio of CRUTs in 2007. Other investments, which include partnerships, annuities, and bonds issued by foreign governments, continued to make up the second largest component of investment portfolios. Trustees of large CRUTs reported 75.8 percent of the value of other investments reported for all CRUTs. Real estate investments were the smallest component of investments for CRUTs of all sizes. Other assets, including charitable purpose land, buildings, and equipment, declined by 18.5 percent between 2006 and 2007. Overall, CRUT returns reported $1.3 billion in liabilities during the filing year.

As discussed earlier, charitable remainder unitrusts distribute a fixed percentage, between 5.0 percent and 50.0 percent, of the fair market value of the trust property, valued annually. This percentage is called the unitrust percentage and must remain fixed throughout the life of the trust. Figure Q shows that 80,193 CRUT returns, or 83.9 percent, reported unitrust percentages from 5.0 percent to less than 10.0 percent. However, returns for larger trusts reported higher unitrust percentages than the small and medium CRUT returns. For example, only 12.9 percent of small CRUT returns reported percentages from 10.0 to less than 20.0; however, 20.9 percent of large CRUT returns fell into this category. The figure also shows that the distribution of unitrust percentages within the 5.0 to less than 10.0 category is relatively consistent, averaging about 20.0 percent, with the

## Figure P

### Charitable Remainder Unitrusts: Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | | Size of end-of-year book value of total assets | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Under $500,000 [1] | | $500,000 under $3 million | | $3 million or more | |
| | Amount | Percentage of total investments | Amount | Percentage of total investments | Amount | Percentage of total investments | Amount | Percentage of total investments |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **Total book value of assets at end of year** | **88,027,337** | **N/A** | **11,922,531** | **N/A** | **28,379,412** | **N/A** | **47,725,394** | **N/A** |
| **Total investments** | **78,355,692** | **100.0** | **10,387,183** | **100.0** | **24,719,059** | **100.0** | **43,249,451** | **100.0** |
| U.S. and State government obligations [2] | 5,569,829 | 7.1 | 522,575 | 5.0 | 2,006,646 | 8.1 | 3,040,608 | 7.0 |
| Corporate stock [3] | 40,242,190 | 51.4 | 6,431,287 | 61.9 | 15,500,331 | 62.7 | 18,310,572 | 42.3 |
| Corporate bonds [4] | 7,733,001 | 9.9 | 1,414,417 | 13.6 | 3,050,203 | 12.3 | 3,268,382 | 7.6 |
| Land, buildings, and equipment [5] | 757,589 | 1.0 | 91,559 | 0.9 | 272,038 | 1.1 | 393,993 | 0.9 |
| Other investments [6] | 24,053,083 | 30.7 | 1,927,346 | 18.6 | 3,889,842 | 15.7 | 18,235,896 | 42.2 |
| **Total book value of liabilities at end of year** | **1,286,030** | **N/A** | **141,700** | **N/A** | **385,029** | **N/A** | **759,302** | **N/A** |

N/A—Not applicable.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 32a, column (b).

[3] Taken from Form 5227, Part IV, line 32b, column (b).

[4] Taken from Form 5227, Part IV, line 32c, column (b).

[5] Taken from Form 5227, Part IV, line 33, column (b).

[6] Taken from Form 5227, Part IV, line 34, column (b).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

## Figure Q

**Charitable Remainder Unitrusts: Reported Unitrust Percentage, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007**

[All figures are estimates based on samples]

| Unitrust percentage | Total | | Size of end-of-year book value of total assets | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Under $500,000 [1] | | $500,000 under $3 million | | $3 million or more | |
| | Number of returns | Percentage of total | Number of returns | Percentage of total | Number of returns | Percentage of total | Number of returns | Percentage of total |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **All returns [2]** | **95,567** | **100.0** | **65,371** | **100.0** | **26,437** | **100.0** | **3,758** | **100.0** |
| 5.0 percent, under 10.0 percent | 80,193 | 83.9 | 55,271 | 84.5 | 22,095 | 83.6 | 2,826 | 75.2 |
| 5.0 percent, under 6.0 percent | 18,166 | 19.0 | 11,453 | 17.5 | 5,644 | 21.3 | 1,070 | 28.5 |
| 6.0 percent, under 7.0 percent | 18,413 | 19.3 | 12,911 | 19.8 | 4,939 | 18.7 | 563 | 15.0 |
| 7.0 percent, under 8.0 percent | 19,404 | 20.3 | 14,142 | 21.6 | 4,730 | 17.9 | 533 | 14.2 |
| 8.0 percent, under 9.0 percent | 19,150 | 20.0 | 13,292 | 20.3 | 5,392 | 20.4 | 466 | 12.4 |
| 9.0 percent, under 10.0 percent | 5,059 | 5.3 | 3,474 | 5.3 | 1,390 | 5.3 | 196 | 5.2 |
| 10.0 percent, under 20.0 percent | 12,689 | 13.3 | 8,433 | 12.9 | 3,473 | 13.1 | 784 | 20.9 |
| 20.0 percent, under 35.0 percent | 460 | 0.5 | 202 | 0.3 | 198 | 0.7 | 60 | 1.6 |
| 35.0 percent, to 50.0 percent | 149 | 0.2 | 80 | 0.1 | 41 | 0.2 | 27 | 0.7 |

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Includes 2,075 returns for which an invalid unitrust percentage was reported and efforts made to correct the unitrust percentage were not successful.

NOTES: Detail may not add to totals due to rounding.

exception of CRUT returns reporting unitrust percentages from 9.0 to less than 10.0, which accounts for only 5.3 percent of the total CRUT population. Only about 0.2 percent of CRUT returns reported a unitrust percentage of 35.0 or higher.

Additional contributions occur when a charitable remainder unitrust receives assets after the initial funding that occurs when the trust is created. In Filing Year 2007, some 2,151, or 2.3 percent of all CRUT returns, reported $634.2 million in additional contributions (Figure R). This continues the decline in both number and value of additional contributions from previous years. Because they dominate the population, small CRUTs reported the largest quantity of additional contributions; however, large CRUTs received the largest dollar value of additional contributions. Stocks continued to be the most common type of asset contributed, composing 61.1 percent of all contributions reported in 2007. Contributions of other assets, including insurance, art, and retirement assets, totaled $94.2 million, of which 46.2 percent was reported for medium CRUTs. Additional contributions of bonds totaled $7.5 million, making them the least common asset contributed to CRUTs in 2007.

### Charitable Lead Trusts

Trustees filed returns for 6,377 charitable lead trusts in 2007, a 1.3-percent increase from the number filed in 2006. Forms filed for CLTs reported $956.2 million in required payments to charities and only $18.0 million in required payments to private beneficiaries (Figure S). Figure S also shows that $18.7 billion in end-of-year total assets were reported for charitable lead trusts in Filing Year 2007, a $2.2-billion increase from 2006. Large CLTs, despite making up only 14.5 percent of the population, reported 78.9 percent of the end-of-year total asset value. Investments made up 81.8 percent, or $15.3 billion, of total assets reported for CLTs overall. Other investments, which include partnerships, annuities, and bonds issued by foreign governments, made up the 47.7 percent of the total investments. However, corporate stock also comprised a substantial share of the investment portfolio, with $6.4 billion, or 41.9 percent of total investments reported. Land, buildings, and equipment investments continued to make up the smallest share of CLT investments overall. CLTs claimed $597.0 million in total liabilities, of which 82.1 percent was reported for large trusts. Overall, end-of-year net

## Figure R

### Charitable Remainder Unitrusts: Additional Contributions, by Type and Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **95,567** | **65,371** | **26,437** | **3,758** |
| **Number of unitrusts with additional contributions** | **2,151** | **1,307** | **715** | **129** |
| **Total additional contributions [2]** | **634,181** | **70,767** | **241,739** | **321,675** |
| Cash and money market accounts | 112,610 | 13,706 | 35,813 | 63,090 |
| Stocks [3] | 387,623 | 36,657 | 145,911 | 205,055 |
| Bonds | * 7,458 | ** 7,500 | * 5,855 | ** 15,732 |
| Real estate [4] | 32,328 | ** | * 10,699 | ** |
| Other assets [5] | 94,163 | 12,904 | 43,462 | 37,797 |

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

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often these zero amounts are explained by trusts filing a final return.

[2] The values for additional contributions are taken from attachments to Form 5227.

[3] The value of stock includes both publicly traded and closely held stocks.

[4] The value given for real estate includes traditional real estate, as well as real estate mutual funds and partnerships.

[5] Other assets includes such items as retirement assets, annuities, partnerships, insurance assets, and art.

NOTE: Detail may not add to totals due to rounding.

## Figure S

### Charitable Lead Trusts: Distributions and Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **6,377** | **2,660** | **2,793** | **924** |
| **Required distributions [2]:** | | | | |
| Required excess income payments for charitable purposes | 54,428 | ** 6,805 | ** 4,451 | 47,321 |
| Required payments to charitable beneficiaries | 956,154 | 93,578 | 259,964 | 602,612 |
| Required payments to private beneficiaries | * 17,971 | ** | ** | * 13,822 |
| **Total book value of assets at end of year** | **18,690,926** | **491,527** | **3,450,797** | **14,748,602** |
| **Total investments [3]** | **15,280,687** | **418,448** | **3,018,357** | **11,843,882** |
| U.S. and State government obligations | 733,775 | 45,190 | 179,340 | 509,245 |
| Corporate stock | 6,403,286 | 288,762 | 1,955,317 | 4,159,207 |
| Corporate bonds | 701,020 | 22,523 | 189,784 | 488,713 |
| Land, buildings, and equipment | 153,078 | ** 61,972 | ** 693,916 | 115,588 |
| Other investments | 7,289,528 | ** | ** | 6,571,128 |
| **Total book value of liabilities at end of year** | **597,022** | **44,403** | **62,416** | **490,204** |

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

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Preparers of charitable lead trust returns are not required to disclose actual distributions. Instead, required distributions are reported on Form 5227, Part VII, Section A, lines 2 through 4.

[3] Investments are calculated as the sum of U.S. and State government obligations (Form 5227, Part IV, line 32a, column (b)), corporate stock (line 32b, column (b)), corporate bonds (line 32c, column (b)), land, buildings, and equipment (line 33, column (b)), and other investments (line 34, column (b)).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

asset values reported for CLTs increased by 13.2 percent, the largest increase of all SIT types.

### Pooled Income Funds

Trustees of pooled income funds filed 1,528 returns in 2007, virtually unchanged from 2006 when 1,676 were filed. PIF trustees reported $62.8 million required in income distributions to private beneficiaries and only $1.3 million required in income distributions to charitable beneficiaries (Figure T). Of the $1.6 billion in end-of-year total assets reported for PIFs, $1.5 billion, or 90.8 percent, were investment assets. Corporate stock and corporate bonds made up nearly equal shares of the investment portfolio for PIFs. However, corporate bonds dominated the investments of small and medium-pooled income funds. Pooled income funds claimed $131.1 million in end-of-year total liabilities for Filing Year 2007. Large PIFs reported 95.5 percent of total liabilities despite making up only 6.6 percent of the population.

## Summary

While the number of Forms 5227 filed continued to decrease slightly between 2006 and 2007, income, assets, and liabilities increased for SITs overall. Total net income increased by 22.1 percent for CRTs between the 2 years. For all SITs, the book value of assets at the end of the year increased by 8.6 percent; however, the book value of liabilities increased by 12.4 percent. Net asset value at the end of the year increased to $115.4 billion in 2007.

Returns for charitable remainder trusts continue to comprise the majority of the split-interest trust population. Total net income for CRTs increased between 2006 and 2007, as increases in ordinary income, net capital gains, and nontaxable income more

**Figure T**

**Pooled Income Funds: Distributions and Investment Allocations, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007**

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

| Item | Total | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | (1) | (2) | (3) | (4) |
| **Number of returns** | **1,528** | **1,180** | **247** | **101** |
| **Required distributions [2]:** | | | | |
| Required distribution to satisfy remainder interest [3] | 75,616 | 10,863 | 20,243 | 44,510 |
| Undistributed required payments to remainder beneficiary [4] | 4,311 | * 2,888 | * 638 | * 785 |
| Required income distribution to private beneficiaries [5] | 62,773 | 5,913 | 10,738 | 46,122 |
| Required income distribution to charitable remainder beneficiary [6] | 1,302 | 426 | 617 | 259 |
| **Total book value of assets at end of year** | **1,607,555** | **138,687** | **307,440** | **1,161,427** |
| **Total investments [7]** | **1,459,982** | **113,088** | **275,438** | **1,071,456** |
| U.S. and State government obligations | 193,297 | 19,503 | 19,733 | 154,061 |
| Corporate stock | 441,180 | 27,666 | 83,192 | 330,323 |
| Corporate bonds | 494,827 | 55,608 | 145,017 | 294,201 |
| Other investments [8] | 330,677 | 10,312 | 27,496 | 292,870 |
| **Total book value of liabilities at end of year** | **131,062** | **930** | **5,017** | **125,114** |

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

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Preparers of pooled income fund returns are not required to disclose actual distributions. Instead, required distributions are reported on Form 5227, Part VII, Section B, lines 2 through 5.

[3] Taken from Form 5227, Part VII, Section B, line 2.

[4] Taken from Form 5227, Part VII, Section B, line 3.

[5] Taken from Form 5227, Part VII, Section B, line 4.

[6] Taken from Form 5227, Part VII, Section B, line 5.

[7] Investments are calculated as the sum of U.S. and State government obligations (Form 5227, Part IV, line 32a, column (b)), corporate stock (line 32b, column (b)), corporate bonds (line 32c, column (b)), land, buildings, and equipment (line 33, column (b)), and other investments (line 34, column (b)).

[8] Other investments include values taken from Form 5227, Part IV, line 33, column (b), as well as values from line 34, column (b).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

than offset the 108.9-percent increase in ordinary deductions. Trustees of charitable remainder unitrusts reported an increase in distributions of 23.9 percent, while trustees of charitable remainder annuity trusts reported a 17.7-percent decline in distributions. The number of returns for charitable lead trusts increased by 1.3 percent. However, preparers of CLT returns reported the largest increases in assets and liabilities, 13.4 percent, and 20.2 percent respectively, of all SIT types. Pooled income fund returns filed decreased by 8.8 percent between 2006 and 2007.

## Data Sources and Limitations

The data presented in this article were collected from a sample of Forms 5227, *Split-Interest Trust Information Returns*, during Filing Year 2007. A filing year includes returns received by IRS for processing between January 1 and December 31 of a given year and is primarily comprised of returns for the tax year immediately prior. However, it may include late-filed returns for numerous other tax years. For Filing Year 2007, approximately 97.8 percent of returns included in the sample are for Tax Year 2006, while Tax Year 2005 returns comprised 1.4 percent of the sampled returns. Partial-year returns, for either initial or final reporting periods, were included in the SOI sample. All returns included in the sample were computer-designated at the IRS Ogden Submission Processing Center after posting to the IRS Master File.

For Filing Year 2007, a sample of 12,548 returns was drawn from an estimated population of 124,353. The sample size excludes returns that were selected for the sample but later rejected. Returns could be rejected if they were not one of the four types of trusts included in the study or if no money amounts were reported. The sample was stratified by the type of the trust (charitable remainder annuity trust, charitable remainder unitrust, charitable lead trust, or pooled income fund) and the reported book value of end-of-year total assets. Figure U details the sampling strata and rates. The magnitude of sampling error for selected items, measured by coefficients of variation, is shown in Figure V.

All samples were designed to provide reliable estimates of financial activity. All data were collected from original returns as they were filed. All edited returns were subjected to comprehensive testing and data verification procedures to ensure the highest

### Figure U

**Population, Sample, and Sampling Rates, by Type of Split-Interest Trust and Asset Strata, Filing Year 2007**

| Item | Total | Reported end-of-year book value of total assets [1] | | |
|---|---|---|---|---|
| | | Less than $1 million | $1 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) |
| **Charitable remainder annuity trusts:** | | | | |
| Population | 20,432 | 18,671 | 1,677 | 84 |
| Sample | 1,906 | 1,170 | 652 | 84 |
| Sampling rate (percentage) | 9.3 | 6.3 | 38.9 | 100.0 |
| **Charitable remainder unitrusts:** | | | | |
| Population | 95,870 | 81,486 | 13,548 | 836 |
| Sample | 9,400 | 4,052 | 4,512 | 836 |
| Sampling rate (percentage) | 9.8 | 5.0 | 33.3 | 100.0 |
| **Charitable lead trusts:** | | | | |
| Population | 6,506 | 4,216 | 2,014 | 276 |
| Sample | 1,014 | 231 | 507 | 276 |
| Sampling rate (percentage) | 15.6 | 5.5 | 25.2 | 100.0 |
| **Pooled income funds:** | | | | |
| Population | 1,545 | 1,299 | 219 | 27 |
| Sample | 268 | 129 | 112 | 27 |
| Sampling rate (percentage) | 17.3 | 9.9 | 51.1 | 100.0 |

[1] This is the value the tax preparer reported on Form 5227, Part IV, line 47, column (b).

## Figure V

### Coefficients of Variation for Selected Items, by Type of Split-Interest Trust and Size of End-of-Year Book Value of Total Assets, Filing Year 2007

| Item | Total | Size of end-of-year book value of total assets | | |
|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $3 million | $3 million or more |
| | Coefficient of variation (percentage) | | | |
| | (1) | (2) | (3) | (4) |
| **Charitable remainder annuity trusts:** | | | | |
| Number of returns | 0.62 | 1.29 | 4.86 | 4.89 |
| Net ordinary income [2] | 3.01 | 7.65 | 5.85 | 4.00 |
| Net short-term capital gain income [3] | 17.10 | 26.54 | 25.50 | 33.45 |
| Net long-term capital gain income [4] | 5.77 | 10.74 | 10.45 | 8.52 |
| End-of-year total assets (book value) [5] | 1.77 | 3.55 | 3.86 | 3.10 |
| End-of-year total liabilities (book value) [7] | 18.59 | 28.32 | 26.08 | 15.27 |
| **Charitable remainder unitrusts:** | | | | |
| Number of returns | 0.14 | 0.77 | 1.89 | 1.81 |
| Net ordinary income [2] | 0.91 | 3.59 | 2.49 | 0.95 |
| Net short-term capital gain income [3] | 6.41 | 21.32 | 11.28 | 8.17 |
| Net long-term capital gain income [4] | 1.64 | 7.69 | 3.68 | 1.85 |
| End-of-year total assets (book value) [5] | 0.48 | 1.48 | 1.36 | 0.77 |
| End-of-year total assets (fair market value) [6] | 0.57 | 2.32 | 1.43 | 0.81 |
| End-of-year total liabilities (book value) [7] | 4.06 | 10.35 | 7.88 | 5.31 |
| **Charitable lead trusts:** | | | | |
| Number of returns | 0.96 | 4.99 | 4.77 | 3.92 |
| End-of-year total assets (book value) [5] | 0.99 | 8.40 | 3.60 | 1.46 |
| End-of-year total liabilities (book value) [7] | 5.90 | 40.14 | 39.18 | 3.78 |
| Required payment to private beneficiaries [8] | 43.70 | 84.67 | 51.42 | 54.96 |
| Required payment to charitable beneficiaries [9] | 3.37 | 20.38 | 8.38 | 3.19 |
| **Pooled income funds:** | | | | |
| Number of returns | 0.89 | 2.68 | 12.13 | 7.06 |
| End-of-year total assets (book value) [5] | 2.41 | 8.39 | 7.77 | 3.62 |
| End-of-year total liabilities (book value) [7] | 1.82 | 50.01 | 46.45 | 0.25 |
| Required payment to private beneficiaries [8] | 3.41 | 23.01 | 8.85 | 3.87 |

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.
[2] Taken from Form 5227, Part I, line 13.
[3] Taken from Form 5227, Part I, line 16.
[4] Taken from Form 5227, Part I, line 19.
[5] Taken from Form 5227, Part IV, line 37, column (b).
[6] For charitable remainder unitrusts, taken from an estimated end-of-year fair market value.
[7] Taken from Form 5227, Part IV, line 43, column (b).
[8] In the case of charitable lead trusts, this value is based on the amount on Form 5227, Part VII, Section A, line 4. In the case of pooled income funds, this value is based on the amount on Form 5227, Part VII, Section B, line 4.
[9] Taken from Form 5227, Part VII, Section A, line 3.

quality of data. Changes that were made to the return after filing, either by the taxpayer (on an amended return) or during IRS processing, were not generally incorporated. A complete discussion of the reliability of estimates based on samples, methods for evaluating the magnitude of both sampling and nonsampling error, and the precision of the sample estimates can be found in the Appendix in this issue of the *SOI Bulletin*.

## Explanation of Selected Terms

*Annuity trust*—An annuity trust is a trust in which the payments for the duration of the trust, either to a private or charitable beneficiary, are of a

fixed amount. In the context of this article, an annuity trust can be either a charitable remainder trust (with a private income beneficiary) or a charitable lead trust (with a charitable income beneficiary). The payment amount is determined by multiplying a specified percentage by the fair market value of the assets initially placed in the trust.

*Beneficiary(ies)*—Beneficiary(ies) refers to the person, persons, or organization that receives payments or assets from a trust. Recipient is used interchangeably with beneficiary. Beneficiaries can be either charitable or noncharitable (private), and can be either an income beneficiary or a remainder beneficiary.

*Book value*—Book value is generally the cost basis of an asset, or the price at which an asset is acquired. All trusts must report the beginning- and end-of-year book value of their assets on Part IV, Balance Sheet, Columns A and B, of Form 5227. All book value amounts referred to in this article are end-of-year book value amounts.

*Charitable lead trust (CLT)*—Charitable lead trusts are split-interest trusts in which a designated charitable organization receives an income stream from the assets in trust; one or more private beneficiaries receive the remainder interest of the trust. Charitable lead trusts can be classified as either grantor or nongrantor lead trusts, and payments can be made on an annuity basis or a unitrust basis.

*Charitable remainder annuity trust (CRAT)*—A charitable remainder annuity trust is a charitable remainder trust in which the income payments to the private beneficiary are fixed. The payment amount is calculated by multiplying the designated percentage by the fair market value of the assets initially placed in the trust.

*Charitable remainder trust (CRT)*—Charitable remainder trusts are split-interest trusts in which a private, or noncharitable, beneficiary receives a stream of income for the duration of the trust, and a designated charity receives the remainder interest of the trust. Charitable remainder trusts can be either annuity trusts or unitrusts, depending on the method used to calculate the payment amounts. Further, unitrusts can be of the net income or net income with makeup variety.

*Charitable remainder unitrust (CRUT)*—A charitable remainder unitrust is a charitable remainder trust in which the income payments to the private beneficiary fluctuate with the annual value of the assets in the trust. The payment amount is calculated by multiplying the designated percentage by the fair market value of the assets, as they are valued each year. Unitrusts can have net income or net income with makeup provisions.

*Charity or charitable organization*—A charity, or charitable organization, refers to a tax-exempt organization with purposes that are charitable, educational, scientific, literary, or religious in nature, or that otherwise qualifies as a 501(c) (3) organization.

*Donor*—A donor, also referred to as a grantor or contributor, is the individual who transfers personal assets into the trust or fund.

*Fair market value*—Fair market value is defined, for the purposes of this article, as the market price of the asset (or liability) as of a certain point in time. The fair market value of assets and liabilities is reported by charitable remainder unitrusts in Part IV, Balance Sheet, Column C, of Form 5227.

*Grantor charitable lead trust*—Charitable grantor lead trusts name the donor (grantor) as the remainder beneficiary. In establishing a grantor lead trust, the donor is entitled to an income tax deduction for the year in which the trust was created, but he or she must also pay taxes on the income generated by the trust's assets. The income generated is paid to a designated charitable beneficiary.

*Income beneficiary*—The income beneficiary of a split-interest trust is the recipient of the stream of payments made over the duration of the trust. The income beneficiary of charitable remainder trusts and pooled income funds is the private (noncharitable) beneficiary; in charitable lead trusts, the income beneficiary is the designated charitable organization.

*Income interest*—Income interest refers to the right to receive payments made to beneficiaries during the life of the trust. Income interest is paid to the income beneficiary.

*Investments*—Investments refer to the sum of "Government obligations" (line 32a); "corporate stock" (line 32b); "corporate bonds" (line 32c); "land, buildings, and equipment that is not held for charitable purposes" (line 33); and "other investments" (line 34) reported on the balance sheet (Part IV, Form 5227).

*Net income charitable remainder unitrust (NI-CRUT)*—Net income charitable remainder unitrusts are charitable remainder unitrusts that allow the

annual payment to the private beneficiary to be the lesser of either the unitrust amount or the trust's net income.

*Net income with makeup charitable remainder unitrusts (NIM-CRUT)*—Net income with makeup charitable remainder unitrusts are charitable remainder unitrusts that allow the annual payment to the private beneficiary to be the lesser of either the unitrust amount or the trust's net income. Deficiencies in the distributions, which occur when the net income is less than the unitrust payment amount, are then made up in subsequent years when the net income of the trust is greater than the unitrust amount.

*Nongrantor charitable lead trust*—Charitable nongrantor lead trusts name as the remainder beneficiary a recipient other than the grantor (donor). Usually, the remainder beneficiary is a child or grandchild of the grantor.

*Ordinary income*—Ordinary income is income from the following sources: interest; dividends; business income; rents, royalties, partnerships, and other estates and trusts; farm income; ordinary gain; and "other income." Ordinary income is reported in Part I, Ordinary Income, of Form 5227.

*Pooled income fund (PIF)*—A pooled income fund is a fund established and maintained by a charity to invest and manage assets donated by multiple donors. Income from the assets is distributed annually on a prorated basis to the named beneficiaries. On the termination of an income interest (due to the death of one of the beneficiaries), a prorated part of the basis of the fund is removed and given to the charity.

*Remainder beneficiary*—The remainder beneficiary of a split-interest trust is the recipient of the trust's assets at the conclusion of the trust. In the case of charitable remainder trusts, the remainder beneficiary is the selected charity; in charitable lead trusts, the remainder beneficiary is the designated private beneficiary.

*Remainder interest*—The remainder interest of a trust is the right to receive assets remaining at the conclusion of the trust, after all liabilities have been settled and prior payments to beneficiaries have been made. This interest is then distributed to the remainder beneficiary.

*Securities*—Securities refer to the sum of "Government obligations" (line 32a); "corporate stock" (line 32b); and "corporate bonds" (line 32c) reported on the balance sheet (Part IV, Form 5227).

*Short-term investments*—Short-term investments are securities that mature in 1 year or less. Treasury bills and short-term corporate notes are common examples of short-term investments.

*Split-interest trust*—A split-interest trust, according to the *2006 Instructions for Form 5227,* is a trust that "is not exempt from tax under Internal Revenue Code section 501(a); has some unexpired interests that are devoted to purposes other than religious, charitable, or similar purposes described in Code section 170(c)(2)(B); and has amounts transferred in trust after May 26, 1969, for which a deduction was allowed under one of the Code sections listed in section 4947(a)(2)."

*Trust*—A trust is a legal arrangement among its creator (donor or grantor), the manager of the trust (trustee), and the beneficiary or beneficiaries of the trust. Trusts are legal entities in their own right, and can be responsible for any tax liabilities separate from the liabilities of the grantor and beneficiary. The conditions and provisions of a trust are defined in the trust document.

*Unitrust*—A unitrust is a trust in which the income interest, paid either to a private or charitable beneficiary, varies with the annual fair market value of the total assets of the trust in a given year. In the context of this article, a unitrust can be either of the charitable remainder trust (with income payments to a private beneficiary) or charitable lead trust (with income payments to a charitable beneficiary) variety. The payment amount is determined by multiplying a specified percentage by the fair market value of the assets of the trust, valued annually.

## Table 1. Charitable Remainder Annuity Trusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **20,187** | **16,156** | **2,238** | **1,366** | **350** | **77** |
| **Total net income [2]** | **897,233** | **178,227** | **137,668** | **227,673** | **156,255** | **197,410** |
| **Net ordinary income [3]** | **278,178** | **61,864** | **39,570** | **61,262** | **45,703** | **69,779** |
| Total ordinary income [4] | 333,170 | 76,707 | 49,371 | 73,538 | 55,908 | 77,646 |
| Interest income | 116,569 | 24,446 | 15,172 | 22,505 | 20,846 | 33,601 |
| Dividends and business income (loss) | 178,156 | 39,964 | 32,207 | 35,934 | 27,560 | 42,491 |
| Other income [5] | 38,445 | 12,298 | 1,992 | 15,100 | 7,502 | 1,554 |
| Total deductions [6] | 54,991 | 14,843 | 9,801 | 12,276 | 10,205 | 7,867 |
| Interest | 626 | * 18 | * 8 | 256 | ** 403 | ** 86 |
| Taxes | 1,216 | 39 | 710 | 322 | ** | ** |
| Other deductions | 53,150 | 14,786 | 9,083 | 11,698 | 9,802 | 7,782 |
| **Net short-term capital gain (loss) [7]** | **16,862** | **4,182** | **2,030** | **7,654** | **894** | **2,101** |
| Total short-term capital gain (loss) | 17,724 | 4,342 | 2,195 | 7,908 | 1,109 | 2,170 |
| Deductions allocable to short-term capital gain (loss) | 861 | 160 | 165 | 253 | * 215 | * 69 |
| **Net long-term capital gain (loss) [8]** | **566,498** | **106,046** | **89,223** | **150,321** | **99,852** | **121,056** |
| Total long-term capital gain (loss) [9] | 574,035 | 108,357 | 90,547 | 152,653 | 100,783 | 121,696 |
| Deductions allocable to long-term capital gain (loss) | 7,537 | 2,311 | 1,324 | 2,331 | 930 | * 641 |
| **Nontaxable income [10]** | **35,695** | **6,134** | **6,845** | **8,435** | **9,806** | **4,474** |

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

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "net ordinary income" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21(d)).

[3] Taken from "net ordinary income" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 8.

[5] Calculated as the sum of "rents, royalties, partnerships, other estates, and trusts" (Form 5227, Part I, line 4), "farm income or loss" (line 5), "ordinary gain or loss" (line 6), and "other income" (line 7).

[6] Taken from Form 5227, Part I, line 12.

[7] Taken from Form 5227, Part I, line 16.

[8] Taken from Form 5227, Part I, line 19.

[9] Taken from Form 5227, Part I, line 17a.

[10] Taken from Form 5227, Part II, line 21(column d).

NOTE: Detail may not add to totals due to rounding.

## Table 2. Charitable Remainder Annuity Trusts: Accumulation Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **20,187** | **16,156** | **2,238** | **1,366** | **350** | **77** |
| **Total accumulations [2]** | **5,543,820** | **1,233,662** | **790,961** | **1,082,491** | **1,085,764** | **1,350,942** |
| Net ordinary income | 534,944 | 158,625 | 62,459 | 85,830 | 125,325 | 102,705 |
| Net short-term capital gain (loss) | 49,493 | 4,040 | 8,413 | 14,753 | 7,935 | 14,352 |
| Net long-term capital gain (loss) | 4,779,049 | 1,039,112 | 690,123 | 933,422 | 898,609 | 1,217,782 |
| Nontaxable income | 180,334 | 31,885 | 29,966 | 48,485 | 53,895 | 16,102 |
| **Prior-year undistributed income [3]** | **4,646,586** | **1,055,434** | **653,293** | **854,818** | **929,509** | **1,153,532** |
| Net ordinary income | 256,766 | 96,760 | 22,889 | 24,567 | 79,622 | 32,927 |
| Net short-term capital gain (loss) | 22,875 | -1,496 | 5,626 | 4,482 | 4,113 | 10,150 |
| Net long-term capital gain (loss) | 4,222,307 | 934,420 | 601,656 | 785,718 | 801,685 | 1,098,828 |
| Nontaxable income | 144,639 | 25,751 | 23,121 | 40,050 | 44,089 | 11,628 |
| **Current year net income [4]** | **897,233** | **178,227** | **137,668** | **227,673** | **156,255** | **197,410** |
| Net ordinary income | 278,178 | 61,864 | 39,570 | 61,262 | 45,703 | 69,779 |
| Net short-term capital gain (loss) | 16,862 | 4,182 | 2,030 | 7,654 | 894 | 2,101 |
| Net long-term capital gain (loss) | 566,498 | 106,046 | 89,223 | 150,321 | 99,852 | 121,056 |
| Nontaxable income | 35,695 | 6,134 | 6,845 | 8,435 | 9,806 | 4,474 |
| **Undistributed at end of year [5]** | **4,696,376** | **916,361** | **654,634** | **955,922** | **965,315** | **1,204,144** |
| Net ordinary income | 212,919 | 32,524 | 22,966 | 31,559 | 83,376 | 42,495 |
| Net short-term capital gain (loss) | 32,132 | 334 | 5,769 | 10,609 | 3,880 | 11,539 |
| Net long-term capital gain (loss) | 4,301,635 | 860,127 | 601,245 | 872,241 | 830,543 | 1,137,479 |
| Nontaxable income | 149,691 | 23,376 | 24,654 | 41,514 | 47,516 | 12,632 |

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part II, line 22.

[3] Taken from Form 5227, Part II, line 20.

[4] Taken from Form 5227, Part II, line 21.

[5] Taken from Form 5227, Part II, line 23.

NOTE: Detail may not add to totals due to rounding.

## Table 3. Charitable Remainder Annuity Trusts: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **20,187** | **16,156** | **2,238** | **1,366** | **350** | **77** |
| **Total net assets [2]** | **9,080,252** | **1,750,066** | **1,605,906** | **2,090,913** | **1,748,613** | **1,884,754** |
| **Total assets [3]** | **9,280,129** | **1,788,803** | **1,612,288** | **2,220,146** | **1,762,640** | **1,896,252** |
| Cash | 163,021 | 36,893 | 56,065 | 45,941 | 12,315 | 11,807 |
| Savings and temporary cash investments | 718,057 | 110,251 | 113,850 | 166,229 | 151,219 | 176,508 |
| Receivables due, inventories and prepaid expenses [4] | 164,679 | 32,994 | 9,579 | 57,572 | 6,152 | 58,382 |
| Total investments | 8,035,104 | 1,541,925 | 1,391,917 | 1,885,584 | 1,567,862 | 1,647,815 |
| Securities | 6,494,251 | 1,247,212 | 1,213,429 | 1,478,268 | 1,352,572 | 1,202,769 |
| U.S. and State government obligations | 1,192,677 | 163,094 | 192,398 | 301,096 | 337,890 | 198,198 |
| Corporate stock | 4,142,474 | 841,597 | 776,384 | 940,591 | 789,124 | 794,777 |
| Corporate bonds | 1,159,100 | 242,521 | 244,646 | 236,581 | 225,557 | 209,795 |
| Land, buildings, and equipment | 93,984 | ** 294,713 | ** 178,488 | 43,875 | * 20,027 | * 1,753 |
| Other investments | 1,446,869 | ** | ** | 363,440 | 195,264 | 443,293 |
| Other assets [5] | 199,264 | 66,737 | 40,875 | 64,820 | 25,092 | * 1,740 |
| **Total liabilities [6]** | **199,877** | **38,737** | **6,382** | **129,233** | **14,028** | **11,497** |
| Accounts payable, accrued expenses, and deferred revenue | 21,641 | 9,693 | * 3,756 | 7,554 | ** 14,028 | ** 11,497 |
| Other liabilities [7] | 178,236 | 29,045 | 2,625 | 121,679 | ** | ** |

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

** Data are combined to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets ( line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), "other notes and loans receivable" (line 29, column (b)), "inventories for sale or use" (line 30, column (b)), and "prepaid expenses and deferred charges" (line 31, column (b)).

[5] Calculated as the sum of "charitable purpose land, buildings, and equipment" (Form 5227, Part IV, line 35, column (b)) and "other assets" (line 36, column (b)).

[6] Taken from Form 5227, Part IV, line 43, column (b).

[7] Includes "loans from officers, directors, trustees, and other disqualified persons" (Form 5227, Part IV, line 40, column (b)), "mortgages and other notes payable" (line 41, column (b)), and "other liabilities" (line 42, column (b)).

NOTE: Detail may not add to totals due to rounding and taxpayer reporting discrepancies.

## Table 4. Charitable Remainder Unitrusts: Income and Deductions, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **95,567** | **65,371** | **15,806** | **10,631** | **2,956** | **802** |
| **Total net income [2]** | **11,305,480** | **1,141,355** | **1,108,716** | **1,915,413** | **1,969,969** | **5,170,027** |
| **Net ordinary income [3]** | **3,091,800** | **377,546** | **310,829** | **489,022** | **415,622** | **1,498,781** |
| Total ordinary income [4] | 4,180,784 | 478,290 | 390,750 | 601,915 | 504,407 | 2,205,422 |
| Interest income | 1,100,260 | 123,747 | 101,679 | 164,487 | 134,361 | 575,987 |
| Dividends and business income (loss) | 2,283,320 | 286,384 | 237,802 | 347,004 | 286,780 | 1,125,350 |
| Other income [5] | 797,203 | 68,158 | 51,270 | 90,424 | 83,266 | 504,085 |
| Total deductions [6] | 1,088,985 | 100,743 | 79,922 | 112,894 | 88,785 | 706,641 |
| Interest | 204,877 | 732 | 563 | 2,554 | 3,672 | 197,356 |
| Taxes | 6,431 | 906 | 831 | 1,694 | 1,211 | 1,789 |
| Other deductions | 877,676 | 99,105 | 78,528 | 108,645 | 83,902 | 507,496 |
| **Net short-term capital gain (loss) [7]** | **275,391** | **38,434** | **22,091** | **54,171** | **83,436** | **77,259** |
| Total short-term capital gain (loss) | 417,452 | 40,187 | 23,134 | 57,234 | 85,421 | 211,476 |
| Deductions allocable to short-term capital gain (loss) | 142,061 | 1,753 | 1,042 | 3,063 | 1,985 | 134,217 |
| **Net long-term capital gain (loss) [8]** | **7,838,514** | **710,471** | **763,433** | **1,341,244** | **1,452,466** | **3,570,900** |
| Total long-term capital gain (loss) [9] | 8,008,377 | 724,817 | 775,966 | 1,360,499 | 1,462,546 | 3,684,550 |
| Deductions allocable to long-term capital gain (loss) | 169,863 | 14,345 | 12,532 | 19,255 | 10,080 | 113,650 |
| **Nontaxable income [10]** | **99,775** | **14,904** | **12,363** | **30,976** | **18,445** | **23,087** |

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "net ordinary income" (Form 5227, Part I, line 13), "net short-term capital gains (losses)" (line 16), "net long-term capital gains (losses)" (line 19), and "current tax year nontaxable income" (Part II, line 21(d)).

[3] Taken from "net ordinary income" (Form 5227, Part I, line 13). This amount may not equal "total ordinary income" (line 8) less "total deductions allocable to ordinary income" (line 12) due to taxpayer reporting discrepancies.

[4] Taken from Form 5227, Part I, line 8.

[5] Calculated as the sum of "rents, royalties, partnerships, other estates, and trusts" (Form 5227, Part I, line 4), "farm income or loss" (line 5), "ordinary gain or loss" (line 6), and "other income" (line 7).

[6] Taken from Form 5227, Part I, line 12.

[7] Taken from Form 5227, Part I, line 16.

[8] Taken from Form 5227, Part I, line 19.

[9] Taken from Form 5227, Part I, line 17a.

[10] Taken from Form 5227, Part II, line 21(column d).

NOTE: Detail may not add to totals due to rounding.

## Table 5. Charitable Remainder Unitrusts: Accumulation Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **95,567** | **65,371** | **15,806** | **10,631** | **2,956** | **802** |
| **Total accumulations [2]** | **67,576,745** | **8,400,802** | **7,016,096** | **11,771,303** | **11,466,924** | **28,921,620** |
| Net ordinary income | 6,338,906 | 457,956 | 444,653 | 705,975 | 697,190 | 4,033,132 |
| Net short-term capital gain (loss) | 1,898,656 | 70,335 | 106,444 | 218,499 | 241,479 | 1,261,900 |
| Net long-term capital gain (loss) | 58,871,864 | 7,805,569 | 6,417,595 | 10,694,951 | 10,409,966 | 23,543,783 |
| Nontaxable income | 467,317 | 66,941 | 47,404 | 151,878 | 118,288 | 82,806 |
| **Prior-year undistributed income [3]** | **56,267,684** | **7,259,447** | **5,907,379** | **9,852,310** | **9,496,954** | **23,751,594** |
| Net ordinary income | 3,247,107 | 80,410 | 133,825 | 216,953 | 281,568 | 2,534,351 |
| Net short-term capital gain (loss) | 1,447,412 | -17,316 | 64,027 | 127,202 | 120,984 | 1,152,514 |
| Net long-term capital gain (loss) | 51,205,624 | 7,144,316 | 5,674,486 | 9,387,253 | 8,994,559 | 20,005,009 |
| Nontaxable income | 367,542 | 52,037 | 35,041 | 120,902 | 99,843 | 59,719 |
| **Current year net income [4]** | **11,305,480** | **1,141,355** | **1,108,716** | **1,915,413** | **1,969,969** | **5,170,027** |
| Net ordinary income | 3,091,800 | 377,546 | 310,829 | 489,022 | 415,622 | 1,498,781 |
| Net short-term capital gain (loss) | 275,391 | 38,434 | 22,091 | 54,171 | 83,436 | 77,259 |
| Net long-term capital gain (loss) | 7,838,514 | 710,471 | 763,433 | 1,341,244 | 1,452,466 | 3,570,900 |
| Nontaxable income | 99,775 | 14,904 | 12,363 | 30,976 | 18,445 | 23,087 |
| **Undistributed at end of year [5]** | **60,661,988** | **6,533,506** | **6,210,866** | **10,581,853** | **10,415,972** | **26,919,791** |
| Net ordinary income | 4,128,904 | 104,413 | 133,967 | 264,453 | 327,542 | 3,298,529 |
| Net short-term capital gain (loss) | 1,301,869 | 31,764 | 75,872 | 148,160 | 171,868 | 874,205 |
| Net long-term capital gain (loss) | 54,805,961 | 6,340,366 | 5,961,519 | 10,028,091 | 9,806,363 | 22,669,622 |
| Nontaxable income | 425,254 | 56,963 | 39,509 | 141,149 | 110,199 | 77,435 |

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part II, line 22. This amount may not equal "prior-year undistributed income" (line 20) plus "current year net income" (line 21) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part II, line 20.

[4] Taken from Form 5227, Part II, line 21.

[5] Taken from Form 5227, Part II, line 23.

NOTE: Detail may not add to totals due to rounding.

## Table 6. Charitable Remainder Unitrusts: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **95,567** | **65,371** | **15,806** | **10,631** | **2,956** | **802** |
| **Total net assets [2]** | **86,741,306** | **11,780,831** | **11,078,088** | **16,916,295** | **14,539,203** | **32,426,889** |
| **Total assets [3]** | **88,027,337** | **11,922,531** | **11,228,332** | **17,151,081** | **14,849,566** | **32,875,828** |
| Cash | 1,208,826 | 193,373 | 197,163 | 254,106 | 253,462 | 310,722 |
| Savings and temporary cash investments | 5,300,956 | 729,708 | 645,371 | 1,195,623 | 862,643 | 1,867,609 |
| Receivables due [4] | 1,275,188 | 223,836 | 140,209 | 387,217 | 282,195 | 241,731 |
| Inventories and prepaid expenses | 8,578 | * 1,042 | * 168 | 3,712 | 2,421 | 1,236 |
| Total investments | 78,355,692 | 10,387,183 | 9,890,853 | 14,828,207 | 13,077,985 | 30,171,465 |
| Securities | 53,545,020 | 8,368,278 | 8,343,237 | 12,213,943 | 10,208,878 | 14,410,684 |
| U.S. and State government obligations | 5,569,829 | 522,575 | 739,668 | 1,266,978 | 1,214,710 | 1,825,898 |
| Corporate stock | 40,242,190 | 6,431,287 | 6,242,013 | 9,258,318 | 7,820,514 | 10,490,058 |
| Corporate bonds | 7,733,001 | 1,414,417 | 1,361,556 | 1,688,647 | 1,173,654 | 2,094,727 |
| Land, buildings, and equipment | 757,589 | 91,559 | 100,331 | 171,707 | 221,522 | 172,471 |
| Other investments | 24,053,083 | 1,927,346 | 1,447,285 | 2,442,557 | 2,647,585 | 15,588,311 |
| Charitable purpose land, buildings, and equipment | 234,242 | 30,451 | * 41,740 | 88,696 | * 41,395 | * 31,960 |
| Other assets | 1,643,835 | 356,925 | 312,824 | 393,518 | 329,464 | 251,105 |
| **Total liabilities [5]** | **1,286,030** | **141,700** | **150,243** | **234,785** | **310,363** | **448,939** |
| Accounts payable, accrued expenses, and deferred revenue | 263,065 | 32,249 | 32,937 | 64,485 | 54,368 | 79,026 |
| Other liabilities [6] | 1,022,965 | 109,450 | 117,306 | 170,300 | 255,995 | 369,913 |

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

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets ( line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column b), and "other notes and loans receivable" (line 29, column (b)).

[5] Taken from Form 5227, Part IV, line 43, column (b).

[6] Includes "loans from officers, directors, trustees, and other disqualified persons" (Form 5227, Part IV, line 40, column (b)), "mortgages and other notes payable" (line 41, column b), and "other liabilities" (line 42, column (b)).

NOTE: Detail may not add to totals due to rounding.

## Table 7. Charitable Remainder Unitrusts: End-of Year Fair Market Value of Assets, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **95,567** | **65,371** | **15,806** | **10,631** | **2,956** | **802** |
| **Total assets** | **106,425,220** | **14,824,967** | **13,029,037** | **19,743,317** | **17,525,167** | **41,302,732** |
| Cash | 1,221,277 | 187,584 | 210,763 | 254,595 | 251,458 | 316,877 |
| Savings and temporary cash investments | 5,278,555 | 738,709 | 650,409 | 1,189,955 | 855,365 | 1,844,116 |
| Receivables due [2] | 1,238,376 | 221,103 | 139,508 | 368,064 | 274,315 | 235,386 |
| Inventories and prepaid expenses | 9,959 | * 895 | * 165 | 3,661 | 2,421 | 2,817 |
| Total investments | 96,110,330 | 13,130,824 | 11,639,656 | 17,321,114 | 15,640,176 | 38,378,560 |
| Securities | 65,077,532 | 10,377,556 | 9,855,184 | 14,307,708 | 12,285,600 | 18,251,484 |
| U.S. and State government obligations | 5,985,975 | 563,975 | 796,729 | 1,379,431 | 1,274,557 | 1,971,283 |
| Corporate stock | 51,080,993 | 8,293,520 | 7,617,529 | 11,128,998 | 9,739,219 | 14,301,727 |
| Corporate bonds | 8,010,564 | 1,520,061 | 1,440,926 | 1,799,280 | 1,271,823 | 1,978,474 |
| Land, buildings, and equipment | 1,110,825 | 221,576 | 175,071 | 282,457 | 233,246 | 198,475 |
| Other investments | 29,921,972 | 2,531,691 | 1,609,401 | 2,730,949 | 3,121,330 | 19,928,600 |
| Charitable purpose land, buildings, and equipment | 324,493 | 80,345 | * 64,285 | 98,793 | * 46,352 | * 34,719 |
| Other assets | 2,242,211 | 465,496 | 324,246 | 507,133 | 455,079 | 490,257 |

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

[1] Includes returns that did not report end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27), "receivables due from officers, directors, and other disqualified persons" (line 28), and "other notes and loans receivable" (line 29).

NOTE: A end-of-year fair market value of assets breakout is not required to be reported on Form 5227. All dollar amounts given here are projected based on 'fair market value of assets at end of tax year' ( Form 5227, line c) as well as other balance sheet data (Part IV) and return attachments, when available. Detail may not add to totals due to rounding.

## Table 8. Charitable Lead Trusts: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | | |
|---|---|---|---|---|---|---|
| | | Under $500,000 [1] | $500,000 under $1 million | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **6,377** | **2,660** | **1,385** | **1,408** | **644** | **280** |
| **Total net assets [2]** | **18,093,904** | **447,124** | **987,616** | **2,400,766** | **3,461,851** | **10,796,548** |
| **Total assets [3]** | **18,690,926** | **491,527** | **1,022,880** | **2,427,917** | **3,531,523** | **11,217,079** |
| Cash | 159,452 | 8,107 | 30,123 | 44,607 | 31,801 | 44,814 |
| Savings and temporary cash investments | 1,258,656 | 51,277 | 103,434 | 149,385 | 184,525 | 770,035 |
| Receivables due, inventories, and prepaid expenses [4] | 303,090 | * 1,001 | * 522 | 39,941 | 86,552 | 175,074 |
| Total investments | 15,280,687 | 418,448 | 887,248 | 2,131,109 | 3,205,273 | 8,638,608 |
| Securities | 7,838,081 | 356,476 | 681,501 | 1,642,940 | 1,908,109 | 3,249,057 |
| U.S. and State government obligations | 733,775 | 45,190 | 56,462 | 122,877 | 150,023 | 359,222 |
| Corporate stock | 6,403,286 | 288,762 | 585,276 | 1,370,040 | 1,511,725 | 2,647,481 |
| Corporate bonds | 701,020 | 22,523 | 39,762 | 150,022 | 246,360 | 242,353 |
| Other investments [5] | 7,442,606 | 61,972 | 205,747 | 488,170 | 1,297,165 | 5,389,552 |
| Other assets [6] | 1,689,041 | 12,694 | * 1,553 | 62,874 | 23,373 | 1,588,548 |
| **Total liabilities [7]** | **597,022** | **44,403** | **35,264** | **27,152** | **69,673** | **420,531** |

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

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by trusts filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets ( line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), "other notes and loans receivable" (line 29, column (b)), "inventories for sale or use" (line 30, column (b)), and "prepaid expenses and deferred charges" (line 31, column (b)).

[5] Calculated as the sum of "investments--land, buildings, and equipment" (Form 5227, Part IV, line 33, column (b)) and "investments--other" (line 34, column (b)).

[6] Calculated as the sum of "charitable purpose land, buildings, and equipment" (Form 5227, Part IV, line 35, column (b)) and "other assets" (line 36, column (b)).

[7] Taken from Form 5227, Part IV, line 43, column (b).

NOTE: Detail may not add to totals due to rounding.

## Table 9. Pooled Income Funds: Book Value Balance Sheet Information, by Size of End-of-Year Book Value of Total Assets, Filing Year 2007

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

| Item | Total | Size of end-of-year book value of total assets | | | |
|---|---|---|---|---|---|
| | | Under $1 million [1] | $1 million under $3 million | $3 million under $10 million | $10 million or more |
| | (1) | (2) | (3) | (4) | (5) |
| **Number of returns** | **1,528** | **1,281** | **146** | **75** | **26** |
| **Total net assets [2]** | **1,476,493** | **202,278** | **237,902** | **411,530** | **624,783** |
| **Total assets [3]** | **1,607,555** | **205,314** | **240,814** | **412,841** | **748,586** |
| Cash | 16,211 | 4,301 | 1,507 | 6,070 | 4,334 |
| Savings and temporary cash investments | 93,982 | 15,275 | 11,344 | 18,107 | 49,256 |
| Total investments | 1,459,982 | 163,636 | 224,890 | 388,310 | 683,146 |
| Securities | 1,129,304 | 143,194 | 207,524 | 328,168 | 450,417 |
| U.S. and State government obligations | 193,297 | 21,523 | 17,713 | 46,104 | * 107,957 |
| Corporate stock | 441,180 | 45,756 | 65,101 | 131,949 | 198,374 |
| Corporate bonds | 494,827 | 75,915 | 124,710 | 150,115 | 144,087 |
| Other investments [4] | 330,678 | 20,442 | 17,366 | 60,142 | 232,728 |
| Other assets [5] | 37,379 | 22,101 | 3,073 | * 354 | * 11,851 |
| **Total liabilities [6]** | **131,062** | **3,036** | **2,912** | **1,311** | **123,803** |

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

[1] Includes returns that did not report the end-of-year book value of total assets (Form 5227, Part IV, line 37, column (b)) from the balance sheet, or that reported the amount as zero. Often, these zero amounts are explained by funds filing a final return.

[2] Taken from Form 5227, Part IV, line 46, column (b). This is the excess of total assets over total liabilities. This value may deviate from the calculated value of total assets ( line 37, column (b)) less total liabilities (line 43, column (b)) due to taxpayer reporting discrepancies.

[3] Taken from Form 5227, Part IV, line 37, column (b).

[4] Calculated as the sum of "investments—land, buildings, and equipment" (Form 5227, Part IV, line 33, column (b)) and "investments —other" (line 34, column (b)).

[5] Calculated as the sum of "accounts receivable" (Form 5227, Part IV, line 27, column (b)), "receivables due from officers, directors, and other disqualified persons" (line 28, column (b)), "other notes and loans receivable" (line 29, column (b)), "inventories for sale or use" (line 30, column (b)), "prepaid expenses and deferred charges" (line 31, column (b)), "charitable purpose land, buildings, and equipment" (Form 5227, Part IV, line 35, column (b)) and "other assets" (line 36, column (b)).

[6] Taken from Form 5227, Part IV, line 43, column (b).

NOTE: Detail may not add to totals due to rounding.

# Unrelated Business Income Tax Returns, 2005

*by Melissa Ludlum*

Gross unrelated business income reported by charitable and other types of tax-exempt organizations increased 14 percent between Tax Years 2004 and 2005, surpassing $10 billion for the first time. The $10.8 billion in gross unrelated business income reported for Tax Year 2005 was offset by $9.6 billion in deductions. The resulting unrelated business taxable income less deficit totaled $1.2 billion for Tax Year 2005, more than double that reported in the previous tax year.

Because tax-exempt organizations generally operate for charitable or other beneficial purposes, most income that they receive is exempt from tax under the Internal Revenue Code. Tax-exempt organizations are permitted to engage in income-producing activities that are considered to be unrelated to their exempt purposes. However, to prevent potentially unfair competition between tax-exempt organizations and taxable for-profit entities, income derived from these activities is taxable. An organization that receives $1,000 or more in gross unrelated business income in a tax year is required to file Form 990-T, *Exempt Organization Business Income Tax Return*, which is used to determine the amount of unrelated business taxable income and the associated unrelated business income tax liability.

Figure A shows selected financial statistics from Forms 990-T filed for Tax Years 2004 and 2005. After reducing their gross unrelated business incomes by allowable deductions, only about half of the 40,676 organizations that were required to file Form 990-T reported unrelated business income tax liability for Tax Year 2005. Tax-exempt organizations reported $543.3 million in unrelated business income tax liability, a 49-percent increase from Tax Year 2004.

Total tax reported on Form 990-T, which comprised the sum of the unrelated business income tax and certain additional taxes, less credits, was $540.8 million. Additional taxes included $6.2 million of alternative minimum tax, $5.4 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and $0.02 million of "other" taxes.[1] To arrive at the total tax amount, total tax credits were subtracted from the sum of unrelated business income tax plus additional taxes. Total tax credits

*Melissa Ludlum is the Chief of the Special Studies Special Projects Section. This article was prepared under the direction of Barry W. Johnson, Chief of the Special Studies Branch.*

**Figure A**

**Selected Items from Forms 990-T, Exempt Organization Business Income Tax Returns, Tax Years 2004 and 2005**

[Money amounts are in thousands of dollars]

| Item | 2004 | 2005 | Percentage change |
|---|---|---|---|
| | (1) | (2) | (3) |
| **Number of returns, total** | **38,040** | **40,676** | **6.9** |
| With gross unrelated business income of $10,000 or less [1] | 13,880 | 15,116 | 8.9 |
| With gross unrelated business income over $10,000 [1] | 24,160 | 25,560 | 5.8 |
| With unrelated business taxable income | 18,099 | 20,387 | 12.6 |
| Without unrelated business taxable income [2] | 19,941 | 20,289 | 1.7 |
| **Gross unrelated business income** | **9,492,228** | **10,849,619** | **14.3** |
| **Total deductions [3]** | **8,979,863** | **9,635,921** | **7.3** |
| **Unrelated business taxable income (less deficit)** | **512,364** | **1,213,698** | **136.9** |
| Unrelated business taxable income | 1,287,972 | 2,044,310 | 58.7 |
| Deficit | 775,607 | 830,612 | 7.1 |
| **Unrelated business income tax** | **364,615** | **543,264** | **49.0** |
| **Total tax** | **367,698** | **540,819** | **47.1** |

[1] Organizations with gross unrelated business income (UBI) between $1,000 (the filing threshold) and $10,000 were not required to report itemized expenses and deductions, or to complete return schedules. Those with gross UBI over $10,000 were required to fill out a more detailed "complete" return.

[2] Includes returns with deficits and returns with equal amounts of gross unrelated business income and total deductions.

[3] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33. Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services is a component of gross unrelated business income (upon which the filing requirement is based). Total cost of sales and services was $2.8 billion for 2004 and $3.0 billion for 2005.

NOTES: Detail may not add to totals because of rounding. See the Explanation of Selected Terms section of this article for definitions of gross unrelated business income, total deductions, unrelated business taxable income (less deficit), unrelated business income tax, and total tax.

[1] A membership organization that was tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax in cases where it did not notify its members of the entire amount of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures. The proxy tax of $5.4 million used in the total tax computation includes only proxy tax reported by Form 990-T filers with gross unrelated business income above the $1,000 filing threshold. Filers that reported gross unrelated business income below the $1,000 threshold were not eligible for selection into the Statistics of Income (SOI) sample. Therefore, proxy tax reported by organizations that had no unrelated business income or those that had unrelated business income below the filing threshold is not included.

equaled $14.0 million for Tax Year 2005, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit ($10.7 million), general business credit ($2.7 million), credit for prior-year minimum tax ($0.3 million), and "other" credits ($0.4 million).

## Background

### The SOI Sample

The data presented in this article are from sampled Forms 990-T filed for Tax Year 2005 by organizations described in Internal Revenue Code sections 220(e), 401(a), 408(e), 408A, 501(c)(2)-(27), 529(a), and 530(a).[2] Tax Year 2005 includes all accounting periods beginning in Calendar Year 2005 and thus ending between December 2005 and November 2006. Consequently, the returns reflect financial activity that occurred in either Calendar Year 2005 or 2006, or some portion of both (see *Data Sources and Limitations* for further information).

### Definition of Unrelated Business Income

Unrelated business income is produced from an activity that is conducted on a regular basis and is not directly related to an organization's tax-exempt mission. Income earned by an organization is treated as unrelated business income if it meets two basic requirements. First, the income is derived from a trade or business that is regularly carried on by the organization. Second, the income is earned from a trade or business that is not substantially related to the performance of the organization's exempt purpose or function. Even if profits from such activities are used by tax-exempt organizations to finance their exempt purposes, income that meets these two requirements generally is treated as unrelated business income. However, certain activities are excluded from taxation, such as business activities in which substantially all of the work is performed by volunteer labor, sales of merchandise that the organization received as a gift or contribution, and the operation of certain games of chance, as specified in the Internal Revenue Code (see "Gross Unrelated Business Income" in *Explanation of Selected Terms* for additional information).

### Filing Requirements and Composition of Tax Year 2005 Filers

A variety of tax-exempt organizations are required to file Form 990-T to report unrelated business income and the associated tax. Figure B details the types of organizations that may be required to file Form 990-T by Internal Revenue Code section, organization, and nature of activities. Charitable organizations, which are tax-exempt under section 501(c)(3), are generally the most common Form 990-T filers.

Most tax-exempt organizations are required to file an annual Form 990, *Return of Organization Exempt From Income Tax,* or Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax* (used by organizations with annual gross receipts of less than $100,000 and total end-of-year assets of less than $250,000). Private foundations, which are exempt under section 501(c)(3), file the information return Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*.[3]

The composition of Form 990-T filers, by type of tax-exempt organization, type of entity, and size of gross unrelated business income and gross unrelated business taxable income, is shown in Figure C. For Tax Year 2005, charitable organizations represented nearly one-third of Form 990-T filers. Social and recreational clubs exempt under section 501(c)(7), business leagues, chambers of commerce, and other organizations exempt under section 501(c)(6), and traditional Individual Retirement Arrangements (IRAs) exempt under section 408(e) accounted for 16 percent, 15 percent, and 14 percent of all Tax Year 2005 Forms 990-T filed, respectively.

Tax-exempt organizations' unrelated business taxable income is subject to the same tax rates as income reported by for-profit filers. Generally, tax-

[2] Internal Revenue Code section 501(d) religious and apostolic organizations and farmers' cooperatives report taxes on forms other than Form 990-T.

[3] Churches, which are tax-exempt under Internal Revenue Code section 501(c)(3), are not required to apply for exemption unless they desire to obtain an Internal Revenue Service ruling, and they do not have to file a Form 990 information return. However, these churches are required to file Form 990-T if they received $1,000 or more of gross income from business activities that were considered unrelated to their religious purposes. Charitable remainder trusts, a type of Internal Revenue Code section 4947(a)(2) "split-interest trust," were required to report unrelated business income on Form 1041, Estate and Trust Income Tax Return, rather than Form 990-T, for tax years before 2007. Beginning with Tax Year 2007, charitable remainder trusts were required to report unrelated business income on Form 4720, Return of Certain Excise Taxes on Charities and Other Persons under Chapters 41 and 42 of the Internal Revenue Code. Published statistical reports on charitable and other nonprofit organizations, private foundations, and split-interest trusts are available from the Tax Stats pages of the IRS Web site at http://www.irs.gov/taxstats.

## Figure B

### Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section

| Code section | Description of organization | General nature of activities |
|---|---|---|
| 220(e) | Archer Medical Savings Accounts (MSA's) | Fiduciary agent for accounts used in conjunction with high-deductible health insurance plans to save funds for future medical expenses |
| 401(a) | Qualified pension, profit-sharing, or stock bonus plans | Fiduciary agent for pension, profit-sharing, or stock bonus plans |
| 408(e) | Traditional Individual Retirement Accounts (IRA's) | Fiduciary agent for retirement funds |
| 408A | Roth Individual Retirement Accounts (IRA's) | Fiduciary agent for retirement funds; subject to same rules as traditional IRA's, except contributions are not tax deductible and qualified distributions are tax free |
| 501(c)(2) | Title-holding corporations for exempt organizations | Holding title to property for exempt organizations |
| (3) | Religious, educational, charitable, scientific, or literary organizations; organizations that test for public safety. Also, organizations that prevent cruelty to children or animals, or foster national or international amateur sports competition | Activities of a nature implied by the description of the class of organization |
| (4) | Civic leagues, social welfare organizations, and local associations of employees | Promotion of community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes |
| (5) | Labor, agricultural, and horticultural organizations | Educational or instructive groups whose purpose is to improve conditions of work, products, and efficiency |
| (6) | Business leagues, chambers of commerce, real estate boards, and like organizations | Improving conditions in one or more lines of business |
| (7) | Social and recreational clubs | Pleasure, recreation, and social activities |
| (8) | Fraternal beneficiary societies and associations | Lodges providing for payment of life, health, accident, or other insurance benefits to members |
| (9) | Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10)) | Providing for payment of life, health, accident, or other insurance benefits to members |
| (10) | Domestic fraternal beneficiary societies and associations | Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident insurance benefits to members |
| (11) | Teachers' retirement fund associations | Fiduciary associations providing for payment of retirement benefits |

**Figure B—Continued**

## Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section—Continued

| Code section | Description of organization | General nature of activities |
|---|---|---|
| 501(c)(12) | Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and like organizations | Activities of a mutually beneficial nature implied by the description of the class of organization |
| (13) | Cemetery companies | Arranging for burials and incidental related activities |
| (14) | State-chartered credit unions and mutual insurance or reserve funds | Providing loans to members or providing insurance of, or reserve funds for, shares or deposits in certain banks or loan associations |
| (15) | Mutual insurance companies or associations other than life, if written premiums for the year do not exceed $350,000 | Providing insurance to members, substantially at cost |
| (16) | Corporations organized to finance crop operations | Financing crop operations in conjunction with activities of a marketing or purchasing association |
| (17) | Supplemental unemployment benefit trusts | Fiduciary agent for payment of supplemental unemployment compensation benefits |
| (18) | Employee-funded pension trusts (created before June 25, 1959) | Providing for payments of benefits under a pension plan funded by employees |
| (19) | Posts or organizations of past or present members of the armed forces | Providing services to veterans or their dependents; advocacy of veteran's issues; and promotion of patriotism and community service programs |
| (21) | Black Lung Benefit Trusts | Providing funds to satisfy coal mine operators' liability for disability or death due to black lung disease |
| (22) | Withdrawal liability payment funds | Providing funds to meet the liability of employers withdrawing from a multiple-employer pension fund |
| (23) | Associations of past and present members of the armed forces founded before 1880 | Providing insurance and other benefits to veterans or their dependents |
| (24) | Trusts described in section 4049 of the Employee Retirement Income Security Act of 1974 | Providing funds for employee retirement income |
| (25) | Title-holding corporations or trusts with no more than 35 shareholders or beneficiaries and only one class of stock or beneficial interest | Acquiring real property and remitting all income earned from such property to one or more exempt organizations; pension, profit-sharing, or stock bonus plans; or governmental units |
| (26) | State-sponsored high-risk health insurance plans | Providing coverage for medical care on a not-for-profit basis to residents with pre-existing medical conditions that resulted in denied or exorbitantly priced traditional medical care coverage |

**Figure B—Continued**

**Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section—Continued**

| Code section | Description of organization | General nature of activities |
|---|---|---|
| 501(c)(27) | State-sponsored workers' compensation reinsurance plans | Pooled employers' funds providing reimbursements to employees for losses arising under workers' compensation acts; also, State-created, -operated, and -controlled organizations providing workers' compensation insurance to employers |
| 529(a) | Qualified State Tuition Plans | State- and agency-maintained plans that allow individuals to purchase credits or certificates, or make contributions to an account, to pay for future educational expenses |
| 530(a) | Coverdell Education Savings Accounts | Fiduciary agent for accounts created for the purpose of paying qualified higher education expenses of a designated beneficiary |

NOTES: Corporations that are organized under an Act of Congress, and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation. Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt effective for tax years beginning after June 30, 1992.

exempt trusts pay taxes on their unrelated business incomes at the same rates as estate and trust filers, while all other exempt organizations pay taxes at the corporate rate. Nearly 81 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate. Tax-exempt trusts accounted for the additional 19 percent of Forms 990-T filed for the year.

Traditional IRAs, voluntary employees' beneficiary associations, and pension, profit-sharing, and stock bonus plans account for the majority of tax-exempt trusts that file Form 990-T. For Tax Year 2005, these organizations represented 90 percent of all trusts that filed the return. Most other types of Tax Year 2005 Form 990-T filers, including the majority of charitable organizations, were primarily organized as corporations.

The majority of all organizations, 63 percent, that filed Form 990-T for Tax Year 2005 reported gross unrelated business income of $10,000 or more. Approximately half of all organizations that were required to file Form 990-T reported unrelated business income tax liability after subtracting deductions from gross unrelated business income.

### Income Information, by Subsection Code

In addition to comprising 32 percent of Form 990-T filers, charitable organizations accounted for even higher percentages of gross unrelated business income, total unrelated business income tax, and other financial items for Tax Year 2005. Figure D shows various financial items for Tax Year 2005, including gross unrelated business income and its components, the ratio of investment income to gross unrelated business income, total deductions, and unrelated business income tax. Charitable organizations accounted for 56 percent of the $10.8 billion in gross unrelated business income reported for Tax Year 2005. They claimed 60 percent of total deductions and reported 49 percent of total unrelated business income tax.

Charitable organizations reported 40 percent of total investment income for Tax Year 2005. However, investment income represented only a small percentage, about 20 percent, of gross unrelated business income reported by charitable organizations. Generally, organizations that were organized as tax-exempt trusts derived larger percentages of their gross unrelated business incomes from investments. For example, traditional IRAs reported more than 90

## Figure C

### Form 990-T Filers, by Gross Unrelated Business Income, Unrelated Business Taxable Income, Subsection Code, and Type of Organization, Tax Year 2005

| Category | Item | Number of returns | Percentage of total |
|---|---|---|---|
| **All Forms 990-T** | **All returns** | **40,676** | **100.0** |
| **Subsection code** | **Total** | **40,676** | **100.0** |
| | 501(c)(3) Religious, educational, charitable, scientific, or literary organizations | 13,193 | 32.4 |
| | 501(c)(4) Civic leagues and social welfare organizations | 1,569 | 3.9 |
| | 501(c)(5) Labor, agricultural, and horticultural organizations | 2,396 | 5.9 |
| | 501(c)(6) Business leagues, chambers of commerce, and real estate boards | 6,236 | 15.3 |
| | 501(c)(7) Social and recreational clubs | 6,373 | 15.7 |
| | 501(c)(19) War veterans' posts or organizations | 1,780 | 4.4 |
| | 408(e) Traditional Individual Retirement Arrangements | 5,709 | 14.0 |
| | Other [1] | 3,420 | 8.4 |
| **Type of organization** | **Total** | **40,676** | **100.0** |
| | Corporation | 32,893 | 80.9 |
| | Trust | 7,782 | 19.1 |
| **Size of gross unrelated business income** | **Total** | **40,676** | **100.0** |
| | With gross unrelated business income of $10,000 or less | 15,116 | 37.2 |
| | With gross unrelated business income over $10,000 | 25,560 | 62.8 |
| **Unrelated business taxable income** | **Total** | **40,676** | **100.0** |
| | With unrelated business taxable income | 20,387 | 50.1 |
| | Without unrelated business taxable income | 20,289 | 49.9 |

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(18), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A; state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Appendix A for additional information on the types of organizations that are required to file Form 990-T.
NOTE: Detail may not add to totals because of rounding.

## Figure D

### Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Subsection Code, Tax Year 2005

[Money amounts are in thousands of dollars]

| Item | Subsection Code | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | All | 501(c)(3) | 501(c)(4) | 501(c)(5) | 501(c)(6) | 501(c)(7) | 501(c)(19) | 408(e) | Other [1] |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Number of returns | 40,676 | 13,193 | 1,569 | 2,396 | 6,236 | 6,373 | 1,780 | 5,709 | 3,420 |
| Gross unrelated business income | 10,849,619 | 6,077,866 | 667,199 | 286,175 | 1,157,686 | 665,598 | 167,516 | 59,897 | 1,767,681 |
| Total investment income [2] | 2,851,670 | 1,144,940 | 19,446 | 21,587 | 70,101 | 104,689 | 9,344 | 55,144 | 1,426,419 |
| Investment income as a percentage of gross unrelated business income | 26.0 | 19.0 | 2.9 | 7.5 | 6.1 | 16.0 | 5.6 | 92.0 | 81.0 |
| Total deductions | 9,635,921 | 5,775,389 | 677,189 | 287,027 | 1,073,085 | 615,773 | 172,452 | 13,994 | 1,021,012 |
| Unrelated business taxable income (less deficit) | 1,213,698 | 302,477 | -9,990 | -852 | 84,602 | 49,826 | -4,936 | 45,903 | 746,669 |
| Unrelated business taxable income | 2,044,310 | 866,549 | 20,972 | 26,743 | 150,771 | 89,338 | 8,295 | 46,042 | 835,600 |
| Deficit | 830,612 | 564,072 | 30,962 | 27,595 | 66,170 | 39,512 | 13,231 | 139 | 88,931 |
| Unrelated business income tax | 543,264 | 267,170 | 5,636 | 7,151 | 44,826 | 21,902 | 1,275 | 12,300 | 183,005 |
| Total tax | 540,819 | 260,497 | 5,082 | 7,151 | 49,496 | 20,841 | 1,273 | 12,268 | 184,210 |

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(18), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A; state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Appendix A for additional information on the types of organizations that are required to file Form 990-T.

[2] Total investment income includes capital gain net income, combined partnership and S corporation income, unrelated debt-financed income, and investment income of Internal Revenue Code section 501(c)(7),(9), and (17) organizations. Other types of tax-exempt organizations' investment income ordinarily is not taxed, unless the investment was purchased with borrowed funds, i.e. debt-financed.

NOTES: Percentages are based on unrounded data. Detail may not add to totals because of rounding.

percent of their gross unrelated business incomes as investment income.

### Income Information, by Organization Type

Figure E further illustrates the differences between tax-exempt trusts and corporate filers. The latter group reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax. Corporate filers reported $9.2 billion in gross unrelated business income, $8.9 billion in total deductions, and $336.4 million in unrelated business income tax.

While representing less than one-fifth of Form 990-T filers, trusts reported higher amounts of total investment income and unrelated business taxable income less deficit than their corporate counterparts. Of the $2.9 billion in investment income received by tax-exempt organizations, more than half was reported by trusts. Overall, trusts reported 93 percent of their gross unrelated business incomes as investment income, compared to 14 percent for corporations. More than 76 percent of unrelated business taxable income less deficit that was reported for Tax Year 2005 was attributable to trusts. They reported approximately 38 percent of total unrelated business income tax for Tax Year 2005.

**Figure E**

**Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Type of Organization, Tax Year 2005**

[Money amounts are in thousands of dollars]

| Item | Type of organization | | |
|---|---|---|---|
| | All | Corporation | Trust |
| | (1) | (2) | (3) |
| Number of returns | 40,676 | 32,893 | 7,782 |
| Gross unrelated business income | 10,849,619 | 9,161,977 | 1,687,642 |
| Total investment income [1] | 2,851,670 | 1,282,576 | 1,569,094 |
| Investment income as a percentage of gross unrelated business income ratio | 26.0 | 14.0 | 93.0 |
| Total deductions | 9,635,921 | 8,874,041 | 761,880 |
| Unrelated business taxable income (less deficit) | 1,213,698 | 287,936 | 925,762 |
| Unrelated business taxable income | 2,044,310 | 1,095,751 | 948,559 |
| Deficit | 830,612 | 807,815 | 22,797 |
| Unrelated business income tax | 543,264 | 336,405 | 206,859 |
| Total tax | 540,819 | 332,750 | 208,069 |

[1] Total investment income includes capital gain net income, combined partnership and S corporation income, unrelated debt-financed income, and investment income of Internal Revenue Code section 501(c)(7),(9), and (17) organizations. Other types of tax-exempt organizations' investment income ordinarily is not taxed, unless the investment was purchased with borrowed funds, i.e. debt-financed.

NOTES: Percentages are based on unrounded data. Detail may not add to totals because of rounding.

## Summary

Tax-exempt organizations reported more than $10 billion in gross unrelated business income for Tax Year 2005. Total unrelated business income tax liability increased by 49 percent from Tax Year 2004 to $543.3 million.

Charitable organizations, tax-exempt under section 501(c)(3), were the most common Form 990-T filers, representing nearly one-third of all organizations that filed the return for Tax Year 2005. These organizations reported 56 percent of all gross unrelated business income for the year, claimed 60 percent of deductions, and accounted for nearly half of all unrelated business income tax liability.

Nearly 83 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate, with tax-exempt trusts accounting for the remainder of filers. Corporate filers reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax for Tax Year 2005. Tax-exempt trusts accounted for larger proportions of total investment income and net unrelated business income.

## Data Sources and Limitations

To report unrelated business income of $1,000 (the filing threshold) or more for Tax Year 2005, Internal Revenue Code section 220(e), 401(a), 408(e), 408A, and 530(a) trusts' required reporting period was Calendar Year 2005, and the Form 990-T filing deadline was April 15, 2006. For all other organizations, the required reporting period was any accounting period beginning in Calendar Year 2005 and, thus, ending between December 2005 and November 2006 for full-year return filers. The associated required due dates for filing Tax Year 2005 Forms 990-T generally fell between May 2006 to April 2007, but extensions of time to file beyond this period were routinely granted to many organizations. Corresponding to the required filing dates, the Tax Year 2005 study sample was drawn from Forms 990-T processed

by IRS throughout Calendar Years 2006 and 2007. Because of the various accounting periods of the organizations filing a Tax Year 2005 return, the financial activities covered in this article span the period January 2005 through November 2006, although 59 percent of Form 990-T filers had Calendar Year 2005 accounting periods.

The population from which the Form 990-T sample was drawn consisted of Tax Year 2005 Form 990-T records posted to the IRS Business Master File system during 2006 and 2007. Generally, returns filed after Calendar Year 2007 were not included in the sample. However, in some cases, returns that were considered to be large income-size cases (over $500,000 or more of gross unrelated business income), were added post-sampling. A sample of 8,507 returns was selected from a population of 40,915. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 8,468 returns, and the estimated population size was 40,676. Rejected returns included those that had gross unrelated business income below the $1,000 filing threshold; were filed for a part-year 2005 accounting period, and a full-year 2005 return was also filed; or were filed for a part-year accounting period that began in a year other than 2005.

The Tax Year 2005 Statistics of Income (SOI) Form 990-T study incorporated a two-stage sample design consisting of a stratified random sample and a special "integrated" sample. The stratified random sample was designed to represent the entire population of Form 990-T filers reporting unrelated business income. The integrated sample was designed to gather information on "related" (tax-exempt) and "unrelated" (taxable) income and expenses for section 501(c)(3) nonprofit charitable organizations that filed both Form 990 (or Form 990-EZ) and Form 990-T. This integrated sampling program ensured that the SOI sample of Forms 990-T included any unrelated business income tax returns (with gross unrelated business income of $1,000 or more) filed by organizations whose Form 990 or Form 990-EZ information returns were selected for the separate SOI sample of section 501(c)(3) nonprofit charitable organizations. Organizations exempt under other Code sections were not subjected to the integrated sampling program.

The Form 990-T returns were initially divided into strata, based on gross unrelated business income, and selected using Bernoulli sampling. Section 501(c)(3) returns not selected randomly were then matched to returns in the Forms 990/990-EZ sample. These linked returns, along with any randomly selected Forms 990-T that also had counterparts in the Forms 990/990-EZ sample, formed the "integrated" Internal Revenue Code section 501(c)(3) portion of the Form 990-T sample.

Returns in the Form 990-T sample frame were classified into two-dimensional strata, based on the size of gross unrelated business income in the Form 990-T population and the size of assets in the section 501(c)(3) Form 990/990-EZ population of returns having EINs that matched Form 990-T EINs. The designed sampling rates ranged from a minimum of 3.65 percent to a maximum of 100 percent.

The information presented in this article was obtained from returns as originally filed with the Internal Revenue Service. The amount of total tax liability originally reported on Forms 990-T, as stated in these statistics, may not necessarily be the amount ultimately paid to IRS. Changes in tax liability assessments can be made after the original return is filed, by the taxpayer on an amended return, by the IRS after examination, or by litigation. The data were subjected to comprehensive testing and correction procedures in order to improve statistical reliability and validity. In most cases, due to time constraints, changes made to the original return as a result of administrative processing, audit procedures, or a taxpayer amendment were not incorporated into the database.

Because the data are based on a sample, they are subject to sampling error. In order to use these statistics properly, the magnitude of the sampling error, measured by the coefficient of variation (CV), should be taken into account. Figure F shows CVs for selected financial data estimates derived from the Form 990-T stratified random sample. A discussion of the reliability of estimates based on samples and methods for evaluating both the magnitude of sampling and nonsampling error and the precision of sample estimates can be found in *SOI Sampling Methodology and Data Limitations,* located near the back of this issue of the *SOI Bulletin*.

## Figure F

**Coefficients of Variation for Selected Form 990-T Items, by Size of Gross Unrelated Business Income, Tax Year 2005**

| Size of gross unrelated business income | Number of returns | Gross unrelated business income | Total deductions | Unrelated business taxable income [1] | Total tax |
|---|---|---|---|---|---|
| | Coefficient of variation (percentage) | | | | |
| | (1) | (2) | (3) | (4) | (5) |
| **Total** | **0.16** | **0.13** | **0.23** | **0.48** | **0.57** |
| $1,000 under $10,001 [2] | 1.97 | 3.32 | 8.43 | 6.27 | 6.95 |
| $10,001 under $100,000 [2] | 2.15 | 1.81 | 2.69 | 5.31 | 6.47 |
| $100,000 under $500,000 | 1.19 | 0.94 | 1.19 | 3.18 | 4.16 |
| $500,000 or more | N/A | N/A | N/A | N/A | N/A |

N/A—Not applicable because the achieved sample rate was 100 percent.

[1] Includes data from returns with positive amounts of unrelated business taxable income only.

[2] Organizations with gross unrelated business income (UBI) between $1,000 (the filing threshold) and $10,000 were not required to report itemized expenses and deductions, or to complete return schedules. Those with gross UBI over $10,000 were required to fill out a more detailed "complete" return.

## Explanation of Selected Terms

This section provides definitions to help the reader understand the terms contained in the article and in Tables 1 through 7 at the end of the article. In some of the following explanations, tax-exempt organizations are cited by the Internal Revenue Code section under which they are described. The various types of tax-exempt organizations subject to the unrelated business income tax provisions are described by Code section in the Appendix to this article.

*Advertising income*—Gross income realized by a tax-exempt organization from the sale of advertising in a periodical was gross income from an unrelated trade or business activity involving the "exploitation of an exempt activity," namely, the circulation and subscriber base of the periodical developed by producing and distributing the mission-related content of that periodical. Advertising income was reported separately from other types of "exploited exempt activity income." (See the explanation of Exploited Exempt Activity Income.) Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported gross advertising income, as well as other types of "exploited exempt activity income," as part of gross receipts from sales and services. All other organizations reported this income separately.

*Capital gain net income*—Generally, organizations required to file Form 990-T (except organizations tax-exempt under Internal Revenue Code sections 501(c)(7), (9), and (17)) were not taxed on net gains from the sale, exchange, or other disposition of property. However, capital gain net income on sales of debt-financed property, certain gains on the cutting of timber (section 1231), and gains on sales of certain depreciable property (described in Internal Revenue Code sections 1245, 1250, 1252, 1254, and 1255) were considered taxable. Also, any gain or loss passed through from a partnership or S corporation, or any gain or loss on the disposition of S corporation stock by a "qualified tax-exempt" (defined in the explanation of Income (Less Loss) from Partnerships and S Corporations), was taxed as a capital gain or loss. (See the explanation of Investment Income (Less Loss) for information regarding investment income of section 501(c)(7), (9), and (17) organizations.)

*Charitable contributions*—To the extent permissible under the Internal Revenue Code, a deduction was allowed for contributions or gifts actually paid within the tax year to, or for the use of, another entity that was a charitable or Governmental organization described in Code section 170(c). A tax-exempt corporation was allowed a deduction for charitable contributions up to 10 percent of its unrelated business taxable income (UBTI) computed without regard to the deduction for contributions. A tax-exempt trust was generally allowed a deduction for charitable contributions under the rules applicable to individual taxpayers, except that the limit on the deduction was determined in relation to UBTI computed without regard to the contributions deduction, rather than in relation to adjusted gross income. Contributions in excess of the respective corporate or trust limita-

tions may be carried over to the next 5 taxable years, subject to certain rules. The contributions deduction was allowed whether or not the donated income was directly connected with the carrying on of a trade or business.

*Cost of sales and services*—Cost of sales and services may have included depreciation, salaries and wages, and certain other types of deductible items. For this reason, the total amount shown for some of the separately reported components of total deductions, such as "salaries and wages," may be understated. Cost of sales and services was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, which is a component of gross unrelated business income.

*Deductions directly connected with unrelated business income*—These were deductions allowed in computing net income, if they otherwise qualified as income tax deductions under the Internal Revenue Code and if they had a "proximate and primary" relationship to carrying on an unrelated trade or business. Allowable deductions included those allocable to rental of personal property; those allocable to unrelated debt-financed income; those allocable to investment income of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; those allocable to interest, annuities, royalties, and rents received from "controlled organizations" (see definition of Income from Controlled Organizations); those allocable to "exploited exempt activity income" other than advertising; direct advertising costs; compensation of officers, directors, and trustees; salaries and wages; repairs and maintenance; bad debts; interest; taxes and licenses; depreciation (unless deducted elsewhere); depletion; contributions to deferred compensation plans; contributions to employee benefit plans; the "net operating loss deduction"; and "other deductions." Tax-exempt organizations with gross unrelated business income above $10,000 were required to report each deduction component separately. Organizations with gross unrelated business income between $1,000 (the filing threshold) and $10,000 reported a single total of the first five types of directly connected expenses listed above (those described as "allocable to") and a single total for all other types of deductions (both deductions directly connected with unrelated business income and those not directly connected, each defined elsewhere in this section), except for two items that were required to be reported separately: the "net operating loss deduction" (directly connected) and the "specific deduction" (not directly connected), both also defined below.

*Deductions not directly connected with unrelated business income*—The component deductions were "set-asides," "excess exempt expenses," charitable contributions, and the "specific deduction." The specific deduction was reported, when applicable, by all organizations with positive taxable income; the other types of deductions not directly connected with unrelated business income were reported separately, when applicable, only by tax-exempt organizations with gross unrelated business income above $10,000. (See, also, the explanations of Set-Asides, Excess Exempt Expenses, Contributions, and the Specific Deduction.)

*Excess exempt expenses*—The two types of "excess" expenses allowed as deductions from unrelated business income were (1) excess exempt expenses attributable to commercial exploitation of exempt activities, and (2) excess exempt expenses attributable to advertising income. In the case of "exploited" exempt activity income (see the explanation of Exploited Exempt Activity Income, Except Advertising, below), if the expenses of the organization's exempt activity exceeded income from the exempt activity, then the excess expenses could be used to offset any positive net unrelated business income produced from exploiting the exempt activity, to the extent that it did not result in a loss. Excess expenses of one type of commercially exploited exempt activity could not be used to offset income from another type of unrelated business activity, unless both types commercially exploited the same exempt activity. In the case of excess exempt expenses attributable to advertising income, if the expenses attributable to producing and distributing the readership content of a periodical exceeded the circulation income, then the excess of readership costs over circulation income could be used to offset any net gain from advertising (gross advertising income less direct advertising costs), to the extent that it did not result in a loss.

*Exploited exempt activity income, except advertising*—In some cases, exempt activities create goodwill or other intangibles that are capable of being exploited in a commercial manner. When an organization exploited such an intangible in com-

mercial activities that did not contribute importantly to the accomplishment of an exempt purpose, the income it produced was gross income from an unrelated trade or business. An example of this type of activity would be an exempt scientific organization with an excellent reputation in the field of biological research that exploits its reputation regularly by selling endorsements of laboratory equipment to manufacturers. Endorsing laboratory equipment would not have contributed importantly to the accomplishment of any purpose for which tax exemption was granted to the organization. Accordingly, the income from selling such endorsements is gross unrelated business income. Exploited exempt activity income from advertising was reported separately from other types of exploited exempt activity income (see the explanation of Advertising Income). Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported income from exploited exempt activities as part of gross receipts from sales and services. All other organizations reported this income separately.

*Gross profit (less loss) from sales and services*—This was the gross profit (less loss) from any unrelated trade or business regularly carried on that involved the sale of goods or performance of services. Gross profit (less loss) from sales and services is computed as gross receipts from sales or services, less returns and allowances, minus cost of sales and services.

*Gross unrelated business income*—This was the total gross unrelated business income prior to reduction by allowable deductions used in computing unrelated business taxable income. All organizations were required to report detailed sources of gross unrelated business income. The components of gross unrelated business income were gross profit (less loss) from sales and services; capital gain net income; net gain (less loss) from sales of noncapital assets; net capital loss deduction (trusts only); income (less loss) from partnerships and S corporations; rental income; unrelated debt-financed income; investment income (less loss) of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; income (annuities, interest, rents, and royalties) from controlled organizations; "exploited exempt activity" income, except advertising; advertising income; and "other" income (less loss). (For an explanation of these sources of income, see the separate explanations of each component.)

A tax-exempt organization's income was treated as unrelated business income if it was from a trade or business that was regularly carried on by the organization and that was not substantially related to the performance of the organization's exempt purpose or function (other than that the organization needed the profits derived from the unrelated activity). The term "trade or business" generally comprised any activities carried on for the production of income from selling goods or performing services. These activities did not lose their identity as trades or businesses merely because they were carried on within a larger aggregate of similar activities or within a larger complex of other endeavors that may, or may not, have been related to the exempt purposes of the organization. Soliciting, selling, or publishing commercial advertising, for example, is identified as a trade or business, even though the advertising is published in an exempt organization's periodical that contains editorial material that is related to the organization's exempt purpose.

*Income from controlled organizations*—When an exempt organization controlled another organization, the entire amount of gross annuities, interest, rents, and royalties (termed "specified payments") received from the controlled organization were included in the gross unrelated business income of the controlling organization. They were included only to the extent that the specified payments were claimed as a deduction from the controlled organization's own unrelated business income (in the case of an exempt controlled organization) or the "equivalent" of unrelated business income (in the case of a nonexempt controlled organization). The equivalent of unrelated business income was computed as if the nonexempt controlled organization were exempt and had the same exempt purpose as the controlling organization. "Control" meant: (a) for a stock corporation, the ownership (by vote or value) of more than 50 percent of the stock; (b) for a partnership, ownership of more than 50 percent of the profits or capital interests; or (c) for any other organization, ownership of more than 50 percent of the beneficial interests. All deductions "directly connected" with a Form 990-T filer's gross controlled-organization income were allowed. The rules for debt-financed property did not apply to passive income (generally, investment income) from controlled organizations. (See the explanation of Unrelated Debt-Financed Income.)

*Income (less loss) from partnerships and s corporations*—If an organization was a partner in any partnership that carried on an unrelated trade or business, this income item included the organization's share of partnership gross unrelated business income less its share of partnership deductions that were directly connected with the unrelated income. If an organization was a "qualified tax-exempt" that held stock in an S corporation, this income item included the income or loss from the stock interest. The stock interest was treated as an unrelated trade or business, and all items of income, loss, or deduction were taken into account in computing unrelated business taxable income. A "qualified tax-exempt" was an organization described in Internal Revenue Code section 401(a) (qualified stock bonus, pension, or profit-sharing plan) or section 501(c)(3), and exempt from tax under section 501(a).

*Investment income (less loss)*—This income was reported only by organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17) and included such income as gross unrelated debt-financed income, gross income from the ownership or sale of securities, and set-asides deducted from investment income in previous years that were subsequently used for a purpose other than that for which a deduction was allowed. (See, also, the explanation of Set-Asides.) All gross rents (except those that were exempt-function income) from investment property of section 501(c)(7), (9), and (17) organizations were treated as unrelated business income and were reported as "rental income." Organizations exempt under sections other than 501(c)(7), (9), and (17) did not report "investment income (less loss)." Generally, these organizations' investment income (dividends, interest, rents, and annuities) and royalty income were not taxed as unrelated business income, unless it was income, other than dividends, from a controlled organization or debt-financed income, or the rents were of the type described in the explanation of rental income. (See the explanations of Income from Controlled Organizations, Rental Income, and Unrelated Debt-Financed Income.)

*Net capital loss (trusts only)*—If a trust had a net loss from sales or exchanges of capital assets, it was allowed a deduction for the amount of the net loss or $3,000, whichever was lower. (Tax-exempt corporations were not allowed to deduct any excesses of capital losses over capital gains.) Tax-exempt trusts reported the net capital loss deduction on Form 990-T as a component of gross unrelated business income, and it was subtracted when computing total gross unrelated business income.

*Net gain (less loss), Sales of Noncapital Assets*—This was the gain or loss from the sale or exchange of business property, as reported on Form 4797, *Sales of Business Property*. Property other than capital assets generally included property of a business nature, in contrast to personal and investment properties, which were capital assets.

*Net operating loss deduction*—The net operating loss carryover or carryback (as described in Internal Revenue Code section 172) was allowed as a deduction (limited to the current-year excess of receipts over deductions, prior to applying the net operating loss deduction) in computing unrelated business taxable income. However, the net operating loss carryover or carryback (allowed only to or from a tax year for which the organization was subject to tax on unrelated business income) was determined without taking into account any amount of exempt-function income or deductions that had been excluded from the computation of unrelated business taxable income. A "net operating loss" represented the excess of deductions over receipts for a specified year for which an organization reported an overall deficit from its unrelated trade or business activities. The net operating loss deduction statistics in this article represent only net operating loss carryovers from prior years because carrybacks from future years would be reported in a later year on an amended return, not on the return as initially filed (which served as the basis for the statistics).

*Other deductions*—These included all types of unrelated business deductions that were not specifically required to be reported elsewhere on the tax return. Examples are fees for accounting, legal, consulting, or financial management services; insurance costs (if not for employee-related benefits); equipment costs; mailing costs; office expenses, such as janitorial services, supplies, or security services; rent; travel expenses; educational expenses; and utilities.

*Other income (less loss)*—This included all types of unrelated business income that were not specifically required to be reported elsewhere on the tax return. Examples are insurance benefit fees; member support fees; commissions; returned contributions that were deducted in prior years; income from insur-

ance activities that was not properly set aside in prior years; recoveries of bad debts; and refunds of State or local government tax payments, if the payments were previously reported as a deduction.

*Proxy tax*—This was a tax on certain nondeductible lobbying and political expenditures. A membership organization that was tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax if the organization did not notify its members of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures, or if the notice did not include the entire amount of dues that was allocated. The proxy tax was computed as 35 percent of the aggregate amount of nondeductible lobbying expenditures that was not included in the notices sent to the organization's members. The proxy tax was required to be reported on Form 990-T and was included in total tax; however, there was no connection between the proxy tax and the taxation of income from an organization's unrelated business activities.

*Rental income*—For organizations tax-exempt under Internal Revenue Code sections other than 501(c)(7), (9), and (17), this was the amount of (1) gross rents from personal property (e.g., computer equipment or furniture) leased with real property, if the rental income from the personal property was more than 10 percent, but not more than 50 percent, of the total rents from all leased property; or (2) gross rents from both real property and personal property leased with real property if the personal property was more than 50 percent of the total rents from all leased property. Except for the second situation described above, gross rents from real property were generally excluded in computing unrelated business taxable income. In addition, gross rents from personal property that did not exceed 10 percent of the total rents from all leased property were not included in gross unrelated business income. Any rents not covered by the explanation of "rental income" had to be considered in terms of their taxability as unrelated business income from controlled organizations or unrelated debt-financed income, in that order. For organizations tax-exempt under sections 501(c)(7), (9), and (17), rental income included all gross rents (except those that were exempt-function income), with no exclusions. (See the explanations of Income from Controlled Organizations and Unrelated Debt-Financed Income.)

*Set-asides*—This deduction from investment income was allowed to social and recreational clubs (Internal Revenue Code section 501(c)(7)), voluntary employees' beneficiary associations (section 501(c)(9)), and supplemental unemployment benefit trusts (section 501(c)(17)). The deduction was equal to the amount of passive income (generally, investment income) that these organizations set aside (1) to be used for charitable purposes or (2) to provide payment of life, health, accident, or other insurance benefits (section 501(c)(9) and (17) organizations only). However, any amounts set aside that exceeded the "qualified asset account" limit, as figured under section 419A, were not allowed as a deduction from unrelated business investment income; they were treated as taxable investment income. A section 419A qualified asset account is any account consisting of assets set aside to provide for the payment of disability benefits, medical benefits, severance pay benefits, or life insurance benefits.

*Specific deduction*—The specific deduction was $1,000 or the amount of positive taxable income, whichever was less. The amount deducted was considered "not directly connected" with gross unrelated business income and was allowed to all organizations that had positive taxable income after all other types of deductions were taken. This deduction provided the equivalent benefit of the $1,000 gross unrelated business income filing threshold under which some organizations were exempted from filing a return and paying the unrelated business income tax. (See, also, the explanation of Deductions Not Directly Connected With Unrelated Business Income.)

*Total deductions*—Total deductions included both deductions reported on the main part of Form 990-T and expense items reported on any of six supporting schedules, which were also part of the tax form. They excluded cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, which is a component of gross unrelated business income. (See the explanation of Cost of Sales and Services.)

*Total tax*—Total tax was unrelated business income tax less the foreign tax credit, general business credit, credit for prior-year minimum tax, and other allowable credits, plus the "proxy tax" on certain lobbying and political expenditures, the "alternative minimum tax," and "other" taxes.

*Unrelated business activity*—A business activity is considered unrelated if it does not contribute importantly (other than the production of funds) to accomplishing an organization's charitable, educational, or other purpose that is the basis for the organization's tax exemption. In determining whether activities contribute importantly to the accomplishment of an exempt purpose, the size, extent, and nature of the activities involved must be considered in relation to the size, extent, and nature of the exempt function that they intend to serve. To the extent an activity is conducted on a scale larger than is reasonably necessary to perform an exempt purpose, it does not contribute importantly to the accomplishment of the exempt purpose. The part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business. Whether an activity contributes importantly depends in each case on the facts involved. See IRS Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*, for additional information on unrelated business income and tax.

The following is a case example from Publication 598. An American folk art museum operates a shop in the museum that sells reproductions of works in the museum's own collection and also works from the collections of other art museums. In addition, the museum sells souvenir items of the city where the museum is located. The sale of the reproductions, regardless of which museum houses the original works, is considered to be "related" because it contributes importantly to the achievement of the museum's exempt educational purpose by making works of art familiar to a broader segment of the public, thereby enhancing the public's understanding and appreciation of art. However, the sale of souvenir items depicting the city in which the museum is located is considered to be "unrelated" because it has no causal relationship to art or to artistic endeavor, and, therefore, does not contribute importantly to the accomplishment of the museum's exempt educational purposes.

*Unrelated business income*—See the explanation of Gross Unrelated Business Income .

*Unrelated business income tax*—This was the tax imposed on unrelated business taxable income. It was determined based on the regular corporate or trust income tax rates that were in effect for Tax Year 2005, as shown in the following schedules. Trusts that were eligible for the maximum 28-percent tax rate on capital gain net income figured their tax based on Schedule D of Form 1041, *U.S. Income Tax Return for Estates and Trusts*.

**Tax Rates for Corporations**

Amount of unrelated business taxable income is:

| Over— | But not over— | Tax is: | Of the amount over— |
|---|---|---|---|
| $ 0 | $50,000 | 15% | $0 |
| 50,000 | 75,000 | $7,500 + 25% | 50,000 |
| 75,000 | 100,000 | 13,750 + 34% | 75,000 |
| 100,000 | 335,000 | 22,250 + 39% | 100,000 |
| 335,000 | 10,000,000 | 113,900 + 34% | 335,000 |
| 10,000,000 | 15,000,000 | 3,400,000 + 35% | 10,000,000 |
| 15,000,000 | 18,333,333 | 5,150,000 + 38% | 15,000,000 |
| 18,333,333 | 0 | 35% | 0 |

**Tax Rates for Trusts**

Amount of unrelated business taxable income is:

| Over— | But not over— | Tax is: | Of the amount over— |
|---|---|---|---|
| $ 0 | $2,000 | 15% | $0 |
| 2,000 | 4,700 | $292.50 + 25% | 2,000 |
| 4,700 | 7,150 | 955 + 28% | 4,700 |
| 7,150 | 9,750 | 1,627 + 33% | 7,150 |
| 9,750 | 0 | 2,468.50 + 35% | 9,750 |

*Unrelated business taxable income (less deficit)*—This was gross income derived from any unrelated trade or business regularly carried on by an exempt organization, less deductions directly connected with carrying on the trade or business and less other allowable deductions not directly connected. On a return-by-return basis, the result of this computation was either positive (unrelated business taxable income), negative (deficit), or zero. Taxable income was subject to the unrelated business income tax. (See, also, the explanations of Deductions Directly Connected with Unrelated Business Income and Deductions Not Directly Connected with Unrelated Business Income.)

*Unrelated debt-financed income*—Gross income from investment property for which acquisition indebtedness was outstanding at any time during the tax year was subject to the unrelated business income tax. The percentage of investment income to be included as gross unrelated business income was proportional to the ratio of average acquisition indebtedness to the average adjusted basis of the property. Various types of passive income (generally, investment income) were considered to be unrelated debt-financed income, but only if the income arose from property acquired or improved with borrowed funds and if the production of income was unrelated to the organization's tax-exempt purpose. When any property held for the production of income by an organization was disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding at any time during the 12-month period prior to the date of disposition, the property was considered debt-financed property, and the gain was treated as unrelated debt-financed income. Income from debt-financed property did not include rents from personal property (e.g., computers or furniture) leased with real property, certain passive income (generally, investment income) from controlled organizations, and other amounts that were otherwise included in computing unrelated business taxable income. Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported all debt-financed income as "Investment Income (Less Loss)." All other organizations reported debt-financed income separately.

**Table 1. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2005**

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

| Type of tax-exempt organization, as defined by Internal Revenue Code section | Number of returns | Gross unrelated business income (UBI) | Total deductions [1, 2] | | Unrelated business taxable income (less deficit) [3] | | Unrelated business taxable income [4] | | Total tax [5] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| **All organizations** | **40,676** | **10,849,619** | **40,514** | **9,635,921** | **32,699** | **1,213,698** | **20,387** | **2,044,310** | **20,360** | **540,819** |
| 220(e) Archer Medical Savings Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 401(a) Qualified pension, profit-sharing, or stock bonus plans | 607 | 376,283 | 549 | 153,694 | 552 | 222,589 | 546 | 225,558 | 547 | 56,832 |
| 408(e) Traditional Individual Retirement Arrangements | 5,709 | 59,897 | 5,703 | 13,994 | 5,569 | 45,903 | 5,440 | 46,042 | 5,394 | 12,268 |
| 408(A) Roth Individual Retirement Arrangements | * 40 | * 3,068 | * 39 | * 1,768 | * 40 | * 1,301 | * 40 | * 1,301 | * 40 | * 387 |
| 501(c)(2) Title-holding corporations for exempt organizations [6] | 309 | 118,937 | 309 | 134,516 | 281 | -15,579 | 129 | 17,542 | 129 | 5,694 |
| 501(c)(3) Religious, educational, charitable, scientific, or literary organizations | 13,193 | 6,077,866 | 13,162 | 5,775,389 | 10,421 | 302,477 | 5,317 | 866,549 | 5,357 | 260,497 |
| 501(c)(4) Civic leagues and social welfare organizations | 1,569 | 667,199 | 1,569 | 677,189 | 1,028 | -9,990 | 415 | 20,972 | 404 | 5,082 |
| 501(c)(5) Labor, agricultural, and horticultural organizations | 2,396 | 286,175 | 2,396 | 287,027 | 1,908 | -852 | 809 | 26,743 | 809 | 7,151 |
| 501(c)(6) Business leagues, chambers of commerce, and real estate boards | 6,236 | 1,157,686 | 6,236 | 1,073,085 | 4,239 | 84,602 | 2,064 | 150,771 | 2,169 | 49,496 |
| 501(c)(7) Social and recreational clubs | 6,373 | 665,598 | 6,338 | 615,773 | 5,287 | 49,826 | 4,001 | 89,338 | 3,895 | 20,841 |
| 501(c)(8) Fraternal beneficiary societies and associations | 834 | 58,788 | 834 | 61,399 | 720 | -2,610 | 310 | 2,679 | 311 | 452 |
| 501(c)(9) Voluntary employees' beneficiary associations | 716 | 993,197 | 714 | 442,930 | 442 | 550,267 | 370 | 563,465 | 370 | 113,290 |
| 501(c)(10) Domestic fraternal beneficiary societies and associations | 397 | 29,057 | 397 | 29,822 | 252 | -765 | 73 | 1,291 | 73 | 265 |
| 501(c)(11) Teachers' retirement fund associations | d | d | d | d | d | d | d | d | d | d |
| 501(c)(12) Benevolent life insurance associations and certain mutual companies | 237 | 75,412 | 237 | 74,835 | 214 | 577 | 96 | 8,703 | 96 | 2,649 |
| 501(c)(13) Cemetery companies | 48 | 3,478 | 48 | 2,581 | 42 | 897 | 37 | 1,197 | 37 | 282 |
| 501(c)(14) State-chartered credit unions | 166 | 93,800 | 166 | 108,457 | 162 | -14,656 | 101 | 9,080 | 95 | 2,752 |
| 501(c)(15) Mutual insurance companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(16) Corporations organized to finance crop operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(17) Supplemental unemployment benefit trusts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(18) Employee-funded pension trusts | * 7 | * 7,173 | * 7 | * 2,724 | * 7 | * 4,449 | * 7 | * 4,449 | * 7 | * 1,548 |
| 501(c)(19) War veterans' posts or organizations | 1,780 | 167,516 | 1,752 | 172,452 | 1,505 | -4,936 | 604 | 8,295 | 598 | 1,273 |
| 501(c)(21) Black Lung Benefit Trusts [7] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(22) Withdrawal liability payment funds | 28 | 35 | 28 | 35 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(23) Veterans' associations founded before 1880 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Footnotes at end of table.

## Table 1. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2005—Continued

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

| Type of tax-exempt organization, as defined by Internal Revenue Code section | Number of returns | Gross unrelated business income (UBI) | Total deductions [1, 2] | | Unrelated business taxable income (less deficit) [3] | | Unrelated business taxable income [4] | | Total tax [5] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| 501(c)(24) Trusts described in section 4049 of ERISA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(25) Title-holding companies with no more than 35 shareholders | d | d | d | d | d | d | d | d | d | d |
| 501(c)(26) High-risk health insurance plans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 501(c)(27) Workers' compensation reinsurance plans | d | d | d | d | d | d | d | d | d | d |
| 529(a) Qualified State Tuition Plans | d | d | d | d | d | d | d | d | d | d |
| 530(a) Coverdell Education Savings Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

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

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 7,977 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax, but it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the $1,000 filing threshold, total proxy tax was $5.4 million.

[6] Corporations that are organized under an Act of Congress and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation.

[7] Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax-exempt, beginning with tax years after June 30, 1992. Therefore, these organizations are not listed in this table.

NOTE: Detail may not add to totals because of rounding. For more complete descriptions of the types of tax-exempt organizations filing Form 990-T, by the Internal Revenue Code section describing them, see the Appendix to the most recent Unrelated Business Income Tax (UBIT) article listed under Publications and Papers on the Exempt Organizations' UBIT Statistics page of the IRS website (http://www.irs.gov/taxstats/charitablestats/article/0,,id=97210,00.html).

## Table 2. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Size of Gross UBI, Tax Year 2005

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

| Size of gross unrelated business income (UBI) | Number of returns | Gross unrelated business income (UBI) | Total deductions [1,2] | | Unrelated business taxable income (less deficit) [3] | | Unrelated business taxable income [4] | | Total tax [5] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| **Total** | **40,676** | **10,849,619** | **40,514** | **9,635,921** | **32,699** | **1,213,698** | **20,387** | **2,044,310** | **20,360** | **540,819** |
| $1,000 under $10,001 [6] | 15,116 | 61,732 | 15,030 | 60,228 | 12,262 | 1,504 | 9,536 | 20,695 | 9,529 | 3,495 |
| $10,001 under $100,000 [6] | 14,336 | 535,435 | 14,284 | 522,583 | 11,510 | 12,852 | 6,219 | 107,261 | 6,172 | 20,201 |
| $100,000 under $500,000 | 8,302 | 1,795,803 | 8,280 | 1,765,073 | 6,641 | 30,730 | 3,392 | 255,273 | 3,371 | 68,287 |
| $500,000 under $1,000,000 | 1,317 | 923,265 | 1,315 | 883,579 | 1,030 | 39,685 | 597 | 136,160 | 607 | 40,914 |
| $1,000,000 under $5,000,000 | 1,276 | 2,636,190 | 1,276 | 2,456,176 | 996 | 180,015 | 499 | 390,985 | 520 | 115,985 |
| $5,000,000 or more | 329 | 4,897,194 | 329 | 3,948,282 | 260 | 948,912 | 144 | 1,133,935 | 161 | 291,937 |

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.
[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.
[3] Excludes data from 7,977 returns with equal amounts of gross UBI and total deductions.
[4] Includes data from returns with positive amounts of unrelated business taxable income only.
[5] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the $1,000 filing threshold, total proxy tax was $5.4 million.
[6] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below $1,000 were not required to file Form 990-T.
NOTE: Detail may not add to totals because of rounding.

## Table 3. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), and Total Tax, by Size of Unrelated Business Taxable Income or Deficit, Tax Year 2005

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

| Size of unrelated business taxable income or deficit | Number of returns | Gross unrelated business income (UBI) | Total deductions [1, 2] | | Unrelated business taxable income (less deficit) | | Total tax [3] | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **Total** | **40,676** | **10,849,619** | **40,514** | **9,635,921** | **32,699** | **1,213,698** | **20,360** | **540,819** |
| Deficit | 12,313 | 3,777,599 | 12,313 | 4,608,211 | 12,313 | -830,612 | 48 | 725 |
| Zero [4] | 7,977 | 2,249,017 | 7,977 | 2,249,016 | 0 | 0 | 151 | 1,179 |
| $1 under $1,000 | 4,390 | 44,196 | 4,390 | 42,274 | 4,390 | 1,922 | 4,327 | 284 |
| $1,000 under $10,000 | 8,519 | 276,329 | 8,434 | 241,860 | 8,519 | 34,469 | 8,450 | 5,959 |
| $10,000 under $100,000 | 5,691 | 888,514 | 5,639 | 704,874 | 5,691 | 183,641 | 5,616 | 33,645 |
| $100,000 under $500,000 | 1,344 | 875,865 | 1,322 | 594,463 | 1,344 | 281,403 | 1,329 | 86,913 |
| $500,000 under $1,000,000 | 190 | 407,541 | 188 | 272,563 | 190 | 134,977 | 189 | 42,066 |
| $1,000,000 or more | 252 | 2,330,557 | 252 | 922,660 | 252 | 1,407,898 | 250 | 370,050 |

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.
[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.
[3] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the $1,000 filing threshold, total proxy tax was $5.4 million.
[4] The Zero category includes returns with equal amounts of gross unrelated business income and total deductions.
NOTE: Detail may not add to totals because of rounding.

**Table 4. Returns with Positive Unrelated Business Taxable Income: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income, and Total Tax, by Type of Entity and Size of Gross UBI, Tax Year 2005**

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

| Type of entity and size of gross unrelated business income (UBI) | Number of returns | Gross unrelated business income (UBI) | Total deductions [1, 2] | | Unrelated business taxable income | Total tax [3] | |
|---|---|---|---|---|---|---|---|
| | | | Number of returns | Amount | | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| **ALL ENTITIES** | | | | | | | |
| **Total** | **20,387** | **4,823,003** | **20,225** | **2,778,693** | **2,044,310** | **20,161** | **538,916** |
| $1,000 under $10,001 [4] | 9,536 | 35,477 | 9,450 | 14,782 | 20,695 | 9,502 | 3,459 |
| $10,001 under $100,000 [4] | 6,219 | 222,202 | 6,166 | 114,940 | 107,261 | 6,126 | 19,890 |
| $100,000 under $500,000 | 3,392 | 746,469 | 3,370 | 491,197 | 255,273 | 3,312 | 68,046 |
| $500,000 under $1,000,000 | 597 | 416,740 | 595 | 280,580 | 136,160 | 590 | 40,789 |
| $1,000,000 under $5,000,000 | 499 | 1,016,818 | 499 | 625,833 | 390,985 | 492 | 115,589 |
| $5,000,000 or more | 144 | 2,385,297 | 144 | 1,251,362 | 1,133,935 | 140 | 291,143 |
| **TAX-EXEMPT CORPORATIONS** | | | | | | | |
| **Total** | **13,628** | **3,591,153** | **13,532** | **2,495,402** | **1,095,751** | **13,450** | **331,208** |
| $1,000 under $10,001 [4] | 4,493 | 19,694 | 4,407 | 8,555 | 11,139 | 4,486 | 1,679 |
| $10,001 under $100,000 [4] | 5,164 | 193,917 | 5,157 | 111,376 | 82,540 | 5,088 | 13,232 |
| $100,000 under $500,000 | 2,940 | 651,100 | 2,937 | 474,722 | 176,378 | 2,862 | 45,346 |
| $500,000 under $1,000,000 | 521 | 362,511 | 521 | 269,661 | 92,850 | 514 | 28,694 |
| $1,000,000 under $5,000,000 | 394 | 776,628 | 394 | 569,082 | 207,546 | 388 | 67,517 |
| $5,000,000 or more | 116 | 1,587,303 | 116 | 1,062,005 | 525,298 | 112 | 174,740 |
| **TAX-EXEMPT TRUSTS** | | | | | | | |
| **Total** | **6,759** | **1,231,850** | **6,693** | **283,291** | **948,559** | **6,711** | **207,708** |
| $1,000 under $10,001 [4] | 5,044 | 15,783 | 5,044 | 6,227 | 9,556 | 5,016 | 1,780 |
| $10,001 under $100,000 [4] | 1,055 | 28,285 | 1,009 | 3,564 | 24,721 | 1,037 | 6,658 |
| $100,000 under $500,000 | 452 | 95,369 | 433 | 16,474 | 78,895 | 450 | 22,700 |
| $500,000 under $1,000,000 | 76 | 54,229 | 74 | 10,919 | 43,311 | 76 | 12,095 |
| $1,000,000 under $5,000,000 | 105 | 240,190 | 105 | 56,751 | 183,439 | 104 | 48,072 |
| $5,000,000 or more | 28 | 797,994 | 28 | 189,357 | 608,637 | 28 | 116,403 |

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For exempt organizations reporting positive unrelated business taxable income, cost of sales and services was $1.1 billion, 99 percent of which was attributable to tax-exempt corporations.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting posititve unrelated business taxable income, total proxy tax was $4.5 million.

[4] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

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

## Table 5. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Primary Unrelated Business Activity or Industrial Grouping, Tax Year 2005

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

| Primary unrelated business activity or industrial grouping | Number of returns | Gross unrelated business income (UBI) | Total deductions [1, 2] | | Unrelated business taxable income (less deficit) [3] | | Unrelated business taxable income [4] | | Total tax [5] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| **All activities and groupings** | **40,676** | **10,849,619** | **40,514** | **9,635,921** | **32,699** | **1,213,698** | **20,387** | **2,044,310** | **20,360** | **540,819** |
| Agriculture, forestry, hunting, and fishing | 276 | 77,928 | 276 | 48,203 | 220 | 29,725 | 67 | 33,070 | 68 | 10,674 |
| Mining | 306 | 49,752 | 306 | 23,168 | 274 | 26,585 | 252 | 26,854 | 244 | 5,536 |
| Utilities | 92 | 27,036 | 92 | 27,279 | 89 | -243 | * 27 | * 1,382 | * 27 | * 308 |
| Construction | 97 | 112,108 | 97 | 107,639 | 91 | 4,469 | 50 | 7,388 | 50 | 2,317 |
| Manufacturing | 229 | 108,778 | 223 | 62,644 | 176 | 46,134 | 156 | 49,659 | 157 | 15,934 |
| Wholesale trade | 52 | 26,349 | 52 | 6,918 | 52 | 19,431 | 44 | 19,814 | 44 | 5,819 |
| Retail trade | 1,285 | 718,424 | 1,285 | 749,338 | 1,018 | -30,914 | 429 | 37,587 | 438 | 11,702 |
| Transportation and warehousing | 70 | 9,249 | 70 | 7,309 | 69 | 1,940 | * 56 | * 2,733 | * 56 | * 824 |
| Information | 651 | 205,737 | 651 | 203,269 | 526 | 2,469 | 194 | 20,834 | 168 | 5,489 |
| Finance and insurance, total | 12,386 | 2,575,133 | 12,267 | 1,584,925 | 10,859 | 990,208 | 9,619 | 1,119,096 | 9,548 | 262,294 |
| Unrelated debt-financed activities, other than rental of real estate | 1061 | 259,332 | 1026 | 126,694 | 972 | 132,638 | 871 | 146,710 | 866 | 43,740 |
| Investment activities of Code section 501(c)(7), (9), and (17) organizations [6] | 3,468 | 1,075,010 | 3,437 | 498,152 | 2,710 | 576,858 | 2,549 | 584,945 | 2,527 | 116,812 |
| Passive income activities with controlled organizations | 463 | 237,634 | 457 | 211,490 | 395 | 26,144 | 299 | 66,842 | 301 | 16,072 |
| Other finance and insurance | 7,395 | 1,003,156 | 7,347 | 748,589 | 6,783 | 254,567 | 5,900 | 320,599 | 5,854 | 85,670 |
| Real estate and rental and leasing, total | 7,050 | 1,204,073 | 7,015 | 1,098,185 | 6,028 | 105,888 | 3,622 | 218,870 | 3,619 | 60,587 |
| Rental of personal property | 428 | 70,115 | 428 | 72,550 | 348 | -2,435 | 194 | 4,341 | 196 | 1,057 |
| Other real estate and rental and leasing | 6,622 | 1,133,959 | 6,587 | 1,025,635 | 5,680 | 108,323 | 3,428 | 214,529 | 3,423 | 59,530 |
| Professional, scientific, and technical services | 8,249 | 2,133,972 | 8,249 | 2,008,164 | 5,383 | 125,808 | 2,461 | 250,555 | 2,562 | 83,344 |
| Management of companies and enterprises | 65 | 56,178 | 65 | 18,880 | 65 | 37,297 | 60 | 39,837 | 60 | 12,591 |
| Administrative and support and waste management and remediation services | 844 | 437,386 | 844 | 440,403 | 655 | -3,017 | 232 | 33,134 | 235 | 10,413 |
| Educational services | 84 | 91,104 | 84 | 101,672 | 70 | -10,568 | * 7 | * 2,173 | * 7 | * 672 |
| Healthcare and social assistance | 987 | 1,380,332 | 987 | 1,412,912 | 792 | -32,580 | 332 | 89,221 | 347 | 29,321 |
| Arts, entertainment, and recreation | 4,385 | 748,499 | 4,385 | 797,228 | 3,308 | -48,728 | 1,628 | 41,737 | 1,620 | 10,377 |
| Accommodation and food services | 2,777 | 675,809 | 2,775 | 720,578 | 2,379 | -44,769 | 771 | 37,500 | 724 | 9,026 |
| Other services | 521 | 126,123 | 521 | 135,543 | 409 | -9,420 | 241 | 4,984 | 245 | 1,298 |
| Exploited exempt activities | 236 | 84,568 | 236 | 80,610 | 205 | 3,958 | 111 | 7,824 | 113 | 2,284 |
| Not allocable | * 32 | * 1,081 | * 32 | * 1,055 | * 31 | * 26 | * 29 | * 57 | * 29 | * 9 |

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

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 7,977 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI above the $1,000 filing threshold, total proxy tax was $5.4 million.

[6] Section 501(c)(7) organizations are social and recreational clubs; section 501(c)(9) organizations are voluntary employees' beneficiary associations; and section 501(c)(17) organizations are supplemental unemployment benefit trusts.

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

## Table 6. Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 2005

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

| Size of gross unrelated business income (UBI) | Gross unrelated business income (UBI) | | Sources of gross unrelated business income (UBI) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Gross profit (less loss) from sales and services | | Capital gain net income | | Net capital loss (trusts only) | | Net gain (less loss), sales of noncapital assets [2] | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| **Total** | **40,676** | **10,849,619** | **15,745** | **5,196,540** | **2,281** | **984,118** | **52** | **388** | **213** | **3,163** |
| **$1,000 under $10,001 [1]** | **15,116** | **61,732** | **2,876** | **7,686** | **827** | **3,752** | **0** | **0** | *** 7** | *** 6** |
| **$10,001 or more, total [1]** | **25,560** | **10,787,887** | **12,869** | **5,188,854** | **1,454** | **980,366** | **52** | **388** | **206** | **3,157** |
| $10,001 under $100,000 | 14,336 | 535,435 | 5,977 | 212,835 | 808 | 15,417 | 6 | 17 | 74 | 935 |
| $100,000 under $500,000 | 8,302 | 1,795,803 | 5,025 | 911,930 | 368 | 52,188 | 20 | 58 | 72 | 2,320 |
| $500,000 under $1,000,000 | 1,317 | 923,265 | 827 | 472,772 | 82 | 35,060 | 9 | 30 | 15 | 1,706 |
| $1,000,000 under $5,000,000 | 1,276 | 2,636,190 | 813 | 1,386,805 | 134 | 130,080 | ** 17 | ** 283 | ** 45 | ** -1,805 |
| $5,000,000 or more | 329 | 4,897,194 | 227 | 2,204,512 | 61 | 747,621 | ** | ** | ** | ** |

| Size of gross unrelated business income (UBI) | Sources of gross unrelated business income (UBI)—continued | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income (less loss) from partnerships and S corporations | | Rental income [3] | | Unrelated debt-financed income | | Investment income (less loss) [4] | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (11) | (12) | (13) | (14) | (15) | (16) | (17) | (18) |
| **Total** | **8,377** | **705,861** | **4,455** | **276,007** | **3,537** | **493,089** | **5,757** | **668,602** |
| **$1,000 under $10,001 [1]** | **5,460** | **13,609** | **1,032** | **4,719** | **888** | **3,559** | **2,559** | **7,720** |
| **$10,001 or more, total [1]** | **2,917** | **692,252** | **3,423** | **271,289** | **2,649** | **489,530** | **3,197** | **660,882** |
| $10,001 under $100,000 | 1,546 | 32,400 | 2,262 | 53,044 | 1,524 | 46,137 | 1,490 | 21,366 |
| $100,000 under $500,000 | 800 | 94,181 | 882 | 83,307 | 814 | 119,888 | 1,301 | 73,040 |
| $500,000 under $1,000,000 | 177 | 53,688 | 138 | 37,485 | 125 | 55,576 | 246 | 42,727 |
| $1,000,000 under $5,000,000 | 272 | 177,525 | 112 | 53,570 | 137 | 121,987 | 139 | 150,847 |
| $5,000,000 or more | 122 | 334,457 | 29 | 43,883 | 49 | 145,943 | 22 | 372,902 |

| Size of gross unrelated business income (UBI) | Sources of gross unrelated business income (UBI)—continued | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Income from controlled organizations [5] | | Exploited exempt activity income, except advertising | | Advertising income | | Other income (less loss) | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (19) | (20) | (21) | (22) | (23) | (24) | (25) | (26) |
| **Total** | **1,049** | **211,795** | **959** | **175,670** | **8,294** | **1,467,341** | **5,324** | **667,820** |
| **$1,000 under $10,001 [1]** | **189** | **704** | **205** | **1,102** | **2,576** | **10,987** | **1,116** | **7,888** |
| **$10,001 or more, total [1]** | **859** | **211,092** | **753** | **174,568** | **5,718** | **1,456,353** | **4,208** | **659,932** |
| $10,001 under $100,000 | 338 | 7,438 | 256 | 4,928 | 3,157 | 92,350 | 2,068 | 48,600 |
| $100,000 under $500,000 | 348 | 29,415 | 317 | 29,382 | 1,874 | 283,518 | 1,622 | 116,692 |
| $500,000 under $1,000,000 | 54 | 13,302 | 59 | 18,840 | 283 | 136,276 | 227 | 55,862 |
| $1,000,000 under $5,000,000 | 85 | 53,848 | 100 | 67,435 | 329 | 370,185 | 217 | 125,090 |
| $5,000,000 or more | 34 | 107,089 | 21 | 53,982 | 75 | 574,024 | 74 | 313,688 |

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

** Data in adjacent size classes are combined to avoid disclosure of information about specific taxpayers.

[1] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

[2] Property other than capital assets generally included property of a business nature, in contrast to personal property and investment property, which were capital assets.

[3] Income from real property and personal property leased with real property.

[4] Reported by Internal Revenue Code section 501(c)(7) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only.

[5] Annuities, interest, rents, and royalties.

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

## Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2005

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

| Item | Size of gross unrelated business income | | | | | |
|---|---|---|---|---|---|---|
| | All | | $1,000 under $10,001 [3] | | $10,001 under $100,000 [3] | |
| | Size of gross unrelated business income | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| **Number of returns** | **40,676** | **N/A** | **15,116** | **N/A** | **14,336** | **N/A** |
| **Total deductions [1, 2]** | **40,514** | **9,635,921** | **15,030** | **60,228** | **14,284** | **522,583** |
| **Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]:** | | | | | | |
| **Total deductions [2, 4]** | **15,030** | **60,228** | **15,030** | **60,228** | **N/A** | **N/A** |
| Net operating loss deduction | 1,265 | 2,579 | 1,265 | 2,579 | N/A | N/A |
| Specific deduction | 10,501 | 10,133 | 10,501 | 10,133 | N/A | N/A |
| **Organizations with gross unrelated business income (UBI) of $10,001 or more [3]:** | | | | | | |
| **Total deductions [2, 5]** | **25,484** | **9,575,693** | **N/A** | **N/A** | **14,284** | **522,583** |
| **Deductions directly connected with UBI, tota** | **23,520** | **8,778,094** | **N/A** | **N/A** | **12,771** | **488,456** |
| Allocable to rental income [6] | 1,796 | 190,942 | N/A | N/A | 1,192 | 32,207 |
| Allocable to unrelated debt-financed income [6] | 2,369 | 479,510 | N/A | N/A | 1,334 | 49,414 |
| Allocable to investment income [6,7] | 1,142 | 113,345 | N/A | N/A | 361 | 4,337 |
| Allocable to income from controlled organizations [6] | 515 | 163,695 | N/A | N/A | 209 | 5,237 |
| Allocable to exploited exempt-activity income, except advertising [6] | 674 | 144,811 | N/A | N/A | 233 | 3,984 |
| Direct advertising costs [6] | 5,233 | 1,026,698 | N/A | N/A | 2,875 | 68,566 |
| Compensation of officers, directors, and trustees | 1,969 | 54,232 | N/A | N/A | 860 | 8,055 |
| Salaries and wages | 11,033 | 1,712,568 | N/A | N/A | 4,881 | 93,422 |
| Repairs and maintenance | 8,077 | 120,202 | N/A | N/A | 3,784 | 12,864 |
| Bad debts | 962 | 37,642 | N/A | N/A | 192 | 218 |
| Interest | 3,200 | 68,908 | N/A | N/A | 1,290 | 7,666 |
| Taxes and licenses paid deduction | 11,622 | 226,638 | N/A | N/A | 5,686 | 19,964 |
| Depreciation | 7,965 | 241,639 | N/A | N/A | 3,559 | 17,901 |
| Depletion | 91 | 7,489 | N/A | N/A | 44 | 310 |
| Contributions to deferred compensation plans | 1,124 | 14,877 | N/A | N/A | 305 | 373 |
| Contributions to employee benefit programs | 5,677 | 255,443 | N/A | N/A | 1,924 | 7,182 |
| Net operating loss deduction | 3,780 | 371,824 | N/A | N/A | 2,082 | 17,285 |
| Other deductions | 15,091 | 3,547,629 | N/A | N/A | 7,344 | 139,473 |
| **Deductions not directly connected with UBI, total** | **13,903** | **797,598** | **N/A** | **N/A** | **7,827** | **34,127** |
| Specific deduction | 11,502 | 11,144 | N/A | N/A | 6,640 | 6,437 |
| Charitable contributions | 2,220 | 129,021 | N/A | N/A | 1,012 | 3,755 |
| Set-asides [7] | 322 | 313,810 | N/A | N/A | 107 | 1,771 |
| Excess exempt-activity expenses [8] | 2,772 | 343,622 | N/A | N/A | 1,391 | 22,163 |

Footnotes at end of table.

## Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2005—Continued

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

| Item | Size of gross unrelated business income—continued | | | | | |
|---|---|---|---|---|---|---|
| | $500,000 under $1,000,000 | | $1,000,000 under $5,000,000 | | $5,000,000 or more | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (9) | (10) | (11) | (12) | (13) | (14) |
| **Number of returns** | **1,317** | **N/A** | **1,276** | **N/A** | **329** | **N/A** |
| **Total deductions [1, 2]** | **1,315** | **883,579** | **1,276** | **2,456,176** | **329** | **3,948,282** |
| **Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]:** | | | | | | |
| **Total deductions [2, 4]** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** |
| Net operating loss deduction | N/A | N/A | N/A | N/A | N/A | N/A |
| Specific deduction | N/A | N/A | N/A | N/A | N/A | N/A |
| **Organizations with gross unrelated business income (UBI) of $10,001 or more [3]:** | | | | | | |
| **Total deductions [2, 5]** | **1,315** | **883,579** | **1,276** | **2,456,176** | **329** | **3,948,282** |
| **Deductions directly connected with UBI, total** | **1,276** | **827,668** | **1,226** | **2,261,346** | **315** | **3,545,717** |
| Allocable to rental income [6] | 77 | 28,132 | 76 | 38,098 | 24 | 33,740 |
| Allocable to unrelated debt-financed income [6] | 121 | 62,253 | 128 | 121,032 | 42 | 127,093 |
| Allocable to investment income [6,7] | 151 | 5,598 | 77 | 8,221 | 9 | 87,971 |
| Allocable to income from controlled organizations [6] | 34 | 9,602 | 55 | 31,578 | 25 | 98,085 |
| Allocable to exploited exempt-activity income, except advertising [6] | 52 | 15,645 | 94 | 55,243 | 19 | 44,789 |
| Direct advertising costs [6] | 269 | 97,555 | 310 | 257,747 | 69 | 400,561 |
| Compensation of officers, directors, and trustees | 134 | 5,819 | 130 | 12,076 | 44 | 8,738 |
| Salaries and wages | 749 | 189,701 | 705 | 487,713 | 192 | 541,360 |
| Repairs and maintenance | 500 | 14,864 | 483 | 26,875 | 125 | 28,751 |
| Bad debts | 131 | 2,888 | 172 | 11,973 | 67 | 20,579 |
| Interest | 223 | 8,082 | 195 | 16,334 | 60 | 17,767 |
| Taxes and licenses paid deduction | 651 | 28,809 | 619 | 40,232 | 175 | 61,645 |
| Depreciation | 508 | 30,642 | 557 | 64,201 | 165 | 67,621 |
| Depletion | 9 | 714 | 3 | 887 | 4 | 4,502 |
| Contributions to deferred compensation plans | 150 | 1,601 | 106 | 5,971 | 19 | 4,557 |
| Contributions to employee benefit programs | 493 | 22,222 | 546 | 84,059 | 161 | 104,135 |
| Net operating loss deduction | 235 | 29,700 | 261 | 98,521 | 77 | 186,506 |
| Other deductions | 926 | 273,842 | 955 | 900,584 | 268 | 1,707,319 |
| **Deductions not directly connected with UBI, total** | **748** | **55,911** | **666** | **194,829** | **194** | **402,564** |
| Specific deduction | 612 | 602 | 498 | 495 | 144 | 144 |
| Charitable contributions | 131 | 5,942 | 174 | 21,966 | 81 | 81,436 |
| Set-asides [7] | 32 | 15,423 | 47 | 73,065 | 10 | 196,814 |
| Excess exempt-activity expenses [8] | 165 | 33,945 | 214 | 99,303 | 51 | 124,170 |

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

N/A—Not applicable.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Organizations with gross UBI between $1,000 (the filing threshold) and $10,000 were required to report only totals for expenses and deductions (except for the specific deduction and net operating loss deduction, which all organizations reported separately). Organizations with gross UBI over $10,000 were required to report each expense and deduction item separately.

[4] Excludes $62.3 million of cost of sales and services reported by organizations with gross UBI of $10,000 or less. See footnote 1 for explanation.

[5] Excludes $3.0 billion of cost of sales and services reported by organizations with gross UBI over $10,000. See footnote 1 for explanation.

[6] This deduction was required to be reported as a lump-sum total only and may have included component deductions that were of the same type shown elsewhere in this table. For example, if deductions "allocable to rental income" included depreciation, then that amount of depreciation would not be included in the separately reported item, "depreciation." Therefore, the total amount shown for some of the separately reported deductions may be understated.

[7] Reported by Internal Revenue Code section 501(c)(7) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only.

[8] Includes excess exempt-activity expenses from Form 990-T, Schedule I, and excess readership costs from Form 990-T, Schedule J.

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

# Foreign Recipients of U.S. Income, 2005

*by Scott Luttrell*

United States-source income of nonresident alien individuals and other foreign persons is reported on Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. This income is subject to a flat, statutory tax rate of 30 percent. However, this rate is frequently reduced or eliminated by way of an income tax treaty or statutory exemption (see Table 1 for the amount of income exempt from taxation). Income that is exempt from taxation because of a tax treaty or certain other exemptions must still be reported. The principal types of income are interest, dividends, notional principal contract income, rents, royalties, Social Security and railroad retirement payments, and personal services income, shown separately in Table 2. Other types of income include capital gains, scholarships, pensions and annuities, gambling winnings, and certain real estate distributions. Bank deposit interest and certain other interest payments on specific types of financial obligations are generally not reported on Form 1042-S.[1]

U.S. individuals, corporations, or other entities paying U.S.-source income to foreign persons are required to withhold taxes on this income (except where statutory or treaty exemptions apply) or to appoint a withholding agent (normally a U.S. financial institution) to do so. Foreign financial institutions that enter into agreements with the Internal Revenue Service, known as qualified intermediaries (QIs), may also serve as withholding agents. A withholding agent or qualified intermediary is fully liable for all taxes owed by a foreign beneficial owner and also reports the income paid to each recipient on Form 1042-S. Without this withholding requirement, there would be no effective way to enforce taxpayer compliance, because foreign recipients are generally not required to file U.S. tax returns to report this income.

*Scott Luttrell is an economist with the Special Studies Returns Analysis Section. This data release was prepared under the direction of Chris Carson, Chief.*

## Data Highlights

During Tax Year 2005, foreign persons received $378.4 billion in U.S.-source income, as reported on Form 1042-S, and $333.2 billion (88.0 percent) of this income were exempt from withholding taxes. A total of $6.7 billion in taxes was withheld on the residual $45.3 billion of income subject to withholding tax. The 63 countries with which the United States maintained a comprehensive tax treaty in 2005 accounted for $279.2 billion of the total U.S income paid to foreign persons and $4.3 billion of the tax withheld (Table 1).[2] There were 10 nontreaty jurisdictions that received more than $1 billion of U.S.-source income in 2005: the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Hong Kong, Jersey, Netherlands Antilles, Saudi Arabia, Singapore, and Taiwan (Table 2). All nontreaty countries combined to account for 26.2 percent of total income and 36.0 percent of total tax withheld.

As shown in Figure A, residents of the United Kingdom, Japan, the Cayman Islands, Germany, the Netherlands, and Switzerland received the largest shares of U.S.-source income. Recipients from these six countries combined to account for 59.4 percent of total income. Meanwhile, the largest amounts of tax withheld were paid by residents of the Cayman Islands, Canada, France, Luxembourg, the United Kingdom, Switzerland, and Australia. Tax withheld on payments to residents of these countries made up 49.0 percent of total tax withheld.

Among recipient categories, corporations received the majority of U.S.-source income with $263.2 billion (69.5 percent). Governments and international organizations were next with $21.1 billion (5.6 percent), followed by individual recipients with $10.8 billion (2.8 percent). The largest amounts of tax were withheld on payments made to corporations and individuals, accounting for 49.5 percent and 11.5 percent, respectively. The recipient category QI pools (see Explanation of Selected Terms), shown in Table 2 and Figure B, represents payments made from QIs directly to beneficial owners (or payments

[1] U.S. Department of the Treasury, Internal Revenue Service, Instructions for Form 1042-S. Bank deposit interest is generally excluded from Form 1042-S reporting, although an exception exists for Canadian residents who are not U.S. citizens. Bank deposit interest paid to Canadian residents is subject to Form 1042-S reporting but is exempt from withholding tax. In addition to bank deposit interest, other payments to foreign persons that are not subject to reporting on Form 1042-S include: interest and original issue discount (OID) from short-term obligations, registered obligations targeted to foreign markets, bearer obligations targeted to foreign markets, notional principal contract payments that are not effectively connected income, and accrued interest and OID.

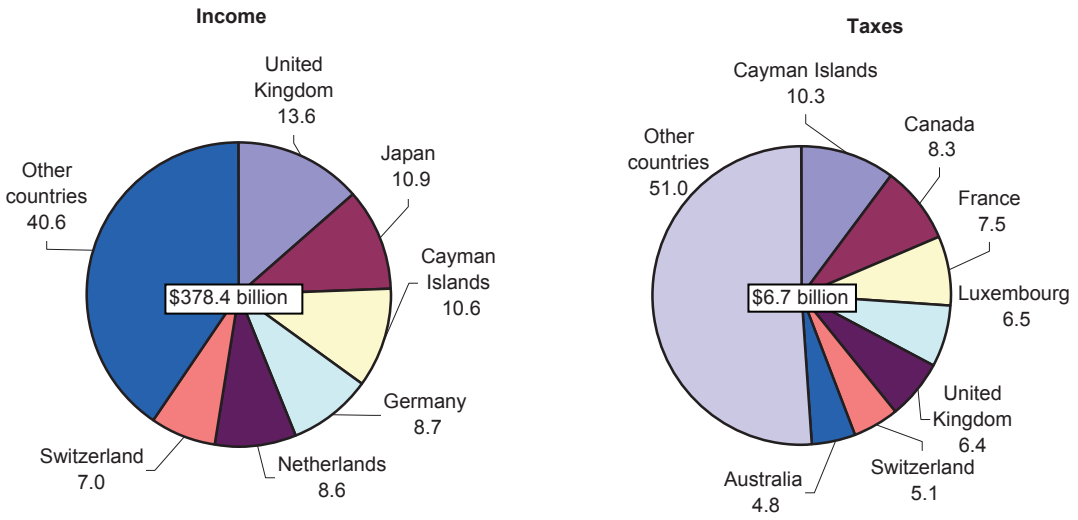
[2] U.S. Department of the Treasury, Internal Revenue Service, U.S. Tax Treaties, Publication 901. The U.S. income tax treaty with the former Union of Soviet Socialist Republics (U.S.S.R.) remains in effect for the following members of the Commonwealth of Independent States (C.I.S.): Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan. That treaty will remain in effect until new treaties with these individual countries are negotiated and ratified. New treaties with Russia, Kazakhstan, and the Ukraine entered into force in 1994, 1996, and 2001, respectively.

# Foreign Recipients of U. S. Income, 2005



## Figure A

### Percentage of Income Paid to Foreign Persons and Percentage of Tax Withheld on Income Paid to Foreign Persons in Selected Countries, 2005




## Figure B

### U.S.-Source Payments to Foreign Persons: Income, Tax withheld, and Effective Tax Rate, by Recipient Type, Tax Year 2005

[Money amounts are in thousands of dollars]

| Selected recipient type | U.S.-source income | | | U.S. tax withheld | Effective tax rate on income subject to withholding tax [1] |
|---|---|---|---|---|---|
| | Total | Exempt from withholding | Subject to withholding | | |
| | (1) | (2) | (3) | (4) | (5) |
| All recipients | 378,438,148 | 333,181,909 | 45,256,240 | 6,665,857 | 14.7 |
| Individuals | 10,778,161 | 7,220,459 | 3,557,702 | 764,925 | 21.5 |
| Corporations | 263,182,921 | 236,478,349 | 26,704,573 | 3,299,199 | 12.4 |
| Partnerships/trusts | 8,534,865 | 7,176,113 | 1,358,753 | 267,684 | 19.7 |
| U.S. branch treated as U.S. person | 2,459,059 | 2,457,968 | 1,091 | 311 | 28.5 |
| Governments and international organizations | 21,114,040 | 21,047,656 | 66,385 | 8,728 | 13.1 |
| Tax-exempt organizations | 4,096,156 | 4,051,858 | 44,299 | 8,989 | 20.3 |
| Private foundations | 143,715 | 68,171 | 75,544 | 4,506 | 6.0 |
| Artists and athletes | 470,652 | 95,887 | 374,765 | 104,771 | 28.0 |
| Qualified intermediary pools | 53,445,529 | 41,453,883 | 11,991,646 | 2,037,094 | 17.0 |
| Other/unknown | 14,213,050 | 13,131,565 | 1,081,482 | 169,650 | 15.7 |

[1] U.S tax withheld divided by U.S.-source income

NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.

that are treated as paid directly to beneficial owners). QI pool payments may include income payable to more than one category of recipient. As such, specific recipient classification is not available for these types of payments. In 2005, payments to QI pools made up 14.1 percent of total income and contributed 30.6 percent of total tax withheld.

U.S. income paid to foreign persons is classified under 1 of 34 possible income categories. Most of these income categories are devoted to specific types of interest, dividends, and passive types of income. For 2005, interest payments ($211.8 billion) accounted for the majority of income paid to foreign recipients, accounting for 56.0 percent of the total. Dividends and notional principal contract income combined to account for $113.5 billion, or 30.0 percent of total income. Rents and royalties accounted for $21.5 billion, or 5.7 percent of total income.

Corporations were the leading recipients of the largest categories of income. Corporate recipients earned the most interest (69.0 percent), dividends (47.5 percent), notional principal contract income (95.5 percent), and rents and royalties income (92.8 percent). After corporate recipients, and excluding QI pools and other and unknown recipients, foreign governments and international organizations collected the largest shares of interest (6.4 percent) and dividends (6.4 percent). Individual recipients collected the second largest share of rents and royalties (2.4 percent).

Overall, the effective tax rate on all U.S.-source income subject to withholding in 2005 was 14.7 percent, significantly below the statutory rate of 30 percent, due largely to reduced withholding rates permitted under tax treaties. As shown in Figure B, tax rates varied considerably among recipient types. While corporations received the largest amount of income subject to withholding tax, they enjoyed some of the lowest effective tax rates (12.4 percent). This is largely attributable to the fact that corporations received large amounts of dividends and royalties that are subject to reduced withholding rates by way of tax treaties. In contrast, individual recipients received 20.4 percent of total income subject to withholding in the form of personal services income and Social Security and railroad retirement benefits, which are less likely to benefit from reduced treaty rates. QI pool payments subject to withholding tax consisted of 92.6-percent dividends, the withholding rates for which were largely reduced by tax treaties.

## Data Sources and Limitations

Payers (or their authorized withholding agents) of most U.S.-source income to foreign persons must withhold tax in accordance with Internal Revenue Code section 1441. Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, is filed by the payer to report this income and the U.S. tax withheld. A financial institution often acts as the payer's withholding agent. The statistics in this data release were tabulated by calendar year, using all Forms 1042-S filed with the Internal Revenue Service for 2005. The data reflect the income that was paid and U.S. tax that was withheld for 2005.

Because the population of Forms 1042-S was used for the statistics, the data are not subject to sampling error. However, the data are subject to nonsampling error, including data entry and taxpayer reporting errors. Although the data were subjected to tests for certain basic mathematical relationships, including the calculation of the correct tax withheld, the possibility of error cannot be completely eliminated.

## Explanation of Selected Terms

*Beneficial owner*—In general, the beneficial owner is the person who is required under U.S. tax principals, to include income in gross income on a tax return. A person is not a beneficial owner of income, to the extent that person is receiving the income as a nominee, agent, or custodian, or to the extent that person is a conduit whose participation in a transaction is disregarded.

*Foreign persons*—For purposes of this data release, foreign persons include: (a) individuals whose residence is not within the United States and who are not U.S. citizens (i.e., nonresident aliens) and (b) corporations and other organizations (including partnerships, private foundations, estates, and trusts) created or organized outside the United States. Individuals residing, and organizations created or organized, in Puerto Rico and U.S. possessions are also considered foreign persons.

*Notional principal contract income*—Notional principal contracts involve two parties who agree

contractually to pay each other amounts at specified times, based on the underlying contract. The notional amount is an amount, specified in the contract, on which certain calculations are made. Generally, when amounts are due under the contract at the same time, they are netted, and only one payment is made.

*Qualified intermediary pool*—Payments made by a qualified intermediary directly to beneficial owners may generally be reported on the basis of reporting pools. A reporting pool consists of income that falls within a particular withholding rate and within a particular income type, exemption type, or recipient type.

## Table 1. Foreign Recipients of U.S. Income Forms 1042S: Number, Total U.S.-Source Income, and U.S. Tax Withheld, Tax Treaty Countries and Total Non-Tax Treaty Countries, 2005

[Money amounts in thousands of dollars]

| Treaty status, country or geographic area | Number of Forms 1042S | U.S.-source income | | | U.S. tax withheld |
|---|---|---|---|---|---|
| | | Total | Exempt from withholding | Subject to withholding | |
| | (1) | (2) | (3) | (4) | (5) |
| **Total** | **3,307,478** | **378,438,148** | **333,181,909** | **45,256,240** | **6,665,857** |
| **Treaty countries, total** | **2,585,776** | **279,202,083** | **242,976,584** | **36,225,499** | **4,266,814** |
| Armenia | 482 | 24,530 | 23,898 | 632 | 113 |
| Australia [1] | 154,662 | 5,675,556 | 3,055,852 | 2,619,705 | 322,598 |
| Austria | 29,054 | 1,133,430 | 939,242 | 194,188 | 41,463 |
| Azerbaijan | 425 | 5,948 | 5,354 | 594 | 93 |
| Barbados | 2,666 | 519,126 | 350,243 | 168,883 | 34,116 |
| Belarus | 404 | 2,317 | 1,513 | 804 | 174 |
| Belgium | 22,421 | 6,053,452 | 5,509,306 | 544,145 | 90,004 |
| Canada | 430,555 | 16,901,234 | 11,025,120 | 5,876,114 | 555,639 |
| China | 75,528 | 3,396,714 | 3,219,868 | 176,846 | 20,397 |
| Cyprus | 2,005 | 121,738 | 114,293 | 7,445 | 1,799 |
| Czech Republic | 4,400 | 193,665 | 170,804 | 22,861 | 4,223 |
| Denmark | 7,222 | 1,859,531 | 1,579,439 | 280,092 | 38,054 |
| Egypt | 4,154 | 36,886 | 24,813 | 12,073 | 2,193 |
| Estonia | 754 | 3,248 | 1,621 | 1,627 | 388 |
| Finland | 4,034 | 1,343,407 | 1,260,703 | 82,704 | 8,177 |
| France [2] | 52,029 | 15,078,901 | 7,702,112 | 7,376,789 | 502,933 |
| Georgia | 505 | 4,042 | 2,101 | 1,941 | 478 |
| Germany | 798,228 | 32,926,009 | 30,196,601 | 2,729,407 | 251,703 |
| Greece | 17,352 | 111,715 | 49,435 | 62,281 | 16,345 |
| Hungary | 3,520 | 2,116,511 | 2,031,693 | 84,817 | 12,741 |
| Iceland | 1,838 | 631,952 | 616,819 | 15,133 | 2,563 |
| India | 23,146 | 298,083 | 223,963 | 74,119 | 11,885 |
| Indonesia | 6,821 | 31,129 | 24,761 | 6,369 | 1,125 |
| Ireland | 35,782 | 8,413,652 | 7,413,802 | 999,850 | 202,478 |
| Israel | 30,810 | 685,632 | 530,303 | 155,329 | 28,878 |
| Italy | 49,374 | 2,676,058 | 1,574,293 | 1,101,765 | 152,142 |
| Jamaica | 4,869 | 61,625 | 40,937 | 20,688 | 3,544 |
| Japan | 86,081 | 41,078,767 | 38,864,142 | 2,214,625 | 214,677 |
| Kazakhstan | 510 | 51,139 | 48,797 | 2,341 | 327 |
| Korea, Republic of (South) | 23,606 | 1,971,896 | 1,723,536 | 248,360 | 37,184 |
| Kyrgyzstan | 237 | 1,375 | 1,184 | 191 | 25 |
| Latvia | 826 | 10,491 | 9,250 | 1,241 | 310 |
| Lithuania | 775 | 4,098 | 2,753 | 1,345 | 283 |
| Luxembourg | 5,431 | 9,849,585 | 7,314,159 | 2,535,426 | 435,784 |
| Mexico | 142,671 | 3,304,285 | 2,382,791 | 921,495 | 142,521 |
| Moldova | 218 | 1,689 | 974 | 715 | 149 |
| Morocco | 912 | 10,668 | 8,736 | 1,932 | 390 |

Footnotes at end of table.

**Table 1. Foreign Recipients of U.S. Income Forms 1042S: Number, Total U.S.-Source Income, and U.S. Tax Withheld, Tax Treaty Countries and Total Non-Tax Treaty Countries, 2005—Continued**

[Money amounts in thousands of dollars]

| Treaty status, country or geographic area | Number of Forms 1042S | U.S.-source income | | | U.S. tax withheld |
|---|---|---|---|---|---|
| | | Total | Exempt from withholding | Subject to withholding | |
| | (1) | (2) | (3) | (4) | (5) |
| Netherlands | 38,816 | 32,587,372 | 31,612,492 | 974,879 | 107,574 |
| New Zealand | 16,200 | 366,365 | 214,944 | 151,421 | 21,296 |
| Norway | 6,263 | 3,808,739 | 3,716,009 | 92,730 | 15,046 |
| Pakistan | 4,784 | 35,520 | 30,001 | 5,519 | 1,057 |
| Philippines | 21,084 | 388,906 | 308,759 | 80,148 | 18,094 |
| Poland | 7,343 | 145,531 | 117,320 | 28,211 | 6,052 |
| Portugal | 10,493 | 241,921 | 171,718 | 70,203 | 12,847 |
| Romania | 2,494 | 21,171 | 10,108 | 11,064 | 1,538 |
| Russia | 9,303 | 548,843 | 528,760 | 20,083 | 3,626 |
| Slovak Republic | 1,340 | 8,638 | 6,193 | 2,445 | 554 |
| Slovenia | 1,201 | 12,895 | 9,215 | 3,680 | 841 |
| South Africa | 7,775 | 115,362 | 68,623 | 46,739 | 8,281 |
| Spain | 30,192 | 928,887 | 616,362 | 312,525 | 42,334 |
| Sri Lanka | 732 | 3,591 | 1,247 | 2,344 | 342 |
| Sweden | 23,190 | 3,710,038 | 3,253,034 | 457,004 | 62,915 |
| Switzerland | 41,285 | 26,657,493 | 25,051,575 | 1,605,918 | 336,905 |
| Tajikistan | 183 | 1,016 | 866 | 150 | 19 |
| Thailand | 6,669 | 155,966 | 139,906 | 16,060 | 2,760 |
| Trinidad and Tobago | 5,466 | 52,308 | 43,433 | 8,876 | 2,381 |
| Tunisia | 425 | 21,647 | 21,213 | 434 | 78 |
| Turkey | 5,084 | 30,278 | 17,052 | 13,226 | 2,305 |
| Turkmenistan | 124 | 952 | 785 | 167 | 25 |
| Ukraine | 1,705 | 10,464 | 8,561 | 1,903 | 447 |
| United Kingdom | 274,440 | 51,510,423 | 48,789,076 | 2,721,347 | 423,265 |
| Uzbekistan | 427 | 2,695 | 1,997 | 698 | 149 |
| Venezuela | 44,451 | 1,244,976 | 192,122 | 1,052,854 | 58,185 |
| **Nontreaty countries, total [3]** | **721,702** | **99,236,065** | **90,205,325** | **9,030,740** | **2,399,043** |

[1] Includes Ashmore and Cartier Islands/Christmas Island/Cocos (Keeling) Islands/Coral Sea Islands Territory/Norfolk Island.
[2] Includes Guadeloupe/French Guiana/Martinique/Reunion.
[3] Includes Puerto Rico and U.S. possessions. The U.S. and Bermuda have had a tax treaty in effect since 1986, however, this treaty provides no reduction of withholding rates.
NOTES: Detail may not add to totals because of rounding. Form 1042S is entitled "Foreign Person's U.S. Source Income Subject to Withholding."

## Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005

[Money amounts are in thousands of dollars]

| Selected country or geographic area and selected recipient type | Number of Forms 1042S | U.S. tax withheld [1] | Total U.S.-source income | Principal types of U.S.-source income | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Interest | Dividends | Rents and royalties | Social Security and railroad retirement payments | Personal services income | Notional principal contract income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| **Total** | **3,307,478** | **6,665,857** | **378,438,148** | **211,819,378** | **67,223,982** | **21,476,001** | **1,346,436** | **1,978,036** | **46,236,397** |
| **RECIPIENT TYPES** | | | | | | | | | |
| Individuals, total | 2,847,993 | 764,925 | 10,778,161 | 3,708,966 | 2,094,957 | 521,903 | 1,346,430 | 881,031 | 4,133 |
| Corporations, total | 308,436 | 3,299,199 | 263,182,921 | 146,100,764 | 31,912,141 | 19,932,984 | 0 | 418,912 | 44,160,468 |
| Partnerships/trusts, total | 72,868 | 267,684 | 8,534,865 | 4,330,930 | 3,286,387 | 108,545 | 0 | 22,674 | 35,487 |
| U.S. branch treated as U.S. person, total | 556 | 311 | 2,459,059 | 1,864,069 | 23,217 | 4 | 0 | 0 | 547,070 |
| Governments and international organizations, total | 4,268 | 8,728 | 21,114,040 | 13,616,366 | 4,286,304 | 4,111 | 0 | 665 | 123,020 |
| Tax-exempt organizations, total [1] | 5,071 | 8,989 | 4,096,156 | 2,443,312 | 1,392,564 | 136,750 | 0 | 129 | 0 |
| Private foundations, total | 847 | 4,506 | 143,715 | 61,334 | 71,284 | 2,491 | 0 | 3 | 0 |
| Artists and athletes, total | 8,867 | 104,771 | 470,652 | 0 | 0 | 19,590 | 0 | 0 | 0 |
| Qualified intermediary pools, total | 35,425 | 2,037,094 | 53,445,529 | 37,322,201 | 15,280,652 | 125,208 | 0 | 5 | 1,455 |
| Other/unknown, total | 23,147 | 169,650 | 14,213,050 | 2,371,437 | 8,876,476 | 624,415 | 6 | 654,617 | 1,364,764 |
| **COUNTRIES OR GEOGRAPHIC AREAS, RECIPIENT TYPES** | | | | | | | | | |
| Argentina | 58,516 | 17,166 | 317,668 | 243,673 | 37,199 | 3,166 | 8,794 | 3,943 | 0 |
| Individuals | 56,160 | 10,173 | 236,725 | 189,442 | 20,354 | 713 | 8,794 | 3,119 | 0 |
| Corporations | 1,897 | 3,452 | 63,718 | 50,631 | 9,978 | 1,481 | 0 | 694 | 0 |
| Qualified intermediary pools | 12 | 2 | 1,009 | 1,001 | 9 | 0 | 0 | 0 | 0 |
| Australia | 154,274 | 322,078 | 5,669,483 | 2,028,862 | 2,007,051 | 578,126 | 16,666 | 11,083 | 407,511 |
| Individuals | 113,238 | 13,354 | 103,666 | 10,200 | 33,598 | 7,782 | 16,666 | 5,287 | 0 |
| Corporations | 19,760 | 221,959 | 3,325,152 | 676,828 | 1,308,956 | 562,055 | 0 | 2,471 | 403,888 |
| Qualified intermediary pools | 65 | 40,424 | 1,153,742 | 884,247 | 260,821 | 0 | 0 | 0 | 0 |
| Austria | 29,054 | 41,462 | 1,133,429 | 756,415 | 196,718 | 21,466 | 6,983 | 14,165 | 92,514 |
| Individuals | 25,901 | 6,190 | 73,149 | 11,121 | 24,204 | 12,558 | 6,983 | 2,244 | 0 |
| Corporations | 655 | 15,219 | 448,545 | 258,031 | 72,682 | 8,766 | 0 | 1,011 | 92,514 |
| Qualified intermediary pools | 1,913 | 19,013 | 323,097 | 231,111 | 86,463 | 12 | 0 | 1 | 0 |
| Bahamas | 18,475 | 73,654 | 1,601,337 | 1,281,801 | 249,206 | 19,527 | 654 | 1,602 | 1,846 |
| Individuals | 4,200 | 3,864 | 36,468 | 15,291 | 14,695 | 63 | 654 | 844 | 0 |
| Corporations | 13,237 | 46,278 | 1,168,344 | 957,979 | 158,351 | 18,254 | 0 | 61 | 1,846 |
| Qualified intermediary pools | 220 | 10,906 | 261,502 | 224,390 | 36,621 | 0 | 0 | 0 | 0 |
| Bahrain | 1,711 | 1,199 | 204,708 | 192,792 | 7,360 | 18 | 24 | 0 | 909 |
| Individuals | 1,375 | 255 | 2,411 | 316 | 649 | 17 | 24 | 0 | 0 |
| Corporations | 260 | 895 | 137,502 | 132,386 | 3,291 | 0 | 0 | 0 | 248 |
| Qualified intermediary pools | 14 | 16 | 193 | 49 | 145 | 0 | 0 | 0 | 0 |
| Barbados | 2,666 | 34,115 | 519,125 | 313,370 | 58,579 | 37,345 | 1,448 | 338 | 55,286 |
| Individuals | 1,431 | 629 | 11,948 | 7,590 | 927 | 1,024 | 1,448 | 20 | 0 |
| Corporations | 978 | 25,537 | 445,822 | 276,626 | 52,017 | 11,820 | 0 | 312 | 55,286 |
| Qualified intermediary pools | 19 | 408 | 23,886 | 22,469 | 1,359 | 0 | 0 | 0 | 0 |
| Belgium | 22,421 | 90,003 | 6,053,451 | 4,238,210 | 940,839 | 79,702 | 5,300 | 66,067 | 641,268 |
| Individuals | 19,814 | 7,771 | 112,001 | 11,833 | 18,664 | 3,167 | 5,300 | 62,712 | 0 |
| Corporations | 1,298 | 7,303 | 1,823,060 | 1,018,660 | 42,543 | 76,380 | 0 | 676 | 641,268 |
| Qualified intermediary pools | 452 | 69,836 | 4,073,567 | 3,184,870 | 868,380 | 0 | 0 | 0 | 0 |
| Bermuda | 18,196 | 234,521 | 8,815,047 | 7,833,010 | 737,511 | 11,567 | 749 | 3,296 | 18,847 |
| Individuals | 5,693 | 4,377 | 52,688 | 36,697 | 4,252 | 7,800 | 749 | 241 | 0 |
| Corporations | 10,688 | 186,452 | 7,933,412 | 7,123,277 | 594,445 | 3,716 | 0 | 3,023 | 9,330 |
| Qualified intermediary pools | 42 | 7,225 | 173,168 | 148,924 | 23,946 | 29 | 0 | 0 | 0 |

Footnotes at end of table.

## Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

| Selected country or geographic area and selected recipient type | Number of Forms 1042S | U.S. tax withheld [1] | Total U.S.-source income | Principal types of U.S.-source income | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Interest | Dividends | Rents and royalties | Social Security and railroad retirement payments | Personal services income | Notional principal contract income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Brazil | 30,276 | 20,430 | 381,603 | 253,081 | 26,341 | 4,492 | 5,233 | 23,464 | 0 |
| Individuals | 28,114 | 10,203 | 133,219 | 89,767 | 14,121 | 3,032 | 5,233 | 6,430 | 0 |
| Corporations | 1,506 | 5,865 | 96,876 | 73,734 | 2,353 | 1,100 | 0 | 14,938 | 0 |
| Qualified intermediary pools | 5 | 0 | 112 | 111 | 1 | 0 | 0 | 0 | 0 |
| British Virgin Islands | 59,970 | 217,730 | 9,530,608 | 8,516,521 | 825,300 | 39,587 | 367 | 17,900 | 22,804 |
| Individuals | 2,955 | 2,705 | 70,954 | 58,596 | 10,710 | 505 | 367 | 4 | 0 |
| Corporations | 55,672 | 204,791 | 9,330,157 | 8,369,177 | 799,072 | 36,545 | 0 | 392 | 22,804 |
| Qualified intermediary pools | 74 | 125 | 6,344 | 5,930 | 415 | 0 | 0 | 0 | 0 |
| Canada | 430,555 | 555,638 | 16,901,233 | 5,624,732 | 6,106,805 | 616,690 | 352,539 | 253,094 | 2,489,463 |
| Individuals | 395,732 | 75,398 | 966,949 | 80,935 | 81,907 | 49,176 | 352,539 | 96,477 | 0 |
| Corporations | 16,518 | 179,294 | 9,317,162 | 3,227,403 | 2,374,477 | 546,966 | 0 | 109,448 | 2,158,330 |
| Qualified intermediary pools | 3,991 | 272,193 | 4,778,961 | 1,882,327 | 2,868,988 | 23 | 0 | 0 | 0 |
| Cayman Islands | 69,215 | 687,910 | 40,087,882 | 37,151,769 | 2,225,578 | 8,877 | 398 | 74 | 55,309 |
| Individuals | 19,371 | 109,574 | 1,140,097 | 704,340 | 397,639 | 71 | 398 | 2 | 0 |
| Corporations | 45,409 | 536,067 | 37,411,308 | 35,136,254 | 1,702,900 | 6,435 | 0 | 70 | 43,858 |
| Qualified intermediary pools | 226 | 5,497 | 74,719 | 55,024 | 15,763 | 20 | 0 | 0 | 0 |
| Chile | 18,741 | 37,930 | 445,059 | 243,114 | 116,125 | 2,126 | 3,468 | 1,412 | 513 |
| Individuals | 15,008 | 4,610 | 86,059 | 67,446 | 7,943 | 301 | 3,468 | 973 | 0 |
| Corporations | 3,552 | 32,667 | 269,909 | 88,783 | 107,476 | 1,227 | 0 | 364 | 513 |
| Qualified intermediary pools | 6 | 0 | 35 | 35 | 0 | 0 | 0 | 0 | 0 |
| China | 75,528 | 20,397 | 3,396,713 | 2,780,770 | 173,040 | 70,639 | 330 | 233,090 | 44,272 |
| Individuals | 74,228 | 5,332 | 389,253 | 52,530 | 22,483 | 1,038 | 330 | 224,753 | 0 |
| Corporations | 807 | 1,459 | 986,153 | 931,685 | 3,532 | 3,920 | 0 | 372 | 44,272 |
| Qualified intermediary pools | 24 | 12,599 | 291,632 | 165,912 | 125,704 | 0 | 0 | 0 | 0 |
| Colombia | 25,848 | 8,407 | 366,960 | 320,674 | 23,219 | 3,863 | 7,359 | 2,497 | 0 |
| Individuals | 23,477 | 5,519 | 56,065 | 30,707 | 6,430 | 1,902 | 7,359 | 2,339 | 0 |
| Corporations | 2,022 | 2,572 | 128,999 | 120,620 | 5,400 | 1,883 | 0 | 118 | 0 |
| Qualified intermediary pools | d | d | d | d | d | d | d | d | d |
| Denmark | 7,222 | 38,054 | 1,859,531 | 566,511 | 266,054 | 34,211 | 4,294 | 2,239 | 948,015 |
| Individuals | 5,877 | 2,901 | 27,444 | 5,589 | 4,705 | 2,710 | 4,294 | 1,592 | 0 |
| Corporations | 747 | 8,759 | 1,336,260 | 257,660 | 85,851 | 31,201 | 0 | 155 | 937,187 |
| Qualified intermediary pools | 229 | 23,812 | 428,163 | 270,669 | 157,323 | 1 | 0 | 0 | 0 |
| Finland | 4,034 | 8,177 | 1,343,407 | 163,393 | 73,608 | 49,063 | 2,456 | 10,437 | 1,017,833 |
| Individuals | 3,315 | 971 | 8,178 | 578 | 784 | 188 | 2,456 | 792 | 0 |
| Corporations | 375 | 4,221 | 1,180,665 | 75,972 | 19,809 | 47,500 | 0 | 42 | 1,017,373 |
| Qualified intermediary pools | 56 | 2,574 | 39,406 | 22,240 | 17,152 | 0 | 0 | 0 | 0 |
| France | 51,696 | 502,783 | 15,076,115 | 5,071,788 | 5,119,145 | 2,299,288 | 26,922 | 67,749 | 2,213,945 |
| Individuals | 45,344 | 19,439 | 216,738 | 23,990 | 43,197 | 36,538 | 26,922 | 48,136 | 0 |
| Corporations | 3,791 | 350,324 | 12,137,203 | 3,679,097 | 4,112,512 | 2,171,711 | 0 | 14,454 | 1,933,737 |
| Qualified intermediary pools | 642 | 113,797 | 1,923,819 | 1,184,161 | 737,455 | 13 | 0 | 1 | 0 |
| Germany | 798,228 | 251,703 | 32,926,008 | 10,054,807 | 3,079,880 | 1,035,839 | 92,651 | 113,963 | 17,906,075 |
| Individuals | 784,667 | 36,879 | 780,712 | 49,861 | 194,236 | 35,507 | 92,651 | 36,208 | 127 |
| Corporations | 6,595 | 118,904 | 28,626,122 | 8,258,509 | 2,230,206 | 891,725 | 0 | 9,470 | 17,017,657 |
| Qualified intermediary pools | 3,302 | 81,228 | 2,201,902 | 1,505,539 | 604,386 | 75,708 | 0 | 1 | 0 |

Footnotes at end of table.

## Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

| Selected country or geographic area and selected recipient type | Number of Forms 1042S | U.S. tax withheld [1] | Total U.S.-source income | Principal types of U.S.-source income | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Interest | Dividends | Rents and royalties | Social Security and railroad retirement payments | Personal services income | Notional principal contract income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Greece | 17,352 | 16,345 | 111,715 | 16,925 | 41,282 | 1,813 | 38,392 | 2,938 | 0 |
| Individuals | 16,789 | 12,785 | 87,706 | 8,254 | 30,159 | 184 | 38,392 | 2,854 | 0 |
| Corporations | 352 | 2,012 | 18,346 | 8,138 | 6,776 | 1,435 | 0 | 37 | 0 |
| Qualified intermediary pools | 79 | 90 | 359 | 59 | 294 | 0 | 0 | 0 | 0 |
| Guernsey | 2,934 | 18,705 | 684,758 | 613,744 | 62,494 | 514 | 0 | 255 | 0 |
| Individuals | 440 | 655 | 32,966 | 30,342 | 1,850 | 0 | 0 | 116 | 0 |
| Corporations | 1,868 | 9,835 | 475,746 | 439,597 | 31,704 | 487 | 0 | 0 | 0 |
| Qualified intermediary pools | 163 | 6,289 | 159,856 | 137,358 | 20,928 | 8 | 0 | 0 | 0 |
| Hong Kong | 39,782 | 61,046 | 1,376,128 | 952,282 | 319,815 | 6,532 | 1,707 | 16,919 | 32,440 |
| Individuals | 34,402 | 13,832 | 121,822 | 61,740 | 47,043 | 965 | 1,707 | 1,652 | 0 |
| Corporations | 4,427 | 25,345 | 666,059 | 551,320 | 45,938 | 5,235 | 0 | 15,071 | 32,440 |
| Qualified intermediary pools | 180 | 16,362 | 165,459 | 110,356 | 54,969 | 1 | 0 | 0 | 0 |
| India | 23,146 | 11,885 | 298,082 | 24,217 | 6,280 | 10,921 | 1,822 | 164,141 | 36 |
| Individuals | 21,971 | 7,493 | 80,040 | 4,566 | 5,195 | 600 | 1,822 | 22,664 | 0 |
| Corporations | 329 | 4,139 | 201,212 | 6,326 | 730 | 10,294 | 0 | 139,865 | 36 |
| Qualified intermediary pools | 11 | 37 | 151 | 1 | 150 | 0 | 0 | 1 | 0 |
| Ireland | 35,782 | 202,478 | 8,413,652 | 6,456,046 | 1,365,270 | 136,337 | 18,518 | 20,615 | 79,568 |
| Individuals | 29,492 | 20,677 | 1,110,189 | 696,711 | 220,228 | 11,528 | 18,518 | 1,547 | 70 |
| Corporations | 3,719 | 126,330 | 6,443,681 | 5,484,885 | 589,670 | 124,515 | 0 | 16,627 | 79,497 |
| Qualified intermediary pools | 163 | 37,039 | 581,213 | 169,534 | 410,836 | 0 | 0 | 0 | 0 |
| Israel | 30,810 | 28,877 | 685,631 | 444,643 | 61,685 | 84,222 | 7,879 | 43,123 | 19,200 |
| Individuals | 28,393 | 8,551 | 105,770 | 30,811 | 16,820 | 15,595 | 7,879 | 15,980 | 0 |
| Corporations | 1,513 | 11,405 | 369,461 | 277,025 | 16,981 | 47,785 | 0 | 5,023 | 19,200 |
| Qualified intermediary pools | 192 | 5,577 | 70,769 | 48,038 | 22,670 | 0 | 0 | 0 | 0 |
| Italy | 49,374 | 152,141 | 2,676,058 | 1,236,564 | 965,568 | 94,146 | 98,524 | 33,002 | 95,759 |
| Individuals | 44,674 | 8,062 | 282,201 | 11,830 | 13,586 | 14,746 | 98,524 | 26,239 | 0 |
| Corporations | 1,800 | 24,169 | 537,256 | 188,254 | 157,232 | 77,751 | 0 | 3,150 | 95,759 |
| Qualified intermediary pools | 1,533 | 116,755 | 1,597,208 | 817,423 | 776,999 | 32 | 0 | 0 | 0 |
| Jamaica | 4,869 | 3,544 | 61,625 | 34,008 | 2,323 | 9,784 | 6,181 | 5,315 | 0 |
| Individuals | 4,354 | 2,444 | 21,242 | 4,000 | 1,131 | 1,756 | 6,181 | 4,795 | 0 |
| Corporations | 305 | 1,035 | 32,812 | 23,348 | 1,158 | 8,017 | 0 | 27 | 0 |
| Qualified intermediary pools | d | d | d | d | d | d | d | d | d |
| Japan | 86,081 | 214,677 | 41,078,767 | 20,987,316 | 6,054,379 | 5,007,390 | 46,845 | 65,650 | 7,930,072 |
| Individuals | 76,944 | 8,694 | 249,171 | 52,260 | 24,695 | 26,673 | 46,845 | 49,044 | 0 |
| Corporations | 5,499 | 103,794 | 27,202,017 | 11,360,390 | 2,745,373 | 4,761,980 | 0 | 10,680 | 7,788,111 |
| Qualified intermediary pools | 596 | 82,729 | 8,945,793 | 6,452,297 | 2,468,788 | 0 | 0 | 0 | 0 |
| Jersey | 4,744 | 71,084 | 2,047,797 | 1,767,089 | 238,376 | 71 | 0 | 114 | 0 |
| Individuals | 456 | 839 | 6,416 | 3,322 | 2,953 | 35 | 0 | 0 | 0 |
| Corporations | 2,368 | 36,827 | 1,769,661 | 1,614,211 | 113,936 | 28 | 0 | 114 | 0 |
| Qualified intermediary pools | 963 | 18,684 | 147,930 | 81,825 | 65,777 | 3 | 0 | 0 | 0 |
| Korea, Republic of (South) | 23,606 | 37,183 | 1,971,895 | 1,469,218 | 29,116 | 159,550 | 1,334 | 33,915 | 4,657 |
| Individuals | 20,774 | 4,820 | 88,657 | 8,893 | 4,437 | 2,642 | 1,334 | 30,442 | 0 |
| Corporations | 1,030 | 30,698 | 598,631 | 407,788 | 19,851 | 155,653 | 0 | 3,071 | 4,657 |
| Qualified intermediary pools | 34 | 91 | 303,061 | 302,518 | 543 | 0 | 0 | 0 | 0 |

Footnotes at end of table.

## Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

| Selected country or geographic area and selected recipient type | Number of Forms 1042S | U.S. tax withheld [1] | Total U.S.-source income | Principal types of U.S.-source income | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Interest | Dividends | Rents and royalties | Social Security and railroad retirement payments | Personal services income | Notional principal contract income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Kuwait | 4,044 | 6,197 | 717,098 | 349,189 | 309,557 | 249 | 0 | 263 | 1,517 |
| Individuals | 3,166 | 821 | 4,149 | 1,046 | 2,006 | 237 | 0 | 263 | 0 |
| Corporations | 625 | 4,103 | 32,193 | 17,202 | 13,020 | 0 | 0 | 0 | 1,517 |
| Qualified intermediary pools | 3 | 6 | 22 | 0 | 23 | 0 | 0 | 0 | 0 |
| Luxembourg | 5,431 | 435,783 | 9,849,585 | 6,799,117 | 2,370,182 | 391,040 | 355 | 7,772 | 6 |
| Individuals | 1,357 | 8,571 | 58,032 | 427 | 56,496 | 34 | 355 | 312 | 0 |
| Corporations | 3,299 | 233,797 | 6,770,098 | 4,552,352 | 1,722,958 | 376,152 | 0 | 226 | 6 |
| Qualified intermediary pools | 478 | 173,409 | 2,590,272 | 1,908,953 | 519,885 | 12 | 0 | 0 | 0 |
| Mexico | 142,671 | 142,520 | 3,304,285 | 1,582,765 | 544,123 | 288,164 | 182,369 | 25,563 | 1,704 |
| Individuals | 136,551 | 84,182 | 693,287 | 276,430 | 107,972 | 9,872 | 182,369 | 18,533 | 0 |
| Corporations | 4,015 | 49,535 | 1,014,974 | 213,799 | 416,289 | 273,267 | 0 | 5,807 | 1,704 |
| Qualified intermediary pools | 11 | 229 | 2,323 | 26 | 2,297 | 0 | 0 | 0 | 0 |
| Netherlands | 38,816 | 107,574 | 32,587,371 | 7,508,556 | 11,332,051 | 483,766 | 13,962 | 299,106 | 860,036 |
| Individuals | 27,475 | 8,567 | 89,178 | 7,281 | 24,064 | 6,424 | 13,962 | 14,699 | 64 |
| Corporations | 5,684 | 74,947 | 19,077,446 | 4,713,179 | 1,696,548 | 390,955 | 0 | 10,049 | 557,290 |
| Qualified intermediary pools | 2,172 | 8,712 | 158,538 | 66,245 | 65,813 | 9 | 0 | 0 | 0 |
| Netherlands Antilles | 5,360 | 84,445 | 3,030,434 | 2,691,638 | 285,412 | 8,806 | 471 | 81 | 190 |
| Individuals | 2,530 | 809 | 77,824 | 39,108 | 2,031 | 318 | 471 | 68 | 0 |
| Corporations | 2,436 | 37,516 | 548,448 | 408,622 | 124,308 | 8,487 | 0 | 11 | 0 |
| Qualified intermediary pools | 62 | 44,205 | 2,355,933 | 2,208,426 | 147,494 | 0 | 0 | 0 | 0 |
| New Zealand | 16,200 | 21,296 | 366,365 | 194,429 | 113,705 | 40,190 | 1,051 | 1,448 | 1,081 |
| Individuals | 13,036 | 2,425 | 20,086 | 1,993 | 7,198 | 2,802 | 1,051 | 1,168 | 0 |
| Corporations | 1,500 | 15,623 | 140,138 | 28,966 | 69,121 | 36,185 | 0 | 231 | 1,081 |
| Qualified intermediary pools | 20 | 150 | 519 | 12 | 506 | 0 | 0 | 0 | 0 |
| Norway | 6,263 | 15,046 | 3,808,739 | 2,263,684 | 565,150 | 21,604 | 34 | 4,427 | 2,166 |
| Individuals | 5,330 | 973 | 14,494 | 1,620 | 2,655 | 2,525 | 34 | 3,618 | 0 |
| Corporations | 553 | 9,734 | 1,665,854 | 662,267 | 58,678 | 18,851 | 0 | 235 | 2,166 |
| Qualified intermediary pools | 23 | 2,806 | 30,411 | 5,278 | 18,708 | 0 | 0 | 0 | 0 |
| Panama | 21,504 | 29,797 | 687,497 | 519,383 | 145,618 | 882 | 1,512 | 784 | 0 |
| Individuals | 4,486 | 5,263 | 83,452 | 63,072 | 15,741 | 96 | 1,512 | 726 | 0 |
| Corporations | 16,787 | 24,234 | 559,354 | 412,485 | 129,450 | 754 | 0 | 19 | 0 |
| Qualified intermediary pools | 8 | 2 | 100 | 92 | 8 | 0 | 0 | 0 | 0 |
| Philippines | 21,084 | 18,094 | 388,906 | 297,864 | 12,574 | 23,998 | 37,623 | 6,222 | 0 |
| Individuals | 20,047 | 13,888 | 71,069 | 12,820 | 5,614 | 434 | 37,616 | 5,667 | 0 |
| Corporations | 349 | 3,982 | 55,046 | 30,405 | 1,038 | 23,338 | 0 | 8 | 0 |
| Qualified intermediary pools | 3 | 1 | 18 | 14 | 5 | 0 | 0 | 0 | 0 |
| Portugal | 10,493 | 12,846 | 241,921 | 133,713 | 19,484 | 1,070 | 27,981 | 2,945 | 52,313 |
| Individuals | 9,936 | 8,082 | 60,734 | 21,522 | 6,083 | 186 | 27,981 | 2,531 | 0 |
| Corporations | 257 | 2,317 | 102,926 | 47,224 | 1,210 | 868 | 0 | 413 | 52,313 |
| Qualified intermediary pools | 82 | 1,266 | 17,704 | 13,671 | 4,029 | 0 | 0 | 0 | 0 |
| Puerto Rico | 9,650 | 4,003 | 1,176,214 | 1,120,652 | 44,026 | 441 | 1,098 | 290 | 1,028 |
| Individuals | 4,150 | 480 | 17,015 | 13,460 | 868 | 172 | 1,098 | 23 | 0 |
| Corporations | 4,374 | 3,192 | 904,787 | 883,542 | 16,907 | 253 | 0 | 267 | 0 |
| Qualified intermediary pools | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Footnotes at end of table.

## Table 2. Foreign Recipients of U. S. Income Forms 1042S: Number, U.S. Tax Withheld, and U.S.-Source Income, by Principal Type of Income, Selected Recipient Type, and Selected Country of Recipient, 2005—Continued

[Money amounts are in thousands of dollars]

| Selected country or geographic area and selected recipient type | Number of Forms 1042S | U.S. tax withheld [1] | Total U.S.-source income | Principal types of U.S.-source income | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Interest | Dividends | Rents and royalties | Social Security and railroad retirement payments | Personal services income | Notional principal contract income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Saudi Arabia | 8,792 | 13,645 | 1,197,365 | 366,611 | 338,489 | 290 | 15 | 45 | 0 |
| Individuals | 8,128 | 7,603 | 37,942 | 4,410 | 24,434 | 270 | 15 | 38 | 0 |
| Corporations | 450 | 5,177 | 148,047 | 130,635 | 15,769 | 0 | 0 | 0 | 0 |
| Qualified intermediary pools | d | d | d | d | d | d | d | d | d |
| Singapore | 40,235 | 55,746 | 3,029,872 | 1,354,294 | 1,331,906 | 10,550 | 128 | 1,161 | 238 |
| Individuals | 35,834 | 6,529 | 44,510 | 17,524 | 18,929 | 611 | 128 | 413 | 0 |
| Corporations | 2,488 | 39,304 | 988,798 | 668,662 | 53,963 | 9,850 | 0 | 398 | 238 |
| Qualified intermediary pools | 208 | 7,140 | 190,982 | 166,306 | 24,402 | 3 | 0 | 0 | 0 |
| Spain | 30,192 | 42,333 | 928,887 | 544,741 | 207,023 | 61,457 | 26,860 | 19,939 | 10,445 |
| Individuals | 27,298 | 10,576 | 91,320 | 24,758 | 14,929 | 5,452 | 26,860 | 6,941 | 0 |
| Corporations | 1,735 | 13,932 | 385,856 | 194,157 | 84,960 | 55,353 | 0 | 1,566 | 10,445 |
| Qualified intermediary pools | 412 | 15,974 | 365,691 | 259,528 | 106,014 | 0 | 0 | 0 | 0 |
| Sweden | 23,190 | 62,914 | 3,710,037 | 1,688,012 | 809,378 | 818,910 | 11,039 | 23,089 | 38,989 |
| Individuals | 20,531 | 5,842 | 60,392 | 2,686 | 6,511 | 3,544 | 11,039 | 20,295 | 0 |
| Corporations | 863 | 28,046 | 2,352,411 | 1,226,033 | 218,617 | 813,520 | 0 | 911 | 38,989 |
| Qualified intermediary pools | 64 | 26,018 | 413,045 | 117,534 | 295,501 | 0 | 0 | 0 | 0 |
| Switzerland | 41,285 | 336,905 | 26,657,493 | 17,383,140 | 1,771,205 | 4,753,057 | 13,243 | 22,772 | 1,055,943 |
| Individuals | 31,617 | 14,472 | 210,374 | 40,399 | 60,652 | 39,985 | 13,243 | 10,315 | 3,870 |
| Corporations | 5,112 | 53,825 | 22,424,544 | 14,947,864 | 502,840 | 4,551,524 | 0 | 3,081 | 1,027,346 |
| Qualified intermediary pools | 2,338 | 224,248 | 2,264,216 | 1,105,676 | 1,104,609 | 700 | 0 | 0 | 0 |
| Taiwan | 80,870 | 51,608 | 5,011,793 | 4,203,337 | 152,460 | 5,404 | 264 | 2,949 | 4,476 |
| Individuals | 75,317 | 23,226 | 227,068 | 132,034 | 62,204 | 562 | 264 | 2,571 | 0 |
| Corporations | 2,799 | 16,578 | 2,122,696 | 1,957,255 | 45,359 | 4,745 | 0 | 305 | 4,476 |
| Qualified intermediary pools | 5 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| United Arab Emirates | 7,633 | 6,497 | 832,343 | 180,916 | 538,065 | 178 | 17 | 167 | 0 |
| Individuals | 6,984 | 2,847 | 14,499 | 8,981 | 3,484 | 143 | 17 | 162 | 0 |
| Corporations | 332 | 2,044 | 118,236 | 46,490 | 5,480 | 34 | 0 | 3 | 0 |
| Qualified intermediary pools | 13 | 3 | 20 | 9 | 12 | 0 | 0 | 0 | 0 |
| United Kingdom | 274,440 | 423,265 | 51,510,423 | 25,315,474 | 10,011,107 | 3,742,408 | 97,645 | 254,970 | 9,877,877 |
| Individuals | 238,229 | 54,337 | 1,027,151 | 277,500 | 229,365 | 183,906 | 97,645 | 71,589 | 0 |
| Corporations | 17,383 | 225,253 | 43,197,204 | 20,360,851 | 7,913,576 | 3,439,243 | 0 | 31,586 | 9,821,676 |
| Qualified intermediary pools | 2,792 | 64,086 | 4,043,727 | 3,341,939 | 464,099 | 47,804 | 0 | 0 | 0 |
| Venezuela | 44,451 | 58,184 | 1,244,976 | 168,911 | 1,041,059 | 2,730 | 1,236 | 8,466 | 8,223 |
| Individuals | 41,035 | 4,364 | 128,660 | 96,150 | 12,104 | 1,892 | 1,236 | 7,332 | 0 |
| Corporations | 2,980 | 52,674 | 1,106,406 | 68,428 | 1,027,519 | 328 | 0 | 900 | 8,223 |
| Qualified intermediary pools | 3 | 0 | 37 | 37 | 1 | 0 | 0 | 0 | 0 |

[1] Unrelated business income paid to foreign tax-exempt organizations is subject to withholding tax.
d—Not shown to avoid disclosure of information about specific taxpayers. However, the data are included in the appropriate totals.
NOTES: Detail may not add to totals because of rounding. Form 1042S is entitled "Foreign Person's U.S. Source Income Subject to Withholding." All countries with total U.S.-source income over $100 million for Tax Year 2005 were selected for this table.

# Projections of Federal Tax Return Filings: Calendar Years 2008-2015

*by Jeff Matsuo*

Projections of tax return filings prepared by Internal Revenue Service (IRS) research staff show that a grand total of 240 million tax returns are expected to be filed with IRS during Calendar Year (CY) 2009. This number represents a decrease of 4.3 percent from estimated CY 2008 filings of 250.8 million returns. The primary cause of the large decrease in total returns from 2008 to 2009 is the Economic Stimulus Act of 2008. In February 2008, the stimulus program was signed into law. As a result, the volume of Form 1040, 1040A and 1040EZ returns are estimated to have increased by approximately 14.4 million returns above baseline projections in CY 2008. Adjusting for spillover effects of the Economic Stimulus Package, the projected total volume decreases back to its historical trend at the national level.

This decrease in return counts also reflects the expected recessionary period in the U.S. economy and its implications on tax returns. Historically, recessionary periods have shown increases in unemployment which result in decreases in taxable income. Hence, overall individual tax return filings may decrease as projections indicate.

After CY 2009, grand total return filings are projected to grow at a more common average annual rate of 1.1 percent and are expected to reach 256.9 million returns by 2015. The average rate of growth is derived mainly by projected trends for major return categories that comprise grand total filings, including individual income tax returns and business tax returns such as employment tax returns, corporation tax returns, partnership returns, and estate tax returns.

In addition, projections for total electronic returns continue to show a steady increase over the forecast. This growth of electronic filing furthers IRS's strategic goal to improve taxpayer service. For example, according to the most recent forecast, total individual electronic returns are projected to be 58 percent of all individual income tax returns filed in 2008 and to constitute 78 percent of all returns in 2015.

*Jeff Matsuo is an Operations Research Analyst with Projections and Forecasting, Office of Research. This article was prepared under the direction of John Guyton, Chief.*

## Trend in Grand Total Returns

Table 1 shows the most current forecasts for major form types for Calendar Years 2008 to 2015. In preparing these forecasts, partial-year data through late summer 2008 were used to derive estimates for the year. Various elements that may affect the IRS workload are carefully considered during estimation. These include economic and demographic trends, recent filing patterns, legislation, and administrative changes. The total number of returns consists of two filing mediums—paper and electronic. The "grand total" category includes individual, fiduciary, corporation, employment, partnership, exempt organization, government entity, political organization, estate, gift, excise, estimated tax vouchers, and other forms as described in Table 1.[1,2]

"Total primary returns" include the three major tax return categories that represent the bulk of the forms processed by the IRS operations. Individual income tax returns comprise 58.3 percent of the grand total. Employment tax returns comprise 12.9 percent, and individual estimated tax payment vouchers make up 13 percent. In 2007, these three categories constituted approximately 84 percent of total return filings.

Figure A presents a list of growth rates for selected form types from 2008 to 2009 and the average annual change over the period 2009 to 2015. In CY 2009, approximately 240 million returns are projected to be filed. This is a 4.3-percent decrease over estimated 2008 filings of 250.8 million. The decrease in grand total reflects a decrease in paper filings of 11.5 percent for a total of 132.8 million returns from 150 million returns in 2008.

Figure A also shows average annual growth rate over the period 2009-2015. The average annual growth rate is expected to be 1.1 percent, reaching 256.9 million in 2015. This growth rate in grand total reflects a general shift among taxpayers from paper filing to electronic filing. According to current trends, decreasing paper filing patterns will continue,

[1] Most of the values in Table 1 are reported in *Calendar Year Return Projections for the United States and IRS Campuses: 2007-2015,* IRS Document 6186, October 2008, National Headquarters Office of Research, Analysis, and Statistics, Internal Revenue Service, U.S. Department of the Treasury.

[2] Throughout the year, the Forecasting and Service Analysis (FSA) under IRS National Headquarters Office of Research publishes forecasts of a large number of tax return filings and other IRS workload categories. These projections provide a foundation for IRS workload estimates/resource requirements contained in budget submissions and also help with other major IRS planning and analysis efforts.

## Figure A

### Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2008-2015

| Type of return | Estimated 2008 | Projected 2009 | Percentage increase over 2008 | Projected 2015 | Average annual percentage increase 2009-2015 |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| **Grand total** | **250,786,600** | **239,998,500** | **-4.3** | **256,914,600** | **1.1** |
| Paper grand total | 150,004,200 | 132,797,000 | -11.5 | 121,050,200 | -1.5 |
| Electronic grand total | 100,782,400 | 107,201,500 | 6.4 | 135,864,400 | 4.0 |
| **Individual, total** | **153,544,200** | **141,166,300** | **-8.1** | **146,740,600** | **0.6** |
| Forms 1040, 1040A, and 1040EZ | 152,661,500 | 140,240,900 | -8.1 | 145,599,200 | 0.6 |
| Total individual paper returns | 64,209,500 | 46,946,300 | -26.9 | 31,112,400 | -6.6 |
| Form 1040 | 38,899,700 | 36,312,500 | -6.7 | 21,672,100 | -8.2 |
| Form 1040A | 16,157,300 | 4,899,800 | -69.7 | 5,118,400 | 0.8 |
| Form 1040EZ | 9,152,500 | 5,734,000 | -37.4 | 4,321,900 | -4.5 |
| Total individual electronic returns | 88,452,000 | 93,294,600 | 5.5 | 114,486,800 | 3.5 |
| Online filing | 26,511,000 | 29,583,800 | 11.6 | 36,554,000 | 3.6 |
| Practitioner electronic filing | 61,941,000 | 63,710,800 | 2.9 | 77,932,800 | 3.4 |
| Form 1040NR/NR-EZ/C | 655,500 | 684,700 | 4.5 | 819,700 | 3.0 |
| Forms 1040PR and 1040SS | 227,200 | 240,700 | 5.9 | 321,700 | 5.0 |
| **Individual estimated tax, Form 1040-ES, total** | **29,275,600** | **29,401,000** | **0.4** | **31,742,700** | **1.3** |
| Form 1040-ES, paper | 29,174,200 | 29,286,900 | 0.4 | 31,543,400 | 1.2 |
| Form 1040-ES, electronic (credit card) | 101,400 | 114,100 | 12.5 | 199,300 | 9.7 |
| **Partnership, Forms 1065/1065B, total** | **3,356,000** | **3,561,900** | **6.1** | **4,650,500** | **4.5** |
| Paper partnership returns | 2,681,100 | 2,675,300 | -0.2 | 3,040,300 | 2.2 |
| Electronic partnership returns | 674,900 | 886,600 | 31.4 | 1,610,300 | 10.6 |
| **Corporation, total** | **6,820,400** | **7,022,000** | **3.0** | **8,199,600** | **2.6** |
| Paper corporation returns, total | 5,502,500 | 5,135,300 | -6.7 | 4,512,600 | -2.1 |
| Electronic corporation returns, total | 1,317,900 | 1,886,700 | 43.2 | 3,687,000 | 12.1 |
| Form 1120 and 1120-A total | 2,193,600 | 2,184,900 | -0.4 | 2,141,200 | -0.3 |
| Form 1120/1120-A electronic | 350,500 | 495,600 | 41.4 | 867,900 | 10.1 |
| Form 1120F, total | 28,600 | 29,300 | 2.4 | 33,600 | 2.3 |
| Form 1120FSC, total | 600 | 0 | -100.0 | 0 | 0 |
| Form 1120H, total | 216,200 | 227,700 | 5.3 | 297,000 | 4.5 |
| Form 1120RIC, total | 11,600 | 11,800 | 1.7 | 12,900 | 1.5 |
| Form 1120S, total | 4,353,700 | 4,551,700 | 4.5 | 5,695,200 | 3.8 |
| Form 1120S, electronic | 967,500 | 1,391,100 | 43.8 | 2,819,100 | 12.8 |
| Forms 1120L/ND/PC/REIT/SF, total | 12,500 | 13,100 | 4.8 | 16,300 | 3.7 |
| Form 1120C, total | 3,500 | 3,500 | 0 | 3,200 | -1.5 |
| **Employment, total** | **30,578,400** | **30,641,900** | **0.2** | **31,604,400** | **0.5** |
| Paper employment returns | 24,396,300 | 24,274,900 | -0.5 | 23,886,400 | -0.3 |
| Electronic employment returns | 6,182,000 | 6,367,000 | 3.0 | 7,718,100 | 3.3 |
| Forms 940, 940EZ, and 940PR, total | 6,154,100 | 6,183,800 | 0.5 | 6,558,100 | 1.0 |
| Forms 940, 940EZ, and 940PR, paper | 4,972,000 | 4,939,000 | -0.7 | 4,875,900 | -0.2 |
| Form 940, e-file/online/XML | 1,182,100 | 1,244,800 | 5.3 | 1,682,300 | 5.1 |
| Forms 941, 941PR/SS/E, total | 23,623,900 | 23,549,200 | -0.3 | 23,955,100 | 0.3 |
| Forms 941, 941PR/SS/E, paper | 18,636,400 | 18,442,800 | -1.0 | 17,941,400 | -0.5 |
| Form 941, e-file/online/XML | 4,987,600 | 5,106,500 | 2.4 | 6,013,700 | 2.8 |
| Forms 943, 943PR and 943SS | 243,500 | 237,400 | -2.5 | 213,400 | -1.8 |
| Form 944, total | 425,300 | 543,900 | 27.9 | 765,200 | 6.0 |
| Form 944 paper | 412,900 | 528,200 | 27.9 | 743,100 | 6.0 |
| Form 944 e-file | 12,400 | 15,700 | 26.6 | 22,100 | 6.0 |
| Form 945 | 129,700 | 125,600 | -3.2 | 110,700 | -2.1 |
| Form CT-1 | 1,900 | 1,900 | 0 | 1,900 | 0 |
| **Exempt organization, total** | **1,132,700** | **1,143,700** | **1.0** | **1,359,200** | **3.0** |
| Paper exempt organization, total | 855,800 | 841,100 | -1.7 | 718,900 | -2.5 |
| Electronic exempt organization, total | 276,900 | 302,600 | 9.3 | 640,300 | 13.3 |
| Form 990, total | 423,000 | 325,000 | -23.2 | 481,400 | 7.0 |
| Form 990, electronic | 44,800 | 47,300 | 5.6 | 184,300 | 26.1 |
| Form 990EZ, total | 156,800 | 269,200 | 71.7 | 107,100 | -9.9 |
| Form 990EZ, electronic | 10,300 | 25,200 | 144.7 | 29,400 | 7.5 |

Footnotes at end of figure.

**Figure A—Continued**

**Projected Increase (Decrease) in Selected Tax Return Filings: Calendar Years 2008-2015—Continued**

| Type of return | Estimated 2008 | Projected 2009 | Percentage increase over 2008 | Projected 2015 | Average annual percentage increase 2009-2015 |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| **Exempt organization total--continued** | | | | | |
| Form 990-N | 217,000 | 222,600 | 2.6 | 400,700 | 10.4 |
| Form 990PF | 90,700 | 91,700 | 1.1 | 97,900 | 1.1 |
| Form 990PF, electronic | 4,700 | 7,500 | 59.6 | 26,000 | 23.3 |
| Form 990T | 117,000 | 106,800 | -8.7 | 143,100 | 5.0 |
| Form 4720 | 2,200 | 2,300 | 4.5 | 2,700 | 2.7 |
| Form 5227 | 126,000 | 126,100 | 0.1 | 126,300 | 0.0 |
| **Supplemental documents, total** | **20,301,400** | **21,205,300** | **4.5** | **26,202,700** | **3.6** |
| Form 1040X, total | 4,517,200 | 4,728,300 | 4.7 | 5,412,700 | 2.3 |
| Form 4868, total | 9,482,700 | 9,921,000 | 4.6 | 12,433,900 | 3.8 |
| Form 4868, paper | 7,700,500 | 8,011,200 | 4.0 | 9,067,800 | 2.1 |
| Form 4868, electronic | 1,782,200 | 1,909,800 | 7.2 | 3,366,100 | 9.9 |
| Credit card | 66,400 | 69,200 | 4.2 | 81,300 | 2.7 |
| E-file | 1,715,800 | 1,840,600 | 7.3 | 3,284,800 | 10.1 |
| Form 1120X | 3,100 | 3,100 | 0 | 3,000 | -0.5 |
| Form 5558 | 402,000 | 402,000 | 0 | 402,000 | 0 |
| Form 7004, total | 5,367,800 | 5,610,600 | 4.5 | 7,389,200 | 4.7 |
| Form 7004, electronic | 1,176,000 | 1,563,400 | 32.9 | 2,810,900 | 10.4 |
| Form 8868, total | 528,500 | 540,200 | 2.2 | 561,900 | 0.7 |
| Form 8868, electronic | 56,400 | 84,300 | 49.5 | 228,400 | 18.4 |

NOTES: For definitions of most of the form numbers, see the text discussion and the footnotes to Table 1, at the end of this article. Detail may not add to total due to rounding.

with an average annual rate of 1.5 percent for a total of 121.1 million by 2015. Meanwhile, electronic filings or "e-file" will increase at an average rate of 4.0 percent to reach 135.9 million within the same timeframe.

## Telephone Excise Tax Refund, Economic Stimulus Package, and Their Impact on the Grand Total

### Telephone Excise Tax Refund

The Treasury Department stopped collecting Federal excise tax for long-distance telephone service on August 1, 2006. In 2007, the IRS implemented a program for taxpayers to receive refunds for the portion of their excise taxes collected on long-distance service billed between February 28, 2003, and August 1, 2006. This program is known as the Telephone Excise Tax Refund (TETR). Eligible individuals without tax filing requirements were directed to use Form 1040EZ-T, *Request for Refund of Federal Telephone Excise Tax*. However, some of the "TETR only" (filing only to receive the TETR) population requested their TETR claims using traditional Forms 1040, 1040A, or 1040EZ instead of the simpler Form 1040EZ-T specifically designed for those without tax filing requirements. Therefore, the reported volumes include some marginal effects of TETR claims on estimated CY 2008 returns. This is shown by the greater than expected increase in the Form 1040 series in CY 2007. Taxpayers who subsequently wish to claim TETR may file an amended tax return for 2006 by filing Form 1040X, *Amended U.S. Individual Income Tax Return*. Those who did not have a filing requirement in 2006 can still use Form 1040EZ-T to request the refund. Qualified taxpayers among exempt organizations may also file Form 990-T to request the refund.

### Economic Stimulus Package

In an effort to stimulate the economy, the Economic Stimulus Act of 2008 was signed into law in February 2008. It provides tax rebates to qualifying low- and middle-income taxpayers. An estimated 130 million households are expected to have received rebates during Processing Year 2008. Eligible taxpayers would trigger them by filing a Tax Year

(TY) 2007 individual income tax return. Eligibility requirements mainly consist of having a valid Social Security number and either an income tax liability or qualifying income of at least $3,000. Qualifying income includes earned income and certain benefits from Social Security, Veterans Affairs and/or Railroad Retirement. Eligible individuals who claimed rebates by filing a Federal income tax return for TY 2007 (Forms 1040, 1040A, and 1040EZ, including electronically filed returns) are estimated to have increased by around 14.4 million to generate about 152.7 million returns in 2008. CY 2009 projections of approximately 140.2 million presented in the tables contain adjustments for residual spillover effects of the stimulus program, since those individuals not eligible or who did not participate still have an opportunity to claim the tax credit in 2009. Other adjustments include some longer-term spillover effects on EITC participants and corresponding requisite filing among otherwise nonfiling taxpayers.

## Changes in Forms 990, 990-N, 5500SF and Their Impact on the Grand Total

### Form 990 and New Form 990-N

The IRS has revised the requirement to file the Form 990 series starting from TY 2008 over a 3-year period. Filers will be allowed to file Form 990-EZ in lieu of Form 990. For Tax Year 2008 (returns filed in 2009), organizations with gross receipts less than $1.0 million and total assets less than $2.5 million may file Form 990-EZ. For Tax Year 2009 (returns filed in 2010), organizations with gross receipts less than $500,000 and total assets less than $1.25 million may file Form 990-EZ. The Form 990-EZ filing thresholds will be adjusted permanently to gross receipts less than $200,000 and total assets less than $500,000, beginning with Tax Year 2010.

Figure A shows an estimated total of 423,000 Forms 990, *Return of Organization Exempt From Income Tax,* to be filed in 2008. In 2009, this total will decline to 325,000 returns, a reduction of approximately 98,000. However, from 2008 to 2009, Forms 990-EZ, *Short Form Return of Organization Exempt From Income Tax,* are estimated to be 157,000 to 269,000 returns. In summary, the projected level reflects a 2.5-percent increase.

Beginning in CY 2008, the Pension Protection Act of 2006 requires small organizations with gross receipts of less than $25,000 to file new Form 990-N, also known as the "e-Postcard" on an annual basis. If organizations fail to file Form 990-N for 3 consecutive years, their tax-exempt status will be revoked. Form 990-N can only be filed electronically.

As Table 1 shows, approximately 217,000 returns are expected to be filed in 2008. As a result, the participation rate of "total electronic exempt organizations returns" to "total exempt organizations" dramatically increases from 4.1 percent in 2007 to 24.5 percent in 2008. This increase in e-file volume contributed to the increase in "electronic grand total" over the same period.

### New Form 5500-SF

The Form 5500 series includes multiagency information returns filed to satisfy reporting requirements to the Internal Revenue Service, the Department of Labor (DOL), and the Pension Benefit Guaranty Corporation. The Form 5500 series has been processed by DOL since CY 2000. However, DOL is creating a system to support the electronic filing mandate for Form 5500 returns satisfying reporting requirements under Title I of ERISA. Since some necessary IRS data fall outside the scope of Title I, IRS will regain responsibility for processing portions of Form 5500 data in the future.

As part of revisions to the Form 5500 series, Form 5500-SF, *Short Form Annual Return/Report of Employee Benefit Plan,* was introduced to certain small pension and welfare benefit plans. Form 5500-SF is generally available to plans that: 1) have fewer than 100 participants; 2) are eligible for the small plan audit waiver; 3) hold no employer securities; 4) have 100 percent of assets in investments that have a readily determinable fair market value; and 5) are not multiemployer plans. Most Form 5500-SF filers will not be required to file any schedules. Form 5500-SF must be filed electronically from Plan Year 2009.

## Trend in Individual Tax Returns

"Individual, Total" returns include paper and electronic portions of the major individual tax returns. These are Forms 1040 and 1040-A, *U.S. Individual Income Tax Return*, 1040EZ, *Income Tax Return for*

*Single and Joint Filers with No Dependents*, Form 1040NR, *U.S. Non-Resident Alien Income Tax Return*, Form 1040-PR, *Planilla para la Declaracion de la Contribucion Federal Sobre El Trabajo Por Cuenta Propia—Puerto Rico,* and Form 1040-SS, *U.S. Self-Employment Tax Return*. This category excludes Form 1040X, *Amended U.S. Individual Income Tax Return,* which is included under the "supplemental documents" heading.

This category constitutes the largest volume of tax return filings. The number of individual tax returns filed is projected to reach 153.5 million in 2008. As mentioned earlier, this estimate delineates an unusually large increase of 10.9 percent over CY 2007 filings of 139.2 million mainly due to the Economic Stimulus Act of 2008. Since projections for 2009 only include residual spillover effects of the stimulus program, the projection for 2009 will decline to a total of 141.2 million.

After 2009, this series is expected to grow at an average annual rate of 0.6 percent until 2015. This projected growth is tied mainly to the expected increase in U.S. employment over the same period. At this rate, the projected number of total individual returns filed will be 146.7 million by 2015.

## Trend in Individual Estimated Tax Returns

Form 1040-ES, *U.S. Estimated Tax for Individuals,* is used by individual taxpayers who need to make advance tax payments. Such filers are typically those who expect their tax withholding to be less than 90 percent of their federal tax liability for the year due to additional income, such as earnings from self-employment, interest, dividends, rents, and alimony. Individual taxpayers who make estimated tax payments often file more than one voucher (Form 1040-ES) during the course of the year, usually one per quarter.

Form 1040-ES represents the third largest share of the 2008 grand total. Although the initial Form 1040-ES filing experience from 2007 to 2008 indicates a decrease in return volume, the number of Form 1040-ES filings is projected to grow beyond 2008, based on the underlying long-term trend. In 2009, approximately 29.4 million individual estimated tax vouchers are expected to be filed, an increase of 0.4 percent over the 29.3 million vouchers expected in 2008. A total of 31.7 million returns are projected to be filed by 2015, indicating an average annual growth rate of 1.3 percent from 2008 to 2015.

## Trend in Business and Other Tax Returns

### Employment Tax Returns

Paper and electronic versions of several business-related tax forms fall under the heading of "Employment, Total" returns. These forms include: Form 940 series, *Employer's Annual Federal Unemployment (FUTA) Tax Return*; Form 941 series, *Employer's Quarterly Federal Tax Return*; Form 943 series, *Employer's Annual Federal Tax Return for Agricultural Employees*; Form 944, *Employer's Annual Federal Tax Return* which will be an annualized version of Form 941; Form 945, *Annual Return of Withheld Federal Income Tax*; and Form CT-1, *Employer's Annual Railroad Tax Return*.

In 2007 and 2008, the employment tax returns constitute the second largest share of the grand total. The interplay between the introduction of the annual Form 944, and the scaling back of the quarterly Form 941 combined with the decreasing trend of Form 943 and Form 945 results in a projected 0.5-percent drop in total employment return filings from 2007 to 2008. Beyond this point, the projected annual rate of growth over the entire forecast is a more typical 0.5 percent. Projected filings of Forms 940 and 941 comprise the bulk of employment tax returns. Their projected growth over the 2008-2015 period is tied mainly to expected trends in U.S. employment and real gross domestic product.

### Corporation Tax Returns

Corporation income tax returns include a number of form types. The vast majority of these returns use Form 1120, *U.S. Corporation Income Tax Return;* Form 1120A, *U.S. Corporation Short-Form Income Tax Return;* or Form 1120S, *U.S. Income Tax Return for an S Corporation* (returns filed by qualifying corporations electing to be taxed through shareholders). The remainder of corporation income tax returns is filed by such entities as homeowners' associations (Form 1120H), foreign corporations (Form 1120F), and real estate investment trusts (Form 1120REIT), among others. Amended returns (Form 1120X) are not included under corporation income tax returns, but are instead listed under "supplemental documents." In CY 2008, the projected number of corporation returns filed is 6.8 million. This is nearly a 3.0-percent increase over CY 2007. It is expected that these returns will continue

to increase, to 8.2 million by CY 2015, as shown in Table 1.

### Partnership Returns

Form 1065, *U.S. Partnership Return of Income*, is filed by a partnership to report income, deductions, tax credits, or losses. The projected number of these returns expected in CY 2008 is 3.4 million. This number, an increase of 6.6 percent over CY 2007, is projected to keep increasing at an average rate of 4.5 percent per year. The number of partnership returns filed is expected to increase to 4.7 million by CY 2015. Form 1065B, *U.S. Large Partnership Return of Income*, is also included in partnership returns. This form was introduced in CY 1999, and a relatively small number of Form 1065B returns have been filed.

### Estate Tax Returns

The estate tax and generation-skipping transfer (GST) taxes are scheduled to be repealed on January 1, 2010, under Title V of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). However, the estate tax repeal and all other provisions of EGTRRA are scheduled to sunset on December 31, 2010. If the sunset provision is not repealed in 2011, estate tax law would return to the law in place prior to the enactment of EGTRRA on June 7, 2001. Accordingly, the estate tax exclusion amount would have risen to $1 million under the prior law. Estimates developed in these projections reflect the provisions of EGTRRA.

## Trends in Electronic Filing (E-file)

### Individual Returns

As Table 1 indicates, 79.9 million individual income tax returns were filed electronically in 2007, and 88.5 million electronic returns are expected in 2008, representing a 10.8-percent increase. The projection for 2009 is 93.3 million returns, which represents another robust increase of 5.5 percent. E-file volume is expected to grow at an average rate of 3.5 percent per year, reaching a total of 114.5 million by 2015.

The projected e-file pattern for individual returns in 2008-2011 is stronger growth in the initial forecast years followed by somewhat slower growth in the later years. This growth pattern is typical for technology adoption and diffusion. Furthermore, projected growth in e-file is much steeper than overall growth in total individual return filings. Hence, under current trends, roughly 78 percent of individual income tax returns are projected to be filed electronically by 2015.

As reported in Table 1, "Total Individual Electronic Returns" are made up of two e-file categories: i) online filing and ii) practitioner e-file. Online filing enables taxpayers to use a computer, tax preparation software, and the Internet to file their returns. Online filing includes the "Free File" option, which is accessible from the IRS Web site and involves a public-private partnership between IRS and the Free File Alliance, a consortium of tax preparation software companies. In the case of practitioner electronic filing, taxpayers use a paid preparer to prepare and file their returns electronically.

Within the e-file categories, about 22.5 million people used online filing in 2007. That number has grown to 26.5 million in 2008, a 17.7-percent increase. Meanwhile, practitioners are expected to file 61.9 million returns electronically in 2008, up 8 percent over the 57.3 million returns filed in 2007.

Various initiatives further encourage the growth of individual electronic filing. One is the IRS "e-services" program. The e-services program is open to professional tax preparers who e-filed five or more accepted individual or business returns during a filing season. The program provides a suite of Web-based products that allow tax professionals to conduct business with the IRS electronically. These products include disclosure authorization, electronic account resolution, and transcript delivery system. Authorized agents who submit (any of six) information returns subject to backup withholding can also make use of TIN (Taxpayer Identification Number) matching with e-services.

### Business Returns

IRS also continues to enhance its business e-file programs under the aegis of the Modernized e-File (MeF) platform. Most of the common business tax forms are now available for e-file either through MeF or other electronic filing systems. This includes fiduciary (Form 1041), partnership (Form 1065), corporation (Forms 1120, 1120S), employment (Forms 940, 941, and 944), and tax-exempt (Forms 990, 990-EZ, 990-PF, and 990-N) returns.

Treasury regulations issued in 2005 mandate electronic filing of Federal returns for some large corporations and tax-exempt organizations whose assets exceed certain dollar thresholds. However, e-file mandates only apply to those corporations and tax-exempt entities that file at least 250 other returns with IRS during a calendar year, such as employment returns, excise tax returns, and information reporting documents like Forms W-2, 1099-DIV, and Schedules K-1. E-file mandates required corporations with gross assets of at least $50 million to e-file their Forms 1120 or 1120S beginning in Calendar Year 2006. This requirement was expanded to corporations with at least $10 million in gross assets, effective 2007.

Figure A shows that 350,500 Form 1120 and 967,500 Form 1120S returns are estimated to have been e-filed in 2008. Assuming growth patterns typical of innovative technology-based products, the forecast for 2009 is 495,600 for the former and 1.4 million for the latter. These represent increases of 41.4 percent for Form 1120 and 43.8 percent for Form 1120S. In subsequent years, e-filed Forms 1120/1120S are both expected to grow rapidly. About 867,900 Form 1120 returns and nearly 2.8 million Form 1120S returns are projected to be filed electronically by 2015.

Tax-exempt organizations with $10 million or more in total assets were also required to file their Forms 990 electronically in 2007. Also impacted were private foundations and charitable trusts which were required to file their Forms 990-PF, *Return of Private Foundation,* electronically, starting in 2007, regardless of asset size. However, the additional criterion limiting its scope to only organizations filing at least 250 other tax returns results in a relatively small number of affected tax-exempt filers. Around 10,000 tax-exempt organizations were estimated to be covered by the e-file mandate in Filing Year 2007. The new Form 990-N will also be effective, starting from 2008. This will increase the modest e-filing percentage for exempt organizations by a noticeable amount.

Figure A shows that around 36,000 Forms 990, 990EZ, and 990-PF were filed electronically in 2007. With the help of the mandates and Form 990-N, tax-exempt e-file returns are expected to reach 276,900 for 2008. In the long term, 640,300 exempt organization returns are expected electronically by 2015.

In 2008, over 6.2 million employment returns were filed electronically. According to current projections, the number of e-filed returns is expected to grow steadily. Based on that trend, the total number of e-filed employment returns (i.e., Forms 940, 941, and 944) is expected to be 7.7 million by 2015, growing at an average annual rate of 3.3 percent over this period.

## Data Sources

The reported actual volumes of returns filed in Calendar Year 2007 by form type and filing medium are based primarily on filings recorded on IRS master files. With few exceptions, these volumes are the same as those reported in the Internal Revenue Service Data Book (Publication 55B). However, master file counts were not available in a few instances. In these cases, tallies of actual filings were provided by program staff in IRS operating divisions, typically from data capture systems located in IRS processing campuses. For Calendar Year 2008, master file data through August were generally available. Partial-year data were extrapolated in order to generate estimates for Calendar Year 2008.

## Projection Methodology

Each major form type is forecast separately using either a time series or linear regression model. Time series models use historical data for a form type to make predictions based on patterns exhibited by the data. Some of the most common time series models used were trended exponential smoothing and lower order Box-Jenkins ARIMA models. These models were applied for such return series as corporation (Forms 1120, 1120A, and 1120S), partnership (Form 1065), and excise (Forms 720, 730, and 2290) tax returns.

In other instances, models based on linear regression analysis were used with such independent ("predictor") variables as gross domestic product and employment. For these models, forecasts of independent variables were provided by Global Insight, Inc. For example, linear regression models incorporating economic and demographic variables were used to project the individual income tax return series and employment Forms 940 and 941.

Legislative and administrative changes approved for future implementation and not captured in the sta-

tistical models are also factored into tax return forecasts as "off-model adjustments." This was the case in developing projections for the new exempt organization Form 990-N. Analysis of the impact of similar events in the past, as well as input from subject-matter experts, is used to develop these "off-model adjustments." However, such adjustments are made only for enacted tax law changes and confirmed (or reasonably certain) administrative plans and exclude initiatives that are simply under consideration. This is particularly true of e-filed returns. As a result, e-file forecasts presented in this article are not IRS goals and should not be interpreted as precluding an alternative e-file future.

# Projections of Federal Tax Return Filings: Calendar Years 2008-2015



## Table 1. Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2008-2015

| Type of return | Actual 2007 | Estimated 2008 [1] | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| **Grand total [2]** | **238,083,255** | **250,786,600** | **239,998,500** | **242,638,800** | **245,266,000** | **248,822,400** | **251,844,800** | **254,400,900** | **256,914,600** |
| Paper grand total | 146,932,284 | 150,004,200 | 132,797,000 | 128,830,900 | 124,985,400 | 123,874,700 | 122,994,800 | 121,813,500 | 121,050,200 |
| Electronic grand total | 91,150,971 | 100,782,400 | 107,201,500 | 113,807,900 | 120,280,600 | 124,947,700 | 128,850,000 | 132,587,400 | 135,864,400 |
| **Total primary returns [3]** | **217,861,464** | **230,485,200** | **218,793,200** | **220,577,200** | **222,313,300** | **225,009,500** | **227,193,800** | **228,963,300** | **230,711,900** |
| **Individual, total [4]** | **139,171,420** | **153,544,200** | **141,166,300** | **141,864,700** | **142,562,900** | **144,129,700** | **145,287,600** | **146,026,400** | **146,740,600** |
| Forms 1040, 1040A, and 1040EZ [5] | 137,725,325 | 152,661,500 | 140,240,900 | 140,903,300 | 141,565,500 | 143,096,300 | 144,218,200 | 144,921,000 | 145,599,200 |
| Total individual paper returns | 57,863,242 | 64,209,500 | 46,946,300 | 42,592,900 | 38,207,900 | 36,324,600 | 34,665,700 | 32,697,700 | 31,112,400 |
| Form 1040 [6] | 40,166,007 | 38,899,700 | 36,312,500 | 32,674,500 | 28,927,900 | 27,012,400 | 25,204,600 | 23,275,100 | 21,672,100 |
| Form 1040A | 8,337,268 | 16,157,300 | 4,899,800 | 4,791,200 | 4,549,300 | 4,668,500 | 4,861,500 | 4,973,300 | 5,118,400 |
| Form 1040EZ | 9,359,967 | 9,152,500 | 5,734,000 | 5,127,200 | 4,730,700 | 4,643,700 | 4,599,500 | 4,449,300 | 4,321,900 |
| Total individual electronic returns | 79,862,083 | 88,452,000 | 93,294,600 | 98,310,400 | 103,357,600 | 106,771,700 | 109,552,500 | 112,223,300 | 114,486,800 |
| Online filing | 22,533,362 | 26,511,000 | 29,583,800 | 31,735,200 | 33,738,500 | 34,797,400 | 35,580,700 | 36,189,600 | 36,554,000 |
| Practitioner electronic filing | 57,328,721 | 61,941,000 | 63,710,800 | 66,575,200 | 69,619,100 | 71,974,300 | 73,971,800 | 76,033,700 | 77,932,800 |
| Form 1040NR/NR-EZ/C/EZ-T | 1,321,784 | 655,500 | 684,700 | 707,200 | 729,700 | 752,200 | 774,700 | 797,200 | 819,700 |
| Forms 1040PR and 1040SS | 124,311 | 227,200 | 240,700 | 254,200 | 267,700 | 281,200 | 294,700 | 308,200 | 321,700 |
| **Individual estimated tax, Form 1040-ES, total** | **30,897,249** | **29,275,600** | **29,401,000** | **29,792,200** | **30,183,100** | **30,573,600** | **30,963,700** | **31,353,400** | **31,742,700** |
| Form 1040-ES, paper | 30,805,582 | 29,174,200 | 29,286,900 | 29,665,000 | 30,042,300 | 30,418,800 | 30,794,500 | 31,169,400 | 31,543,400 |
| Form 1040-ES, electronic (credit card) | 91,667 | 101,400 | 114,100 | 127,200 | 140,800 | 154,800 | 169,200 | 184,100 | 199,300 |
| **Fiduciary (Form 1041), total** | **3,729,793** | **3,124,800** | **3,194,500** | **3,264,200** | **3,333,900** | **3,403,600** | **3,473,300** | **3,543,000** | **3,612,700** |
| Paper fiduciary returns | 2,341,672 | 2,382,600 | 2,426,900 | 2,471,200 | 2,515,600 | 2,559,900 | 2,604,200 | 2,648,500 | 2,692,900 |
| Electronic fiduciary returns | 1,388,121 | 742,300 | 767,600 | 793,000 | 818,400 | 843,700 | 869,100 | 894,500 | 919,900 |
| **Fiduciary estimated tax, Form 1041-ES** | **805,407** | **774,500** | **774,500** | **774,500** | **774,500** | **774,500** | **774,500** | **774,500** | **774,500** |
| **Partnership, Forms 1065/1065B, total** | **3,146,994** | **3,356,000** | **3,561,900** | **3,764,800** | **3,965,000** | **4,142,700** | **4,316,100** | **4,485,300** | **4,650,500** |
| Paper partnership returns | 2,681,286 | 2,681,100 | 2,675,300 | 2,687,200 | 2,728,300 | 2,783,700 | 2,858,800 | 2,946,100 | 3,040,300 |
| Electronic partnership returns | 465,708 | 674,900 | 886,600 | 1,077,600 | 1,236,700 | 1,359,000 | 1,457,300 | 1,539,100 | 1,610,300 |
| **Corporation, total** | **6,619,777** | **6,820,400** | **7,022,000** | **7,224,200** | **7,426,300** | **7,620,800** | **7,814,500** | **8,007,400** | **8,199,600** |
| Paper corporation returns | 5,745,530 | 5,502,500 | 5,135,300 | 4,799,300 | 4,568,700 | 4,450,400 | 4,421,800 | 4,450,600 | 4,512,600 |
| Electronic corporation returns | 874,247 | 1,317,900 | 1,886,700 | 2,424,900 | 2,857,700 | 3,170,300 | 3,392,700 | 3,556,800 | 3,687,000 |
| Form 1120 and 1120-A total [7] | 2,203,943 | 2,193,600 | 2,184,900 | 2,176,200 | 2,167,500 | 2,161,000 | 2,154,400 | 2,147,800 | 2,141,200 |
| Form 1120/1120-A electronic | 239,808 | 350,500 | 495,600 | 630,300 | 732,700 | 799,500 | 838,000 | 858,300 | 867,900 |
| Form 1120F, total | 27,605 | 28,600 | 29,300 | 30,000 | 30,700 | 31,400 | 32,200 | 32,900 | 33,600 |
| Form 1120FSC, total | 595 | 600 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Form 1120H, total | 204,958 | 216,200 | 227,700 | 239,300 | 250,800 | 262,400 | 273,900 | 285,500 | 297,000 |
| Form 1120RIC, total | 11,356 | 11,600 | 11,800 | 12,000 | 12,200 | 12,400 | 12,600 | 12,800 | 12,900 |
| Form 1120S, total | 4,155,830 | 4,353,700 | 4,551,700 | 4,749,600 | 4,947,500 | 5,135,600 | 5,322,900 | 5,509,400 | 5,695,200 |
| Form 1120S, electronic | 634,439 | 967,500 | 1,391,100 | 1,794,600 | 2,125,000 | 2,370,800 | 2,554,600 | 2,698,600 | 2,819,100 |
| Forms 1120L/ND/PC/REIT/SF, total [8] | 11,944 | 12,500 | 13,100 | 13,600 | 14,200 | 14,700 | 15,300 | 15,800 | 16,300 |
| Form 1120C, total [9] | 3,546 | 3,500 | 3,500 | 3,400 | 3,400 | 3,300 | 3,300 | 3,300 | 3,200 |
| **Small Corporation Election, Form 2553** | **516,505** | **508,700** | **500,900** | **493,100** | **485,300** | **477,500** | **469,700** | **462,000** | **454,200** |
| **"REMIC," Form 1066** | **30,045** | **32,100** | **34,000** | **35,600** | **36,900** | **38,100** | **39,100** | **39,900** | **40,600** |
| **Estate, Forms 706 and 706NA, total** | **47,298** | **46,300** | **43,500** | **25,100** | **11,100** | **93,000** | **114,800** | **121,800** | **127,800** |
| **Gift, Form 709** | **255,123** | **253,000** | **251,000** | **261,600** | **263,800** | **266,100** | **268,500** | **270,900** | **273,300** |
| **Employment, total [10]** | **30,717,441** | **30,578,400** | **30,641,900** | **30,843,200** | **31,069,200** | **31,225,100** | **31,340,800** | **31,459,800** | **31,604,400** |
| Paper employment returns | 24,742,274 | 24,396,300 | 24,274,900 | 24,256,000 | 24,250,700 | 24,181,700 | 24,077,800 | 23,973,600 | 23,886,400 |
| Electronic employment returns | 5,975,167 | 6,182,000 | 6,367,000 | 6,587,100 | 6,818,500 | 7,043,400 | 7,263,000 | 7,486,200 | 7,718,100 |
| Forms 940, 940EZ, and 940PR, total | 6,139,763 | 6,154,100 | 6,183,800 | 6,258,400 | 6,350,000 | 6,428,700 | 6,480,400 | 6,520,500 | 6,558,100 |
| Forms 940, 940EZ, and 940PR, paper | 5,039,916 | 4,972,000 | 4,939,000 | 4,941,000 | 4,955,100 | 4,957,300 | 4,937,500 | 4,908,000 | 4,875,900 |
| Form 940, e-file/online/XML | 1,099,847 | 1,182,100 | 1,244,800 | 1,317,300 | 1,395,000 | 1,471,300 | 1,542,900 | 1,612,500 | 1,682,300 |
| Forms 941, 941PR/SS/E, total | 23,869,212 | 23,623,900 | 23,549,200 | 23,598,000 | 23,673,800 | 23,728,500 | 23,779,400 | 23,851,400 | 23,955,100 |
| Forms 941, 941PR/SS/E, paper | 19,003,122 | 18,636,400 | 18,442,800 | 18,346,400 | 18,270,500 | 18,177,300 | 18,080,800 | 17,999,600 | 17,941,400 |
| Form 941, e-file/online/XML | 4,866,090 | 4,987,600 | 5,106,500 | 5,251,600 | 5,403,400 | 5,551,100 | 5,698,600 | 5,851,800 | 6,013,700 |
| Forms 943, 943PR and 943SS | 249,571 | 243,500 | 237,400 | 232,000 | 227,300 | 223,100 | 219,500 | 216,300 | 213,400 |
| Form 944, total | 322,798 | 425,300 | 543,900 | 630,800 | 697,100 | 726,500 | 745,300 | 757,400 | 765,200 |
| Form 944, paper | 313,568 | 412,900 | 528,200 | 612,600 | 677,000 | 705,500 | 723,800 | 735,500 | 743,100 |
| Form 944, electronic | 9,230 | 12,400 | 15,700 | 18,200 | 20,100 | 21,000 | 21,500 | 21,900 | 22,100 |
| Form 945 | 134,236 | 129,700 | 125,600 | 122,100 | 119,100 | 116,500 | 114,300 | 112,400 | 110,700 |
| Form CT-1 | 1,861 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 |
| **Form 1042 [11]** | **31,972** | **32,700** | **33,300** | **33,900** | **34,500** | **35,100** | **35,700** | **36,300** | **36,900** |

Footnotes at end of table.

## Table 1. Total Number of Returns To Be Filed with the Internal Revenue Service: Calendar Years 2008-2015—Continued

| Type of return | Actual 2007 | Estimated 2008 [1] | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| **Exempt organization, total [12]** | **877,450** | **1,132,700** | **1,143,700** | **1,168,100** | **1,119,000** | **1,166,000** | **1,222,400** | **1,296,200** | **1,359,200** |
| Paper exempt organization, total | 841,454 | 855,800 | 841,100 | 831,000 | 747,700 | 742,100 | 735,600 | 727,900 | 718,900 |
| Electronic exempt organization, total | 35,996 | 276,900 | 302,600 | 337,100 | 371,300 | 424,000 | 486,800 | 568,300 | 640,300 |
| Form 990, total | 413,881 | 423,000 | 325,000 | 359,700 | 440,500 | 450,700 | 460,900 | 471,100 | 481,400 |
| Form 990, electronic | 27,465 | 44,800 | 47,300 | 66,600 | 98,900 | 119,100 | 140,000 | 161,700 | 184,300 |
| Form 990EZ, total | 152,203 | 156,800 | 269,200 | 249,000 | 98,000 | 100,300 | 102,600 | 104,900 | 107,100 |
| Form 990EZ, electronic | 5,376 | 10,300 | 25,200 | 29,700 | 14,300 | 17,600 | 21,100 | 25,100 | 29,400 |
| Form 990-N [13] | N.A. | 217,000 | 222,600 | 230,100 | 244,600 | 271,200 | 306,500 | 359,100 | 400,700 |
| Form 990PF, total | 89,661 | 90,700 | 91,700 | 92,700 | 93,800 | 94,800 | 95,900 | 96,900 | 97,900 |
| Form 990PF, electronic | 3,155 | 4,700 | 7,500 | 10,700 | 13,400 | 16,200 | 19,200 | 22,500 | 26,000 |
| Form 990T | 93,559 | 117,000 | 106,800 | 108,100 | 113,500 | 120,300 | 127,800 | 135,400 | 143,100 |
| Form 4720 | 2,179 | 2,200 | 2,300 | 2,400 | 2,400 | 2,500 | 2,600 | 2,600 | 2,700 |
| Form 5227 | 125,967 | 126,000 | 126,100 | 126,100 | 126,100 | 126,200 | 126,200 | 126,300 | 126,300 |
| **Government entities, total** | **46,886** | **47,200** | **47,100** | **47,100** | **47,100** | **47,100** | **47,100** | **47,100** | **47,100** |
| Form 8038 | 4,888 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Form 8038G | 29,757 | 29,700 | 29,700 | 29,700 | 29,700 | 29,700 | 29,700 | 29,700 | 29,700 |
| Form 8038GC | 10,693 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| Form 8038T | 1,315 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 | 1,300 |
| Form 8328 | 233 | 200 | 200 | 200 | 200 | 300 | 300 | 300 | 300 |
| **Political organizations, total** | **9,289** | **11,900** | **9,900** | **12,100** | **10,000** | **12,100** | **10,000** | **12,100** | **10,000** |
| Form 1120POL, total | 5,971 | 6,200 | 6,300 | 6,300 | 6,300 | 6,400 | 6,400 | 6,400 | 6,400 |
| Form 8871 [14] | 1,366 | 2,200 | 1,500 | 2,200 | 1,500 | 2,200 | 1,500 | 2,200 | 1,500 |
| Form 8872 | 1,952 | 3,600 | 2,200 | 3,600 | 2,200 | 3,600 | 2,200 | 3,600 | 2,200 |
| Form 8872, electronic | 1,323 | 2,500 | 1,600 | 2,700 | 1,700 | 2,900 | 1,800 | 3,000 | 1,900 |
| **Excise, total** | **895,388** | **878,600** | **899,600** | **904,800** | **922,500** | **936,200** | **947,900** | **959,000** | **969,600** |
| Form 11-C | 8,947 | 8,700 | 8,500 | 8,300 | 8,200 | 8,100 | 8,000 | 8,000 | 7,900 |
| Form 720 | 102,435 | 100,500 | 98,800 | 97,300 | 95,900 | 94,800 | 93,800 | 92,900 | 92,200 |
| Form 720, electronic | 0 | 100 | 400 | 700 | 1,200 | 2,100 | 3,100 | 4,600 | 6,200 |
| Form 730 | 40,876 | 39,500 | 38,500 | 37,600 | 36,800 | 36,000 | 35,300 | 34,700 | 34,100 |
| Form 2290 | 743,130 | 729,900 | 753,800 | 761,600 | 781,600 | 797,300 | 810,700 | 823,400 | 835,400 |
| Form 2290, electronic | 1,500 | 15,500 | 21,500 | 28,900 | 43,400 | 68,000 | 97,600 | 140,900 | 187,900 |
| **Form 5330** | **23,800** | **23,800** | **23,800** | **23,800** | **23,800** | **23,800** | **23,800** | **23,800** | **23,800** |
| **Form 8752 [15]** | **39,627** | **44,400** | **44,400** | **44,400** | **44,400** | **44,400** | **44,400** | **44,400** | **44,400** |
| **Supplemental documents, total [16]** | **20,221,791** | **20,301,400** | **21,205,300** | **22,061,600** | **22,952,600** | **23,812,900** | **24,651,100** | **25,437,600** | **26,202,700** |
| Form 1040X, total | 4,056,377 | 4,517,200 | 4,728,300 | 4,887,600 | 5,016,200 | 5,126,600 | 5,226,800 | 5,321,200 | 5,412,700 |
| Form 4868, total | 9,978,958 | 9,482,700 | 9,921,000 | 10,343,600 | 10,861,600 | 11,310,700 | 11,735,300 | 12,100,800 | 12,433,900 |
| Form 4868, paper | 8,453,953 | 7,700,500 | 8,011,200 | 8,217,600 | 8,487,600 | 8,691,100 | 8,864,300 | 8,982,600 | 9,067,800 |
| Form 4868, electronic | 1,525,005 | 1,782,200 | 1,909,800 | 2,126,000 | 2,374,100 | 2,619,700 | 2,871,000 | 3,118,200 | 3,366,100 |
| Credit card | 63,374 | 66,400 | 69,200 | 71,600 | 73,800 | 75,800 | 77,700 | 79,500 | 81,300 |
| E-file | 1,461,631 | 1,715,800 | 1,840,600 | 2,054,400 | 2,300,300 | 2,543,900 | 2,793,300 | 3,038,700 | 3,284,800 |
| Form 1120X | 3,160 | 3,100 | 3,100 | 3,100 | 3,100 | 3,000 | 3,000 | 3,000 | 3,000 |
| Form 5558 | 402,043 | 402,000 | 402,000 | 402,000 | 402,000 | 402,000 | 402,000 | 402,000 | 402,000 |
| Form 7004, total | 5,265,021 | 5,367,800 | 5,610,600 | 5,873,200 | 6,150,400 | 6,440,500 | 6,743,300 | 7,059,300 | 7,389,200 |
| Form 7004, electronic | 837,427 | 1,176,000 | 1,563,400 | 1,875,000 | 2,122,500 | 2,325,100 | 2,499,900 | 2,659,100 | 2,810,900 |
| Form 8868, total | 516,232 | 528,500 | 540,200 | 552,000 | 519,300 | 530,000 | 540,600 | 551,300 | 561,900 |
| Form 8868, electronic | 30,667 | 56,400 | 84,300 | 115,000 | 135,400 | 160,600 | 184,500 | 207,100 | 228,400 |

N.A.—Data are not available since relevant program areas have not commenced.
[1] Estimated based on information available as of August 2008.
[2] Grand total is the sum of total primary returns and supplemental documents.
[3] Total primary returns is the sum of all returns, excluding supplemental documents.
[4] "Individual, total" is the sum of paper and electronic Forms 1040, 1040A, 1040EZ, 1040EZ-T, 1040NR, 1040PR, and 1040SS.
[5] Forms 1040/A/EZ is the sum of the paper and electronic Forms 1040, 1040A, and 1040EZ.
[6] The Forms 1040, 1040A and 1040EZ Totals includes the marginal effects of the 2007 TETR and 2008 Economic Stimulus Package.
[7] Form 1120-A cannot be filed for tax years beginning after Dec. 31, 2006.
[8] 1120-ND return counts were estimated for CY2007.
[9] Form 1120-C includes Form 990-C.
[10] "Employment, total" includes paper, magnetic tape and electronic Forms 940, 940EZ, 940PR, 941, 941E, 941PR, 941SS, 943, 943PR, 943SS, 944, 944PR, 944SS, 945, and CT-1.
[11] Form 1042 is the Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.
[12] "Exempt organization, total" includes Forms 990, 990EZ, 990N, 990PF, 990T, 4720, and 5227.
[13] Form 990-N is all electronic.
[14] Form 8871 is all electronic.
[15] Form 8752 is Required Payment or Refund Under Section 7519, a computation of payment or refund by partnership or S corporation.
[16] Supplemental documents consist mainly of applications for extensions of time to file and amended tax returns.
NOTES: Details may not add to totals because of rounding. Table does not contain the approximately 2,500 Non-Master File counts.

# Allocations: A Behind the Scenes Look at Data Movements Within SOI Corporate Editing

*by Marty Harris*

This article describes a longstanding process, known as allocation, which is utilized during online statistical editing for the SOI Corporation Program. Allocation, the identification and movement of taxpayer-reported data items to other, more specific items or categories, is key to enriching SOI corporation data that are used by tax policy and other researchers. Without the allocation process, corporate data would be subject to significant overstatement or understatement. For Tax Year 2005, the total amount allocated was more than $10.5 trillion. Due to the magnitude of this amount, it is instructive to look at some of the characteristics of returns for which allocation is utilized, as well as the proportion of published SOI corporate data accounted for by allocation.

## Overview of the Allocation Process

Allocation is one of many statistical processes that SOI applies to U.S. corporate income tax returns selected for the SOI sample, which includes Forms 1120, 1120A, 1120S, 1120F, 1120L, 1120PC, 1120 RIC, and 1120 REIT. During online statistical editing of sampled returns, SOI tax examiners identify select data items reported by taxpayers and determine whether they should allocate, or move, those items (and corresponding dollar amounts) to other, more specific items or categories. In some cases, allocation may be required because taxpayers report specific items in broad, lump-sum categories. For example, when a specific item such as "Director's fees" is reported on an attachment for the broad category "Other deductions," the allocation process would move the amount of director's fees to the preferred "Salaries and wages" line of the SOI record, subtracting the same amount from other deductions. In other cases, the SOI Corporate Program has established editing rules that simply require select items to be allocated to specific items or categories, even though the taxpayer may have correctly reported the information. For example, the taxpayer instructions for Form 1120 specify that "Amortization" and "Intangible drilling costs" should be reported on the "Other costs" or "Other deductions" lines, but, during SOI editing, these items are allocated to specific data fields. To assist SOI tax examiners in interpreting taxpayer-used language on returns and allocating amounts to standard line items on the corporate tax return, the SOI Corporate Program maintains online allocation dictionaries. Allocation is completed at the consolidated return level for corporations with more than twenty subsidiaries; otherwise, it is completed at the subsidiary level.

Allocation procedures continue an SOI tradition of providing the best possible data to our customers at the Office of Tax Analysis of the Department of Treasury, the Joint Committee on Taxation of the U.S. Congress, and the Bureau of Economic Analysis of the Department of Commerce, as well as to other researchers who utilize SOI corporate data. To the extent possible, the allocation process ensures that amounts reported for "other" line items are not overstated and that the standard return line items are not understated. It also ensures consistency from year to year in SOI corporate income tax data. Importantly, the allocation process enables SOI to provide its customers additional granularity or detail that is otherwise not available.

Sections of the tax return that are reviewed for allocation purposes include income and deductions; Schedule A, for cost of goods sold; and the balance sheet. Two lines from income/deduction statements ("Other income" and "Other deductions"); two lines on Schedule A ("Other costs" and "Additional inventory costs—Section 263A"); and five lines on the balance sheet ("Other current assets," "Other investments," "Other assets," "Other current liabilities," and "Other liabilities") typically require allocation to other, specific items. Allocation is completed through allocation screens in the online editing system (Figure A).

While previous examples described allocation, or data movements, within a particular schedule, allocation is also utilized between different schedules or statements of the return. For example, not only are amounts allocated from "Other costs" to "Purchases" on Schedule A, but significant amounts are also moved from "Other costs" to specific deduction line items reported on the deduction statement (page 1 of Form 1120). Taxes reported in "Other costs" of Schedule A are allocated to "Taxes paid" on the deduction statement. Conversely, amounts may also move from "Other deductions" to "Purchases" and/or

*Marty Harris is Chief of the Corporation Returns Analysis Section.* *This article was prepared under the direction of Kevin Cecco, Chief of the Corporation Statistics Branch. The author acknowledges the technical assistance of Mark Lowe, Corporation Research Section.*

## Figure A

OI CU 851 IS BS M2

INCOME ALLOCATION COG has Not been Edited.

Allocating From: OTHER INCOME OI

Running Total: 12,940,062

Allocate TO | Amount

0 # of Allocations

Valid To_Codes:

| Code | Description |
|---|---|
| DV | TOTAL DIVIDENDS |
| GL | NET GAIN LOSS |
| GR | GROSS RECEIPTS |
| IA | INCOME ADJUSTMENT |
| IN | INTEREST |
| OD | OTHER DEDUCTIONS |
| RN | GROSS RENTS |
| RY | GROSS ROYALTIES |

Consolidated Subs Elims

Source: ELIM

| EIN | PBA | Description | Amount | To Code | |
|---|---|---|---|---|---|
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |
| | | | | | Add |

Elims Total:

"Other costs" on records in manufacturing industries for which cost of goods was imputed during SOI processing.

## Checks and Balances

The frequency and amount of allocations performed during SOI editing require procedures and tools to ensure data integrity, both before and after allocation. Some of the more significant procedures and tools include:

- Computerized statistical consistency and validity tests are completed to ensure that all total amounts within the SOI record are in balance prior to, and after, allocation. Specific tests are also completed during allocation to ensure that data movements are consistent with other characteristics of the return. For example, data movements that could be inconsistent with the industry classification, such as allocating an amount to cost of goods sold for a company in a finance sector, are flagged for additional review. Other tests are used to verify that important relationships between data items are maintained for specific industries. For example, tests verify that "Interest paid" is the largest reported deduction item for a commercial bank and that "Notes and accounts receivable" are one of the largest reported balance sheet items for a bank holding company. Additional tests ensure that total lines on a record do not include negative amounts as the result of moving negative amounts between schedules. This becomes particularly important for allocations on a consolidated return with eliminations between subsidiaries and the corporate parent. All tests that create computerized flags must be reviewed for possible correction.

- Allocations performed on a record during a prior SOI study year can be reviewed using a lookup utility for year-to-year data comparisons.

- Computerized adjustments keep the affected schedules or statements of the return in balance when allocation is utilized.

- Complete documentation of the entire allocation process is maintained.

- Lookup tools, such as online dictionaries, aid in the process of converting taxpayer-used language and categories to more specific line items on the tax return. The online dictionaries are regularly updated when new language patterns of taxpayer reporting are identified.

- Unclear taxpayer-used language, as well as amounts that exceed a certain threshold, are allocated only after special review by SOI economists and statisticians. Such allocations are documented in the microdata record for year-to-year comparisons and maintenance of online dictionaries.

- SOI is moving to incorporate enhancements possible only with newly available data from electronically filed returns. Separate processes to capture electronic data will enable matching of language or terminology on the electronic record with terminology maintained in SOI's online data dictionaries, thereby making electronic allocation possible in the future. This will certainly reduce the amount of manual data review and allow more standardization of terms among data dictionaries.

## Perspectives on the Allocation Process

- Table 1 shows specific items to which amounts were allocated, as well as items from which amounts were allocated. From this table, it is possible to identify the source(s) that account for most of the data movements and also identify where on returns a specific item may be most frequently reported. For example, approximately $133.0 billion were allocated to "Amortization," with nearly 84.0 percent coming from "Other deductions."

- Table 2 shows amounts allocated by size of total assets reported on corporate returns. Nearly $9.3 trillion of the total amount allocated came from corporations with reported assets greater than $500 million, with nearly $8.3 trillion coming from those with assets of $2.5 billion or more. Subclassifications within Table 2, and throughout the remaining tables, show that most allocation is performed for items reported on the balance

sheet, followed by items reported in income and deductions and Schedule A. Nearly three-quarters of the balance sheet movements are due to "Accounts payable," "Mortgages less than 1 year," Other investments," and "Notes and accounts receivable." The majority of those for Schedule A are to "Purchases," while "Business receipts," "Salaries and wages," and "Amortization" account for much of the allocation within the income and deduction area.

- Table 3 presents amounts allocated by critical case classification for SOI statistical processing purposes. Critical case returns are among the largest in the SOI Corporate Program, and their presence is vital to the statistical integrity of the sample. Critical case returns are classified based on a combination of assets and industry classification.[1] Approximately $7.7 trillion, more than 70 percent of the total allocated, were allocated for return records that were among the largest of the critical cases (i.e., supercritical cases), and more than $1.3 trillion were allocated for other small, critical cases (i.e., other critical cases). An almost equal amount was allocated for records that were not classified as critical cases from a statistical sampling perspective (i.e., noncritical cases).

- Table 4 shows amounts allocated by type of return—whether 1120 consolidated return or other corporate return. Consolidated returns contain the combined financial data of two or more corporations with a common corporate parent. It should be noted that amounts for consolidated returns with a common 1120-L (life insurance) or 1120-PC (property and casualty) parent are included in the column for "All other returns." Nearly $8.0 trillion of the total $10.5 trillion were allocated for 1120 consolidated returns.

- Table 5 shows the percentages of SOI published data for which allocated amounts account for 5 percent or more of the total.[2]

## Summary

Allocation, the process of moving select data items (and corresponding dollar amounts) reported by taxpayers to other, more specific items or categories, has historically contributed to the richness of SOI corporate data and is one of the many reasons that SOI data are highly valued for tax policy analysis. The total allocation amount for Tax Year 2005 exceeded $10.5 trillion. Most allocation is performed on returns filed for corporations reporting assets greater than $500 million. Similarly, most allocation is performed on consolidated returns, many of which are considered statistically critical to the SOI corporate sample. Amounts allocated in many cases comprise a significant proportion of published SOI data. Continual improvements and enhancements, as described in this article, contribute to the efficiency and accuracy of the process.

[1] For further information, see Davitian, Lucy (2005), "Corporation Supercritical Cases: How Do Imputed Returns on the Corporate File Compare to the Actual Return," American Statistical Association Conference.

[2] Published data are contained in *Statistics of Income-Corporation Income Tax Returns, 2005* and *Statistics of Income Corporation Source Book, 2005.*

## Table 1. Selected Sources and Percentages of Allocation, Tax Year 2005

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

| Item allocated to | Item allocated from | Amount | Percentage |
|---|---|---|---|
| **BALANCE SHEET ALLOCATION** | | | |
| Cash | Total | 140,557,415 | |
| | Other current assets | 55,982,925 | 39.8 |
| | Other investments | 55,873,240 | 39.8 |
| Notes and accounts receivable [1] | Total | 2,627,124,123 | |
| | Other current assets | 2,270,396,768 | 86.4 |
| Investments in government obligations | Total | 256,150,117 | |
| | Other investments | 241,404,197 | 94.2 |
| Tax-exempt securities | Total | 294,725,395 | |
| | Other investments | 291,589,061 | 98.9 |
| Other investments | Total | 1,436,983,039 | |
| | Other assets | 1,358,568,648 | 94.5 |
| Depreciable assets | Total | 105,679,840 | |
| | Other assets | 90,703,298 | 85.8 |
| Accounts payable | Total | 1,618,406,908 | |
| | Other current liabilities | 1,582,596,193 | 97.8 |
| Mortgages, notes, and bonds payable in less than 1 year | Total | 1,147,561,260 | |
| | Other current liabilities | 1,107,095,460 | 96.5 |
| Other current liabilities | Total | 502,294,718 | |
| | Other liabilities | 452,935,921 | 90.2 |
| Mortgages, notes, and bonds payable in 1 year or more | Total | 808,337,020 | |
| | Other liabilities | 773,927,817 | 95.7 |
| **SCHEDULE A ALLOCATION [2]** | | | |
| Purchases | Total | 209,914,459 | |
| | Other costs | 144,173,639 | 68.7 |
| | Other deductions | 19,484,669 | 9.3 |
| Cost of labor | Total | 34,119,979 | |
| | Other costs | 34,119,979 | 100 |
| **INCOME/DEDUCTION ALLOCATION** | | | |
| Business receipts | Total | 325,349,196 | |
| | Other income | 295,281,877 | 90.8 |
| Salaries and wages | Total | 110,723,874 | |
| | Other deductions | 66,680,374 | 60.2 |
| Taxes paid | Total | 78,689,861 | |
| | Other costs | 40,443,572 | 51.4 |
| | Other deductions | 14,161,844 | 18.0 |
| Amortization | Total | 132,813,606 | |
| | Other deductions | 111,199,524 | 83.7 |
| | Other costs | 13,514,202 | 10.2 |

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

## Table 2. Allocations by Size of Total Assets, Tax Year 2005

[All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

| Allocated to | Size of total assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Under $50,000 | $50,000 under $100,000 | $100,000 under $250,000 | $250,000 under $500,000 | $500,000 under $2,500,000 | $2,500,000 or more |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| **BALANCE SHEET ALLOCATION** | | | | | | | |
| **Total balance sheet allocations** | **9,252,322,347** | **294,096,835** | **82,326,378** | **178,274,297** | **219,711,640** | **832,099,318** | **7,645,813,879** |
| Cash | 140,557,415 | 14,147,608 | 2,234,185 | 3,808,598 | 3,126,374 | 9,233,624 | 108,007,026 |
| Notes and accounts receivable[1] | 2,627,124,123 | 40,076,298 | 17,578,915 | 40,737,704 | 48,608,087 | 154,276,422 | 2,325,846,698 |
| Inventories | 19,120,706 | 2,753,382 | 529,644 | 554,500 | 644,368 | 2,783,975 | 11,854,837 |
| Investments in government obligations | 256,150,117 | 2,383,009 | 2,255,124 | 5,927,030 | 6,540,119 | 23,642,742 | 215,402,093 |
| Tax-exempt securities | 294,725,395 | 1,720,224 | 1,452,360 | 4,520,456 | 7,271,259 | 25,438,631 | 254,322,465 |
| Other current assets | 86,232,449 | 2,229,330 | 1,718,431 | 3,632,368 | 8,059,594 | 27,107,753 | 43,484,973 |
| Loans to shareholders | 452,520 | 330,259 | 56,543 | 65,699 | 18 | 0 | 0 |
| Mortgage and real estate loans | 84,798,297 | 4,088,302 | 1,063,763 | 2,735,199 | 2,072,708 | 4,124,497 | 70,713,828 |
| Other investments | 1,436,983,039 | 70,554,057 | 15,455,136 | 27,256,335 | 28,565,646 | 138,722,207 | 1,156,429,658 |
| Depreciable assets | 105,679,840 | 12,622,197 | 2,463,660 | 3,293,091 | 2,927,652 | 12,794,262 | 71,578,978 |
| Less accumulated depreciation | 3,314,410 | 47,100 | 993 | 4,239 | 497 | 68,464 | 3,193,117 |
| Depletable assets | -13,127,879 | -8,804,446 | -1,419,266 | -1,622,789 | -1,340,289 | -2,536,748 | 2,595,658 |
| Land | 7,480,636 | 5,091,533 | 365,871 | 273,745 | 423,702 | 1,280,439 | 45,345 |
| Intangible assets (amortizable) | 77,140,460 | 2,074,650 | 283,217 | 589,250 | 1,023,901 | 5,466,374 | 67,703,068 |
| Less accumulated amortizaton | 5,318,441 | 421,978 | 23,254 | 93,677 | 64,982 | 718,432 | 3,996,119 |
| Other assets | 18,201,092 | 869,886 | 270,044 | 360,985 | 947,508 | 3,139,826 | 12,612,842 |
| Accounts payable | 1,618,406,908 | 39,552,190 | 10,299,498 | 27,437,247 | 37,938,966 | 177,525,512 | 1,325,653,496 |
| Mortgages, notes, and bonds payable in less than 1 year | 1,147,561,260 | 51,467,861 | 8,975,919 | 14,360,507 | 19,174,562 | 70,541,959 | 983,040,452 |
| Other current liabilities | 502,294,718 | 4,368,295 | 7,993,863 | 24,159,502 | 32,248,832 | 91,403,690 | 342,120,537 |
| Loans from shareholders | 1,244,355 | 492,786 | 176 | 1,865 | -41,984 | 164,021 | 627,491 |
| Mortgages, notes, and bonds payable in 1 year or more | 808,337,020 | 46,363,923 | 10,068,325 | 19,259,197 | 20,760,087 | 82,032,719 | 629,852,769 |
| Other liabilities | 2,190,365 | 76,332 | 202 | 9,643 | 1,306 | 166,411 | 1,936,472 |
| Capital stock | 3,983,868 | 544,807 | 433,673 | 537,691 | 193,694 | 986,789 | 1,287,213 |
| Additional paid-in capital | 321,542 | 290,541 | 15,640 | 0 | 14,111 | 1,250 | 0 |
| Retained earnings, appropriated | 11,859,335 | 217,956 | 10,437 | 59,873 | 60,513 | 798,720 | 10,711,836 |
| Retained earnings, unappropriated | 5,962,939 | 116,165 | 195,553 | 211,538 | 425,430 | 2,217,346 | 2,796,907 |
| Less cost of treasury stock | 8,978 | 610 | 1,219 | 7,148 | 0 | 0 | 0 |
| **SCHEDULE A ALLOCATION [2]** | | | | | | | |
| **Total Schedule A allocations** | **255,838,224** | **75,957,673** | **7,623,264** | **10,766,725** | **16,406,733** | **33,005,571** | **112,078,259** |
| Inventory, beginning of year | 3,540,214 | 230,012 | 61,099 | -36,840 | 205,039 | 1,793,178 | 1,287,725 |
| Purchases | 209,914,459 | 62,177,302 | 6,179,857 | 8,697,023 | 9,516,574 | 26,831,768 | 96,511,935 |
| Cost of labor | 34,119,979 | 9,977,286 | 977,537 | 1,631,338 | 6,419,584 | 3,799,932 | 11,314,302 |
| Additional inventory costs (section 263A) | -33,988 | 2,981 | -8,235 | 30,735 | -2,993 | 6,466 | -62,941 |
| Other costs | 8,297,561 | 3,570,092 | 413,006 | 444,468 | 268,529 | 574,226 | 3,027,239 |

Footnotes at end of table.

## Table 2. Allocations by Size of Total Assets, Tax Year 2005—Continued

[All figures are estimates based on samples—money amounts and size of total assets are in thousands of dollars]

| Allocated to | Size of total assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Under $50,000 | $50,000 under $100,000 | $100,000 under $250,000 | $250,000 under $500,000 | $500,000 under $2,500,000 | $2,500,000 or more |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| **INCOME/DEDUCTION ALLOCATION** | | | | | | | |
| **Total income/deduction allocations** | **969,916,825** | **248,466,542** | **23,327,267** | **36,469,074** | **32,989,233** | **109,917,794** | **518,746,915** |
| Business receipts | 325,349,196 | 47,454,639 | 3,909,977 | 7,866,028 | 8,053,558 | 29,559,730 | 228,505,263 |
| Interest received | 6,038,118 | 869,489 | 167,256 | 175,105 | 203,485 | 879,150 | 3,743,633 |
| Rents | 3,098,161 | 892,226 | 51,166 | 103,610 | 69,327 | 226,263 | 1,755,570 |
| Royalties | 2,381,673 | 262,598 | 52,475 | 303,830 | 146,782 | 515,816 | 1,100,172 |
| Net gain, noncapital assets | -574,632 | 429,339 | 29,233 | 78,967 | 110,586 | 329,021 | -1,551,778 |
| Total dividends | 760,816 | 159,757 | 7,277 | 15,230 | 8,376 | 117,107 | 453,068 |
| Other income | -48,168 | -19 | -59 | -12,046 | -36,044 | 0 | 0 |
| Compensation of officers | 539,846 | 503,811 | 11,667 | 32,347 | -1,573 | 5,873 | -12,279 |
| Salaries and wages | 110,723,874 | 51,759,605 | 2,411,660 | 3,886,755 | 2,792,638 | 8,627,051 | 41,246,164 |
| Repairs | 15,133,389 | 5,901,665 | 304,044 | 386,827 | 340,760 | 1,416,487 | 6,783,606 |
| Bad Debts | 1,952,190 | 166,912 | 14,837 | 46,657 | 41,972 | 106,394 | 1,575,418 |
| Rent paid on business property | 71,692,663 | 42,209,168 | 2,867,876 | 3,477,604 | 2,312,202 | 7,008,782 | 13,817,032 |
| Taxes paid | 78,689,861 | 30,521,676 | 3,169,555 | 4,161,865 | 3,443,230 | 10,354,312 | 27,039,224 |
| Interest paid | 5,330,735 | 1,924,979 | 110,757 | 162,951 | 93,824 | 537,465 | 2,500,759 |
| Charitable contributions | 460,172 | 186,704 | 5,692 | 7,506 | 6,232 | 77,962 | 176,075 |
| Amortization | 132,813,606 | 12,457,355 | 2,817,537 | 5,247,676 | 5,955,292 | 20,229,517 | 86,106,229 |
| Depreciation | 85,097,522 | 16,773,533 | 3,610,775 | 5,496,169 | 4,759,749 | 14,043,915 | 40,413,381 |
| Depletion | 3,393,447 | 243,416 | 56,102 | 172,293 | 62,744 | 174,827 | 2,684,064 |
| Advertising | 11,817,461 | 2,606,962 | 141,708 | 225,337 | 304,857 | 662,042 | 7,876,556 |
| Pension, profit-sharing, etc. plans | 11,307,407 | 2,278,353 | 252,124 | 414,416 | 319,947 | 1,181,432 | 6,861,136 |
| Employee benefit programs | 72,970,527 | 29,522,757 | 3,050,952 | 3,505,290 | 3,234,605 | 8,530,674 | 25,126,250 |
| Employee stock option dividends | 1,122,599 | 98,959 | 23,402 | 39,552 | 4,209 | 40,901 | 915,576 |
| Intangible drilling costs | 30,304,541 | 1,384,019 | 271,838 | 685,144 | 815,468 | 5,335,998 | 21,812,075 |
| Other deductions | -438,179 | -141,363 | -10,582 | -10,037 | -52,994 | -42,925 | -180,279 |
| **Total all allocations** | **10,478,077,397** | **618,521,050** | **113,276,908** | **225,510,096** | **269,107,606** | **975,022,684** | **8,276,639,052** |

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

## Table 3. Allocations by Critical Case Classification, Tax Year 2005

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

| Allocated to | Level of critical case | | | |
|---|---|---|---|---|
| | Total | Supercritical | Other critical | Noncritical |
| | (1) | (2) | (3) | (4) |
| **BALANCE SHEET ALLOCATION** | | | | |
| **Total balance sheet allocations** | **9,252,322,347** | **7,098,297,993** | **1,123,335,871** | **1,030,688,483** |
| Cash | 140,557,415 | 82,022,122 | 33,561,520 | 24,973,773 |
| Notes and accounts receivable [1] | 2,627,124,123 | 2,217,028,446 | 218,451,928 | 191,643,748 |
| Inventories | 19,120,706 | 12,159,531 | 3,173,210 | 3,787,965 |
| Investments in government obligations | 256,150,117 | 195,817,039 | 30,577,254 | 29,755,824 |
| Tax-exempt securities | 294,725,395 | 216,598,245 | 55,394,693 | 22,732,457 |
| Other current assets | 86,232,449 | 34,177,409 | 19,710,529 | 32,344,511 |
| Loans to shareholders | 452,520 | 0 | 65,718 | 386,803 |
| Mortgage and real estate loans | 84,798,297 | 54,816,077 | 20,535,779 | 9,446,441 |
| Other investments | 1,436,983,039 | 1,104,283,146 | 179,177,032 | 153,522,860 |
| Depreciable assets | 105,679,840 | 71,344,323 | 17,406,444 | 16,929,073 |
| Less accumulated depreciation | 3,314,410 | 3,013,502 | 252,351 | 48,556 |
| Depletable assets | -13,127,879 | 2,409,279 | -5,072,548 | -10,464,611 |
| Land | 7,480,636 | 45,345 | 1,974,617 | 5,460,673 |
| Intangible assets (amortizable) | 77,140,460 | 67,707,474 | 6,902,742 | 2,530,244 |
| Less accumulated amortizaton | 5,318,441 | 3,949,368 | 914,503 | 454,570 |
| Other assets | 18,201,092 | 12,750,435 | 3,748,844 | 1,701,813 |
| Accounts payable | 1,618,406,908 | 1,234,113,467 | 157,515,749 | 226,777,693 |
| Mortgages, notes, and bonds payable in less than 1 year | 1,147,561,260 | 925,695,109 | 129,965,341 | 91,900,810 |
| Other current liabilities | 502,294,718 | 261,175,188 | 107,519,888 | 133,599,641 |
| Loans from shareholders | 1,244,355 | 771,089 | -19,697 | 492,963 |
| Mortgages, notes, and bonds payable in 1 year or more | 808,337,020 | 586,365,843 | 136,720,751 | 85,250,426 |
| Other liabilities | 2,190,365 | 1,926,114 | 185,704 | 78,547 |
| Capital stock | 3,983,868 | 577,213 | 721,920 | 2,684,736 |
| Additional paid-in capital | 321,542 | 0 | 1,250 | 320,292 |
| Retained earnings, appropriated | 11,859,335 | 9,325,250 | 1,668,698 | 865,387 |
| Retained earnings, unappropriated | 5,962,939 | 226,978 | 2,281,651 | 3,454,310 |
| Less cost of treasury stock | 8,977 | 0 | 0 | 8,977 |
| **SCHEDULE A ALLOCATION [2]** | | | | |
| **Total Schedule A allocations** | **255,838,225** | **115,829,989** | **53,373,230** | **86,635,007** |
| Inventory, beginning of year | 3,540,214 | 1,395,494 | 1,782,719 | 362,001 |
| Purchases | 209,914,459 | 99,048,181 | 39,361,186 | 71,505,093 |
| Cost of labor | 34,119,979 | 11,841,142 | 11,043,528 | 11,235,309 |
| Additional inventory costs (sectiono 263A) | -33,988 | -61,437 | 21,151 | 6,298 |
| Other costs | 8,297,561 | 3,606,609 | 1,164,646 | 3,526,306 |
| **INCOME/DEDUCTION ALLOCATION** | | | | |
| **Total income/deduction allocations** | **969,916,825** | **512,044,762** | **164,071,991** | **293,800,071** |
| Business receipts | 325,349,196 | 228,667,399 | 37,556,597 | 59,125,199 |
| Interest received | 6,038,118 | 3,839,852 | 1,002,066 | 1,196,200 |
| Rents | 3,098,161 | 1,278,761 | 750,963 | 1,068,437 |
| Royalties | 2,381,673 | 1,375,939 | 665,838 | 339,896 |
| Net gain, noncapital assets | -574,632 | -1,535,650 | 411,819 | 549,198 |
| Total dividends | 760,816 | 321,994 | 206,687 | 232,134 |
| Other income | -48,168 | 0 | -537 | -47,631 |
| Compensation of officers | 539,846 | -7,064 | 26,423 | 520,487 |
| Salaries and wages | 110,723,874 | 32,530,014 | 18,100,273 | 60,093,586 |
| Repairs | 15,133,389 | 6,891,711 | 1,943,319 | 6,298,359 |
| Bad debts | 1,952,190 | 1,482,688 | 180,968 | 288,534 |
| Rent paid on business property | 71,692,663 | 14,003,474 | 12,004,585 | 45,684,604 |
| Taxes paid | 78,689,861 | 27,895,344 | 15,974,760 | 34,819,757 |
| Interest paid | 5,330,735 | 2,419,401 | 995,769 | 1,915,565 |
| Charitable contributions | 460,172 | 181,274 | 75,915 | 202,983 |
| Amortization | 132,813,606 | 87,548,282 | 27,803,060 | 17,462,264 |
| Depreciation | 85,097,522 | 40,874,618 | 21,610,063 | 22,612,841 |
| Depletion | 3,393,447 | 2,684,530 | 409,058 | 299,858 |
| Advertising | 11,817,461 | 7,218,668 | 1,609,577 | 2,989,216 |
| Pension, profit-sharing, etc. plans | 11,307,407 | 6,605,926 | 1,933,734 | 2,767,747 |
| Employee benefit programs | 72,970,527 | 24,504,687 | 14,763,725 | 33,702,115 |
| Employee stock option dividends | 1,122,599 | 828,292 | 138,646 | 155,661 |
| Intangible drilling costs | 30,304,541 | 22,509,202 | 6,055,981 | 1,739,359 |
| Other deductions | -438,179 | -74,581 | -147,299 | -216,300 |
| **Total all allocations** | **10,478,077,397** | **7,726,172,744** | **1,340,781,092** | **1,411,123,562** |

[1] Net of allowance for bad debts.
[2] Schedule A is entitled "Cost of Goods Sold."

## Table 4. Allocations for Form 1120 Consolidated Returns and All Other Returns, Tax Year 2005

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

| Allocated to | Total | Form 1120 consolidated returns | All other returns |
|---|---|---|---|
| | (1) | (2) | (3) |
| **BALANCE SHEET ALLOCATION** | | | |
| **Total balance sheet allocations** | **9,252,322,347** | **7,211,065,029** | **2,041,257,318** |
| Cash | 140,557,415 | 79,236,250 | 61,321,165 |
| Notes and accounts receivable [1] | 2,627,124,123 | 2,307,951,967 | 319,172,157 |
| Inventories | 19,120,706 | 14,400,126 | 4,720,580 |
| Investments in government obligations | 256,150,117 | 147,134,335 | 109,015,782 |
| Tax-exempt securities | 294,725,395 | 14,222,115 | 280,503,280 |
| Other current assets | 86,232,449 | 20,514,448 | 65,718,000 |
| Loans to shareholders | 452,520 | 102,596 | 349,924 |
| Mortgage and real estate loans | 84,798,297 | 69,694,556 | 15,103,741 |
| Other investments | 1,436,983,039 | 1,141,568,331 | 295,414,708 |
| Depreciable assets | 105,679,840 | 82,566,638 | 23,113,201 |
| Less accumulated depreciation | 3,314,410 | 1,799,350 | 1,515,059 |
| Depletable assets | -13,127,879 | -4,099,122 | -9,028,757 |
| Land | 7,480,636 | 1,217,486 | 6,263,149 |
| Intangible assets (amortizable) | 77,140,460 | 70,833,700 | 6,306,760 |
| Less accumulated amortizaton | 5,318,441 | 4,522,139 | 796,302 |
| Other assets | 18,201,092 | 14,540,568 | 3,660,524 |
| Accounts payable | 1,618,406,908 | 1,204,490,608 | 413,916,300 |
| Mortgages, notes, and bonds payable in less than 1 year | 1,147,561,260 | 944,622,699 | 202,938,562 |
| Other current liabilities | 502,294,718 | 417,643,024 | 84,651,694 |
| Loans from shareholders | 1,244,355 | 767,548 | 476,807 |
| Mortgages, notes, and bonds payable in 1 year or more | 808,337,020 | 668,316,771 | 140,020,250 |
| Other liabilities | 2,190,365 | 2,123,930 | 66,435 |
| Capital stock | 3,983,868 | 1,953,118 | 2,030,750 |
| Additional paid-in capital | 321,542 | 565 | 320,977 |
| Retained earnings, appropriated | 11,859,335 | 4,518,198 | 7,341,137 |
| Retained earnings, unappropriated | 5,962,939 | 415,804 | 5,547,136 |
| Less cost of treasury stock | 8,978 | 7,281 | 1,697 |
| **SCHEDULE A ALLOCATION [2]** | | | |
| **Total Schedule A allocations** | **255,838,225** | **170,362,477** | **85,475,748** |
| Inventory, beginning of year | 3,540,214 | 3,183,694 | 356,520 |
| Purchases | 209,914,459 | 138,317,667 | 71,596,793 |
| Cost of labor | 34,119,979 | 24,458,312 | 9,661,667 |
| Additional inventory costs (section 263A) | -33,988 | -29,316 | -4,672 |
| Other costs | 8,297,561 | 4,432,120 | 3,865,440 |
| **INCOME/DEDUCTION ALLOCATION** | | | |
| **Total income/deduction allocations** | **969,916,825** | **606,435,616** | **363,481,209** |
| Business receipts | 325,349,196 | 255,115,834 | 70,233,362 |
| Interest received | 6,038,118 | 4,547,408 | 1,490,710 |
| Rents | 3,098,161 | 1,419,662 | 1,678,499 |
| Royalties | 2,381,673 | 2,152,667 | 229,006 |
| Net gain, noncapital assets | -574,632 | -1,095,964 | 521,332 |
| Total dividends | 760,816 | 546,100 | 214,716 |
| Other income | -48,168 | -596 | -47,572 |
| Compensation of officers | 539,846 | -5,555 | 545,402 |
| Salaries and wages | 110,723,874 | 6,974,617 | 103,749,256 |
| Repairs | 15,133,389 | 8,250,854 | 6,882,535 |
| Bad debts | 1,952,190 | 1,730,415 | 221,775 |
| Rent paid on business property | 71,692,663 | 26,289,864 | 45,402,800 |
| Taxes paid | 78,689,861 | 40,996,955 | 37,692,906 |
| Interest paid | 5,330,735 | 1,740,118 | 3,590,617 |
| Charitable contributions | 460,172 | 125,858 | 334,314 |
| Amortization | 132,813,606 | 116,176,001 | 16,637,605 |
| Depreciation | 85,097,522 | 60,403,648 | 24,693,875 |
| Depletion | 3,393,447 | 2,877,543 | 515,904 |
| Advertising | 11,817,461 | 4,610,234 | 7,207,228 |
| Pension, profit-sharing, etc. plans | 11,307,407 | 6,299,748 | 5,007,659 |
| Employee benefit programs | 72,970,527 | 38,193,983 | 34,776,544 |
| Employee stock option dividends | 1,122,599 | 934,550 | 188,049 |
| Intangible drilling costs | 30,304,541 | 28,205,258 | 2,099,283 |
| Other deductions | -438,179 | -53,584 | -384,595 |
| **Total all allocations** | **10,478,077,397** | **7,987,863,122** | **2,490,214,275** |

[1] Net of allowance for bad debts.

[2] Schedule A is entitled "Cost of Goods Sold."

## Table 5. Allocations Accounting for Five Percent or More of Published Data, Tax Year 2005

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

| Allocated to | Published amount | Amount allocated | Percentage |
|---|---|---|---|
| | (1) | (2) | (3) |
| **BALANCE SHEET ALLOCATION** | | | |
| Accounts payable | 6,028,618,202 | 1,618,406,908 | 26.8 |
| Mortgages, notes, and bonds payable in less than 1 year | 4,192,065,342 | 1,147,561,260 | 27.4 |
| Tax-exempt securities | 1,468,019,062 | 294,725,395 | 20.1 |
| Investments in government obligations | 1,613,373,550 | 256,150,117 | 15.9 |
| Mortgages, notes, and bonds payable in 1 year or more | 8,331,501,033 | 808,337,020 | 9.7 |
| Other investments | 25,161,629,498 | 1,436,983,039 | 5.7 |
| Cash | 2,823,419,976 | 140,557,415 | 5.0 |
| **INCOME/DEDUCTION ALLOCATION** | | | |
| Amortization | 140,874,992 | 132,813,606 | 94.3 |
| Depletion | 15,421,478 | 3,393,447 | 22.0 |
| Taxes paid | 472,952,167 | 78,689,861 | 16.6 |
| Depreciation | 530,931,029 | 85,097,522 | 16.0 |
| Rent paid on business property | 438,512,225 | 71,692,663 | 16.3 |
| Repairs | 154,331,486 | 15,133,389 | 9.8 |
| Pension, profit-sharing, etc. plans | 146,824,063 | 11,307,407 | 7.7 |

# SOI Sampling Methodology and Data Limitations

This article discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports. More technical information is available, on request, by writing to the Director, Statistics of Income Division RAS:S, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

## Sample Criteria and Selection of Returns

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. As returns are filed and processed for tax purposes, they are assigned to sampling classes (strata) based on such criteria as: industry, presence or absence of a tax form or schedule, and various income factors or other measures of economic size (such as total assets, total receipts, size of gift, and size of estate). The samples are selected from each stratum over the appropriate filing periods. Thus, sample selection can continue for a given study for several calendar years—3 for corporations because of the incidence of fiscal (noncalendar) year reporting and extensions of filing time. Because sampling must take place before the population size is known precisely, the rates of sample selection within each stratum are fixed. This means, in practice, that both the population and the sample size can differ from those planned. However, these factors do not compromise the validity of the estimates.

The probability of a return's selection depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the estimated processing costs or the target size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master Files based on the taxpayer identification number (TIN), which is either the Social Security number (SSN) or the Employer Identification Number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise, it is counted (for estimation purposes), but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TINs designated from one year's sample are, for the most part, selected for the next year's, so that a very high proportion of the returns selected in the current year's sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from one year to the next.

## Method of Estimation

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. "Weights" are computed by dividing the count of returns filed for a given stratum by the number of population sample returns for that same stratum. These weights are usually adjusted for unavailable returns, outliers, or trimming weights. Weights are used to adjust for the various sampling rates used, relative to the population—the lower the rate, the larger the weight. For some studies, it is possible to improve the estimates by subdividing the original sampling classes into "poststrata," based on additional criteria or refinements of those used in the original stratification. Weights are then computed for these poststrata using additional population counts. The data on each sample return in a stratum are then multiplied by that weight. To produce

**Sample returns are designated by computer from the IRS Master Files based on the taxpayer identification number.**

**In transcribing and tabulating data from tax returns, checks are imposed to improve the quality of the statistics.**

the tabulated estimates, the weighted data are summed to produce the published statistical totals.

## Sampling Variability

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports, the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in percentage form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its CV to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 2 percent, then the following arithmetic procedure would be followed to construct a 68-percent confidence interval estimate:

| | |
|---|---|
| 150,000 | (sample estimate) |
| x 0.02 | (coefficient of variation) |
| = 3,000 | (standard error of estimate) |

then:

| | |
|---|---|
| 150,000 | (sample estimate) |
| + or - 3,000 | (standard error) |
| = {147,000, 153,000} | (68-percent confidence interval). |

Based on these data, the interval estimate is from 147 to 153 thousand returns. This means that the average estimate of the number of returns lies within an interval computed in this way. Such an estimate would be correct for approximately two-thirds of all possible samples similarly selected. To obtain this interval estimate with 95-percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning sample design, sample selection, estimation method, and sampling variability for a particular SOI study may be obtained, on request, by writing to the Director, Statistics of Income Division, at the address given above.

## Nonsampling Error Controls and Limitations

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors and inconsistencies, processing errors, and the effects of any early cutoff of sampling. Additional information on nonsampling error as it applies to individual and corporation income tax returns is presented in the separate SOI reports on these returns.

In transcribing and tabulating the information from returns or forms selected for the sample, steps are taken to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during the statistical abstracting and "editing" process that takes place in IRS submission processing centers. This is done to improve data consistency from return to return and to achieve definitions of the data items more in keeping with the needs of major users. In some cases, not all of the data are available from the tax return as originally filed. Sometimes, the missing data can be obtained by the Statistics of Income Division in Washington, DC, through field followup. More often, though, they are obtained through manual or computerized imputation. For this purpose, other information in the return or in accompanying schedules may be sufficient to serve as the basis for making an estimate. Prior-year data for the same taxpayer can be used for this same purpose, or comparable data from business reference books may be substituted.

Data abstracted or "edited" from returns for statistical use are subjected to a number of validation checks, including systematic verifications of a sampling of the work of each tax examiner involved in the SOI process. Data reported on sampled returns

and previously transcribed as part of processing for the IRS Master Files are subject to validation as part of the administrative process before SOI processing begins. However, during the administrative process, it is only practical to transcribe corrections to errors that have a direct bearing on the tax reported or the refund claimed. Therefore, during the SOI process, checks must also be made to correct any errors or inconsistencies left in the administrative data before the data can be accepted for the statistics.

The Statistics of Income program includes many more tax return items than are transcribed and perfected for IRS tax administration needs, especially for items reported in tax return schedules in support of the various summary totals reported on the return. Therefore, checks must also be designed to validate these additional data items and to assure that they are consistent with other data entries.

Most of the data validation checks made during the SOI process take the form of computerized tests of each record. In addition to verifying that internal consistency and proper balance and relationships among the tax return items and statistical classifications are maintained, this process is intended to check on consistency with tax law provisions, acceptable reporting practices, and generally accepted accounting principles. Most testing occurs during the data abstracting and editing operation, while the tax return source document is still on hand, although some testing for certain programs occurs later on. Records failing the tests are subjected to further review and correction.

Finally, before publication, the statistics are reviewed for accuracy and reasonableness in light of the tax law provisions, taxpayer reporting variations and other limitations, tolerances and statistical techniques allowed or employed in data processing and estimating, economic conditions, and comparability with other statistical series. However, these controls do not completely eliminate the possibility of error. When discovered, errors in *Bulletin* tables are corrected, through a published errata.

## Table Conventions

Published estimates subject to excessive sampling variability are identified for most of the statistics by means of an asterisk (*) presented alongside the estimate or in place of an estimate. Presence of an asterisk means that the sampling rate was less than 100 percent of the population and that there were fewer than 10 sample observations available for estimation purposes. This method produces a rough indication of excessive sampling variability. However, the results will differ somewhat from more precise indicators of excessive sampling variability based on the standard statistical formula. For some of the statistics based on samples, asterisking was not possible because of resource and other constraints. Users should keep this limitation in mind when using these data.

A zero, in place of a frequency or an amount, in any given table cell presenting data based on an SOI sample, indicates either that (1) there were no returns in the population with the particular characteristic, or (2) because of its rarity, instances of the characteristic were not present among the sampled returns. However, for statistics based on returns selected for the sample at the 100-percent rate, a zero indicates a presumption of no returns with the particular characteristic in the population.

In addition to sampling variability, Statistics of Income is required to prevent disclosure of information about specific taxpayers or businesses in its tables. Therefore, a weighted frequency (and the associated amount, where applicable) of less than 3 is either combined with data in an adjacent cell(s) so as to meet the criteria, or deleted altogether. Similar steps are taken to prevent indirect disclosure through subtraction. However, any combined or deleted data are included in the appropriate totals. Most data on tax-exempt, nonprofit organizations are excluded from disclosure review because the Internal Revenue Code and regulations permit public access to most of the information reported by these organizations.

# Public Release of SOI Information

## Goals for Public Release of SOI Information

| Statistics of Income program and year | End of tax year | Close of filing period— Regular | Close of filing period— With extensions of time | Close of sampling period | Tentative release date for final data |
|---|---|---|---|---|---|
| | (1) | (2) | (3) | (4) | (5) |
| **Individual income tax returns:** | | | | | |
| 2007 | December 2007 | April 2008 | October 2008 | December 2008 | August 2009 |
| 2008 | December 2008 | April 2009 | October 2009 | December 2009 | August 2010 |
| **Nonfarm sole proprietorships:** | | | | | |
| 2007 | December 2007 | April 2008 | October 2008 | December 2008 | August 2009 |
| 2008 | December 2008 | April 2009 | October 2009 | December 2009 | August 2010 |
| **Partnerships:** | | | | | |
| 2007 | December 2007 | April 2008 | October 2008 | December 2008 | July 2009 |
| 2008 | December 2008 | April 2009 | October 2009 | December 2009 | July 2010 |
| **Corporations [1]:** | | | | | |
| 2006 | June 2007 | September 2007 | March 2008 | June 2008 | February 2009 |
| 2007 | June 2008 | September 2008 | March 2009 | June 2009 | February 2010 |
| **Corporation foreign tax credit [2]:** | | | | | |
| 2005 | June 2006 | September 2006 | March 2007 | June 2007 | October 2008 |
| 2006 | June 2007 | September 2007 | March 2008 | June 2008 | October 2009 |
| **Controlled foreign corporations [2]:** | | | | | |
| 2006 | June 2007 | September 2007 | March 2008 | June 2008 | October 2009 |
| **Tax-exempt organizations [3]:** | | | | | |
| 2006 | November 2007 | April 2008 | October 2008 | December 2008 | August 2009 |
| 2007 | November 2008 | April 2009 | October 2009 | December 2009 | August 2010 |
| **Private foundations [3]:** | | | | | |
| 2006 | November 2007 | April 2008 | October 2008 | December 2008 | August 2009 |
| 2007 | November 2008 | April 2009 | October 2009 | December 2009 | August 2010 |
| **Tax-exempt organization unrelated business income [3]:** | | | | | |
| 2006 | November 2007 | April 2008 | October 2008 | December 2008 | October 2009 |
| 2007 | November 2008 | April 2009 | October 2009 | December 2009 | October 2010 |
| **Estate tax returns:** | | | | | |
| 2008 | [4] | [4] | [4] | December 2008 | October 2009 |
| 2009 | [4] | [4] | [4] | December 2009 | October 2010 |
| **Split-interest trusts:** | | | | | |
| 2008 | [5] | [5] | [5] | December 2008 | October 2009 |
| 2009 | [5] | [5] | [5] | December 2009 | October 2010 |
| **Gift tax returns**: | | | | | |
| 2008 | [4] | [4] | [4] | December 2008 | October 2009 |
| 2009 | [4] | [4] | [4] | December 2009 | October 2010 |
| **Nonresident alien estate tax returns:** | | | | | |
| 2007 | [4] | [4] | [4] | December 2008 | June 2009 |
| 2009 | [4] | [4] | [4] | December 2009 | June 2010 |
| **Fiduciary extracts:** | | | | | |
| 2008 | [5] | [5] | [5] | December 2008 | October 2009 |
| 2009 | [5] | [5] | [5] | December 2009 | October 2010 |
| **Tax-exempt bonds:** | | | | | |
| 2007 | [6] | [6] | [6] | December 2008 | May 2009 |
| 2008 | [6] | [6] | [6] | December 2009 | May 2010 |

[1] Corporation statistics for 2005 represent accounting periods ended July 2005 through June 2006. Study Year 2006 is similarly defined.

[2] Data for 2005 represent accounting periods ending July 2005 through June 2006. Data for Study Year 2006 are similarly defined.

[3] Data for 2006 represent tax years ending between December 2006 and November 2007. Study Year 2007 is similarly defined.

[4] Estate and gift tax data are processed on a filing-year, rather than on a year-of-death or gift-year (tax-year) basis. At a later stage (not shown here), filing years are combined by year of death or gift year, respectively.

[5] Split-interest trust and fiduciary income tax statistics are processed on a filing-year rather than a tax-year basis.

[6] Tax-exempt private activity governmental bond statistics are collected annually based on issue year. Arbitrage rebate and penalty studies are conducted biennially, for tax years ending in odd numbers.

# SOI Projects and Contacts

**General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov**

| Projects* | Primary Analysts | Frequency and Program Content |
|---|---|---|
| **Americans Living Abroad:**<br>2006 Program | Scott Hollenbeck<br>Maureen Keenan Kahr | This periodic study is conducted every 5 years. It covers foreign income, foreign taxes paid, and foreign tax credit shown on individual income tax returns. Data are classified by size of adjusted gross income and country. |
| **Controlled Foreign Corporations:**<br>2006 Program | Jason Wenrich | This semiannual study provides data on activities of foreign corporations that are controlled by U.S. corporations. Data are classified by industry group and country. |
| **Controlled Foreign Partnerships:**<br>2008 Program | Bill States | This study provides data on activities of foreign partnerships that are controlled by U.S. corporations or partnerships. Frequency of this study has not been determined. |
| **Corporation Foreign Tax Credit:**<br>2006 Program<br>2007 Program | Scott Luttrell<br>Rob Singmaster | This annual study provides data on foreign income, taxes paid, and foreign tax credit reported on corporation foreign income tax returns. Data are classified by industry group and country. |
| **Corporation Income Tax Returns:**<br>2006 Program<br>2007 Program | Bill Rush<br>Todd Reum<br>Ellen Legel | Basic data are produced annually and cover complete income statement, balance sheet, tax, tax credits, and details from supporting schedules. Data are classified chiefly by industry group or asset size. |
| **Entity Classification Election:** | John Comisky | This annual study provides data from all Entity Classification Elections, including the type of election and whether the entity is foreign or domestic. |
| **Estate Tax:**<br>2004-2006 Program<br>2007-2009 Program | Brian Raub | This annual study provides information on a gross estate and its composition, deductions, and tax; and information on the age, sex, and marital status of decedents. Basic estate tax return data by year in which returns are filed are produced each year. Also included are data on nonresident aliens who had more than $60,000 of assets in the United States. Other statistics are available on a year-of-death basis (approximately every 3 years). The most recent study is based on decedents who died in 2004 with returns filed in 2004-2006. The most recent data available are for returns filed in 2007. |
| **Excise Taxes:** | Josh Barron<br>Ruth Schwartz | Basic data are collected and processed by three Department of the Treasury agencies: the Internal Revenue Service, the Alcohol and Tobacco Tax and Trade Bureau (formerly the Bureau of Alcohol, Tobacco, Firearms, and Explosives), and the Customs Service. Data by type of tax are shown by fiscal year for 1998-2005 and quarterly for more recent years. |

**General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov**

| Projects* | Primary Analysts | Frequency and Program Content |
|---|---|---|
| **Farm Sole Proprietorships:**<br>2007 Program<br>2008 Program<br>2009 Program | Kevin Pierce<br>Mary Jezek | This study provides farm income and expenses classified by industry and gross farm income reported by individuals on Schedule F, *Profit or Loss from Farming*. |
| **Foreign-Controlled Domestic Corporations:**<br>2006 Program | James Hobbs | This annual study covers domestic corporations with 50-percent-or-more stock ownership by a single foreign "person." It covers balance sheet, income statement, and tax-related data, which are classified by industry group, country, and size and age of the corporations. Data are compared to those for other domestic corporations. |
| **Foreign Recipients of U.S. Income:**<br>2006 Program | Scott Luttrell | This annual study provides data by country on income paid to nonresident aliens and the amount of tax withheld for the U.S. Government. |
| **Foreign Trusts:**<br>2006 Program | Dan Holik | This periodic study, conducted every 4 years, provides data on foreign trusts that have U.S. "persons" as grantors, transferors, or beneficiaries. Data include country where the trust was created, value of transfer to the trust, and year the trust was created. The most recent study is for Tax Year 2002. |
| **Gift Tax:**<br>2007 Program<br>2008 Program<br>2009 Program | Darien Jacobson<br>Melissa Belvedere | This annual study provides data for type and amount of gift, information on donee, and tax computation items. Information about the donor and gift splitting is also available. Most recent data are for Filing Year 2007. |
| **Individual Income Tax Return Public-Use File:** | Mike Weber | Microdata on CD-ROMs are produced annually and contain detailed information obtained from the individual income tax return statistics program, with identifiable taxpayer information omitted to make the file available for public dissemination on a reimbursable basis. |
| **Individual Income Tax Returns:**<br>2007 Program<br>2008 Program<br>2009 Program | Maureen Keenan Kahr<br>Scott Hollenbeck | Basic data are produced annually and cover income, deductions, tax, and credits reported on individual income tax returns and associated schedules. Data are classified by size of adjusted gross income, marital status, or type of tax computation. |
| **Individual Income Tax Returns Special Tabulations:** | Mike Parisi | Special tabulations of selected individual income, deduction, and tax data are produced on a reimbursable basis. |
| **Interest-Charge Domestic International Sales Corporations (IC-DISCs):**<br>2006 Program<br>2007 Program | Dan Holik | These corporations replaced the Domestic International Sales Corporations, or DISCs, as of 1985. Balance sheet, income statement, and export-related data are tabulated every 4 years. The most recent study is for Tax Year 2004. |

# SOI Projects and Contacts

**General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov**

| Projects* | Primary Analysts | Frequency and Program Content |
|---|---|---|
| **International Boycott Reports:**<br>2006 Program<br>2007 Program | Lissa Costa | This study provides data on business operations of U.S. "persons" in boycotting countries, as well as the requests and agreements to participate in, or cooperate with, international boycotts not sanctioned by the U.S. Government. |
| **Migration Flow and County Income Data:** | Emily Gross<br>Kevin Pierce | Migration flow data (based on year-to-year changes in individual income tax return addresses) and county or State income data are available annually on a reimbursable basis. The most recent data are for 2006-2007. |
| **Noncash Charitable Contributions:** | Janette Wilson | This study of individual income tax returns provides detailed asset donations, descriptions of the donees, donor cost, fair market value, and deduction claimed on Form 8283, *Noncash Charitable Contributions*. |
| **Occupation Studies:** | Terry Nuriddin | This periodic study classifies individual income tax returns by occupation and contains a dictionary of occupational titles that can be used to enhance the economic data of other individual income tax return studies. |
| **Partnership Returns of Income:** | Tim Wheeler<br>Nina Shumofsky | Basic data, produced annually, cover income statement, balance sheet, and details from supporting schedules. Data are classified chiefly by industry group. |
| **Partnership Withholding Study:**<br>2006 Program | Scott Luttrell | This annual study provides data on U.S. partnership payments to foreign partners. Data are classified by country and recipient type. |
| **Personal Wealth Study:**<br>2004 Program<br>2007 Program | Brian Raub | This periodic study provides estimates of personal wealth of top wealth holders that are generated from estate tax return data using the "estate multiplier" technique, in conjunction with both filing-year and year-of-death estate databases. The most recent data, for 2004, are based on returns filed from 2004 to 2006. |
| **S Corporations:** | Gabe Schneider | Annual study data are collected for the income statement and balance sheet, and from supporting schedules. Data are classified by industry group or asset size. |
| **Sales of Capital Assets:** | Janette Wilson | This periodic study provides detailed data on the sales of capital assets reported in the capital gains schedule of the individual income tax return, and on sales of residences and personal or depreciable business property. |
| **Sole Proprietorships:**<br>2007 Program<br>2008 Program<br>2009 Program | Jeff Curry | Basic data, produced annually, cover business receipts, deductions, and net income reported on Schedule C, *Profit or Loss From Business*, for nonfarm proprietors, classified by industry group. |

**General Statistical Information: (202) 874-0410 Fax: (202) 874-0964 e-mail: sis@irs.gov**

| Projects* | Primary Analysts | Frequency and Program Content |
|---|---|---|
| **Split-Interest Trust Information:**<br>2007 Program<br>2008 Program<br>2009 Program | Lisa Schreiber | This annual study provides information on charitable remainder trusts, charitable lead trusts, and pooled income funds. Data include balance sheet, income, deductions, and detail from accumulation and distribution schedules. The most recent data are for Filing Year 2006. |
| **Tax-Exempt Bond Issues:**<br>2006 Program<br>2007 Program<br>2008 Program | Emily Shammas | This annual study provides information on private activity and Governmental bond issues by type of property financed, size of face amount, and State. The most recent data are for Tax Year 2006 public purpose bonds and private activity bonds. |
| **Tax-Exempt Organizations (Except Private Foundations):**<br>2005 Program<br>2006 Program<br>2007 Program | Paul Arnsberger | This annual study provides balance sheet and income statement data for organizations classified as tax-exempt under subsections 501(c)(3)-(9) of the Internal Revenue Code. The most recent data are for Reporting Year 2005 returns filed in Calendar Years 2006-2007. |
| **Tax-Exempt Organizations, (Private Foundations):**<br>2005 Program<br>2006 Program<br>2007 Program | Cynthia Belmonte | This annual study provides balance sheet and income statement data for domestic private foundations and charitable trusts filing a Form 990-PF. The most recent data are for Reporting Year 2005 returns filed in Calendar Years 2006-2007. |
| **Tax-Exempt Organizations, Unrelated Business Income:**<br>2005 Program<br>2006 Program<br>2007 Program | Melissa Ludlum<br>Jael Jackson | This annual study provides tabulations of "unrelated business" income and deductions for organizations classified as tax-exempt under the Internal Revenue Code. The most recent data are for Reporting Year 2004 returns filed in Calendar Years 2006-2007. |
| **Transactions of Foreign-Controlled Corporations:** | Mark Lowe | This biennial study provides data on transactions between U.S. corporations and their foreign owners. Data are classified by country and industry group. |
| **ZIP Code Area Data:** | Mary Jezek | Statistics on CD-ROM show number of individual income tax returns, exemptions, and several income items by State and 5-digit ZIP Code. Data are available for 2002 and 2004-2006 on a reimbursable basis. Data for Tax Years 1998 and 2001 are also available, free of charge, on the IRS Web site: http://www.irs.gov/taxstats/article/0,,id=96947,00.html. |

* Many of the data release dates are published in each issue of the *SOI Bulletin* (see "Public Release of SOI Information"). For more information about data availability for a particular project, call or fax the numbers shown at the top of the page.

# SOI Products and Services

Statistics of Income (SOI) data are available in electronic formats and in print. For further information on any of the following products and services, or for answers to questions on the availability of SOI data, other statistical services, or release dates for data, contact SOI's **Statistical Information Services (SIS):**

**Statistical Information Services** (sis@irs.gov)
Statistics of Income Division
Internal Revenue Service
P.O. Box 2608 • Washington, DC 20013-2608
(202) 874-0410 • **Fax:** (202) 874-0964

As its name implies, SIS is best able to answer questions about data. It does not supply tax forms or information about the status of an individual's tax refund or audit examination. Media requests should be directed to the IRS Media Relations Branch, Communications Division, on (202) 622-4000.

## Free Products on the Internet

SOI's Internet site offers a combination of files presenting SOI tables, articles about SOI data, and information about SOI products and services, as well as non-SOI products, including Compliance Research projections, and nonprofit Master File microdata records. At present, over 8,933 files reside there.

**Web site:** www.irs.gov/taxstats

There is also a direct link to our Web site from FedStats, the gateway to official statistics from the Federal Government: www.fedstats.gov.

**Tax Stats**
On the Tax Stats Home Page, you will find the following list of topics that will lead to a wide range of tables, articles, and data that describe and measure elements of the U.S. tax system. There is also a link to check out What's New.

**Business Tax Statistics**
Corporations • International • Partnerships
Nonfarm Sole Proprietorships
S Corporations • All Topics

**Charitable and Exempt Organization Statistics**
Charities • Exempt Organization Master File
Private Foundations • Trusts
Tax-Exempt Bonds • All Topics

**Individual Tax Statistics**
Filing Season Statistics • Estate and Gift Tax
Individual Income Tax • International
Personal Wealth • All Topics

**Products, Publications, and Papers**
*SOI Bulletins* • *IRS Data Books*
Conference Papers • *SOI Paper Series*
All Topics

**IRS Operations, Budget, and Compliance**
Issuing Refunds • Collecting Revenue
Enforcing Laws • Assisting Taxpayers
Historical Data Tables • All Topics

**Statistics by Form**
706 • 709 • 990 • 990-PF • 990-T
1040 • 1041 • 1065 • 1118 • 1120
5471 • 5472 • 8038 • All Forms

**Statistics of Income (SOI)**
About SOI • Careers With SOI
SOI Services • SOI Studies
All Topics

**Additional Information**
Tax Statistics at a Glance
Join SOI Tax Stats E-Mail List
Payments for SOI Data
Questions On Tax Statistics?

## Products for Sale From SOI

Many of SOI's data files are available for sale on CD-ROM, diskette, tape, or via e-mail through Statistical Information Services. **Prepayment is required for orders of $100 or more**, with checks made payable to the **IRS Accounting Section.** Credit and debit card payments are also accepted. Contact SIS for information on specific products, prices, sources, media, and ordering instructions.

The following files are currently available on a reimbursable basis and include data from returns covering corporations, individuals, exempt organizations, and private foundations and charitable trusts. Most of these files are tabulations of aggregated data, but some are files of microdata records.

## Corporation Income Tax Returns

**Corporation Source Book**
CD-ROMs containing data from the *Corporation Source Book* are available for Tax Years 1996-2003 at a cost of $250 per year. Data from the 2004 through 2006 *Corporation Source Books* are available at no charge from the Tax Stats Web site. Data tables from the 2000 through 2006 *Source Book* are also available at no charge from the Tax Stats Web site at: www.irs.gov/taxstats/bustaxstats/article/0,,id=149687,00.html.

## Individual Income Tax Returns

**Individual Public-Use Microdata Files**
These files include individual income tax returns for Tax Years 1960, 1962, 1964, and 1966-2004. All of the files have been edited to protect the confidentiality of individual taxpayers. Public-use files of individual income tax returns for 1960, 1962, 1964, and 1966-1991 are available for sale by writing to the Center for Electronic Records at the National Archives and Records Administration, 8601 Adelphi Road, College Park, MD 20740-6001, or by calling toll-free (866) 272-6272. Files for 1992 through 2004 are available on CD-ROM from the SOI Division. Price for the SOI microdata files is $4,000 per year.

**County-to-County Migration Data**
One table, based on the year-to-year changes in the addresses shown on the population of returns from the IRS Individual Master File system. This table presents data on migration patterns by county for the entire United States, including inflows and outflows. The data include the number of returns (which approximates the number of households); the number of personal exemptions (which approximates the population); and total "adjusted gross income." Available for Filing Years 1984-2007. Price is $200 per year for the entire United States or $10 per State per year. All years for the entire United States are also available for $500.

**State-to-State Migration Data**
One table, based on the year-to-year changes in the addresses shown on the population of returns from the IRS Individual Master File system. This table presents data on migration patterns by State for the entire United States, including inflows and outflows. The data include the number of returns (which approximates the number of households); the number of personal exemptions (which approximates the population); and total "adjusted gross income." Available for Filing Years 1989-2007. Price is $50 per year for the entire United States or $10 per State per year.

**County Income Data**
One table, based on the population of returns from the IRS Individual Master File system. This table presents data for adjusted gross income (total and for selected sources), number of returns (which approximates the number of households), and number of personal exemptions (which approximates the population). The data are presented by county (including State totals) and are available for Tax Years 1989-2006 for the entire United States. Price is $50 per year for the entire United States or $10 per State per year.

**ZIP Code Area Data**
Statistics are available for Tax Years 2002 and 2004-2006 on CD-ROM showing the number of individual income tax returns; the total number of exemptions and number of dependent exemptions (which approximates population); adjusted gross income; salaries and wages; taxable interest; total tax; contributions; number of returns with Schedules C and F; and number of returns with Schedule A, by State and 5-digit ZIP Code. In addition to these items, data for Tax Year 2004-2006 also show the amount of taxable dividends; net capital gain/loss; IRA payment adjustment; self-employed pension adjustment; taxes paid deduction; alternative minimum tax; income tax before credits; earned income credit; and number of returns prepared by paid preparers. Price is $500 for the entire United States; $25 for a single State. Data for Tax Years 1998 and 2001 are available free on SOI's Internet site. Go to **www.irs.gov,** select the **Tax Stats** option; Individual Tax Statistics; Individual Income Tax; Zip Code Data (SOI) under Data by Geographic Areas.

## Tax-Exempt Organizations

**Compendium of Studies of Tax-Exempt Organizations, 1989-1998**
This is a compilation of articles on SOI studies of charitable and other nonprofit organizations described in Internal Revenue Code sections 501(c)(3)-(c)(9), private foundations, charitable remainder trusts, and nonprofit organizations' unrelated business income. All of these articles were published previously in various issues of the *Statistics of Income Bulletin*. In addition, the *Compen-*

*dium* includes papers on statistical sampling of tax-exempt organization returns, and other topics relating to tax-exempt organizations and philanthropy that were authored by IRS staff and others who use SOI study data for research. Available at no charge on CD-ROM.

**Microdata Records for Tax Year 2005**
Microdata records of all Forms 990 and 990-EZ sampled for the annual SOI study of tax-exempt organizations. The samples include 15,731 Internal Revenue Code section 501(c)(3) organizations and 6,844 section 501(c)(4)-(9) organizations. All returns for organizations with assets of $50,000,000 or more are included in the sample. Microdata records contain information on balance sheets and income statements, as well as weights (to estimate the population), for each organization. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitable stats/article/0,,id=97176,00.html, or may be purchased on CD-ROM for $20.

**Microdata Records for Tax Years 1992-2004**
Microdata records of all Forms 990 and 990-EZ sampled for the annual SOI study of tax-exempt organizations. Microdata records contain information on balance sheets and income statements, as well as weights (to estimate the population), for each organization. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitable stats/article/0,,id=97176,00.html, or may be purchased on CD-ROM for $20.

## Private Foundations (and Charitable Trusts)

**Microdata Records for Tax Year 2005**
Microdata records of all Forms 990-PF sampled for the annual SOI study covering private foundations and Internal Revenue Code section 4947 (a)(1) charitable trusts. The file contains both operating and nonoperating foundations and trusts. The sample includes 11,767 returns. (All returns filed by foundations with assets of $10 million or more, as well as the population of returns filed by nonexempt charitable trusts, are included in the sample.) Microdata records contain information on revenue, expenses, assets, and distributions, as well as weights, for each foundation or trust. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=96996,00.hmtl, or may be purchased for $20.

**Microdata Records for Tax Years 1992-2004**
Microdata records of all Forms 990-PF sampled for the annual SOI study covering private foundations and Internal Revenue Code section 4947 (a)(1) charitable trusts. Microdata records contain information on revenue, expenses, assets, and distributions, as well as weights, for each foundation or trust. Available for download from SOI's Tax Stats Web site at www.irs.gov/taxstats/charitablestats/article/0,,id=96996,00.html, or may be purchased for $20.

## Publications

**Statistics of Income—2006, Corporation Source Book**
*Publication 1053, Price: $175, plus $10 for shipping and handling*

This document presents detailed income statement, balance sheet, tax, and selected items, by sector, major and minor industrial groups, and size of total assets for all returns and separately for returns with net income. Separate statistics on S corporations are included by sector. Industry detail is based on the North American Industry Classification System (NAICS). The report, which underlies the *Statistics of Income—Corporation Income Tax Returns* publication, is part of an annual series and can be purchased in its entirety or by page. *Corporation Source Book* industry pages and notes for 1963 through the present are available at a cost of $30, plus $1 per page copying charge (free for orders under 5 pages). The complete, printed version of the *Source Book* for selected prior years, 1984-2006, is also for sale at $175 per year, plus $10 for shipping and handling.

**Compendium of Federal Estate Tax and Personal Wealth Studies**
*Publication 1773, Price: $26, plus $10 for shipping and handling*

Part I of this report focuses on data from estate tax returns, describing decedents, their beneficiaries, and the composition of their estates. It contains a methodological discussion of the strategy used in weighting sample data for the estate studies and presents statistics on selected components of decedents' estates, 1916-1990. Information on charitable giving is also included.

Part II presents a series of articles describing the estate-multiplier technique and its applications for personal wealth estimates, estimates of personal wealth for selected years 1962-1989, and a discussion of the relationship among realized income, wealth, and well-being.

## Products for Sale From GPO

Recent SOI publications are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, **by calling (202) 512-1800, or faxing (202) 512-2250.** Credit cards are accepted. Publications may also be obtained by using the order form at the end of this *Bulletin* or writing to:

**Superintendent of Documents**
P.O. Box 371954
Pittsburgh, PA 15250-7954

* If you determine from the Government Printing Office that any of the following items is out of print, call **Statistical Information Services on (202) 874-0410** for assistance.

### IRS Data Book, 2007

*Annually, Publication 55B, Stock No. 048-004-02498-5*
*Price: $11 International: $15.40*

This volume pertains to Fiscal Year (FY) 2007—October 1, 2006, through September 30, 2007. The report provides information on returns filed and taxes collected, enforcement, taxpayer assistance, the IRS budget and workforce, and other selected activities. The FY 2008 issue of the Data Book will be available in late March 2009.

### Statistics of Income Bulletin

*Quarterly, Publication 1136, Stock No. 748-005-00000-5*
*Subscription price: $53 International: $74.20*
*Single copy price: $39 International: $54.60*

This series provides the earliest published financial statistics from individual and corporation income tax returns. The *Bulletin* also includes annual data on nonfarm sole proprietorships and partnerships, as well as periodic or special studies of particular interest to tax analysts, administrators, and economists. Historical tables, published in the spring issue, include data from SOI, as well as tax collections and refunds by type of tax.

### Statistics of Income—2004, Corporation Income Tax Returns

*Publication 16, Stock No. 048-004-02495-1*
*Price: $52.50 International: $73.50*

This report presents more comprehensive data on corporation income tax returns with accounting periods that ended July 2005 through June 2006 than those published earlier in the *SOI Bulletin.* The 2005 report is available on SOI's Tax Stats Web site.

Presents information on:
- receipts
- deductions
- net income
- taxable income
- income tax
- tax credits
- assets
- liabilities

Classifies data by:
- industry
- accounting period
- size of total assets
- size of business receipts
- size of income tax after credits

### Statistics of Income—2006, Individual Income Tax Returns

*Publication 1304, Stock No. 048-004-02499-3*
*Price: $39 International: $54.60*

This report presents more comprehensive and complete data on individual income tax returns for Tax Year 2006 than those published earlier in the *SOI Bulletin.*

Presents information on:
- sources of income
- exemptions
- itemized deductions
- tax computations

Classifies data by:
- size of adjusted gross income
- marital status
- type of tax computation

U.S. GOVERNMENT PRINTING OFFICE
KEEPING AMERICA INFORMED

Internal Revenue Service

# STATISTICS OF INCOME

## SUBSCRIPTION AND PUBLICATION ORDER FORM

**Order Processing Code:**
**3506**

**Easy Secure Internet:**
**bookstore.gpo.gov**

**Toll Free:** (866) 512-1800
**DC Area:** (202) 512-1800
**Fax:** (202) 512-2104

**Mail: Superintendent of Documents**
**PO Box 371954**
**Pittsburgh, PA 15250-7954**

**YES,** enter my subscription(s) as follows:

_____ subscription(s) of the ***Statistics of Income Bulletin*** (List ID SOIB), for $53 per year ($74.20 International).

**YES,** send me the following publication(s):

_____ copies of ***Statistics of Income - 2004, Corporation Income Tax Returns,*** S/N 048-004-02495-1 at $50 each ($70 International).

_____ copies of ***Statistics of Income - 2006, Individual Income Tax Returns,*** S/N 048-004-02499-3 at $39 each ($54.60 International).

_____ copies of ***IRS Data Book, 2007,*** S/N 048-004-02498-5 at $11 each ($15.40 International).

Total cost of my order is _____. Price includes regular shipping and handling and is subject to change.

Personal name (Please type or print)

Company name

Street address

City, State, Zip code

Daytime phone including area code

Check method of payment:

❑ Check payable to Superindendent of Documents

❑ SOD Deposit Account ☐☐☐☐☐☐☐ — ☐

❑ Visa ❑ MasterCard ❑ Discover/NOVUS

❑ American Express

**Change of Address form for**

## Statistics of Income

# SOI BULLETIN

**Mail this form to: Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402**

Personal name (Please type or print)

Company name

Street address

City, State, Zip code

Country

**ATTACH SUBSCRIPTION LABEL HERE**

**IMPORTANT: PLEASE INCLUDE THIS COMPLETED ORDER FORM WITH YOUR PAYMENT.**