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The *Statistics of Income* (*SOI*) *Bulletin* is issued quarterly 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/statistics). The *SOI Bulletin* is now published online only.

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by James R. Hobbs
Foreign-controlled domestic corporations (83,814) made up 1.4 percent of all Federal income tax returns filed by U.S. corporations for tax year 2012. Collectively, these corporations accounted for $4.7 trillion of the total receipts (16.1 percent) and $12.3 trillion of the assets (14.5 percent) reported for the year.

High-Income Tax Returns for 2012 — 31
by Justin Bryan
For 2012, there were slightly more than 5.3 million individual income tax returns with an expanded income of $200,000 or more, accounting for 3.7 percent of all returns for the year. Of these, 13,350 returns had no worldwide income tax liability. This was a 10.3-percent decline in the number of returns with no worldwide income tax liability in 2011, and the third decrease in a row since reaching an all-time high of 19,551 returns in 2009.

SOI Migration Data: A New Approach — 91
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In the Next Issue
Articles on the following topics are tentatively planned for inclusion in the fall 2015 issue of the *Statistics of Income Bulletin*, scheduled to be published in November 2015:

- Controlled Foreign Corporations, 2010
- Partnership Returns, 2013

Foreign-Controlled Domestic Corporations, 2012

by James R. Hobbs

For Tax Year 2012, some 83,814 foreign-controlled domestic corporations (FCDCs) collectively reported $4.7 trillion of receipts and $12.3 trillion of assets.[1] While Federal income tax returns for these corporations accounted for just 1.4 percent of all United States (U.S.) corporate returns, FCDCs made up 16.1 percent of total receipts and 14.5 percent of total assets for the year.[2]

Foreign business activity in the U.S. can take several forms, including corporations. A foreign investor may own stock in a U.S. (i.e., domestic) company or one that operates in the U.S. as a branch of a foreign corporation.[3,4] FCDCs, domestic corporations "controlled" by foreign persons, are the focus of this article. This control is ownership by one foreign "person," directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock, or 50 percent or more of the value of all of the corporation's stock, at any time during the accounting period.[5,6] In this context, a person is an entity, including an individual, corporation, partnership, estate, or trust. (See "Foreign person" and "Constructive ownership rules" in the Explanation of Selected Terms section of this article.)

Total receipts for FCDCs rose 2.9 percent, less than the 3.8-percent growth for all corporations between 2011 and 2012. FCDCs accounted for 16.1 percent of total receipts reported by corporations in 2012, down slightly from 16.2 percent in 2011. Total receipts includes all income actually (as opposed to constructively) received by a corporation and reported to the Internal Revenue Service (IRS) for the tax year.

Net profits, or "net income (less deficit)," reported by all FCDCs for tax purposes under the Internal Revenue Code increased significantly to $167.1 billion for 2012, which was more than double the $79.8 billion for 2011. Placed in context, net profits for all corporations totaled $1.8 trillion for 2012, a 34.1-percent increase from the $1.3 trillion for 2011. FCDC net profits accounted for 9.4 percent of all net profits reported by corporations for 2012, up from 6.0 percent for the previous year.

About 41 percent (34,736) of FCDCs reported positive profits (i.e., "net income") totaling $238.9 billion with taxable income (i.e., "income subject to tax") of $174.2 billion for 2012. The U.S. tax liability (i.e., "total income tax after credits") of FCDCs was $45.2 billion for 2012, up 26.7 percent from the prior year. In comparison, the U.S. tax liability reported on all corporate returns was $267.9 billion for 2012, up 21.3 percent from 2011. FCDCs accounted for 16.9 percent of the U.S. tax liability of all corporations for 2012, up from 16.2 percent for 2011.

Tax Return Forms

Foreign-controlled domestic corporations report Federal income tax information on several forms. These are: (1) Form 1120, *U.S. Corporation Income Tax Return*; (2) Form 1120-L, *U.S. Life Insurance Company Income Tax Return*; (3) Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*; (4) Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; and (5) Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*. The FCDC statistics include data from these tax returns, unless otherwise stated. Data for all corporations include, unless otherwise stated, these same five forms plus Form 1120S, *U.S. Income Tax Return for an S Corporation* (for electing domestic corporations) and Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation* (for foreign corporations with income effectively connected with a

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[1] Data for Tax Year 2012 are based on FCDC income tax returns with accounting periods ending between July 2012 and June 2013. (See the Period Covered subsection under "Data Sources and Limitations" for additional information.) For additional Tax Year 2012 statistics covering foreign-controlled domestic corporations, see Tables 24 and 25 of *Statistics of Income—2012, Corporation Income Tax Returns*, IRS Publication 16 (http://www.irs.gov/uac/SOI-Tax-Stats-Corporation-Complete-Report). Statistics for tax years prior to 2012 are available in earlier editions of Publication 16. Additionally, for 2011 statistics covering FCDCs, see Hobbs, James R., "Foreign-Controlled Domestic Corporations, 2011," *Statistics of Income Bulletin*, Summer 2014, Volume 34, Number 1. FCDC data are also included on the IRS Website at http://www.irs.gov/uac/SOI-Tax-Stats-Foreign-Controlled-Domestic-Corporations.

[2] Total corporate data referenced throughout this article come from: (1) *Statistics of Income Bulletin*, Publication 1136, selected issues; (2) *Statistics of Income—Corporation Income Tax Returns*, Publication 16, selected years; (3) *Source Book of Statistics of Income—Corporation Income Tax Returns*, Publication 1053, selected years; and (4) unpublished Statistics of Income tabulations.

[3] Sections 7701(a)(4) and (5) of the Internal Revenue Code define a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation is "one which is not domestic."

[4] In addition to the foreign-controlled domestic corporation study discussed in this article, the Statistics of Income program conducts a separate study covering branches of foreign corporations operating in the United States. For the most recent statistics from that study, see Tables 10 and 11 that cover branch operations of foreign corporations with income "effectively connected" with a U.S. trade or business, in *Statistics of Income—2012, Corporation Income Tax Returns*, IRS Publication 16. Statistics for tax years prior to 2012 are available in earlier editions of Publication 16 and on the IRS Website at http://www.irs.gov/uac/SOI-Tax-Stats-Foreign-Corporations-With-U.S.-Business-Operations.

[5] This study excludes returns of domestic corporations with stock owned by a single foreign person of 49 percent or less. However, the tax forms filed by domestic corporations do indicate the presence of 25-percent to 49-percent foreign owners, and the Statistics of Income program does separately compile data on these domestic corporations. For 2012, some 5,664 returns indicated a level of foreign ownership between 25 percent and 49 percent. These companies reported $260 billion of assets, $109 billion of receipts, $7 billion of taxable income, and $2 billion of total income tax after credits. All of these amounts were small in comparison to data for the corporations with at least 50-percent foreign ownership. The FCDC study also excludes domestic corporations with only foreign "portfolio" investors. A foreign portfolio investor, having only a minimal interest in a domestic company, exerts no control over the management of a domestic corporation, except to the extent, for example, of the right to vote in corporate stockholder meetings. A foreign portfolio investor primarily seeks dividend payments, an increase in the company's stock value, or both.

[6] Returns of certain domestic companies that are effectively controlled by foreign persons, i.e., those public companies in which "control" may be exercised with as little as 10 percent to 20 percent of the stock holdings, are excluded from both the 50-percent-or-more and the 25-percent to 49-percent tabulations. Tax return forms filed by domestic corporations do not include information about foreign persons with less than 25-percent stock holdings.

U.S. trade or business). The Statistics of Income Corporation Study includes all of these form types from which FCDC statistics are derived.[7] However, FCDCs cannot file Forms 1120-F or 1120S.

Growth of FCDCs, 1971–2012

The growth of FCDCs can be measured from the early 1970s, when a question concerning foreign ownership of corporations was first asked on the income tax return. For Tax Year 1971, the 5,154 FCDCs reported $36.7 billion of total assets and $39.2 billion of total receipts. They accounted for just 0.3 percent of returns, 1.3 percent of assets, and 2.1 percent of receipts reported by all corporations for that year (Table 1).

A 10-year period (most recent data for Tax Years 2003-2012) shows that FCDC returns have been a rather constant percentage of all corporate return filings—between 1.0 percent and 1.4 percent. Foreign-controlled domestic corporations filed 58,945 returns for 2003 and 83,814 for 2012, a 42.2-percent increase. During this period, the number of U.S. corporation income tax returns grew from 5.4 million to 5.8 million. This 8.1-percent increase in total filings of U.S. corporation income tax returns was dwarfed by the 25.9-percent increase in the number of Forms 1120S filed by S corporations that elected to be taxed through their shareholders. Form 1120S returns made up 61.9 percent of all corporation returns (3.3 million of the total 5.4 million returns) for 2003, compared to 72.0 percent of all returns (4.2 million of the total 5.8 million returns) in 2012. FCDCs are not eligible to elect to be treated as S corporations for Federal income tax purposes. (See “S corporations” in the Explanation of Selected Terms section of this article.)

The number of corporation income tax returns includes consolidated returns. These returns contain the combined financial data of two or more corporations in which a common parent corporation owns at least 80 percent of the stock of at least one member of the group. Additionally, at least 80 percent of the stock of each other member of the group is owned within the group. For the purposes of this study, the IRS Statistics of Income Division treated a consolidated return filed by a common parent as a single unit, with each statistical item representing the combined data of the affiliated group.

FCDCs, like many other corporations, could elect to file consolidated returns for affiliated groups of domestic corporations. For 2012, FCDCs filed 6,423 consolidated returns, accounting for 7.7 percent of all FCDC returns. These returns represented the majority of economic activity reported by all FCDCs. Specifically, they accounted for $10.7 trillion of assets (87.4 percent of the total for all FCDCs), $4.0 trillion of receipts (84.3 percent of the total), $149.1 billion of net profits (89.2 percent of the total), $143.1 billion of taxable income (82.2 percent of the total), and $36.0 billion of total income tax after credits (79.6 percent of the total).To the extent that FCDCs filed consolidated income tax returns, the data included in this article actually represent more corporations than the stated number of returns.

The growth of foreign investment in the U.S. by foreign-controlled domestic corporations during the last 10 years is evident in most of the financial items.[8] In particular, the FCDC assets rose 99.0 percent between 2003 ($6.2 trillion) and 2012 ($12.3 trillion). In comparison, assets reported on all U.S. corporation income tax returns rose 58.4 percent between 2003 ($53.6 trillion) and 2012 ($85.0 trillion).[9] As a result, the percentage of total corporate assets accounted for by FCDCs increased from 11.5 percent for 2003 to 14.5 percent for 2012 (Figure A).

Of the $12.3 trillion of assets reported by the 83,814 FCDCs for 2012, a small number of corporations accounted for a very large share of the assets. There were 450 FCDCs that each reported assets totaling $2.5 billion or more. Collectively, these corporations accounted for the largest amount ($10.4 trillion) and share (84.4 percent) of FCDC assets for the year.

Total receipts of FCDCs increased by 83.8 percent between 2003 ($2.6 trillion) and 2012 ($4.7 trillion), compared to a 42.1-percent increase for all corporations between 2003 ($20.7 trillion) and 2012 ($29.4 trillion). As a result, the share of the receipts reported on all corporate returns attributed to FCDCs increased from 12.4 percent for 2003 to 16.1 percent for 2012.

Receipts, Deductions, and Profits

A corporation’s total receipts include all income “actually” received during the year. These receipts include business receipts, as well as investment and incidental income. Business receipts are gross operating receipts from sales and operations and frequently make up most of a corporation’s total receipts. For 2012, nearly 91 percent of the total receipts reported by domestic corporations controlled by a foreign person consisted of business receipts. (See “Total receipts” and “Business receipts” in the Explanation of Selected Terms section.) Investment income includes interest, dividends, and gains on the sale or exchange of both capital and noncapital assets. Interest, in turn, includes both taxable interest from all sources and nontaxable interest on State and local government obligations. Dividends include those received from both domestic and foreign corporations.

A domestic corporation, whether controlled by a foreign person or not, could have business activities in the United States

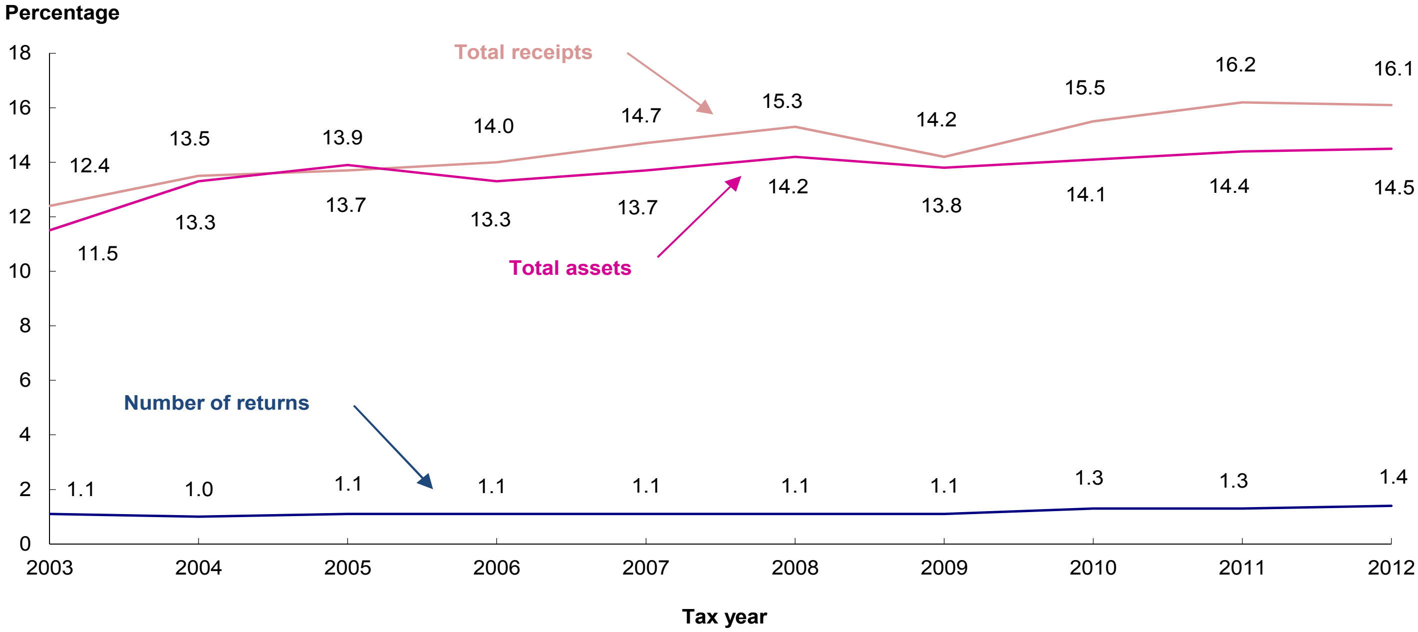
[7] As a result of the Statistics of Income (SOI) sampling process, data shown in this article for “all corporations” exclude certain out-of-scope returns, such as returns for homeowners’ associations (Form 1120-H), certain political organizations (Form 1120-POL), exempt farmers’ cooperatives (Form 1120-C), and nonprofit corporations. For a more complete listing of the returns excluded from the SOI corporation sample, see the Description of the Sample and Limitations of the Data section of *Statistics of Income—2012, Corporation Income Tax Returns*. On the other hand, in addition to legally defined corporations, the Internal Revenue Code recognizes many types of businesses as corporations, including joint stock companies and unincorporated associations (e.g., certain partnerships, savings and loan associations, mutual savings banks, cooperative banks, and business trusts). These organizations possess characteristics typical of the corporate form, such as continuity of life, limited liability of owners, and transferability of shares of capital ownership. They filed Forms 1120 and were included in the SOI corporation sample.

[8] For additional information on foreign investment in the United States, see *Survey of Current Business* reports, produced by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA periodically produces several articles related to this subject. Electronic versions of the articles can be obtained from the Internet at www.bea.gov/international/index.htm. The data in these reports may not be directly comparable to the information shown in this article because of definitional differences, such as those relating to periods covered, and levels of foreign ownership and company consolidation.

[9] The percentage changes in the assets between 2003 and 2012 of domestic corporations controlled by foreign persons, as well as those of all corporations, may overstate the actual “change in investment.” Assets are generally reported at book value on tax returns (i.e., the value at the time of acquisition). The book value of newly acquired assets is generally greater than the book value of similar assets they replaced.

Figure A

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations, Tax Years 2003–2012



SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

and foreign countries. The estimates for total receipts include business activities in the U.S. and certain foreign activities as reported on tax returns of domestic corporations. The latter include the receipts of foreign branch operations of domestic companies and dividends remitted to U.S. corporations by their foreign subsidiaries.

In this article, FCDC receipts and deductions do not include amounts generated by their foreign parent or other related foreign companies. However, FCDCs could have had business transactions with their related foreign companies. Receipts and deductions stemming from these transactions are included in the statistics.[10]

An FCDC transacting business with a related foreign company must determine "transfer prices" for those transactions. These include the sale and purchase of tangible goods, fees for services, interest payments on debts, leasing expenses, and royalties. How transfer prices are determined may affect the amount of receipts and deductions, as well as profits or losses (i.e., "deficits"), taxable income, and taxes reported on a FCDC's U.S. income tax return. Section 482 of the Internal Revenue Code, and the related regulations, provide guidance in determining transfer prices. In general, the objective is to use "arm's-length prices," which means prices that would be used for transactions between unrelated enterprises and determined by market forces.

All 83,814 FCDCs collectively produced $4.7 trillion of total receipts for Tax Year 2012; however, a small portion of these corporations accounted for most of this amount. There were 1,756 large corporations (defined as those that each produced at least $250 million of business receipts) that accounted for $4.1 trillion of total receipts, or over 87 percent of all FCDC receipts.

FCDCs reported $4.6 trillion of total deductions for 2012, only 1.2 percent more than that of the previous year (compared to total receipts that increased by 2.9 percent). See Figure B. Cost of goods sold made up over two-thirds of total deductions. This deduction item included the costs incurred by corporations in producing the goods or providing the services that generated their business receipts. Costs of materials used in manufacturing and of goods purchased for resale, as well as direct labor costs and a portion of overhead expenses, were included in the cost of goods sold. (See "Total deductions" and "Cost of goods sold" in the Explanation of Selected Terms section.)

It is noteworthy to look at the "gross profit" of FCDCs. Gross profit is the difference between business receipts and cost of goods sold. Two important industrial sectors for FCDCs, manufacturing and wholesale trade, accounted for most of the business receipts and cost of goods sold. In manufacturing, FCDCs reported $.78 of cost of goods sold for every dollar of business receipts, while the amount was $.75 for all other corporations

[10] For the most recent detailed information on transactions between "foreign-owned domestic corporations" and their related foreign persons, see Goodwin, Isaac J., "Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2008," *Statistics of Income Bulletin*, Fall 2012, Volume 32, Number 2. The data contained in that article are not completely comparable to the data contained in this article, since they cover different periods and are for U.S. corporations owned (25 percent or more) by a foreign person. By contrast, the foreign ownership level used for the FCDC statistics shown in this article was 50 percent or more. Additionally, returns included in the "foreign-owned" study showed total receipts of $500 million or more and reported transactions with related foreign persons on Form 5472, *Information Return of a 25-Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business.* Neither of these conditions was a requirement for inclusion in the FCDC study.

Figure B

Selected Items of Foreign-Controlled Domestic Corporations, Tax Years 2011–2012

[Money amounts are in millions of dollars]

Selected item	Tax year 2011	Tax year 2012	Percentage change
	(1)	(2)	(3)
Number of returns, total	**76,793**	**83,814**	**9.1**
With net income	33,358	34,736	4.1
With total income tax after credits	24,121	23,418	-2.9
Total assets	**11,732,552**	**12,277,447**	**4.6**
Net worth	2,435,171	2,808,971	15.4
Total receipts	**4,586,774**	**4,721,115**	**2.9**
Business receipts	4,203,240	4,284,239	1.9
Interest [1]	161,850	143,242	-11.5
Royalties	19,677	20,787	5.6
Dividends received from domestic corporations	4,210	5,682	35.0
Dividends received from foreign corporations	7,457	15,368	106.1
Total deductions	**4,511,644**	**4,563,917**	**1.2**
Cost of goods sold	3,099,807	3,147,347	1.5
Compensation of officers	19,489	20,108	3.2
Salaries and wages [2]	294,768	318,042	7.9
Interest paid	134,886	126,534	-6.2
Depreciation	144,567	122,717	-15.1
Total receipts less total deductions	**75,129**	**157,198**	**109.2**
Constructive taxable income from related foreign corporations, total	**6,365**	**11,959**	**87.9**
Includable income of controlled foreign corporations	2,588	3,435	32.7
Foreign dividend income resulting from foreign taxes deemed paid	3,777	8,524	125.7
Net income (less deficit)	**79,803**	**167,052**	**109.3**
Net income	166,514	238,934	43.5
Deficit	-86,710	-71,882	-17.1
Statutory special deductions, total	**41,540**	**71,070**	**71.1**
Net operating loss deduction	33,610	62,712	86.6
Income subject to tax	**130,503**	**174,151**	**33.4**
Total income tax before credits	**46,252**	**61,851**	**33.7**
Income tax	45,500	60,707	33.4
Alternative minimum tax	718	1,110	54.6
Total credits	**10,555**	**16,598**	**57.3**
Foreign tax credit	7,966	12,885	61.7
General business credit	2,181	2,775	27.2
Total income tax after credits	**35,705**	**45,240**	**26.7**

[1] Excludes nontaxable interest received on State and local government obligations.
[2] Excludes amounts included in cost of goods sold.
NOTE: Percentages are computed using rounded data.
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

classified in this sector, excluding S corporations because their income or losses are passed through to their shareholders. Thus, FCDCs as a group had smaller gross profits than other corporations, $.22 compared to $.25 for every dollar of business receipts. In wholesale trade, FCDCs as a group reported cost of goods sold of $.85 for every dollar of business receipts. The amount was slightly less ($.82) for all other corporations classified in this sector (again, excluding S corporations). As a result, FCDCs had smaller gross profits ($.15) than other wholesalers ($.18), for every dollar of business receipts. Complete income statement statistics of FCDCs are shown in Tables 24 and 25 of *Statistics of Income—2012, Corporation Income Tax Returns,* IRS Publication 16.

The resulting difference between total receipts and total deductions more than doubled to $157.2 billion for 2012, up from $75.1 billion for 2011. By comparison, total receipts less total deductions reported on all U.S. corporate income tax returns increased by 36 percent between 2011 and 2012.

FCDCs total receipts less total deductions equaled $157.2 billion for 2012, while net income (less deficit) amounted to $167.1 billion. Total receipts less total deductions include all income actually received by corporations, while net income (less deficit) focuses on taxable sources of corporate income, including "constructive" taxable income, which is made up of includable income from foreign corporations owned by U.S. shareholders and foreign dividend gross-up. (See "Constructive taxable income from related foreign corporations" in the Explanation of Selected Terms section for discussions of these terms.) Also, unlike total receipts less total deductions, net income (less deficit) excludes nontaxable interest on State and local government obligations.[11] For 2012, FCDCs reported $12.0 billion of constructive taxable income, and received $2.1 billion of nontaxable interest on State and local government obligations. Both components of constructive taxable income increased for 2012, especially foreign dividend income resulting from foreign taxes deemed paid, also called foreign dividend gross-up (from $3.8 billion for 2011 to $8.5 billion for 2012).

Net income (less deficit) reported by FCDCs more than doubled to $167.1 billion for 2012, up from $79.8 billion for the previous year. In comparison, net income (less deficit) reported on all corporation income tax returns increased 34 percent to $1.8 trillion for 2012, up from $1.3 trillion reported for 2011.

The total FCDC net income (less deficit) reported for 2012 ($167.1 billion) resulted from 34,736 corporations collectively reporting $238.9 billion of positive net income and 49,078 companies reporting $71.9 billion of deficits.[12] Thus, more than four out of every ten (41 percent) domestic corporations with foreign owners reported a positive net income. In comparison, nearly 61 percent of all corporations filing U.S. income tax returns reported a positive net income for the year.

The percentage of FCDCs reporting positive net income varied greatly among the different industrial groups. At the industrial sector level, the portion reporting positive net income ranged from a low of 22 percent for mining companies to a high of 89 percent for health care and social assistance companies. For the more predominant sectors of FCDCs, the percentages of profitable companies were 52 percent for manufacturing and 56 percent for wholesale trade.

Deficits amounting to $71.9 billion for 2012 could be carried back or carried forward to other tax years, under prescribed rules, to reduce the taxable income of those years. (See "Net operating loss deduction" (NOL) in the Explanation of Selected Terms section.) Net operating losses carried back to Tax Year 2012 from 2013 and beyond, and reported on Forms 1120X and 1139, are not included in the statistics shown in this article.[13] However, NOLs carried forward to Tax Year 2012 from prior years are included in the statistics and discussed in the next section.

Taxable Income and Taxes

For many corporations, taxable income (i.e., "income subject to tax") is generally equal to positive net income less statutory special deductions.[14] Statutory special deductions include deductions for net operating loss (NOL) carryovers from prior years and special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code. For FCDCs in 2012, the difference between the $238.9 billion of positive net income and $174.2 billion of taxable income was, for the most part, the result of statutory special deductions. The net operating loss deduction was $62.7 billion and accounted for most (88 percent) of the $71.1 billion of total statutory special deductions. In calculating taxable income for 2012, FCDCs reduced their positive net incomes 26 percent using NOLs carried over from prior years. NOLs of taxable years prior to 2012 could first be carried back 2 years to reduce the taxable income of those years. Any remaining amounts of NOLs not used to decrease taxable income of those years, could be carried forward to offset taxable income for up to 20 years, including taxable income for 2012.

For 2012, foreign-controlled domestic corporations reported $174.2 billion of taxable income. This was the base on which $60.7 billion of income tax was computed. The $61.9 billion of total income tax before credits reported by FCDCs consisted primarily of the income tax, plus alternative minimum tax and certain other taxes. The alternative minimum tax was $1.1 billion. The remaining taxes comprised a very small part of the total.

Tax credits totaling $16.6 billion reduced the U.S. income tax liability of foreign-controlled domestic corporations from $61.9 billion to $45.2 billion for 2012. The largest credits claimed were foreign tax credits ($12.9 billion) and general business credits ($2.8 billion). Total U.S. income tax after credits ($45.2 billion) represents the tax liability as originally reported by taxpayers. However, this amount may differ from the actual income tax collected and the final income tax liability of corporations for the year. The originally reported tax liability does not take into account either: (1) IRS adjustments made as a result of

[11] In general, the computation of net income (less deficit) can be shown as follows:
Begin With: Total Receipts (includes Business Receipts)
Less: Total Deductions (includes Cost of Goods Sold)
Equals: Total Receipts Less Total Deductions
Plus: Constructive Taxable Income from Related Foreign Corporations (includes Includable Income from Controlled Foreign Corporations and Foreign Dividend Gross-Up)
Less: Nontaxable Interest on State and Local Government Obligations (included in Total Receipts, above)
Equals: Net Income (Less Deficit)

[12] The 49,078 companies reporting a deficit may include a small number of "break-even" companies, i.e., those whose receipts and deductions were equal.

[13] When a company carried back a deficit to a previous tax year, it could file Form 1120X, *Amended U.S. Corporation Income Tax Return*, or Form 1139, *Corporation Application for Tentative Refund*.

[14] There were certain exceptions to the relationship of positive net income minus statutory special deductions equaling taxable income. The tax bases of S corporations and life insurance companies were not defined as net income less statutory special deductions. Rather, these types of corporations computed taxable income using special provisions of the Internal Revenue Code. S corporations were usually not taxable at the corporate level and, thus, did not have taxable income. Some, however, did have a limited tax liability on capital gains. The taxable income of life insurance companies was based on changes in reserve accounts. Also, regulated investment companies and real estate investment trusts generally passed their net incomes on to be taxed at the shareholder level; but any taxable amounts not distributed were included in income subject to tax.

Figure C

Foreign-Controlled Domestic Corporations: Selected Items, by Industrial Sector, Tax Year 2012

[Money amounts are in millions of dollars]

Industrial sector	Returns		Total assets		Total receipts	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	**83,814**	**100.0**	**12,277,447**	**100.0**	**4,721,115**	**100.0**
Agriculture, forestry, fishing, and hunting	525	0.6	10,496	0.1	11,062	0.2
Mining	896	1.1	335,852	2.7	120,886	2.6
Utilities	207	0.2	146,758	1.2	52,282	1.1
Construction	1,459	1.7	52,298	0.4	46,966	1.0
Manufacturing	7,687	9.2	2,815,087	22.9	2,146,906	45.5
Wholesale and retail trade	22,796	27.2	820,345	6.7	1,336,699	28.3
Wholesale trade	19,260	23.0	710,810	5.8	1,160,458	24.6
Retail trade	3,536	4.2	109,535	0.9	176,241	3.7
Transportation and warehousing	1,810	2.2	87,491	0.7	71,340	1.5
Information	3,721	4.4	219,477	1.8	109,759	2.3
Finance and insurance	3,225	3.8	5,523,515	45.0	446,155	9.5
Real estate and rental and leasing	20,315	24.2	198,585	1.6	30,226	0.6
Professional, scientific, and technical services	10,913	13.0	235,423	1.9	148,738	3.2
Management of companies (holding companies)	4,979	5.9	1,676,146	13.7	78,441	1.7
Administrative and support and waste management and remediation services	1,319	1.6	58,756	0.5	54,451	1.2
Educational services	93	0.1	5,134	[1]	2,429	0.1
Health care and social assistance	316	0.4	23,645	0.2	15,040	0.3
Arts, entertainment, and recreation	1,389	1.7	13,556	0.1	7,829	0.2
Accommodation and food services	1,165	1.4	50,481	0.4	36,505	0.8
Other services	998	1.2	4,403	[1]	5,401	0.1

[1] Less than 0.05 percent.
NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

tax examinations or enforcement activities, or (2) amended or superseded returns filed by the corporations. Among other reasons, corporations could file amended returns to use carryback provisions for net operating losses and unused foreign tax and general business credits earned in future tax years.

The percentage of FCDCs reporting U.S. tax liabilities (i.e., total income tax after credits) for 2012 was 27.9 percent, down from 31.4 percent for 2011. However, the amount of tax liability reported by these FCDCs increased to $45.2 billion for 2012, up 26.7 percent from $35.7 billion for 2011.[15]

Industry Characteristics

For 2012, foreign-controlled domestic corporations were involved in each of the 19 industrial sectors (treating wholesale trade and retail trade as separate sectors) listed in Figure C. However, 69 percent (58,175) of FCDCs reported primary business activities in one of four industrial sectors: (1) real estate and rental and leasing (20,315); (2) wholesale trade (19,260); (3) professional, scientific, and technical services (10,913); and (4) manufacturing (7,687). By comparison, relatively few FCDCs were primarily involved in health care and social assistance (316), utilities (207), or educational services (93). The Data Sources and Limitations section discusses how returns were classified by industry.[16]

The financial characteristics of companies often differ across industries. For instance, the relative levels of assets and receipts of companies primarily engaged in wholesale trade differ significantly from those primarily engaged in credit intermediation (e.g., commercial banks, credit card issuers, credit unions, mortgage banks, and savings institutions). FCDC wholesalers produced large amounts of receipts with relatively small amounts of assets (valued as of the end of their accounting periods), resulting in $1.63 of receipts for each dollar of end-of-year assets for 2012. By comparison, credit intermediation companies reported

[15] One focus of this article is U.S. total income tax after credits. The reader might choose to focus instead on total worldwide taxes, which may be approximated by adding the foreign tax credits claimed by corporations to the U.S. tax liabilities (i.e., total income tax after credits) of these corporations. There are limitations in using this procedure, and the foreign tax credit only approximates the foreign tax liabilities of the corporations. For the most recent statistics covering corporate foreign tax credits in depth, see Luttrell, Scott, "Corporate Foreign Tax Credit, 2010," *Statistics of Income Bulletin,* Fall 2014, Volume 34, Number 2. In addition, foreign tax credit data are included on the IRS Website at http://www.irs.gov/uac/SOI-Tax-Stats-Corporate-Foreign-Tax-Credit-Statistics.

[16] Statistics classified by industry do have certain limitations. For example, FCDCs accounted for 26.0 percent and 25.2 percent of the receipts of all companies classified as wholesalers and manufacturers, respectively. However, these percentages may overstate the FCDC portion of wholesaling and understate the FCDC portion of manufacturing. This is because certain U.S. companies (not foreign-controlled) and their subsidiaries may have been involved in both manufacturing and wholesaling of the same product(s) and reported tax information for these activities on a single (consolidated) income tax return, which was statistically classified under the industry of its principal business activity, that being manufacturing, rather than trade. Conversely, many FCDCs acted as wholesalers in the United States for products manufactured overseas by their parent, or other related, companies. These foreign-controlled domestic companies were classified in the wholesale trade industrial sector. See the Data Sources and Limitations section for additional information about industrial classification limitations.

Figure D

Total Receipts of All Corporations and Foreign-Controlled Domestic Corporations, by Industrial Sector, Tax Year 2012

[Money amounts are in millions of dollars]

Industrial sector	Total receipts				
	All corporations [2]	All corporations other than Forms 1120S and 1120-F [2, 3]	Foreign-controlled domestic corporations		
			Amount	As a percentage of --	
				All corporations [2]	All corporations other than Forms 1120S and 1120-F [2, 3]
	(1)	(2)	(3)	(4)	(5)
All industries [1]	**29,403,675**	**22,655,743**	**4,721,115**	**16.1**	**20.8**
Agriculture, forestry, fishing, and hunting	207,788	89,435	11,062	5.3	12.4
Mining	505,457	446,486	120,886	23.9	27.1
Utilities	533,516	525,691	52,282	9.8	9.9
Construction	1,211,895	413,118	46,966	3.9	11.4
Manufacturing	8,513,136	7,679,456	2,146,906	25.2	28.0
Wholesale and retail trade	8,305,550	5,508,400	1,336,699	16.1	24.3
Wholesale trade	4,460,620	2,993,908	1,160,458	26.0	38.8
Retail trade	3,844,930	2,514,492	176,241	4.6	7.0
Transportation and warehousing	844,429	603,721	71,340	8.4	11.8
Information	1,147,158	1,063,369	109,759	9.6	10.3
Finance and insurance	3,615,371	3,430,528	446,155	12.3	13.0
Real estate and rental and leasing	372,901	264,350	30,226	8.1	11.4
Professional, scientific, and technical services	1,195,356	693,388	148,738	12.4	21.5
Management of companies (holding companies)	785,851	750,292	78,441	10.0	10.5
Administrative and support and waste management and remediation services	533,668	301,747	54,451	10.2	18.0
Educational services	68,230	39,574	2,429	3.6	6.1
Health care and social assistance	723,849	424,798	15,040	2.1	3.5
Arts, entertainment, and recreation	118,158	53,819	7,829	6.6	14.5
Accommodation and food services	505,495	282,654	36,505	7.2	12.9
Other services	215,855	84,905	5,401	2.5	6.4

[1] Includes small amounts for "Nature of business not allocable," which is not shown separately.
[2] Includes returns of foreign-controlled domestic corporations (FCDCs).
[3] Form 1120S is entitled *U.S. Income Tax Return for an S Corporation* and Form 1120-F is entitled *U.S. Income Tax Return of a Foreign Corporation.* Forms 1120S reported $6.6 trillion of total receipts and Forms 1120-F reported $0.2 trillion of total receipts.
NOTES: Detail may not add to totals because of rounding. Percentages are computed using rounded data.
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

large amounts of assets, but relatively small amounts of receipts. These FCDCs produced only $.07 of receipts for each dollar of end-of-year assets (Table 2).

Corporations classified in the real estate and rental and leasing industrial sector reported less than 2 percent of the assets and less than 1 percent of the receipts of all FCDCs. These percentages were in sharp contrast to over 24 percent of the FCDC returns that they filed. Corporations in this sector were usually small, with reported average assets of $9.8 million and average receipts of $1.5 million.

Corporations classified as wholesalers accounted for a significant portion of the returns filed (23 percent) and total receipts produced (nearly 25 percent) for all FCDCs. However, these companies reported only 6 percent of the total FCDC assets.

For the professional, scientific, and technical services industrial sector, corporations reported only 2 percent of the assets and 3 percent of the receipts of all FCDCs. Both percentages are significantly lower than the portion of total FCDC returns (13 percent) this service sector represented. These service corporations were often small, with reported average amounts of assets of $21.6 million and receipts of $13.6 million.

Manufacturing corporations filed 9 percent of all FCDC returns for 2012. These capital-intensive, goods-producing companies accounted for far greater percentages of the total FCDC assets (23 percent) and receipts (45 percent). These corporations were often large, with reported average amounts of assets of $366.2 million and receipts of $279.3 million.

While corporations in the finance and insurance industrial sector composed only 4 percent of total returns filed by FCDCs for 2012, they accounted for the largest share of total assets (45 percent) reported for any of the industrial sectors. Additionally, finance and insurance companies accounted for 9 percent of total FCDC receipts for the year.

Management (or holding) companies contributed a significant portion of FCDC total assets (14 percent). However, this sector accounted for just 6 percent of returns filed by FCDCs and 2 percent of receipts.

For 2012, foreign-controlled domestic corporations accounted for 16.1 percent of the total receipts reported by all corporations ($29.4 trillion) and 20.8 percent of the receipts of all corporations excluding Forms 1120S and 1120-F ($22.7 trillion). Figure D includes data for all corporations except

Forms 1120S and 1120-F in column 2. These data are shown because FCDCs are not eligible to file either of these forms. However, Form 1120-A data are included in column 2, even though FCDCs are unable to file this form. This is because Form 1120-A is the short version of Form 1120, which FCDCs do file.

FCDCs played disproportionately larger roles in certain industrial sectors. For instance, FCDCs produced substantial portions of the total receipts reported for wholesale trade (26.0 percent of all corporations and 38.8 percent of all corporations, except for Forms 1120S and 1120-F), manufacturing (25.2 percent and 28.0 percent), and mining (23.9 percent and 27.1 percent). Conversely, FCDC involvement in a number of other business activities was relatively low, accounting for a small percentage of receipts of companies classified in educational services (3.6 percent of all corporations and 6.1 percent of all corporations, except for Forms 1120S and 1120-F), other services (2.5 percent and 6.4 percent), and health care and social assistance (2.1 percent and 3.5 percent).

For analytical purposes, FCDC industrial data at the sector level can be broken down into more specific industrial classifications. In general, sectors are composed of major groups, which in turn are made up of minor industries. For 2012, FCDCs in 11 minor industries accounted for 50 percent or more of the total receipts of all corporations of each of those industries. Manufacturers (six) made up the largest portion of these minor industries, followed by wholesalers (two), and finance, information and mining (one each) (Figure E). The minor industry in which FCDCs accounted for the largest portion of receipts was breweries with 76 percent of the industry total receipts ($22.9 billion). FCDCs primarily involved in the manufacture of audio and video equipment followed with 64 percent of the industry receipts ($28.9 billion), and FCDCs dealing in commodity contracts and brokerage also had 64 percent of the industry receipts ($4.2 billion). Of the 11 minor industries, the manufacture of motor vehicles and parts accounted for the highest amount of receipts ($714.5 billion), followed by wholesalers of electrical and electronic goods ($408.1 billion), and wholesalers of motor vehicles and parts ($275.0 billion). FCDCs produced between 51 and 53 percent (rounded) of the receipts in each of these industries.

Country Characteristics

Persons (including individuals, corporations, and other entities) resident in any country throughout the world can control U.S. corporations. As reported on the U.S. income tax returns of FCDC's, a country represents the geographic location of the foreign owner's place of residence in the case of individuals, and place of incorporation, organization, creation, or administration in the case of corporations or other entities. A foreign corporation, or a chain of related foreign corporations, is frequently the owner of a U.S. subsidiary corporation. Because a foreign corporation in the chain of related companies that directly owns the stock of a U.S. subsidiary may be located in a country other than the country of the ultimate owner, the country reported on the tax return may not necessarily reflect the country of the ultimate owner. (See the Data Sources and Limitations section of this article for a brief discussion of the possible limitations of the data classified on a country basis.)

The United Nations shows nearly 200 separate countries or areas in the world.[17] For 2012, residents of 42 countries made up 89 percent of the domestic corporations classified as 50-percent-or-more controlled by a foreign person worldwide. The 74,627 corporations controlled by persons resident in those 42 countries accounted for nearly all FCDC financial items, including total assets, total receipts, taxable income, and total income tax after credits (Table 3).

From among these 42 countries, domestic corporations controlled by persons from just 7 countries accounted for 74 percent of the total receipts of all FCDCs. These countries, in decreasing size of receipts, are the United Kingdom, Japan, Germany, Canada, Switzerland, the Netherlands, and France (Figure F).

It is interesting to compare the top foreign countries from which persons controlled FCDCs to the top foreign countries of the Controlled Foreign Corporations (CFC) study also conducted by the Statistics of Income Division. The CFC study covers foreign corporations that are each controlled by a single U.S. corporation, i.e., one that owns more than 50 percent of its outstanding voting stock, or more than 50 percent of the value of all its outstanding stock (directly, indirectly, or constructively) for an uninterrupted period of at least 30 days during the foreign corporation's tax year. For Tax Year 2010, CFCs reported total receipts of $6.2 trillion.[18] The countries of CFC incorporation filling out the top seven positions, by decreasing size of receipts, were Canada (11.5 percent of all CFC receipts), the Netherlands (8.7 percent), the United Kingdom (8.5 percent), Bermuda (6.5 percent), Switzerland (5.5 percent), Cayman Islands (4.8 percent), and Ireland and Luxembourg (4.6 percent each). Thus, the United Kingdom, Canada, Switzerland, and the Netherlands were in the top seven countries of both the FCDC and CFC studies. Japan, Germany, and France were not in the top seven countries of the CFC study. These three countries had the following substantial differences in the percentages of total receipts between the FCDC and CFC studies: Japan (15.3 percent of FCDC receipts and 4.4 percent of CFC receipts), Germany (9.2 percent of FCDC receipts and 3.7 percent of CFC receipts), and France (6.0 percent of FCDC receipts and 2.3 percent of CFC receipts). Conversely, Bermuda, Cayman Islands, Ireland, and Luxembourg were not in the top seven countries of the FCDC study. Each of these four countries accounted for between 1.0 percent and 1.3 percent of the total FCDC receipts.

Back to focusing on the FCDC study, domestic corporations controlled by persons resident in the United Kingdom reported the highest amount of total receipts of any country ($934 billion) for 2012. These receipts represented 19.8 percent of the

[17] Actually, 198 countries or areas per United Nations Statistics Division, National Accounts Official Country Data, Table 1.3, November 2013.

[18] The most recent statistics covering CFCs are for Tax Year 2010; see the IRS Website at http://www.irs.gov/uac/SOI-Tax-Stats-Controlled-Foreign-Corporations. Also see, Mahony, Lee, and Randy Miller, "Controlled Foreign Corporations, 2008," *Statistics of Income Bulletin*, Winter 2013, Volume 32, Number 3.

Figure E

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Minor Industries, Tax Year 2012

[Money amounts are in millions of dollars]

Minor industry [1]	Number of returns	Total assets	Net worth	Total receipts	Net income (less deficit)	Net income	Income subject to tax	Total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Breweries (manufacturing), total	**402**	**96,050**	**22,480**	**22,907**	**1,870**	**1,897**	***1,540**	***526**
Foreign-controlled domestic corporations (FCDCs)	8	79,455	12,776	17,366	1,291	*1,300	*1,300	*455
FCDCs as a percentage of the total	2.0	82.7	56.8	75.8	69.0	*68.5	*84.4	*86.5
Audio and video equipment manufacturing and reproducing magnetic and optical media, total	**1,270**	**55,803**	**22,869**	**28,864**	**708**	**1,263**	**605**	**134**
Foreign-controlled domestic corporations	75	46,212	17,819	18,533	285	415	75	26
FCDCs as a percentage of the total	5.9	82.8	77.9	64.2	40.3	32.9	12.4	19.4
Commodity contracts dealing and brokerage, total	**2,372**	**63,778**	**5,628**	**4,242**	**208**	**573**	**355**	**124**
Foreign-controlled domestic corporations	104	50,578	3,966	2,710	215	291	287	100
FCDCs as a percentage of the total	4.4	79.3	70.5	63.9	103.4	50.8	80.8	80.6
Engine, turbine, and power transmission equipment (manufacturing), total	**268**	**84,853**	**32,482**	**64,641**	**3,911**	**4,396**	**4,025**	**875**
Foreign-controlled domestic corporations	56	57,413	20,392	39,621	2,111	2,296	2,212	774
FCDCs as a percentage of the total	20.9	67.7	62.8	61.3	54.0	52.2	55.0	88.5
Sound recording industries, total	**5,857**	**35,633**	**10,459**	**9,680**	**-23**	**382**	***72**	**21**
Foreign-controlled domestic corporations	55	27,636	8,924	5,559	-86	98	*7	2
FCDCs as a percentage of the total	0.9	77.6	85.3	57.4	N/C	25.7	*9.7	9.5
Rubber products (manufacturing), total	**1,168**	**53,904**	**11,136**	**67,313**	**3,148**	**3,237**	**1,904**	**694**
Foreign-controlled domestic corporations	150	28,972	5,942	36,353	1,803	1,826	1,067	485
FCDCs as a percentage of the total	12.8	53.7	53.4	54.0	57.3	56.4	56.0	69.9
Motor vehicle and motor vehicle parts and supplies (wholesale trade), total	**20,243**	**187,935**	**37,862**	**275,001**	**7,727**	**8,413**	**3,658**	**1,218**
Foreign-controlled domestic corporations	1,761	126,744	17,497	146,233	4,010	4,336	1,819	637
FCDCs as a percentage of the total	8.7	67.4	46.2	53.2	51.9	51.5	49.7	52.3
Electrical and electronic goods (wholesale trade), total	**31,885**	**215,587**	**72,488**	**408,146**	**10,076**	**12,209**	**6,218**	**1,585**
Foreign-controlled domestic corporations	2,136	117,640	30,668	216,691	4,520	5,031	3,565	1,269
FCDCs as a percentage of the total	6.7	54.6	42.3	53.1	44.9	41.2	57.3	80.1
Cement, concrete, lime and gypsum products (manufacturing), total	**3,878**	**108,428**	**52,045**	**61,550**	**-705**	**1,797**	**483**	**158**
Foreign-controlled domestic corporations	82	81,997	40,948	31,352	-1,278	510	219	85
FCDCs as a percentage of the total	2.1	75.6	78.7	50.9	N/C	28.4	45.3	53.8
Motor vehicles and parts (manufacturing), total	**6,352**	**870,633**	**265,140**	**714,473**	**25,583**	**30,120**	**10,152**	**2,194**
Foreign-controlled domestic corporations	550	409,623	132,648	361,551	5,224	6,920	5,157	1,467
FCDCs as a percentage of the total	8.7	47.0	50.0	50.6	20.4	23.0	50.8	66.9
Metal ore mining	**1,249**	**197,120**	**110,582**	**63,255**	**10,507**	**11,637**	**11,403**	**1,329**
Foreign-controlled domestic corporations	257	107,264	53,220	31,815	7,668	8,392	8,313	824
FCDCs as a percentage of the total	20.6	54.4	48.1	50.3	73.0	72.1	72.9	62.0

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

N/C—Not calculated.

[1] This figure includes minor industries in which foreign-controlled domestic corporations accounted for at least 50 percent of the total receipts (Column 4). The minor industries are listed by decreasing percentage of FCDC total receipts to total receipts of all corporations.

NOTE: Percentages are computed using rounded data.

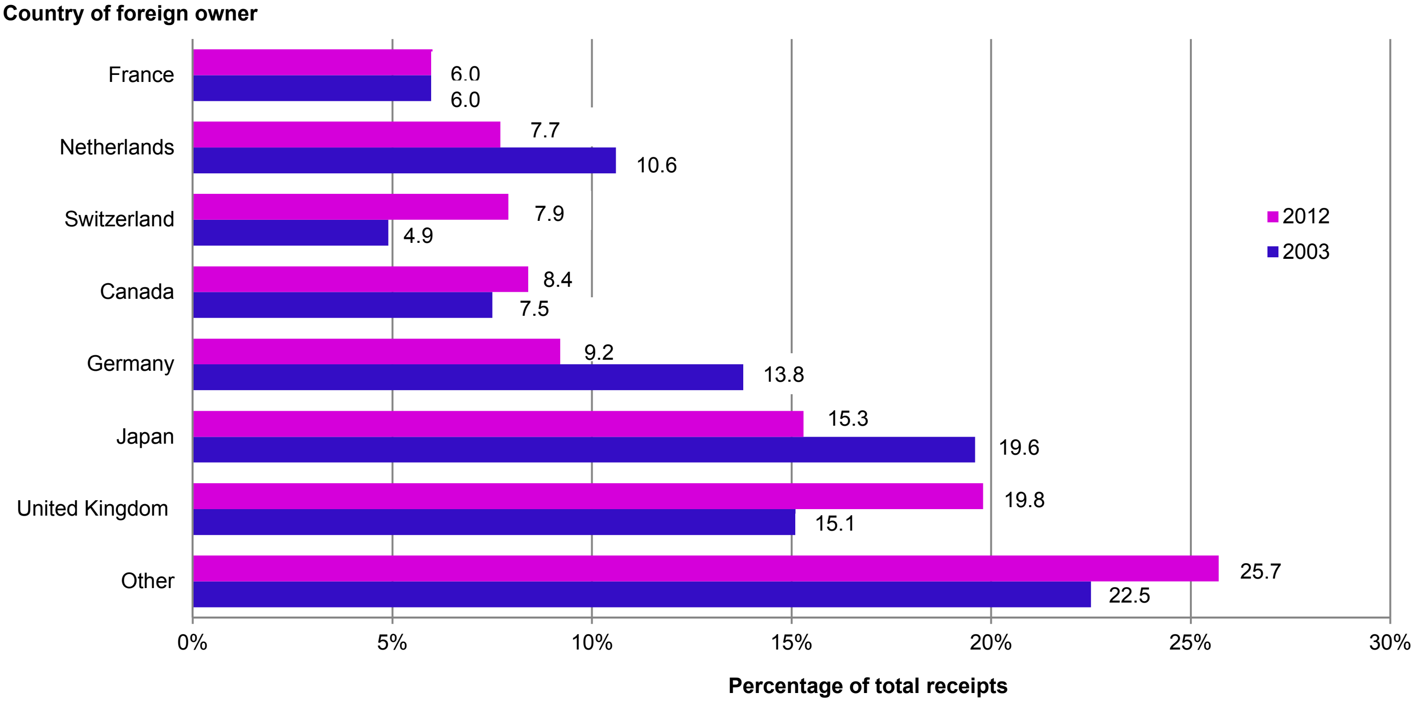
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

$4.7 trillion FCDC total (using current dollars). This percentage was substantially larger than the United Kingdom's share (15.1 percent) of the $2.6 trillion FCDC total for 2003 (again, using current dollars).

For 2012, domestic corporations with owners resident in Japan ($721 billion), Germany ($433 billion), Canada ($397 billion), Switzerland ($371 billion), the Netherlands ($364 billion), and France ($284 billion) also accounted for significant amounts of receipts. Of these six countries, Japan's portion of total receipts decreased significantly from 19.6 percent for 2003 to 15.3 percent for 2012, followed by Germany (13.8 percent down to 9.2 percent) and the Netherlands (10.6 percent down to 7.7 percent). In contrast, Canada's portion of FCDC total receipts increased from 7.5 percent for 2003 to 8.4 percent for 2012, while

Figure F

Foreign-Controlled Domestic Corporations: Distribution of Total Receipts by Country of Foreign Owner, Tax Years 2003 and 2012



NOTE: In current dollars, the total amount of receipts was $2.6 trillion for 2003 and $4.7 trillion for 2012.
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

Switzerland's portion increased from 4.9 percent to 7.9 percent. France's portion remained the same between 2003 and 2012 at 6.0 percent.

The portion of FCDC total receipts accounted for by countries other than the largest seven increased in size over the 10-year period, from 22.5 percent to 25.7 percent. For 2012, these countries included South Korea ($137 billion), Sweden ($71 billion), Australia and Italy ($62 billion each), Bermuda ($61 billion), Luxembourg ($58 billion), Cayman Islands ($54 billion), Mexico ($52 billion), Spain ($47 billion), Ireland ($46 billion), Israel ($44 billion), Brazil ($43 billion), and Belgium and Venezuela ($40 billion each).

Domestic corporations controlled by persons resident in the United Kingdom (U.K.) accounted for $2.7 trillion of assets, the largest portion held by any country, followed by Canada and Switzerland ($1.4 trillion each), Germany and Japan ($1.3 trillion each), the Netherlands ($1.2 trillion), and France ($1.1 trillion).

Although U.K.-controlled domestic corporations made up the largest share of total FCDC receipts and assets for 2012, Canadian-controlled domestic corporations filed the most tax returns (11,320), followed by Japanese-controlled domestic corporations (6,190), U.K.-controlled domestic corporations (5,568), German-controlled domestic corporations (4,807), and Mexican-controlled domestic corporations (4,378).

For 2012, the U.S. tax liability of all FCDCs was $45.2 billion, representing 1.0 percent of total receipts reported by all FCDCs ($4.7 trillion) for the year. U.K.-controlled domestic corporations reported the largest amount of U.S. tax liability ($6.2 billion), followed by Japanese-controlled corporations ($5.8 billion) and Netherlands-controlled corporations ($5.5 billion). For U.K.-controlled corporations, tax liabilities were 0.7 percent of their $934 billion of receipts. Tax liabilities as a percent of receipts were 0.8 percent for Japanese-controlled corporations, while Netherlands-controlled corporations paid 1.5 percent of their receipts in U.S. income taxes. Many factors, including differences in industrial apportionments and age apportionments (discussed later in this article), may have caused the resulting differences between countries in calculating tax as a percentage of receipts.

There are other limitations in calculating total income taxes after credits (i.e., U.S. tax liabilities) as percentages of total receipts. Some examples include nontaxable interest received on State and local government obligations, which is included in total receipts, but is not included in income subject to tax or total income tax. On the other hand, constructive taxable income from related foreign corporations is not included in total receipts, but is part of the income subject to tax calculation and, thus, might produce income tax. Net operating losses are statutory special deductions used to reduce taxable income in the current year. However, the statistics for these losses come from prior years carried forward to the current year; they are not related to the current-year total receipts statistics. Other examples of items that affect current-year U.S. tax liabilities, but have no

Figure G

Foreign-Controlled Domestic Corporations: Selected Items for Top Seven Countries, by Selected Industries, Tax Year 2012

[Money amounts are in millions of dollars]

Country and industry	Total assets	Total receipts	Total deductions	Net income (less deficit)	Net income	Income subject to tax	Total income tax after credits	
							Amount	As a percentage of total receipts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
United Kingdom, total	**2,685,077**	**934,093**	**903,113**	**33,710**	**42,880**	**34,346**	**6,175**	**0.7**
Manufacturing	874,639	644,184	628,712	16,390	21,300	18,185	2,270	0.4
Petroleum and coal products manufacturing	671,247	523,227	517,168	6,796	11,036	11,035	71	[1]
Japan, total	**1,277,044**	**720,834**	**699,121**	**22,472**	**28,101**	**21,241**	**5,765**	**0.8**
Manufacturing	309,282	350,657	342,325	8,582	10,723	7,923	2,504	0.7
Transportation equipment manufacturing	190,734	229,292	225,840	3,504	4,374	3,644	1,038	0.5
Wholesale trade	182,499	281,407	273,681	8,299	9,478	7,609	1,703	0.6
Wholesale trade, durable goods	135,109	223,758	218,821	5,484	6,297	4,698	1,040	0.5
Germany, total	**1,276,169**	**432,871**	**414,496**	**19,149**	**22,996**	**14,450**	**4,436**	**1.0**
Manufacturing	340,801	191,781	186,207	5,904	8,278	7,127	2,105	1.1
Machinery manufacturing	77,912	53,858	51,573	2,496	3,294	3,171	911	1.7
Transportation equipment manufacturing	176,703	69,611	68,868	750	948	263	85	0.1
Wholesale trade	101,505	101,591	98,013	3,583	3,996	1,552	527	0.5
Wholesale trade, durable goods	91,104	85,152	81,871	3,284	3,438	1,150	389	0.5
Finance and insurance	709,786	51,977	46,298	5,936	5,984	2,734	821	1.6
Canada, total	**1,392,332**	**397,374**	**391,311**	**6,011**	**16,851**	**11,395**	**3,721**	**0.9**
Manufacturing	104,575	121,590	117,439	4,215	5,635	3,786	1,217	1.0
Wholesale trade	71,627	71,062	69,755	1,329	1,940	1,189	382	0.5
Wholesale trade, nondurable goods	58,755	46,091	45,424	689	1,137	588	193	0.4
Finance and insurance	621,493	73,382	72,148	1,041	2,507	1,117	551	0.8
Insurance carriers and related activities	513,876	69,396	69,183	23	1,348	670	397	0.6
Switzerland, total	**1,403,707**	**370,664**	**346,960**	**24,225**	**26,750**	**14,279**	**4,519**	**1.2**
Manufacturing	190,528	119,995	109,450	10,671	11,486	10,402	3,413	2.8
Chemical manufacturing	85,430	55,433	47,192	8,253	8,276	7,979	2,604	4.7
Wholesale trade	32,172	145,454	144,482	968	1,237	976	326	0.2
Wholesale trade, nondurable goods	20,605	126,728	126,293	435	585	481	161	0.1
Finance and insurance	1,121,898	64,542	53,286	11,578	12,232	1,576	417	0.6
Netherlands, total	**1,187,148**	**364,287**	**342,348**	**25,107**	**27,599**	**22,866**	**5,523**	**1.5**
Manufacturing	268,347	138,940	130,943	10,982	11,677	11,196	1,747	1.3
Chemical manufacturing	95,728	70,882	66,774	5,134	5,461	5,380	824	1.2
Retail trade	19,765	37,467	37,021	447	483	411	52	0.1
Finance and insurance	603,344	71,825	68,076	3,736	3,787	969	307	0.4
Insurance carriers and related activities	484,080	67,493	65,551	1,928	1,928	430	153	0.2
France, total	**1,114,917**	**284,392**	**271,982**	**12,710**	**16,178**	**11,753**	**3,540**	**1.2**
Manufacturing	213,404	133,614	128,245	5,509	6,298	4,828	1,380	1.0
Petroleum and coal products manufacturing	17,994	33,853	33,803	52	52	1	1	[1]
Wholesale trade	34,080	43,487	42,619	892	1,437	1,282	418	1.0
Wholesale trade, durable goods	14,506	29,142	28,772	386	496	426	131	0.4
Finance and insurance	652,223	34,807	31,960	2,871	3,124	1,129	353	1.0

[1] Less than 0.05 percent.

NOTES: This figure includes the seven countries with the largest amounts of total receipts. For each of these countries, this table also includes industries that accounted for at least 10 percent of the total receipts of the country. Percentages are computed using rounded data.

SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

relationship to current-year total receipts are carryovers from prior years of excess foreign tax credits and excess general business credits. Each of these items would need to be considered in a detailed study comparing total receipts and total income taxes after credits, which is not the scope of this article.

Combined Country and Industry Characteristics

There were some similarities but also important differences among the primary industrial activities of the corporations with owners from the top seven countries, when the industries that accounted for at least 10 percent of the total receipts of corporations with owners in each of these countries are examined (Figure G).

For the United Kingdom, manufacturing was the predominant industrial sector, producing 69 percent of its total $934 billion of receipts for 2012. More specifically, manufacturers of petroleum and coal products accounted for the most receipts of any major industrial group, producing $523 billion, or 56 percent of the country's total receipts.

Japanese-controlled corporations were concentrated in two industrial sectors, which produced most of the $721 billion of receipts: manufacturing (49 percent of the total) and wholesale trade (39 percent). More specifically, transportation equipment manufacturing was the leading major industrial group, producing 32 percent of the total receipts for this country. Following closely was wholesale trade of durable goods with 31 percent of the receipts.

Like those companies controlled by residents of Japan, German-controlled corporations were primarily concentrated in manufacturing, with 44 percent of the $433 billion of receipts for that country, and in wholesale trade with 23 percent. Within manufacturing, transportation equipment manufacturers (16 percent of the country total) and machinery manufacturers (12 percent) produced the most receipts. Wholesale trade of durable goods produced 20 percent of the country total. Finance and insurance (12 percent) was a third predominant industrial sector.

Canadian-controlled corporations were primarily distributed in the manufacturing (31 percent of the $397 billion of receipts for the country), finance and insurance (19 percent), and wholesale trade (18 percent) industrial sectors. More specifically, insurance carriers reported 17 percent and wholesalers of nondurable goods reported 12 percent of the total receipts.

For Switzerland, the wholesale trade sector accounted for 39 percent of the country's total receipts ($371 billion), followed by manufacturing (32 percent), and finance and insurance (17 percent). Switzerland was the only country of the top seven in which wholesale trade (not manufacturing) was the leading sector in producing receipts. More specifically, wholesale trade of nondurable goods (34 percent of the total) was the leading major industry. Another important major industry was chemical manufacturers (15 percent of the total).

For the Netherlands, manufacturing was the largest industrial sector with 38 percent of the total receipts ($364 billion), followed by finance and insurance (20 percent) and retail trade (10 percent). Chemical manufacturers and insurance carriers each reported 19 percent of the total receipts for the country, the largest portions of all the major industrial groups.

French manufacturers produced the largest percentage (47 percent) of the $284 billion of the country's receipts, followed by wholesale trade (15 percent) and finance and insurance (12 percent). More specifically, petroleum and coal products manufacturers produced 12 percent and wholesalers of durable goods produced 10 percent of the receipts for the country.

Age Characteristics

There are two groups of FCDC's based on the age of each corporation. A "new" corporation is defined as having been incorporated in 2010 or after, as reported on the FCDC's income tax return. An "old" corporation is defined as having been incorporated in or prior to 2009, or with an unknown (i.e., unreported) date of incorporation (Figure H).[19]

The year of incorporation may be somewhat unreliable as an indicator of the true age of corporations. For example, a consolidated return may include companies that fall into both the new and old categories. However, the return (including all of the financial information contained in it) was classified based on the year of incorporation of the parent company. Another example is the reorganization of an existing corporation into a new corporation, which results in a recent year of incorporation, even though it is an "old" business. An additional limitation is that the year of incorporation is difficult to verify during statistical processing because there are no other items to which it can be compared on a tax return, and recourse to other sources is not always practical. Thus, it is subject to higher levels of taxpayer reporting and data entry errors, as compared to statistical items that can be evaluated against other reported items.

For 2012, there were 23,707 returns of FCDCs incorporated in 2010 or later (Table 3). These returns of "new" corporations comprised over 28 percent of all FCDC's returns. Five industrial sectors accounted for most of these new corporations: real estate and rental and leasing (7,730 returns); wholesale trade (4,199); professional, scientific, and technical services (3,381); management of companies (1,740); and manufacturing (1,343). The major industries that accounted for the largest number of new FCDCs were real estate (7,626) and wholesale trade of durable goods (3,223).

Nearly 72 percent of FCDCs were incorporated prior to 2010 and, therefore, were considered "old" corporations. These corporations accounted for 91 percent of the FCDC assets and 94 percent of the receipts and, thus, tended to be larger than the new corporations. Of all FCDCs, old companies also reported nearly 92 percent of the net profits (i.e., net income less deficit), 90 percent of positive profits (i.e., net income), and 85 percent of deficits.

Nearly half (48 percent) of the old FCDCs reported positive profits for 2012. By comparison, only 25 percent of the new FCDCs reported positive profits. Among other factors, newer companies may have needed additional time to generate streams of receipts and they may have had more expenses (including startup costs) relative to their receipts, as compared to older companies.

Because old corporations accounted for 90 percent of the positive profits of all FCDCs, these companies also reported most of the U.S. taxable income (89 percent) and U.S. tax liabilities after credits (88 percent) of all FCDCs. The old corporations had $39.6 billion of tax liabilities after credits, equaling 0.9 percent of their total receipts. The new corporations had $5.6 billion of tax liabilities after credits, equaling 2.1 percent of their total receipts. Deductions for net operating losses of prior years (90 percent of the total $62.7 billion reported by all FCDCs) and tax credits (94 percent of the total $16.6 billion) were claimed mostly by old corporations. NOLs and tax credits reduced the amounts of U.S. tax liabilities after credits reported by FCDCs.

Summary

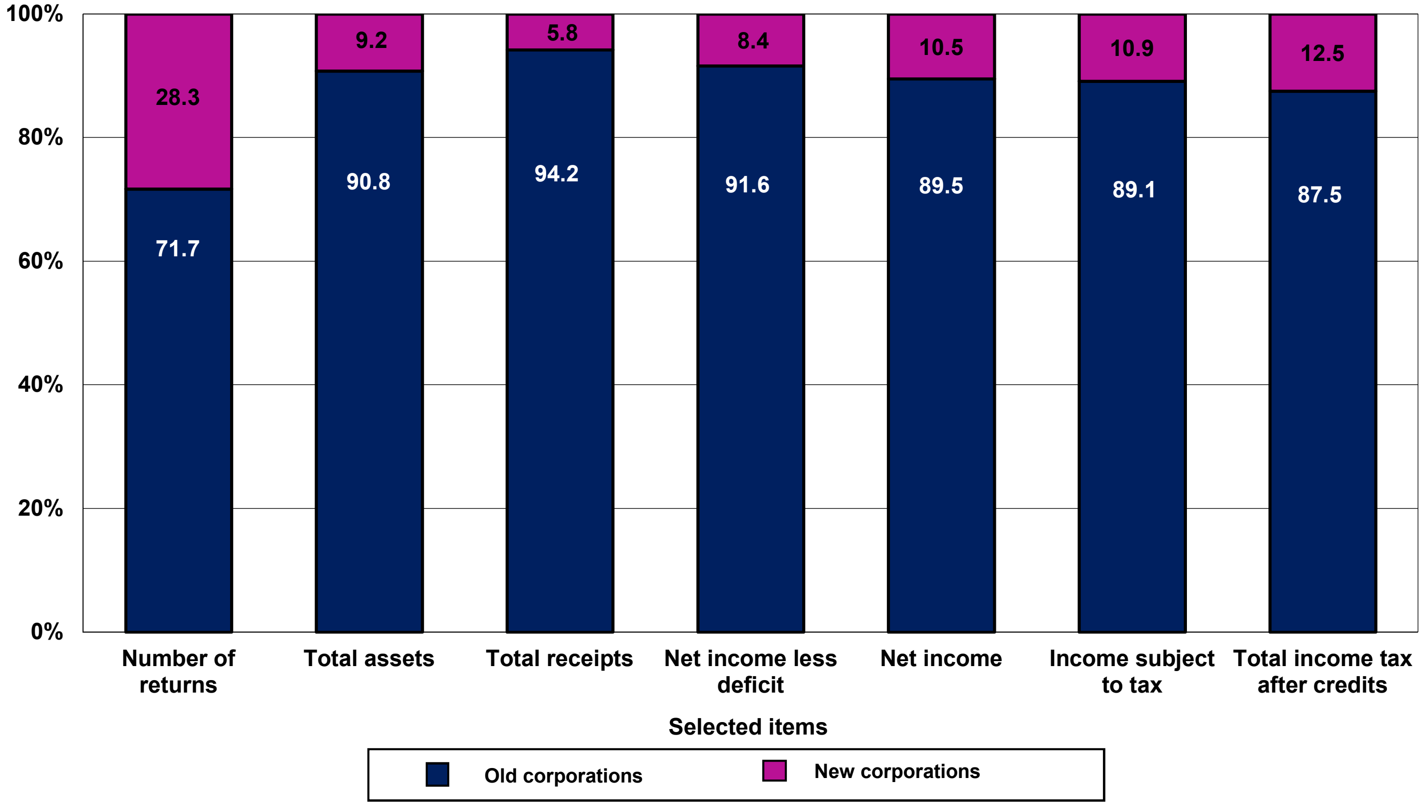
Foreign-controlled domestic corporations accounted for only 1.4 percent of all corporation income tax returns filed for Tax Year 2012. This percentage is much smaller than the percentages of assets (14.5 percent) and receipts (16.1 percent) that FCDCs produced.

The value of FCDC assets increased for 2012, as did the value of assets for all corporations. FCDC assets totaled $12.3 trillion for 2012, a 4.6-percent increase from the previous year.

[19] Dates of incorporation are reported on Form 1120, page 1, question C. This information is also reported on Forms 1120L, 1120-PC, 1120-REIT, and 1120-RIC, in different locations.

Figure H

Foreign-Controlled Domestic Corporations: Distribution of Selected Items by Age of Corporations, Tax Year 2012



NOTE: "New" corporations were those with dates of incorporation between 2010 and 2013; "old" corporations were those with dates of incorporation prior to 2010 or with unknown dates of incorporation.
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

By comparison, all corporations reported a total of $85.0 trillion of assets for 2012, a 4.5-percent increase over the previous year. FCDCs accounted for 14.5 percent of total corporate assets for 2012, up very slightly from 14.4 percent for 2011.

Foreign business activity in the United States through FCDCs increased for Tax Year 2012. FCDCs reported $4.7 trillion of total receipts for the year, a 2.9-percent increase over the 2011 level. Total receipts reported on all U.S. corporation income tax returns also increased, by a larger percentage (3.8 percent). As a result, the share of total corporate receipts accounted for by FCDCs decreased from 16.2 percent for 2011 to 16.1 percent for 2012.

Manufacturing and wholesale trade, 2 of the 19 industrial sectors, generated 70 percent of the $4.7 trillion of total FCDC receipts. Manufacturers produced $2.1 trillion of receipts, while wholesalers accounted for an additional $1.2 trillion.

Domestic corporations controlled by persons in the United Kingdom reported total receipts of $934 billion, or 19.8 percent of the total FCDC receipts. In addition, FCDCs owned by persons in Japan (15.3 percent), Germany (9.2 percent), Canada (8.4 percent), Switzerland (7.9 percent), the Netherlands (7.7 percent), and France (6.0 percent) accounted for significant portions of receipts.

FCDCs increased their receipts between 2011 and 2012 by a larger percentage than that of their deductions, thereby increasing the net difference between total receipts and total deductions. Both total receipts less total deductions and net income less deficit increased 109 percent between the 2 years. The collective net income (less deficit) reported by foreign-controlled domestic corporations increased from $79.8 billion for 2011 to $167.1 billion for 2012. To place the performance of FCDCs in context, total corporate net profits increased 34 percent, from $1.3 trillion for 2011 to $1.8 trillion for 2012. FCDCs accounted for 9.4 percent of the net profits of all U.S. corporations for 2012, up from 6.0 percent for the previous year.

The FCDC aggregate profits (i.e., net income) increased between 2011 and 2012, while aggregate deficits decreased during this period. Net income increased by 43.5 percent, from $166.5 billion to $238.9 billion. Deficits decreased by 17.1 percent, from $86.7 billion to $71.9 billion.

The U.S. tax liability of FCDCs (i.e., total income tax after credits) moved in the same direction from that of net income, increasing 26.7 percent, from $35.7 billion for 2011 to $45.2 billion for 2012. While net income increased by 43.5 percent between the 2 years, the smaller 26.7-percent increase in tax liability also reflects increases in NOLs (up 86.6 percent) and foreign tax credits (up 61.7 percent) between the 2 years.

To place the FCDC tax liability in perspective, the U.S. tax liabilities of all corporations were about 21.3 percent higher for

2012 compared to the previous year. Thus, the FCDC's share of total corporate post-credit U.S. tax liabilities increased from 16.2 percent for 2011 to 16.9 percent for 2012. These latter percentages should be considered knowing that total corporate post-credit U.S. tax liabilities include only very small amounts from S corporations, even though these corporations accounted for large portions of the number of returns filed by all corporations and to a lesser extent their accompanying total receipts (Appendix A).

Explanation of Selected Terms

The following are brief explanations of some of the terms used in this article. For more extensive definitions, see *Statistics of Income—2012, Corporation Income Tax Returns*, IRS Publication 16.

Alternative minimum tax—This tax was designed to ensure that a taxpayer with substantial economic income would have at least a minimum amount of income tax liability in spite of the legitimate use of exclusions, deductions, and credits. In effect, it provided a second tax system that curtailed or eliminated many of the means of reducing taxes allowed in the regular tax system and taxed the resulting alternative taxable income at a reduced rate. Small corporations and new corporations were exempt from the AMT. The AMT is included in the amounts reported for both total income tax before (and after) credits.

Balance sheets—The balance sheet data presented in this article were the amounts reported by the taxpayer as of the end of the taxpayer's accounting year. Taxpayers were instructed to provide data that agreed with their books of account, but were given very few other guidelines. Thus, the statistics for balance sheets contained more reporting variability than those for income statement and tax computation items. Since balance sheet data were from the taxpayer's books, they were normally governed by generally accepted accounting principles rather than the special rules of tax accounting. A number of steps were taken during statistical processing to reduce the variability due to taxpayer reporting practices. Misreported amounts were transferred to their proper accounts. Missing balance sheets were either supplied from reference books or statistically imputed based on other data and the company's characteristics. Some balance sheets were suppressed during statistical processing, including those for final returns of corporations going out of existence because they should have had either zero assets (if liquidating) or assets included in another corporation's return (if merging). Additionally, balance sheets of part-year returns (for the most part, by continuing corporations changing their accounting periods) were not included in the statistics because the same corporations' data could have been subject to inclusion from their full-year returns. Corporations with less than $250,000 of receipts and less than $250,000 of assets were not required to file balance sheets.

Business receipts—These receipts are, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. They represent all of a corporation's receipts except investment and incidental income. Some corporations report sales and excise taxes as part of their gross receipts from sales (and deduct these taxes as part of "cost of goods sold" or as "taxes paid"); others report their receipts after adjustment for these taxes. Business receipts include rents reported by real estate operators and other corporations for which rent made up a significant portion of income. The latter include manufacturers that rented their products and companies engaged in rental services, such as lodging places and the rental of automobiles and clothing. Business receipts include such banking items as fees, commissions, credit card income, and profits from Federal funds transactions. Interest, the principal operating income of banking and other financial institutions, is excluded from business receipts, and included in the separate statistics for interest received instead. Also, premium income of most insurance companies is included in business receipts. Security dealers include profits from security trades in business receipts. Regulated investment companies and real estate investment trusts do not report business receipts; rather they report types of investment income. Business receipts also exclude gains from the sale of assets.

Constructive ownership rules—The constructive ownership of stock rules shown in Internal Revenue Code (IRC) section 318 apply in determining whether a U.S. corporation is foreign owned. These rules of attribution include separate provisions for stock owned by families, partnerships, estates, trusts, and other corporations. Regarding family members, for example, an individual is considered to own stock that is owned, directly or indirectly, by his/her spouse, children, grandchildren, or parents. However, if a corporation is owned by two or more "unrelated" foreign individuals, neither of whom owned 50 percent or more of the corporation, then that corporation was excluded from the FCDC statistics even though, together, these individuals may have met the 50-percent-or-more ownership criterion. See also, "Foreign person," defined below.

Constructive taxable income from related foreign corporations—This item is the sum of includable income from Controlled Foreign Corporations (CFCs) and foreign dividend gross-up. IRC sections 951-964 ("Subpart F") created an exception to the general rule that the earnings and profits of CFCs were subject to U.S. taxation only when the income was actually distributed to U.S. shareholders. Under Subpart F, some types of foreign income are required to be included in the income of the U.S. shareholders, even if not actually distributed. This includable income comprises passive investment income, income from sources thought especially easy to shift between tax jurisdictions, and income from sources contrary to public policy. Foreign dividend gross-up is constructive taxable income to corporations that claim a foreign tax credit. A U.S. corporation could claim a foreign tax credit for a share of the foreign taxes actually paid by its related foreign corporations. The share of foreign taxes was treated as deemed paid by the U.S. corporation. To receive credit against U.S. tax, the foreign taxes deemed paid need to be included in the corporation's worldwide income. The dividend gross-up, which is the equivalent amount of the foreign taxes deemed paid by the U.S. corporation, is included as income of the U.S. corporation. Constructive taxable income from related foreign corporations is not included in the statistics for total receipts, but is included in net income (less deficit).

Cost of goods sold—This item generally consisted of the costs incurred by corporations in producing the goods or providing the services that generated the business receipts. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and a share of overhead expenses, such as rent, utilities, supplies, maintenance, and repairs. For statistical processing purposes, however, certain items (such as advertising, amortization, bad debts, compensation of officers, depletion, depreciation, interest paid, taxes, and contributions to charitable organizations, employee benefit programs, and pension plans) reported by taxpayers on cost of goods sold schedules were transferred to their respective and separate deduction categories. Companies who produced goods or acquired goods for resale were subject to the "uniform capitalization rules" of Internal Revenue Code section 263A. Under these rules, corporations were required to capitalize direct costs and an allocable portion of most indirect costs that relate to the goods produced or acquired for resale. Costs attributable to property that is inventory are included in inventory costs, while costs attributable to other property are included in capital accounts. For insurance companies, benefits paid (e.g., the death benefits paid by life insurance companies and the losses incurred by other insurance companies) were included in the cost of goods sold. In general, finance corporations did not have any cost of goods sold.

Dividends received from domestic corporations—These dividends are included in total receipts and represent most distributions from the earnings and profits of companies incorporated in the United States. Dividend distributions among member corporations electing to file a consolidated return are eliminated from the statistics as part of the consolidated reporting of tax accounts. Thus, dividends shown for consolidated returns represent amounts received from domestic corporations that are outside the affiliated group. In general, dividends received from domestic corporations are part of the computation of the statutory special deductions from net income. See, also, "Statutory special deductions," discussed below.

Dividends received from foreign corporations—These dividends are included in total receipts and are paid from the earnings and profits of companies incorporated in foreign countries. Dividends received from foreign corporations out of U.S.-source earnings and profits were usually eligible for the dividends received deduction, a part of statutory special deductions. Not eligible were dividends out of foreign-source earnings and profits. This item does not include constructive taxable income from related foreign corporations (discussed above) because it was not an actual receipt.

Foreign person—A foreign person (or entity) includes: (1) a foreign citizen or nonresident alien, (2) an individual who is a citizen of a U.S. possession (but who is not a U.S. citizen or resident), (3) a foreign corporation, (4) a foreign partnership, (5) a foreign estate or trust within the meaning of IRC section 7701(a)(31), and (6) a foreign government (or one of its agencies or instrumentalities) to the extent that it is engaged in the conduct of a commercial activity as described in IRC section 892.

Foreign tax credit—Although the United States taxes the worldwide income of U.S. persons (including corporations), foreign-source income is often taxed as well by the country in which it is earned. The foreign tax credit provisions were enacted to mitigate the potential impact of the double taxation of foreign-source income. U.S. persons are allowed a credit against U.S. income tax for income taxes paid (or accrued) to foreign countries or U.S. possessions, subject to a limitation that prevented corporations from using foreign tax credits to reduce U.S. tax liability on U.S.-source income. Foreign taxes in excess of the limitation for a given tax year could be carried back or forward to other years for prescribed periods. A corporation that claimed the foreign tax credit could not also claim a business deduction for the same foreign taxes paid. The foreign tax credit was not allowed for taxes paid to certain foreign countries whose governments were not recognized by the United States, with which the United States severed or did not conduct diplomatic relations, or which provided support for international terrorism.

General business credit—This credit consisted of many individual credits (e.g., the investment credit, research activities credit, and low-income housing credit). Each of the credits was computed separately. However, the purpose of the general business credit was to provide a uniform limitation on the amount that could be used to reduce tax liability and to establish uniform rules for carrybacks (1 year) and carryforwards (20 years).

Income subject to tax—For most corporations, income subject to tax (i.e., taxable income) consisted of (positive) net income minus statutory special deductions. However, there were special provisions in the Internal Revenue Code for determining the taxable income of insurance companies, based on changes in their reserve accounts. Also, S corporations, regulated investment companies, and real estate investment trusts generally passed their net income on so it was taxed at the shareholder level. They had limited tax liabilities (based on capital gains for S corporations and undistributed income for RICs and REITs) and, thus, small amounts of taxable income.

Income tax—This item was the amount of a corporation's tax liability calculated at the regular corporate tax rates under Internal Revenue Code section 11. The rates on taxable incomes were graduated between 15 percent and 35 percent, with some exceptions. Certain taxable income brackets were taxed at 38 percent or 39 percent rates to phase out the benefits of the lower brackets for high-income corporations. This item is included in the amounts reported for both total income tax before (and after) credits. A small number of corporations without net income had an income tax liability under special life insurance rules, including consolidated returns filing with a life insurance subsidiary. Personal service corporations were taxed at a flat rate of 35 percent on their taxable incomes. Members of controlled groups were required to apportion their tax liabilities between the group members.

Interest—This item is taxable interest, a component of total receipts. It includes interest on U.S. Government obligations, loans, notes, mortgages, corporate bonds, bank deposits, and dividends from savings and loans and mutual savings banks. This item does not include interest received from certain government obligations not subject to U.S. income tax, including those issued by States, municipalities, other local governments, the District of Columbia, and U.S. possessions.

Net income (or deficit)—This is a company's net profit or loss from taxable sources of income reduced by deductions allowed by the Internal Revenue Code. It reflects not only actual receipts, but "constructive" receipts as well (i.e., includable income from Controlled Foreign Corporations and the foreign dividend "gross-up"). Tax-exempt interest on State and local government obligations is excluded from this item, but is included in "total receipts." The deductions include ordinary and necessary business deductions, but do not include statutory special deductions. The statistics for (positive) net income are generally larger than those for "income subject to tax" because the latter is reduced by the amount of statutory special deductions, including the net operating loss deduction. In this article, for a group of returns, this item may be referred to as either "profits" (i.e., net income exceeds deficits) or "losses" (deficits exceed net income). On Form 1120, net income (or deficit) was reported on page 1, line 28, entitled "Taxable income before net operating loss deduction and special deductions."

Net operating loss deduction (NOLD)—In general, a "net operating loss" (NOL) is the excess of allowable deductions for ordinary and necessary business expenses over gross income, with certain adjustments, calculated using the laws and IRS regulations in effect for a given tax year. A NOL could be carried back 2 years to reduce the taxable income of those years. Any amount of the NOL not offset against income during that time could be carried forward to offset taxable income for a period not to exceed 20 years. The amount of the statutory net operating loss deduction (NOLD) included in the statistics of this article consists only of losses from prior years carried forward and actually used to reduce taxable income for the current (2012) tax year. Losses incurred after Tax Year 2012 and carried back to that year at a later date were not reported on the tax returns used for this article.

Net worth—This item represents the shareholders' equity in the corporation, i.e., total assets less the claims of creditors. It is the net sum of capital stock, additional paid-in capital, appropriated retained earnings, unappropriated retained earnings, and adjustments to shareholders' equity, minus the cost of treasury stock. Capital stock includes amounts of outstanding shares of both common and preferred stock. Additional paid-in capital comprises additions to the corporation's capital from sources other than earnings, including receipts from the sale of capital stock in excess of the stated value and stock redemptions or conversions. Retained earnings and profits of corporations can be appropriated (i.e., set aside for specific purposes such as for plant expansions, bond retirements, and loss reserves) or unappropriated (dividends and distributions to shareholders are paid from these funds). Adjustments to shareholders' equity can be either positive or negative, and include unrealized gains and losses on securities held "available for sale." Treasury stock is common or preferred stock originally issued by the corporation that has been reacquired, and the issuing corporation held the stock at the end of the accounting period.

Number of returns—The data contained in this article include the number of returns filed by "active" corporations (i.e., those reporting at least one item of income or deductions) for Tax Year 2012. For simplicity, the number of returns is sometimes referred to as the number of corporations. However, the actual number of corporations may be larger than the number of returns because many domestic corporations, including FCDCs, could elect to file consolidated income tax returns. S corporations and regulated investment companies (RICs) could not file consolidated returns. Consolidated income tax returns were filed by common parent corporations and contained the combined financial data of two or more affiliated domestic corporations meeting certain stock ownership requirements. Each consolidated return was treated for statistical purposes as a single unit.

Real estate investment trusts—Domestic corporations, trusts, and associations that meet certain ownership, purpose, income, and diversification requirements may elect to be taxed as real estate investment trusts (REITs). Foreign-controlled domestic corporations can be REITs. However, REITs played a much smaller role for FCDCs than for other domestic corporations (ODCs).[20] REITs generally invest in real estate and mortgages. A beneficial ownership of the trust is established through transferable shares or transferable certificates of beneficial interest. Among the income requirements, at least 95 percent of the total gross income of a REIT must come from dividends; interest; rents from real property; and gains from the sale of stock, securities, and real property; etc. Additionally, at least 75 percent of total gross income must be derived from rents from real property; interest on mortgages on real property; gains from sales of real property and mortgages; and dividends and gains from the sale of transferable shares in other REITs; etc. The tax liability of REITs is generally very low. This is because, through a statutory special deduction for dividends paid, REITs are not taxed on amounts distributed to shareholders. In general, REITs must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed to the shareholders (i.e., beneficiaries). Internal Revenue Code section 856 defines REITs.

Regulated investment companies—A regulated investment company (RIC) is a domestic corporation registered as a management company or unit investment trust under the Investment Company Act of 1940 (ICA), or elected to be treated as a business development company under the ICA, or (with exceptions) a common trust fund or similar fund. Typically, it is a mutual fund. Foreign-controlled domestic corporations can be RICs. However, RICs played a much smaller role for FCDCs than for ODCs.[20] A RIC must meet certain Internal Revenue Code requirements. This includes deriving at least 90 percent of its gross income from dividends, interest, payments related to securities

[20] Shown in Appendix A of this article are Tax Year 2012 data for all REITs, RICs, and S corporations filed by foreign-controlled domestic corporations (FCDCs) and by other domestic corporations (ODCs).

loans, and gains from the sale of stock or securities, foreign currencies, or other income related to its business of investing in such stock, securities, or currencies. The tax liability of RICs is generally very low. This is because, through a statutory special deduction for dividends paid, RICs are not taxed on amounts distributed to shareholders. In general, RICs must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed at the shareholder level. Internal Revenue Code section 851 defines RICs.

S corporations—An S corporation is one that has elected to be taxed through its shareholders under Internal Revenue Code section 1362. The IRC contains restrictive criteria that a company must meet in order to qualify as an S corporation, which include: (1) 100 shareholders or less; (2) only individuals, estates, trusts, or certain exempt organizations can be shareholders; (3) no nonresident alien shareholders; and (4) only one class of stock. These companies report corporate income and deductions from their conduct of trades and businesses, but generally allocate any income or loss to their shareholders to be taxed only at the individual level. However, some S corporations are subject to certain special taxes at the corporate level. For S corporations that were previously C corporations, the corporate income tax was imposed on certain long-term capital gains, recognized built-in gains, and excess net passive income (i.e., gross receipts derived from rents, royalties, dividends, interest, annuities, or the sales of securities). S corporations comprise a very large part of the corporate population and are involved in numerous industrial activities. However, foreign-controlled domestic corporations cannot elect to be treated as S corporations.[20] Banks, life insurance companies, and affiliated group members eligible for inclusion on a consolidated return were also ineligible to be treated as S corporations.

Statutory special deductions—Statutory special deductions were in addition to ordinary and necessary business deductions. In general, net income less statutory special deductions equals income subject to tax. Statutory special deductions is the sum of: (1) deductions for net operating loss carryovers from prior years, and (2) special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code. These special deductions include: (a) dividends received deductions, (b) deductions for dividends paid on certain stock of public utilities, (c) deductions for dividends paid by regulated investment companies and real estate investment trusts, (d) Internal Revenue Code section 857(b)(2)(E) deductions reported by real estate investment trusts, and (e) Code section 806(a) small life insurance company deductions.

Total assets—This item represented those assets reported in the end-of-year balance sheets of the corporations' books of account. Total assets were net amounts after reduction by accumulated depreciation, accumulated amortization, accumulated depletion, and the reserve for bad debts.

Total deductions—This item includes the cost of goods sold, the ordinary and necessary business deductions from gross income, and the net loss from sales of noncapital assets.

Total income tax before and after credits—For 2012, total income tax of FCDCs was primarily comprised of the income tax imposed on corporate income subject to tax (over 98 percent of the total tax). The alternative minimum tax accounted for most of the remaining part of the total. A small number of corporation income tax returns without net income reported amounts of income tax. In these cases, income tax resulted from special provisions of the Internal Revenue Code applicable to life insurance operations. Additionally, some taxes included in total income tax were not imposed directly on a corporation's income subject to tax, such as the recapture taxes. Thus, a small number of corporations without net income and income tax may have reported such taxes on their tax returns. These taxes were included in the statistics for total income tax. Also included in total income tax were personal holding company taxes and the taxes on undistributed net capital gains of regulated investment companies. Total income tax included an adjustment that could be either positive or negative. This adjustment was used for write-in amounts on the tax computation schedule (e.g., Schedule J of Form 1120), as well as for differences in total tax reported on the tax computation schedule and reported on the tax and payments section of the tax return (e.g., Page 1 of Form 1120). For 2012, the credits used to reduce the total income tax of FCDCs primarily included the foreign tax credit (nearly 78 percent of the $16.6 billion of total credits), the general business credit (nearly 17 percent), and the prior-year minimum tax credit (nearly 6 percent), as well as very small amounts of other credits.

Total receipts—This item includes all of the income actually (as opposed to constructively) received by a corporation and reported on its income tax return. It includes gross taxable receipts (i.e., business receipts, taxable interest, rents, royalties, most net capital gains, net noncapital gains, dividends received, and other receipts), before the deduction of cost of goods sold and ordinary and necessary business expenses. It also includes tax-exempt interest received on State and local government obligations. A domestic corporation (i.e., one incorporated in the United States), whether controlled by a foreign person or not, could have business activities in a foreign country, as well as in the United States. Thus, total receipts may include those from foreign branch operations of the U.S. company. Also, the total receipts of a domestic corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries. However, total receipts exclude certain taxable income from related foreign corporations, which was only constructively received by the domestic corporation. Also excluded from this item are long-term capital gains of regulated investment companies, as well as taxable interest, rents, royalties, net capital gains, and dividends received from S corporations.

Total receipts less total deductions—This item differs from the "net income (less deficit)" shown in the statistics in that it includes nontaxable interest received on State and local government obligations, and excludes constructive taxable income from related foreign corporations.

Data Sources and Limitations

Period Covered

Data for Tax Year 2012 are based on returns with accounting periods ending between July 2012 and June 2013. This span, in effect, defines the tax year so the accounting periods for non-calendar years are centered at the calendar year that ended in December 2012.

The accounting periods were 12 months in length, or less for part-year accounting periods. Continuing corporations that changed their accounting periods, new corporations that existed for less than 12 months, and corporations that merged or liquidated, filed part-year returns. Because of the 12-month span for ending accounting periods, the statistics include accounting periods that began and ended within a 23-month span. For Tax Year 2012, that span was from August 2011 (the beginning of the first-included accounting period) through June 2013 (the end of the last-included accounting period). Nevertheless, most of the income and expense data are, in fact, associated with Calendar Year 2012. Of the 83,814 FCDC returns filed for Tax Year 2012, some 63,436 (nearly 76 percent of the total) had accounting periods that ended in December 2012. These returns accounted for 77 percent of both the receipts and deductions reported by all FCDCs, as well as nearly 83 percent of FCDC assets.

The sampling frame for the 2012 statistics consisted, in general, of tax returns with accounting periods that ended between July 2012 and June 2013, and that posted to the IRS Business Master File between July 2012 and June 2014. A 24-month sampling period was needed for several reasons. First, some corporations had noncalendar year accounting periods ending as late as June 2013. Second, while corporation returns must be filed within 2 1/2 months after the close of the accounting period, many corporations requested and received 6-month filing extensions. Third, normal administrative processing time lags required that the sampling process remained open until June 2014.

Returns Covered

The number of corporate income tax returns represents returns of "active" corporations, i.e., those that reported any income or deduction items. While any corporation in existence during any portion of the taxable year was required to file an income tax return (even though it may have been inactive, not having any income or deductions), the great majority of returns filed with the Internal Revenue Service were for active corporations. Part-year returns, those filed for accounting periods of less than 12 months, were included in the number of returns and other data shown in this article. To avoid double counting, data from the balance sheets of part-year returns were not included in the statistics, except for those from initial returns of newly incorporated businesses.

The target population of FCDCs included the following forms included in the SOI Corporation Study: 1120, 1120-L, 1120-PC, 1120-REIT, and 1120-RIC. FCDC statistics did not include Forms 1120-F and 1120S, which were included in the overall corporation statistics.

Sample

This article presents statistical estimates based on a probability sample stratified by form type of 11,400 unaudited tax returns selected from over 83,800 returns of active domestic corporations controlled by a foreign person and filed for Tax Year 2012. The statistics for FCDCs are based on samples of corporation income tax returns filed primarily on Form 1120 (*U.S. Corporation Income Tax Return*). In addition, the statistics for all FCDCs include data from the small numbers of other domestic corporation income tax returns filed on Forms 1120L (*U.S. Life Insurance Company Income Tax Return*), 1120-PC (*U.S. Property and Casualty Insurance Company Income Tax Return*), 1120-REIT (*U.S. Income Tax Return for Real Estate Investment Trusts*), and 1120-RIC (*U.S. Income Tax Return for Regulated Investment Companies*). For Tax Year 2012, the population estimates of FCDCs by form type are 83,151 Forms 1120, 227 Forms 1120-RIC, 171 Forms 1120-REIT, 67 Forms 1120-PC, and 42 Forms 1120L.[21]

Form 1120 sampled returns were stratified based on the size of total assets and the size of "proceeds" (which was used as a measure of income and was the larger of the absolute value of net income or deficit or the absolute value of "cash flow," i.e., net income plus depreciation plus depletion). Forms 1120L, 1120-RIC, 1120-REIT, and 1120-PC were sampled based solely on the size of total assets.

For 2012, the sampling rates for Forms 1120 alone (the majority of returns included in the sample) ranged from less than 1 percent to 100 percent. In general, Form 1120 returns with assets of $50 million or more, or with "proceeds" of $10 million or more, were selected for the Statistics of Income study at the 100-percent rate. For additional information on the sampling rates, see *Statistics of Income—2012, Corporation Income Tax Returns*.

Data Limitations

The IRS Statistics of Income (SOI) Division used several extensive quality review processes to improve data quality, beginning with weekly monitoring at the sample selection stage. This continued through the data collection, data cleaning, and data completion procedures with consistency testing and error resolution. SOI processed returns through tests to check for impossible conditions (e.g., incorrect tax data for specific types of tax forms), internal inconsistencies (e.g., items that did not add up to totals), and questionable values (e.g., banks with large amounts of cost of goods sold). Part of the review process included extensive comparisons between the current-year data and the prior-year data. SOI made a great amount of effort at every stage of processing to ensure data integrity.

[21] The count of 42 Forms 1120L does not include returns of life insurance companies that were filed as part of consolidated returns under IRC section 1504(c). Under this section, a nonlife insurance parent company could include a domestic life insurance subsidiary in a consolidated return. For 2012, there were 156 section 1504(c) returns included in the FCDC's collective total of 83,814. Of this number, 81 returns had a property/casualty insurance company as the largest subsidiary (based on income), another 61 returns had a noninsurance company as the largest subsidiary, and 14 returns had a life insurance company as the largest subsidiary.

Figure I

Foreign-Controlled Domestic Corporations: Coefficients of Variation for Selected Items, by Selected Industrial Sectors and Selected Countries of Foreign Owners, Tax Year 2012

Selected industrial sector or country	Coefficients of variation (percentages)						
	Number of returns	Total assets	Total receipts	Net income	Deficit	Income subject to tax	Total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	**2.58**	**0.01**	**0.10**	**0.10**	**0.36**	**0.12**	**0.15**
Selected industrial sectors:							
Construction	29.61	0.61	1.33	2.32	2.25	2.52	3.24
Finance and insurance	10.64	0.01	0.12	0.14	1.21	0.25	0.25
Information	18.25	0.20	1.51	0.86	2.58	0.89	0.81
Management of companies (holding companies)	12.85	0.04	0.22	0.33	1.27	0.33	0.40
Manufacturing	8.86	0.03	0.08	0.11	0.43	0.13	0.17
Professional, scientific, and technical services	9.63	0.26	0.83	1.04	3.47	1.15	1.34
Real estate and rental and leasing	4.83	0.39	1.32	2.37	2.46	3.57	3.78
Retail trade	19.09	0.33	0.60	0.61	4.23	0.47	0.47
Wholesale trade	4.41	0.13	0.25	0.47	1.91	0.50	0.58
Selected countries of foreign owners:							
Bermuda	20.26	0.16	0.33	0.43	3.31	0.70	1.37
Canada	6.48	0.06	0.60	0.49	0.89	0.66	0.67
France	16.06	0.04	0.51	0.31	1.64	0.39	0.42
Germany	10.88	0.06	0.35	0.50	1.84	0.60	0.65
Japan	8.80	0.07	0.22	0.28	1.25	0.34	0.40
Netherlands	18.28	0.04	0.25	0.18	1.83	0.20	0.27
South Korea, Republic of	19.80	0.51	0.81	1.51	3.10	1.60	1.60
Sweden	22.84	0.36	0.82	0.95	7.51	0.84	1.08
Switzerland	9.64	0.04	0.29	0.19	1.78	0.27	0.28
United Kingdom	10.42	0.02	0.14	0.18	0.98	0.18	0.32
Venezuela	31.11	1.08	0.98	1.76	9.19	1.49	1.59

NOTE: For a general discussion on coefficients of variation, see the "Sampling Methodology and Data Limitations" section of this issue of the *Statistics of Income Bulletin.*
SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

Sampling Error

Because the data presented here are estimates based on samples, they may differ from the population aggregates that would have been obtained if a complete census of all income tax returns had been taken. Thus, the data are subject to sampling error. To use these data properly, the magnitude of the sampling error should be known. Coefficients of variation (CVs) are used to measure that magnitude (Figure I). The smaller the CV, the more reliable the estimate is judged to be. For this article, CVs were calculated for selected financial data of selected industrial sectors and selected countries of the foreign owners. For a general discussion of sampling procedures and CVs, see "Sampling Methodology and Data Limitations" located near the back of this issue of the *Statistics of Income Bulletin*.

Nonsampling Error

Nonsampling errors can be categorized as coverage errors, nonresponse errors, processing errors, or response errors. These errors can result from the inability to obtain information about all returns in the sample, differing interpretations by taxpayers of tax concepts or instructions, inability of a corporation to provide accurate information at the time of filing (data are collected before auditing), inability to obtain all tax schedules and attachments, errors in recording or coding the data, errors in collecting or cleaning the data, errors made in estimating for missing data, and failure to represent all population units.

SOI selected returns for this study based on taxpayers' responses to two questions on Forms 1120. The first question asked whether one "foreign person" owned, directly or indirectly, 25 percent or more of the filing corporation's voting stock or the total value of all the corporation's stock at any time during the tax year. If a taxpayer answered this question "Yes," then a second question asked for the percentage owned.[22] If the percentage owned fell between 50 percent and 100 percent, then the return was included in the FCDC statistics.[23] Taxpayers sometimes incorrectly answered these questions or did not answer them at all.[24] However, prior to tabulation, corporations with large amounts of assets or receipts, and changes in foreign

[22] On Form 1120, Page 4, Schedule K, the actual questions were: "(7) At any time during the tax year, did one foreign person own, directly or indirectly, at least 25 percent of: (a) the total voting power of all classes of the corporation's stock entitled to vote, or (b) the total value of all classes of the corporation's stock?" and "(7i) If 'Yes,' enter percentage owned." The rules of attribution under IRC section 318 applied to these questions. There was an additional question used for the country distribution of these statistics, which was: "(7ii) If 'Yes,' enter owner's country."

[23] For Tax Year 2012, the great majority (70,304 returns) of FCDCs reported 100 percent foreign ownership. Additionally, 5,763 returns reported between 75 percent and 99 percent foreign ownership, 3,447 returns reported 51 percent to 74 percent foreign ownership, and 3,223 returns reported exactly 50 percent foreign ownership.

[24] The FCDC statistics include data from returns in which the first question (see footnote 22) was answered "Yes," and the second question covering percentage owned was not answered. There were 1,077 returns for Tax Year 2012 included in the FCDC data, although the exact foreign ownership percentage was not specified. These returns reported $7.3 billion of assets and $6.2 billion of receipts.

ownership status between 2011 and 2012, were researched and their answers to questions verified. These large corporations had a dominating effect on the estimates for balance sheet, income statement, and tax items.

Each return used for the statistics had an industry code reported, or was assigned one during administrative or statistical processing, and was classified according to the North American Industry Classification System (NAICS). The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of the total receipts) of the corporation filing the return. However, a given return may summarize the activity of a company engaged in several businesses or may have been a consolidated return filed for an affiliated group of corporations that conducted different business activities. To the extent that some consolidated (and nonconsolidated) returns covered corporations that were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

There is an additional limitation related to data presented by industrial classification. Companies that sell similar products may not be classified in the same industry. For instance, those FCDCs that were primarily U.S. distributors of products made in foreign countries by their parent or other related companies were classified as wholesalers. However, other domestic corporations that were also distributors may have been included in consolidated returns covering both the manufacture and distribution of similar products and classified as manufacturers.

Each return was assigned a foreign country code that identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country in which the foreign entity was incorporated, organized, created, or administered. To the extent that a holding company or other affiliated entity was part of a chain between a U.S. subsidiary company and the ultimate foreign parent, the country data may be related to the holding company and, thus, may not be related to the foreign country of the ultimate parent.

Appendix A

Foreign-Controlled Domestic Corporations (FCDCs) and Other Domestic Corporations (ODCs) that filed as REITs, RICs, and S Corporations, Tax Year 2012

[Money amounts are in millions of dollars]

Type of corporation and item	FCDCs	ODCs
Real Estate Investment Trusts (REITs):		
Number of returns	171	1,975
Total assets	53,509	1,605,426
Total receipts	3,539	113,547
Net income (less deficit)	1,022	43,962
Income subject to tax	3	44
Total income tax after credits	3	27
Regulated Investment Companies (RICs):		
Number of returns	227	15,257
Total assets	185,454	16,476,284
Total receipts	3,917	412,002
Net income (less deficit)	2,670	296,356
Income subject to tax	0	881
Total income tax after credits	3	6
S Corporations:		
Number of returns	0	4,205,452
Total assets	0	3,593,278
Total receipts	0	6,572,866
Total net income (less deficit)	0	475,998
Net income (less deficit) from a trade or business	0	378,357
Total income tax before credits	0	310

NOTE: Real estate investment trusts (REITs), regulated investment companies (RICs), and S corporations are passthrough entities. These entities pay little or no Federal income tax at the corporate level. By law, they are required to pass any profits or losses to their shareholders, where they are taxed at the individual rate.

SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

Table 1. Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Tax Years 1971–2012

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

Item	1971	1990	2000	2003	2009	2010	2011	2012
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL CORPORATIONS								
Number of returns, total	1,733,332	3,716,650	5,045,274	5,401,237	5,824,545	5,813,725	5,823,126	5,840,821
Number with net income	1,063,940	1,910,670	2,819,153	2,932,115	3,148,768	3,264,726	3,384,712	3,548,701
Total assets	2,889,221	18,190,058	47,026,872	53,644,785	75,965,019	79,904,747	81,279,900	84,952,036
Total receipts	1,906,008	11,409,520	20,605,808	20,689,574	24,772,531	26,198,523	28,335,601	29,403,675
Business receipts	1,763,760	9,860,442	17,636,551	18,264,394	21,584,886	23,058,235	25,197,648	26,029,143
Interest received [1]	65,596	942,238	1,576,101	1,132,675	1,478,717	1,306,237	1,289,432	1,208,961
Total deductions	1,824,063	11,032,575	19,691,592	19,940,595	23,943,765	24,944,311	27,092,729	27,712,775
Cost of goods sold	1,241,282	6,610,770	11,135,288	11,318,645	13,286,300	14,501,547	16,180,343	16,578,523
Interest paid	64,697	825,372	1,271,679	818,017	1,069,664	888,206	860,102	814,426
Total receipts less total deductions	81,945	376,945	914,216	748,980	828,766	1,254,212	1,242,872	1,690,901
Net income (less deficit)	79,700	370,633	927,526	779,989	918,953	1,356,496	1,323,009	1,774,274
Net income	96,688	552,527	1,336,620	1,175,609	1,614,867	1,836,377	1,829,098	2,175,015
Deficit	-16,988	-181,894	-409,094	-395,620	-695,913	-479,881	-506,089	-400,741
Income subject to tax	83,165	366,353	760,404	699,337	894,850	1,022,175	994,393	1,149,800
Total income tax before credits	37,510	128,186	266,282	243,823	313,464	358,414	349,348	402,963
Income tax	37,143	119,434	262,233	241,275	310,112	354,922	345,415	399,106
Total income tax after credits	30,220	96,403	204,044	177,517	204,996	222,969	220,894	267,854
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS								
Number of returns, total	5,154	44,113	60,609	58,945	66,197	73,210	76,793	83,814
Number with net income	2,575	17,360	26,519	27,269	25,158	31,473	33,358	34,736
Total assets	36,674	1,652,255	6,071,994	6,170,122	10,461,430	11,245,199	11,732,552	12,277,447
Total receipts	39,181	1,060,295	2,612,072	2,569,302	3,518,194	4,056,172	4,586,774	4,721,115
Business receipts	38,043	950,083	2,253,215	2,329,930	3,147,948	3,671,712	4,203,240	4,284,239
Interest received [1]	420	67,315	180,006	102,179	175,969	161,677	161,850	143,242
Total deductions	38,050	1,056,921	2,549,986	2,542,193	3,487,675	3,966,077	4,511,644	4,563,917
Cost of goods sold	28,804	709,052	1,584,513	1,652,622	2,204,868	2,655,897	3,099,807	3,147,347
Interest paid	733	77,562	186,835	109,453	151,639	136,187	134,886	126,534
Total receipts less total deductions	1,132	3,374	62,085	27,109	30,519	90,095	75,129	157,198
Net income (less deficit)	1,111	3,966	66,312	31,952	36,431	99,173	79,803	167,052
Net income	1,496	29,410	118,598	92,846	152,727	174,256	166,514	238,934
Deficit	-384	-25,444	-52,287	-60,895	-116,296	-75,083	-86,710	-71,882
Income subject to tax	1,344	23,704	97,515	73,521	105,152	127,237	130,503	174,151
Total income tax before credits	650	8,719	34,650	25,971	37,783	45,078	46,252	61,851
Income tax	631	8,008	33,950	25,607	36,631	44,404	45,500	60,707
Total income tax after credits	610	7,438	28,073	19,121	28,271	33,192	35,705	45,240
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS AS A PERCENTAGE OF ALL CORPORATIONS								
Number of returns, total	0.30	1.19	1.20	1.09	1.14	1.26	1.32	1.43
Number with net income	0.24	0.91	0.94	0.93	0.80	0.96	0.99	0.98
Total assets	1.27	9.08	12.91	11.50	13.77	14.07	14.43	14.45
Total receipts	2.06	9.29	12.68	12.42	14.20	15.48	16.19	16.06
Business receipts	2.16	9.64	12.78	12.76	14.58	15.92	16.68	16.46
Interest received [1]	0.64	7.14	11.42	9.02	11.90	12.38	12.55	11.85
Total deductions	2.09	9.58	12.95	12.75	14.57	15.90	16.65	16.47
Cost of goods sold	2.32	10.73	14.23	14.60	16.60	18.31	19.16	18.98
Interest paid	1.13	9.40	14.69	13.38	14.18	15.33	15.68	15.54
Total receipts less total deductions	1.38	0.90	6.79	3.62	3.68	7.18	6.04	9.30
Net income (less deficit)	1.39	1.07	7.15	4.10	3.96	7.31	6.03	9.42
Net income	1.55	5.32	8.87	7.90	9.46	9.49	9.10	10.99
Deficit	2.26	13.99	12.78	15.39	16.71	15.65	17.13	17.94
Income subject to tax	1.62	6.47	12.82	10.51	11.75	12.45	13.12	15.15
Total income tax before credits	1.73	6.80	13.01	10.65	12.05	12.58	13.24	15.35
Income tax	1.70	6.70	12.95	10.61	11.81	12.51	13.17	15.21
Total income tax after credits	2.02	7.72	13.76	10.77	13.79	14.89	16.16	16.89

[1] Excludes nontaxable interest received on State and local government obligations.

NOTES: Detail may not add to totals because of rounding. All amounts are in current dollars. Tax law and tax form changes affect the year-to-year comparability of the data. See *Statistics of Income—Corporation Income Tax Returns,* selected years, for discussions of changes affecting the comparability of the data over time.

SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2012

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

Major industry	Number of returns: Total	Number of returns: With net income	Number of returns: With total income tax after credits	Total assets	Net worth	Total receipts	Business receipts	Total deductions
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries	**83,814**	**34,736**	**23,418**	**12,277,447**	**2,808,971**	**4,721,115**	**4,284,239**	**4,563,917**
Agriculture, forestry, fishing, and hunting	525	294	212	10,496	4,710	11,062	10,629	10,961
Agricultural production	405	264	182	9,664	4,403	10,273	9,918	10,162
Forestry and logging	* 15	* 10	* 10	* 522	* 272	* 626	* 615	* 613
Support activities and fishing, hunting, and trapping	* 105	* 20	* 20	* 310	* 35	* 163	* 97	* 186
Mining	896	199	171	335,852	131,094	120,886	109,913	118,464
Utilities	207	114	48	146,758	50,068	52,282	50,070	54,771
Construction	1,459	544	451	52,298	11,643	46,966	45,124	47,820
Construction of buildings	417	87	30	28,707	6,734	28,928	28,036	29,323
Heavy and civil engineering construction	547	63	58	19,299	4,132	11,602	10,683	11,960
Specialty trade contractors	495	395	363	4,292	777	6,436	6,405	6,537
Manufacturing	7,687	4,031	3,028	2,815,087	882,823	2,146,906	2,060,236	2,081,444
Food manufacturing	685	496	474	93,182	28,584	113,496	112,488	110,650
Beverage and tobacco product manufacturing	68	29	25	103,147	16,903	35,634	35,242	33,801
Textile mills and textile product mills	204	188	59	6,823	2,725	6,959	6,845	6,811
Apparel manufacturing	329	* 290	* 32	1,466	563	2,439	2,371	2,341
Leather and allied product manufacturing	* 3	* 0	* 0	* 11	* -95	* 33	* 42	* 41
Wood product manufacturing	125	81	57	6,550	2,098	7,702	7,620	7,690
Paper manufacturing	80	45	33	14,915	6,229	15,413	15,302	14,997
Printing and related support activities	46	39	39	3,059	1,014	3,561	3,080	3,420
Petroleum and coal products manufacturing	31	26	d	743,634	239,155	653,711	632,961	645,030
Chemical manufacturing	694	345	310	541,871	163,259	305,495	281,673	277,526
Plastics and rubber products manufacturing	473	254	172	56,619	13,886	63,243	61,916	60,646
Nonmetallic mineral product manufacturing	171	82	69	106,370	49,010	49,245	47,789	50,169
Primary metal manufacturing	226	127	115	89,935	19,214	94,321	92,313	93,730
Fabricated metal product manufacturing	429	273	215	53,857	17,606	47,399	46,394	46,154
Machinery manufacturing	1,040	668	518	209,914	72,054	153,923	147,848	147,189
Computer and electronic product manufacturing	888	349	307	211,952	71,014	121,677	113,004	117,704
Electrical equipment, appliance, and component manufacturing	288	153	118	72,461	29,093	41,539	40,734	40,382
Transportation equipment manufacturing	678	348	265	447,224	145,209	396,756	380,629	390,268
Furniture and related product manufacturing	150	* 44	* 44	5,869	833	3,619	3,581	3,514
Miscellaneous manufacturing	1,081	196	d	46,224	4,470	30,742	28,403	29,383
Wholesale and retail trade	22,796	12,023	7,987	820,345	228,185	1,336,699	1,300,340	1,307,974
Wholesale trade	19,260	10,778	7,077	710,810	192,311	1,160,458	1,127,928	1,135,899
Wholesale trade, durable goods	14,351	8,194	5,295	423,357	101,937	677,264	656,646	663,396
Wholesale trade, nondurable goods	4,768	2,503	1,722	287,110	90,314	483,115	471,224	472,428
Wholesale electronic markets and agents and brokers	* 141	* 81	* 60	* 342	* 60	* 79	* 59	* 74
Retail trade	3,536	1,244	910	109,535	35,874	176,241	172,412	172,075
Motor vehicle dealers and parts dealers	491	461	402	2,942	644	7,046	6,787	7,014
Furniture and home furnishings stores	98	* 75	* 40	7,027	451	6,813	6,555	6,776
Electronics and appliance stores	200	* 49	* 48	2,243	-256	7,012	6,923	6,877
Building material and garden equipment and supplies dealers	* 43	* 18	* 12	* 802	* 110	* 495	* 493	* 495
Food, beverage and liquor stores	132	7	7	41,292	16,125	84,451	83,596	82,556
Health and personal care stores	127	* 74	* 16	13,675	6,798	8,095	7,934	7,605
Gasoline stations	* 11	d	d	* 5,299	* 1,240	* 21,478	* 21,269	* 21,268
Clothing and clothing accessories stores	454	87	57	26,180	7,893	26,477	25,083	24,965
Sporting goods, hobby, book, and music stores	* 333	d	d	* 1,032	* -50	* 1,156	* 1,089	* 1,250
General merchandise stores	* 15	* 6	d	* 887	* 265	* 1,206	* 1,193	* 1,210
Miscellaneous store retailers	659	258	168	2,298	774	2,150	1,734	2,145
Nonstore retailers	973	194	140	5,859	1,879	9,862	9,755	9,913

Footnotes at end of table.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2012—Continued

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

Major industry	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Transportation and warehousing	1,810	832	475	87,491	26,820	71,340	66,431	70,190
Air, rail, and water transportation	335	88	60	23,358	6,630	13,306	12,802	12,699
Truck transportation	119	71	* 30	2,458	983	5,018	4,919	5,030
Transit and ground passenger transportation	* 283	* 6	d	* 8,881	* 1,639	* 7,233	* 6,815	* 7,146
Pipeline transportation	* 8	* 3	d	* 6,206	* 2,105	* 966	* 505	* 1,058
Other transportation and support activities	886	505	240	36,739	11,118	41,238	38,083	40,899
Warehousing and storage	178	159	140	9,848	4,344	3,580	3,308	3,358
Information	3,721	1,425	996	219,477	51,870	109,759	100,453	105,889
Publishing industries	1,202	484	203	89,377	20,653	38,464	36,601	36,596
Motion picture and sound recording industries	612	137	131	43,934	10,184	13,576	10,684	14,032
Broadcasting (except internet)	305	* 17	* 17	3,633	1,652	1,654	856	977
Telecommunications (including paging, cellular, satellite, cable and internet service providers)	674	257	202	52,968	9,099	39,872	37,527	38,762
Data processing, hosting, and related services	107	55	* 43	7,581	3,693	2,871	2,682	2,799
Other information services (including news syndicates, libraries, and internet publishing and broadcasting)	821	475	400	21,983	6,588	13,321	12,103	12,723
Finance and insurance	3,225	1,626	977	5,523,515	761,818	446,155	262,507	409,727
Credit intermediation	296	166	146	373,640	39,847	26,605	12,142	20,911
Depository credit intermediation	34	25	d	122,315	18,573	6,405	1,404	5,091
Nondepository credit intermediation	262	141	d	251,325	21,274	20,200	10,738	15,820
Securities, commodity contracts, and other financial investments and related activities	1,831	880	525	2,891,019	138,770	105,540	41,018	87,529
Insurance carriers and related activities	323	178	172	2,027,466	376,242	308,262	209,309	298,818
Funds, trusts, and other financial vehicles	775	403	134	231,389	206,959	5,748	39	2,469
Real estate and rental and leasing	20,315	5,607	2,980	198,585	70,510	30,226	20,499	29,414
Real estate	19,981	5,476	2,882	144,503	55,194	16,539	8,663	15,999
Rental and leasing services	285	114	91	44,817	10,012	12,544	10,817	12,358
Lessors of nonfinancial intangible assets (except copyrighted works)	48	* 16	* 8	9,265	5,305	1,143	1,019	1,058
Professional, scientific, and technical services	10,913	4,594	3,438	235,423	81,355	148,738	141,006	144,875
Management of companies (holding companies)	4,979	1,403	1,009	1,676,146	462,957	78,441	7,488	63,191
Administrative and support and waste management and remediation services	1,319	494	309	58,756	21,158	54,451	51,793	54,361
Administrative and support services	1,217	491	d	51,037	16,707	49,078	46,910	49,432
Waste management and remediation services	102	3	d	7,719	4,451	5,373	4,883	4,929
Educational services	93	37	25	5,134	1,686	2,429	2,325	2,293
Health care and social assistance	316	281	252	23,645	7,465	15,040	13,720	14,092
Offices of health practitioners and outpatient care centers	* 15	* 9	d	* 14,708	* 5,500	* 8,392	* 7,700	* 7,481
Miscellaneous health care and social assistance	259	* 242	d	6,414	1,631	4,557	4,470	4,581
Hospitals, nursing, and residential care facilities	* 42	* 30	d	* 2,523	* 334	* 2,091	* 1,551	* 2,030
Arts, entertainment, and recreation	1,389	409	389	13,556	2,979	7,829	6,949	7,853
Amusement, gambling, and recreation industries	259	29	14	10,456	2,135	4,962	4,570	5,032
Other arts, entertainment, and recreation	1,129	380	375	3,100	844	2,867	2,378	2,821
Accommodation and food services	1,165	311	170	50,481	12,937	36,505	29,589	35,496
Accommodation	233	114	99	27,975	11,420	7,998	5,026	7,787
Food services and drinking places	933	198	71	22,506	1,517	28,506	24,563	27,709
Other services [2]	998	511	503	4,403	-1,105	5,401	5,167	5,102
Repair and maintenance	488	427	423	2,125	585	3,067	2,986	3,026
Personal and laundry services	238	84	80	2,278	-1,690	2,334	2,181	2,076

Footnotes at end of table.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2012—Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax: Before credits	Total income tax: After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All industries	**3,147,347**	**157,198**	**167,052**	**238,934**	**-71,882**	**174,151**	**61,851**	**45,240**
Agriculture, forestry, fishing, and hunting	9,152	101	143	391	-247	189	66	49
Agricultural production	8,550	111	154	364	-210	162	57	41
Forestry and logging	* 550	* 12	* 12	* 19	* -7	* 19	* 7	* 5
Support activities and fishing, hunting, and trapping	* 52	* -23	* -23	* 8	* -31	* 8	* 3	* 3
Mining	54,550	2,422	3,463	15,178	-11,714	13,536	4,892	2,252
Utilities	29,967	-2,489	-2,432	554	-2,986	371	132	118
Construction	38,063	-854	-817	1,153	-1,969	725	214	188
Construction of buildings	24,681	-395	-377	498	-875	290	61	60
Heavy and civil engineering construction	8,121	-358	-360	457	-817	315	111	91
Specialty trade contractors	5,261	-101	-80	198	-278	120	42	38
Manufacturing	1,605,963	65,463	70,958	91,829	-20,870	75,640	26,651	18,041
Food manufacturing	79,664	2,846	2,870	3,431	-561	2,919	1,024	978
Beverage and tobacco product manufacturing	15,005	1,833	1,840	1,991	-151	1,975	691	676
Textile mills and textile product mills	5,290	148	155	220	-65	182	63	59
Apparel manufacturing	1,739	99	99	* 134	* -35	* 119	* 42	* 41
Leather and allied product manufacturing	* 36	* -8	* -8	* 0	* -8	* 0	* 0	* 0
Wood product manufacturing	6,052	12	12	242	-229	134	47	47
Paper manufacturing	11,832	416	421	568	-147	275	100	74
Printing and related support activities	2,288	141	141	171	-29	121	43	41
Petroleum and coal products manufacturing	578,694	8,681	11,379	17,617	-6,238	16,211	5,684	d
Chemical manufacturing	165,042	27,969	29,349	30,890	-1,541	26,549	9,308	7,353
Plastics and rubber products manufacturing	45,424	2,597	2,682	2,934	-252	1,787	757	709
Nonmetallic mineral product manufacturing	33,975	-924	-872	1,344	-2,216	932	334	256
Primary metal manufacturing	79,455	591	596	1,635	-1,039	1,314	461	437
Fabricated metal product manufacturing	33,739	1,245	1,291	2,208	-917	1,958	677	632
Machinery manufacturing	108,365	6,734	7,096	8,385	-1,289	7,441	2,604	2,223
Computer and electronic product manufacturing	75,445	3,973	4,498	7,131	-2,634	3,761	1,319	837
Electrical equipment, appliance, and component manufacturing	27,327	1,157	1,263	1,861	-598	1,310	458	327
Transportation equipment manufacturing	317,709	6,488	6,563	8,808	-2,245	6,691	2,351	1,974
Furniture and related product manufacturing	2,400	105	105	* 163	* -58	* 155	* 54	* 49
Miscellaneous manufacturing	16,481	1,358	1,477	2,095	-618	1,806	634	d
Wholesale and retail trade	1,086,460	28,725	29,856	37,714	-7,858	29,429	10,279	8,603
Wholesale trade	962,618	24,559	25,583	31,933	-6,349	23,989	8,376	6,847
Wholesale trade, durable goods	557,368	13,867	14,590	17,838	-3,248	12,250	4,281	3,486
Wholesale trade, nondurable goods	405,249	10,687	10,989	14,071	-3,082	11,726	4,091	3,357
Wholesale electronic markets and agents and brokers	* 0	* 4	* 4	* 23	* -19	* 13	* 4	* 4
Retail trade	123,842	4,166	4,272	5,781	-1,509	5,440	1,903	1,756
Motor vehicle dealers and parts dealers	5,989	32	32	73	-42	59	19	19
Furniture and home furnishings stores	4,188	36	36	* 167	* -130	* 158	* 55	* 36
Electronics and appliance stores	5,149	135	135	* 213	* -78	* 212	* 74	* 72
Building material and garden equipment and supplies dealers	* 360	* [1]	* [1]	* 3	* -4	* 1	* [1]	* [1]
Food, beverage and liquor stores	62,480	1,895	1,897	2,291	-394	2,222	778	687
Health and personal care stores	3,542	490	490	* 518	* -28	* 456	* 159	* 150
Gasoline stations	* 18,933	* 210	* 304	d	d	d	d	d
Clothing and clothing accessories stores	12,725	1,513	1,521	1,990	-468	1,843	646	629
Sporting goods, hobby, book, and music stores	* 675	* -94	* -94	d	d	d	d	d
General merchandise stores	* 741	* -3	* -3	* 46	* -50	* 46	* 16	d
Miscellaneous store retailers	1,166	5	5	62	-57	60	19	19
Nonstore retailers	7,894	-51	-51	108	-158	90	32	30

Footnotes at end of table.

Table 2. Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2012—Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Transportation and warehousing	23,550	1,150	1,191	2,266	-1,075	1,827	634	564
Air, rail, and water transportation	3,619	606	620	853	-234	830	290	257
Truck transportation	2,611	-12	-12	79	-91	* 62	* 19	* 19
Transit and ground passenger transportation	* 1,091	* 87	* 87	* 136	* -49	* 7	* 3	d
Pipeline transportation	* 22	* -92	* -92	* 28	* -121	* 28	* 10	d
Other transportation and support activities	14,825	339	367	894	-528	779	270	235
Warehousing and storage	1,383	222	222	275	-53	121	42	42
Information	38,789	3,870	3,947	6,667	-2,720	4,125	1,470	1,370
Publishing industries	10,412	1,867	1,909	2,905	-996	2,170	761	685
Motion picture and sound recording industries	4,808	-455	-446	452	-898	195	68	67
Broadcasting (except internet)	357	677	677	* 777	* -100	* 710	* 249	* 249
Telecommunications (including paging, cellular, satellite, cable and internet service providers)	17,493	1,110	1,115	1,424	-309	245	109	102
Data processing, hosting, and related services	275	72	80	166	-86	* 31	* 12	* 11
Other information services (including news syndicates, libraries, and internet publishing and broadcasting)	5,444	598	611	944	-333	775	271	256
Finance and insurance	169,919	36,428	36,118	41,530	-5,413	16,592	6,328	5,473
Credit intermediation	294	5,694	5,660	5,856	-196	3,422	1,239	1,133
Depository credit intermediation	0	1,314	1,245	1,311	-66	316	127	d
Nondepository credit intermediation	294	4,380	4,415	4,545	-130	3,107	1,113	d
Securities, commodity contracts, and other financial investments and related activities	403	18,011	18,298	19,771	-1,472	5,289	1,880	1,664
Insurance carriers and related activities	169,214	9,445	8,881	12,255	-3,374	7,503	3,077	2,548
Funds, trusts, and other financial vehicles	9	3,279	3,279	3,649	-370	378	132	128
Real estate and rental and leasing	3,106	811	843	4,301	-3,458	1,782	615	558
Real estate	250	540	587	3,287	-2,700	1,465	501	457
Rental and leasing services	2,606	187	171	904	-732	219	81	78
Lessors of nonfinancial intangible assets (except copyrighted works)	249	84	85	* 110	* -26	* 97	* 34	* 23
Professional, scientific, and technical services	43,145	3,863	4,207	7,681	-3,474	5,329	1,858	1,456
Management of companies (holding companies)	611	15,250	16,879	23,392	-6,514	19,671	6,975	5,153
Administrative and support and waste management and remediation services	20,987	90	151	1,958	-1,807	1,126	404	326
Administrative and support services	20,047	-354	-294	1,445	-1,739	1,121	393	d
Waste management and remediation services	939	444	444	513	-68	5	11	d
Educational services	465	137	137	209	-72	171	60	56
Health care and social assistance	4,716	949	949	1,142	-193	988	347	334
Offices of health practitioners and outpatient care centers	* 3,479	* 912	* 912	* 938	* -26	* 867	* 303	d
Miscellaneous health care and social assistance	1,060	-24	-24	* 127	* -151	* 46	* 17	d
Hospitals, nursing, and residential care facilities	* 178	* 61	* 61	* 78	* -16	* 75	* 26	d
Arts, entertainment, and recreation	1,877	-24	-15	298	-313	161	55	53
Amusement, gambling, and recreation industries	1,147	-70	-61	135	-196	43	15	14
Other arts, entertainment, and recreation	730	46	46	163	-117	118	40	39
Accommodation and food services	13,757	1,009	1,120	2,212	-1,092	2,051	718	522
Accommodation	770	211	213	1,038	-825	923	324	284
Food services and drinking places	12,987	797	906	1,174	-268	1,128	394	d
Other services [2]	2,270	298	354	460	-106	438	150	125
Repair and maintenance	1,873	40	43	96	-53	84	27	23
Personal and laundry services	397	259	311	364	-53	354	123	102

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

d—Not shown to avoid disclosure of information about specific corporations. However, data are included in the appropriate totals.

[1] Value is between -$500,000 and $500,000.

[2] Includes religious, grantmaking, civic, professional, and similar organizations, not shown separately.

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

SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporation and Selected Country of Foreign Owner, Tax Year 2012

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

Age of corporation and selected country of foreign owner	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All foreign-controlled domestic corporations	**83,814**	**34,736**	**23,418**	**12,277,447**	**2,808,971**	**4,721,115**	**4,284,239**	**4,563,917**
AGE OF CORPORATION								
Old corporations:								
Number or amount	60,108	28,785	19,107	11,150,887	2,565,405	4,449,620	4,054,354	4,305,222
Percentage of all corporations	71.7	82.9	81.6	90.8	91.3	94.2	94.6	94.3
New corporations:								
Number or amount	23,707	5,951	4,311	1,126,560	243,567	271,495	229,886	258,695
Percentage of all corporations	28.3	17.1	18.4	9.2	8.7	5.8	5.4	5.7
SELECTED COUNTRY OF FOREIGN OWNER								
Selected countries, total	74,627	31,877	21,760	12,210,906	2,789,012	4,680,710	4,246,636	4,523,743
Percentage of all countries	89.0	91.8	92.9	99.5	99.3	99.1	99.1	99.1
Selected countries:								
Argentina	1,616	560	560	1,265	493	1,281	1,260	1,378
Australia	2,311	836	539	179,262	43,723	62,195	56,217	60,267
Austria	506	271	249	14,341	4,464	23,535	23,216	22,778
Belgium	433	244	216	45,742	19,327	39,885	37,819	37,830
Bermuda	469	119	101	154,572	44,871	61,254	53,223	57,224
Brazil	1,625	617	341	39,347	10,221	43,432	42,688	44,401
British Virgin Islands [1]	3,720	723	469	34,496	9,641	25,818	23,925	25,888
Canada	11,320	4,924	3,943	1,392,332	296,863	397,374	346,997	391,311
Cayman Islands	2,490	975	643	110,581	37,819	53,607	46,138	54,409
China	3,166	1,156	352	66,454	7,008	34,655	33,122	35,104
China (Taiwan)	652	406	280	17,664	5,522	38,929	38,512	38,138
Cyprus	158	58	39	6,804	1,252	6,129	5,657	6,120
Denmark	449	159	111	22,986	7,574	28,445	26,833	27,221
Finland	171	98	78	20,547	8,655	17,139	15,488	16,393
Former Soviet Union [2]	491	47	* 20	10,880	1,737	10,985	10,865	11,108
France [3]	2,678	998	603	1,114,917	327,075	284,392	254,009	271,982
Germany	4,807	2,328	1,610	1,276,169	265,820	432,871	383,149	414,496
Hong Kong	978	503	329	22,503	1,037	11,615	11,286	11,734
Hungary	153	25	d	2,326	-472	12,347	12,019	11,916
India	1,649	1,061	710	26,643	6,859	28,515	27,940	28,586
Ireland	648	263	224	108,270	21,853	46,366	41,533	44,981
Isles of Man, Jersey, and Guernsey	610	202	137	89,330	42,300	25,430	22,678	23,113
Israel [4]	1,281	649	371	66,551	19,601	44,126	42,435	42,820
Italy	2,992	1,356	630	66,863	28,295	62,392	59,753	60,262
Japan	6,190	3,178	2,033	1,277,044	281,581	720,834	684,340	699,121
Liechtenstein	247	72	48	4,738	1,430	8,361	8,229	8,120
Luxembourg	531	301	232	102,109	34,172	57,856	55,122	57,119
Mexico	4,378	1,754	1,402	57,448	30,302	52,407	50,261	50,383
Netherlands	1,783	1,158	699	1,187,148	275,254	364,287	310,152	342,348
New Zealand	153	63	59	27,325	5,018	14,056	13,421	14,506
Norway	476	232	107	51,078	13,846	29,416	28,077	30,681
Panama	1,956	612	266	10,639	6,649	3,701	3,399	3,593
Portugal [5]	183	* 72	d	10,967	5,106	2,519	2,377	2,869
Puerto Rico	21	3	d	10,675	1,563	1,150	672	1,240

Footnotes at end of table.

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporation and Selected Country of Foreign Owner, Tax Year 2012—Continued

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

Age of corporation and selected country of foreign owner	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Saudi Arabia	95	* 16	d	9,265	5,171	14,841	14,626	16,844
Singapore	344	100	83	37,036	20,904	18,448	17,990	18,377
South Korea, Republic of	1,904	698	614	83,778	21,012	136,602	133,225	135,729
Spain	1,653	329	189	264,504	62,838	47,605	35,746	45,115
Sweden	626	236	181	75,509	9,832	70,654	68,505	68,766
Switzerland	1,629	1,061	797	1,403,707	129,932	370,664	323,325	346,960
United Kingdom	5,568	2,484	1,992	2,685,077	668,377	934,093	840,253	903,113
Venezuela	1,517	930	392	22,014	4,487	40,499	40,154	39,399

Footnotes at end of table.

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporation and Selected Country of Foreign Owner, Tax Year 2012—Continued

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

Age of corporation and selected country of foreign owner	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All foreign-controlled domestic corporations	**3,147,347**	**157,198**	**167,052**	**238,934**	**-71,882**	**174,151**	**61,851**	**45,240**
AGE OF CORPORATION								
Old corporations:								
Number or amount	2,995,958	144,398	152,949	213,957	-61,008	155,227	55,232	39,600
Percentage of all corporations	95.2	91.9	91.6	89.5	84.9	89.1	89.3	87.5
New corporations:								
Number or amount	151,388	12,800	14,102	24,976	-10,874	18,924	6,619	5,640
Percentage of all corporations	4.8	8.1	8.4	10.5	15.1	10.9	10.7	12.5
SELECTED COUNTRY OF FOREIGN OWNER								
Selected countries, total	3,120,830	156,958	166,740	236,466	-69,726	172,354	61,224	44,674
Percentage of all countries	99.2	99.8	99.8	99.0	97.0	99.0	99.0	98.7
Selected countries:								
Argentina	958	-97	-97	44	-141	42	12	12
Australia	28,499	1,928	2,193	5,799	-3,606	4,586	1,623	382
Austria	17,948	757	765	923	-158	842	292	286
Belgium	26,867	2,056	2,104	2,313	-208	2,011	707	674
Bermuda	31,670	4,029	3,964	5,215	-1,251	2,666	978	456
Brazil	39,069	-969	-949	721	-1,670	440	155	149
British Virgin Islands [1]	16,645	-70	-57	1,295	-1,352	760	263	256
Canada	255,244	6,063	6,011	16,851	-10,840	11,395	4,340	3,721
Cayman Islands	25,673	-803	-731	4,837	-5,568	3,888	1,361	1,186
China	29,141	-449	-406	764	-1,170	585	204	143
China (Taiwan)	35,244	791	791	944	-153	763	267	210
Cyprus	4,947	9	9	104	-95	77	27	25
Denmark	18,434	1,224	1,267	1,570	-303	1,474	516	440
Finland	11,497	746	768	802	-33	554	198	181
Former Soviet Union [2]	9,718	-123	-121	135	-256	* 106	* 37	* 37
France [3]	168,952	12,409	12,710	16,178	-3,468	11,753	4,135	3,540
Germany	264,815	18,374	19,149	22,996	-3,847	14,450	5,086	4,436
Hong Kong	8,865	-119	-117	256	-373	137	47	46
Hungary	9,248	431	484	545	-60	* 542	* 190	d
India	16,393	-71	-61	769	-830	633	220	200
Ireland	27,472	1,385	1,369	1,891	-522	1,256	454	382
Isles of Man, Jersey, and Guernsey	8,552	2,318	2,568	3,269	-701	2,426	844	635
Israel [4]	32,252	1,305	1,350	2,128	-778	1,530	540	479
Italy	41,302	2,129	2,559	3,567	-1,009	2,387	845	747
Japan	536,622	21,713	22,472	28,101	-5,629	21,241	7,567	5,765
Liechtenstein	6,115	242	242	322	-81	299	102	100
Luxembourg	40,365	737	791	2,073	-1,282	1,163	425	384
Mexico	35,979	2,023	2,394	3,440	-1,047	3,246	1,136	392
Netherlands	213,842	21,939	25,107	27,599	-2,493	22,866	8,129	5,523
New Zealand	10,305	-450	-450	78	-529	67	23	21
Norway	22,738	-1,265	-1,251	561	-1,811	455	160	147
Panama	2,346	108	95	249	-154	168	64	50
Portugal [5]	1,924	-350	-350	* 42	* -392	* 29	* 9	d
Puerto Rico	98	-90	-86	14	-100	14	5	d

Footnotes at end of table.

Table 3. Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporation and Selected Country of Foreign Owner, Tax Year 2012—Continued

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

Age of corporation and selected country of foreign owner	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Saudi Arabia	13,622	-2,003	-2,003	* 10	* -2,013	* 10	* 4	d
Singapore	12,747	70	75	458	-383	337	118	114
South Korea, Republic of	117,860	872	893	2,503	-1,610	2,146	775	722
Spain	23,495	2,490	2,316	4,011	-1,695	3,221	1,148	1,078
Sweden	52,266	1,887	1,938	2,334	-395	2,080	682	551
Switzerland	220,824	23,703	24,225	26,750	-2,525	14,279	5,030	4,519
United Kingdom	642,938	30,979	33,710	42,880	-9,170	34,346	12,130	6,175
Venezuela	37,339	1,100	1,100	1,125	-25	1,084	376	326

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

d—Not shown to avoid disclosure of information about specific corporations. However, data are included in the appropriate totals.

[1] Includes domestic corporations with owners from Tortola, Anegada, Jost Van Dykes, and Virgin Gorda.

[2] Includes domestic corporations with owners from Russia, Armenia, Uzbekistan, Ukraine, Turkmenistan, Tajikistan, Sakhalin Island, Moldova, Kyrgyzstan, Azerbaijan, Kazakhstan, Kurile Islands, Georgia, and Belarus.

[3] Includes domestic corporations with owners from Corsica.

[4] Includes domestic corporations with owners from the West Bank.

[5] Includes domestic corporations with owners from the Azores.

NOTES: "New" corporations were those with dates of incorporation between 2010 and 2013; "old" corporations were those with dates of incorporation prior to 2010 or with unknown dates of incorporation. Countries shown in this table were those in which one or more of the following were present: (a) at least 1,000 returns, (b) at least $10 billion of total assets, or (c) at least $5 billion of total receipts. Detail may not add to totals because of rounding.

SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations, August 2015.

High-Income Tax Returns for 2012

by Justin Bryan

The Tax Reform Act of 1976 requires annual publication of data on individual income tax returns reporting incomes of $200,000 or more, including the number of such returns reporting no income tax liability and the importance of various tax provisions in making these returns nontaxable.[1] This article presents detailed data for high-income returns for 2012 and summary data for the period 1977 to 2011. Detailed data for the years 1974 through 2011 were published previously. (See the References section for more details.)

Two income concepts are used in this article to classify tax returns as high income: the statutory concept of adjusted gross income (AGI) and the "expanded income" concept.[2] The expanded income concept uses items reported on tax returns to obtain a more comprehensive measure of income than AGI. Specifically, expanded income is AGI *plus* tax-exempt interest, nontaxable Social Security benefits, the foreign-earned income exclusion, and items of "tax preference" for alternative minimum tax (AMT) purposes *less* unreimbursed employee business expenses, moving expenses, investment interest expense to the extent it does not exceed investment income, and miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor.[3,4,5]

AGI and expanded income differed for 43.5 million (30 percent) of the 144.9 million individual income tax returns filed in 2012 (Figure A). Expanded income exceeded AGI in two-thirds

Figure A

Returns With, Without, and With Negative U.S. Income Tax: Differences Between Adjusted Gross Income and Expanded Income, by Size of AGI, Tax Year 2012

[Money amounts are in whole dollars]

Returns by tax status, size of AGI	All returns	Number of returns with difference between AGI and expanded income	Average difference of expanded income minus AGI	Median difference of expanded income minus AGI	Number of returns where expanded income is greater than AGI	Number of returns where AGI is greater than expanded income
	(1)	(2)	(3)	(4)	(5)	(6)
All returns	**144,928,472**	**43,473,632**	**6,597**	**3,310**	**28,727,402**	**14,746,230**
Under $50,000 [1]	92,940,570	20,299,886	12,830	13,356	16,935,701	3,364,185
$50,000 under $100,000	31,089,262	12,445,802	743	625	6,732,339	5,713,463
$100,000 under $200,000	15,646,648	7,798,810	-216	-350	3,395,093	4,403,718
$200,000 or more	5,251,992	2,929,134	6,411	379	1,664,269	1,264,865
Returns with U.S. income tax						
Total	**93,109,721**	**32,468,424**	**3,841**	**1,669**	**19,307,143**	**13,161,282**
Under $50,000 [1]	42,641,865	9,954,987	9,678	10,612	7,747,006	2,207,981
$50,000 under $100,000	29,683,169	11,862,934	909	776	6,546,364	5,316,570
$100,000 under $200,000	15,552,998	7,735,317	-329	-358	3,358,602	4,376,715
$200,000 or more	5,231,689	2,915,186	6,913	368	1,655,170	1,260,016
Returns with zero U.S. income tax						
Total	**18,578,706**	**7,863,527**	**18,375**	**17,484**	**7,513,044**	**350,483**
Under $50,000 [1]	18,263,836	7,632,785	18,805	17,667	7,337,569	295,216
$50,000 under $100,000	238,849	176,708	7,794	3,293	135,914	40,794
$100,000 under $200,000	56,786	41,029	21,458	6,090	31,008	10,022
$200,000 or more	19,236	13,005	-99,626	15,952	8,553	4,451
Returns with negative U.S. income tax						
Total	**33,240,045**	**3,141,681**	**5,594**	**6,057**	**1,907,215**	**1,234,466**
Under $50,000 [1]	32,034,870	2,712,114	7,588	8,423	1,851,126	860,988
$50,000 under $100,000	1,167,244	406,160	-7,165	-3,168	50,061	356,099
$100,000 under $200,000	36,864	22,464	-642	-755	5,484	16,981
$200,000 or more	1,068	943	-83,097	3,887	545	398

[1] Includes returns with adjusted gross deficit expanded income.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

[1] The statutory requirement is contained in section 2123 of the Tax Reform Act of 1976 (90 Stat. at 1915).

[2] The 1976 Act specified four income concepts for classifying tax returns: adjusted gross income (AGI), expanded income, AGI plus excluded tax preference items, and AGI less investment interest expense not in excess of investment income. Section 441 of the Deficit Reduction Act of 1984 (98 Stat. at 815) eliminated the requirement to use the last two income concepts.

[3] The definition of adjustments to AGI to obtain the expanded income given in the text is for the current year. See Appendix A for a discussion of AGI and expanded income and a list of adjustments covering all years since 1977.

[4] See Notes to Appendix A, note A4.

[5] Tax-exempt interest had to be reported on the individual income tax return starting with Tax Year 1987 and is included in expanded income starting with that year. Beginning with Tax Year 1991, tax-exempt interest was incorporated into the criteria used for sampling returns for Statistics of Income, thus increasing the reliability of the estimates of expanded income.

of these returns. The average difference between expanded income and AGI was $6,597, and the median difference was $3,310. Although expanded income is a more comprehensive measure of income than AGI, for some taxpayers the subtractions from AGI to arrive at expanded income exceed the additions, resulting in expanded income that is less than AGI. These returns where expanded income exceeded AGI were concentrated among returns with $50,000 or less of AGI, and the returns where AGI exceeded expanded income were concentrated among returns with more than $50,000 of AGI.

There are also two tax concepts in this article used to classify returns as taxable or nontaxable: "U.S. income tax" and "worldwide income tax." The first concept, "U.S. income tax," is total Federal income tax liability, which includes the AMT, *less* all credits against income tax, and does not include payroll or self-employment taxes. To be considered taxable, a return had to have a positive income tax liability after accounting for all credits (including refundable credits). A nontaxable return, on the other hand, could either have a zero or negative income tax liability after accounting for all credits (including refundable credits). Since the Federal income tax applies to worldwide income and allows a credit (subject to certain limits) for income taxes paid to foreign governments, a return could be classified as nontaxable under the U.S. income tax concept even though income taxes had been paid to a foreign government. The second tax concept, "worldwide income tax," addresses this circumstance by adding back the allowable foreign tax credit and foreign taxes paid on excluded foreign-earned income to U.S. income tax.[6,7] The sum of these two items is believed to be a reasonable proxy for foreign taxes actually paid.

Figure B shows a cross-tabulation of tax returns based on whether it has positive, zero, or negative U.S. income tax liability and whether it also had positive, zero, or negative worldwide income tax. By definition, returns with positive U.S. income tax liability have positive worldwide income tax liability; returns with zero U.S. tax liability have either positive or zero worldwide income tax liability; and returns with negative U.S. income tax liability have either positive or negative worldwide income tax liability. Almost 36 percent of the 144.9 million tax returns filed in 2012 had zero or negative U.S. income tax liability, and

Figure B

Returns With, Without, and With Worldwide and Negative U.S. Income Income Tax: Number of Returns, by Size of Adjusted Gross Income, Tax Year 2012

Returns by tax status, size of AGI	All returns	Returns with worldwide income tax						Returns with zero worldwide income tax	Returns with negative worldwide income tax
		Total	Returns by size of adjusted gross income						
			Under $50,000 [1]	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more			
	(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)
All returns	**144,928,472**	**93,287,106**	**42,744,512**	**29,727,498**	**15,570,511**	**5,244,584**		**18,423,969**	**33,217,397**
Returns with U.S. income tax									
Total	**93,109,721**	**93,109,721**	**42,641,865**	**29,683,169**	**15,552,998**	**5,231,689**		**0**	**0**
Under $50,000 [1]	42,641,865	42,641,865	42,641,865	0	0	0		0	0
$50,000 under $100,000	29,683,169	29,683,169	0	29,683,169	0	0		0	0
$100,000 under $200,000	15,552,998	15,552,998	0	0	15,552,998	0		0	0
$200,000 or more	5,231,689	5,231,689	0	0	0	5,231,689		0	0
Returns with zero U.S. income tax									
Total	**18,578,706**	**154,737**	**92,259**	**33,346**	**16,413**	**12,719**		**18,423,969**	**0**
Under $50,000 [1]	18,263,836	92,259	92,259	0	0	0		18,171,576	0
$50,000 under $100,000	238,849	33,346	0	33,346	0	0		205,503	0
$100,000 under $200,000	56,786	16,413	0	0	16,413	0		40,373	0
$200,000 or more	19,236	12,719	0	0	0	12,719		6,517	0
Returns with negative U.S. income tax									
Total	**33,240,045**	**22,648**	**10,388**	**10,983**	**1,100**	**177**		**0**	**33,217,397**
Under $50,000 [1]	32,034,870	10,388	10,388	0	0	0		0	32,024,482
$50,000 under $100,000	1,167,244	10,983	0	10,983	0	0		0	1,156,261
$100,000 under $200,000	36,864	1,100	0	0	1,100	0		0	35,764
$200,000 or more	1,068	177	0	0	0	177		0	891

[1] Includes returns with adjusted gross deficit.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. and worldwide income tax.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

[6] See Appendix B for a discussion of the tax concepts. In data published for years prior to 1989, either in articles presented in the *Statistics of Income Bulletin* or in chapters in *Statistics of Income—Individual Income Tax Returns* (see References section), the "U.S. income tax" concept was described as "total income tax," and the "worldwide income tax" concept was described as "modified total income tax."

[7] The inclusion of foreign taxes paid on excluded foreign-earned income, beginning with Tax Year 1990, represents an improvement in the worldwide income tax concept. However, it does represent a slight break in the year-to-year comparability of data for worldwide income tax. However, the number of returns with foreign taxes paid on excluded foreign-earned income is extremely small compared to the number of returns with the foreign tax credit.

97.1 percent of these returns had AGI of $50,000 or less—unsurprising given the progressive nature of the U.S. income tax. Roughly 3 out of every 1,000 returns with zero or negative U.S. income tax liability had positive worldwide income tax liability, and 57.8 percent of these returns had AGI of $50,000 or less.

For 2012, the number of expanded-income returns over $200,000 increased 11.6 percent to just over 5.3 million returns. Of these, 13,450 returns had no worldwide income tax liability. This was a 10.3-percent decline in the number of returns with no worldwide income tax liability from 2011, and the third decrease in a row since reaching an alltime high of 19,551 returns in 2009. (For comparison, the total number returns filed increased 3.2 percent from 2009 to 2012.) Tax-exempt interest was the primary reason for nontaxability on more than half (54.2 percent) of these returns.

The $200,000 threshold was fixed in statute in 1976 and not adjusted for inflation. In 2012 dollars, one would need to have $807,009 of income to have the same purchasing powers as having $200,000 of income in 1976. Using an inflation-adjusted threshold, there were 545,246 high expanded-income returns, a 23.8-percent increase from 2011. Despite this large increase, the number of expanded-income returns with no worldwide income tax using an inflation-adjusted threshold showed a decrease of 38.1 percent, from 884 to 547 returns. This was the fewest number of expanded-income returns with no worldwide income tax since 2007 when there were 314 returns.

Number of High-Income Returns

For 2012, there were nearly 5.3 million individual income tax returns with an AGI of at least $200,000, and slightly more than 5.3 million returns with an expanded income of $200,000 or more (Figure C). The number of returns with AGI above the $200,000 threshold increased 11.7 percent from 2011 and accounted for 3.6 percent of all returns in 2012. Similarly, the returns with expanded incomes above the $200,000 threshold increased 11.6 percent from 2011 and accounted for 3.7 percent of all returns in 2012.

The $200,000 threshold for high-income returns is measured in current-year (nominal) dollars. Because it is fixed in nominal terms, as time passes, more and more tax returns have had incomes exceeding this threshold simply due to inflation. Therefore, to facilitate a comparison of tax returns across time, Figure C shows what the $200,000 threshold in 1976 would be each year after adjusting for inflation and the number and share

Figure C

All Returns and Returns With Income of $200,000 or More Measured in Current and Inflation-Adjusted Dollars, by Income Concept, Tax Years 1977–2012

Tax year	All returns	$200,000 income threshold measured in current dollars				Current dollar income threshold equal to $200,000 in 1976 dollars (whole dollars) [1]	$200,000 inflation-adjusted income threshold			
		Number of returns by income concept		Percentage of all returns by income concept			Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1977	86,634,640	53,403	67,580	0.062	0.078	213,005	45,931	58,991	0.053	0.068
1978	89,771,551	68,506	85,137	0.076	0.095	229,174	49,388	62,556	0.055	0.070
1979	92,694,302	93,731	122,231	0.101	0.132	255,184	55,542	76,479	0.060	0.083
1980	93,902,459	117,250	149,826	0.125	0.160	289,631	52,512	71,704	0.056	0.076
1981	95,396,123	138,136	175,092	0.145	0.184	319,508	50,880	71,146	0.053	0.075
1982	95,337,432	169,367	207,291	0.178	0.217	339,192	59,411	81,297	0.062	0.085
1983	96,321,310	198,608	249,319	0.206	0.259	350,088	67,310	93,977	0.070	0.098
1984	99,438,708	243,760	310,042	0.245	0.312	365,202	80,800	116,389	0.081	0.117
1985	101,660,287	296,507	370,340	0.292	0.364	378,207	95,740	134,715	0.094	0.133
1986	103,045,170	374,363	529,460	0.363	0.514	385,237	119,550	191,596	0.116	0.186
1987	106,996,270	539,967	557,848	0.505	0.521	399,297	161,408	169,942	0.151	0.159
1988	109,708,280	725,345	737,659	0.661	0.672	415,817	235,051	241,201	0.214	0.220
1989	112,135,673	786,063	814,152	0.701	0.726	435,852	217,685	228,530	0.194	0.204
1990	113,717,138	834,957	860,940	0.734	0.757	459,400	216,716	228,659	0.191	0.201
1991	114,730,123	846,707	892,178	0.738	0.778	478,735	183,442	195,743	0.160	0.171
1992	113,604,503	954,747	989,522	0.840	0.871	493,146	213,783	227,354	0.188	0.200
1993	114,601,819	993,326	1,043,213	0.867	0.910	507,909	201,236	212,853	0.176	0.186
1994	115,943,131	1,109,498	1,153,829	0.957	0.995	520,914	204,532	214,673	0.176	0.185
1995	118,218,327	1,272,508	1,319,382	1.076	1.116	535,677	237,770	248,077	0.201	0.210
1996	120,351,208	1,523,407	1,572,114	1.266	1.306	551,494	278,342	288,194	0.231	0.239
1997	122,421,991	1,807,900	1,854,031	1.477	1.514	564,148	335,040	345,869	0.274	0.283
1998	124,770,662	2,085,211	2,132,301	1.671	1.709	572,934	385,183	396,207	0.309	0.318
1999	127,075,145	2,429,942	2,479,556	1.912	1.951	585,589	436,118	446,583	0.343	0.351

Footnotes at end of figure.

Figure C—Continued

All Returns and Returns With Income of $200,000 or More Measured in Current and Inflation-Adjusted Dollars, by Income Concept, Tax Years 1977–2012—Continued

Tax year	All returns	$200,000 income threshold measured in current dollars				Current dollar income threshold equal to $200,000 in 1976 dollars (whole dollars) [1]	$200,000 inflation-adjusted income threshold			
		Number of returns by income concept		Percentage of all returns by income concept			Number of returns by income concept		Percentage of all returns by income concept	
		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income		Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2000	129,373,500	2,771,577	2,807,804	2.142	2.170	605,272	482,396	492,589	0.373	0.381
2001	130,255,237	2,567,220	2,605,021	1.971	2.000	622,495	391,901	400,906	0.301	0.308
2002	130,076,443	2,414,128	2,464,515	1.856	1.895	632,337	345,892	356,402	0.266	0.274
2003	130,423,626	2,536,439	2,573,133	1.945	1.973	646,749	356,727	367,012	0.274	0.281
2004	132,226,042	3,021,435	3,067,602	2.285	2.320	663,972	436,583	445,934	0.330	0.337
2005	134,372,678	3,566,125	3,584,012	2.654	2.667	686,467	519,216	527,126	0.386	0.392
2006	138,394,754	4,064,883	4,094,953	2.937	2.959	708,612	569,893	581,199	0.412	0.420
2007	142,978,806	4,535,623	4,576,315	3.172	3.201	728,794	606,026	618,154	0.424	0.432
2008	142,450,569	4,375,660	4,416,986	3.072	3.101	756,777	487,656	498,470	0.342	0.350
2009	140,494,127	3,924,489	3,975,288	2.793	2.830	754,084	372,665	383,354	0.265	0.273
2010	142,892,051	4,296,307	4,347,756	3.007	3.043	766,453	421,604	433,924	0.295	0.304
2011	145,370,240	4,700,056	4,758,256	3.233	3.273	790,647	430,127	440,529	0.296	0.303
2012	144,928,472	5,251,992	5,308,871	3.624	3.663	807,009	535,038	545,246	0.369	0.376

[1] Inflation-adjusted dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers using 1976 as the base year. See footnote 8 of this article for further details.

NOTES: This figure is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

of returns above this threshold.[8] For Tax Year 2012, this inflation-adjusted threshold was $807,009.

Adjusting for inflation, the number of returns above the AGI threshold was 535,038 in Tax Year 2012—0.37 percent of all returns—a 24.4-percent increase from the previous year. Since 1977, the number of returns above this inflation-adjusted threshold has increased at a rate of approximately 7.3 percent per year. In comparison, the total number of returns has increased 1.5 percent per year since 1977. Similarly, the number of returns above the inflation-adjusted threshold using the expanded income concept was 545,246 in Tax Year 2012—0.38 percent of all returns—a 23.8-percent increase from the previous year. Since 1977, the number of returns above this threshold has increased 6.6 percent per year.

From 1977 to 2012, the number of returns reporting incomes of $200,000 or more generally increased annually. The exceptions to this reflect the economic downturns in Tax Years 2001, 2002, 2008, and 2009. The general trend of a rise in the number of returns is similar when using the inflation-adjusted income threshold. However, the increases are much smaller, and the number of returns above the inflation-adjusted threshold decreased in additional years, e.g., Tax Years 1980, 1981, 1989, 1990, 1991, and 1993. Many of these years also coincided with economic downturns.[9]

The difference in the number of high-income returns between the two income concepts significantly decreased beginning with 1987, when AGI began to include 100 percent of long-term capital gains. This change in the definition of AGI made it more comparable to the expanded-income concept. In addition, due to the inclusion of tax-exempt interest in expanded income in 1987, expanded income for years after 1986 is not strictly comparable to expanded income for years before 1987.

Nontaxable High-Income Returns

Of the 5.3 million income tax returns with an AGI of $200,000 or more, 20,304 showed no U.S. income tax liability (top panel of Figure D). Also, of the 5.3 million tax returns with expanded income of $200,000 or more, 32,326 had no U.S. income tax liability. This represents a 3.8-percent increase for high-AGI returns and 1.8-percent decrease for high expanded-income returns with no U.S. income tax from the number of returns for 2011.

Of the returns with an AGI of $200,000 or more, 7,408 returns showed no worldwide income tax liability. For returns with an expanded income of $200,000 or more, 13,450 had no worldwide income tax liability. This represents a 2.0-percent decrease for high-AGI returns and 10.3-percent decrease for high-expanded returns with no worldwide income tax, compared to the number of returns for 2011.

Tables 1 and 2 also show the number of all returns, taxable returns, and nontaxable returns, cross classified by broad AGI and expanded-income size classes. Most returns fall in the same broad income-size class under both income concepts, but the number of nontaxable returns under the expanded-income concept is generally greater than the AGI concept in each income class over $50,000. They also show that there were 5.2 million

[8] Inflation-adjusted dollars are based on the Consumer Price Index (CPI-U) as published by the U.S. Department of Labor, Bureau of Labor Statistics. The consumer price index approximates buying patterns of typical urban consumers. The annual index is the average of the monthly indices.

[9] See National Bureau of Economic Research list of business cycles at http://www.nber.org/cycles.html.

Figure D

Nontaxable Returns With Income of $200,000 or More Measured in Current and Inflation-Adjusted Dollars, by Tax and Income Concept, Tax Years 1977–2012

Tax year	$200,000 income threshold measured in current dollars							
	Number of nontaxable returns with income of $200,000 or more				Percentage of all returns with income of $200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977	60	85	37	64	0.112	0.126	0.069	0.095
1978	98	105	60	67	0.143	0.123	0.088	0.079
1979	70	114	28	64	0.075	0.093	0.030	0.052
1980	143	198	56	114	0.122	0.132	0.048	0.076
1981	226	304	79	114	0.164	0.174	0.057	0.065
1982	262	299	109	153	0.155	0.144	0.064	0.074
1983	447	579	321	437	0.225	0.232	0.162	0.175
1984	532	325	471	271	0.218	0.105	0.193	0.087
1985	612	613	442	454	0.206	0.166	0.149	0.123
1986	659	595	437	379	0.176	0.112	0.117	0.072
1987	857	472	740	364	0.159	0.085	0.137	0.065
1988	822	397	731	309	0.113	0.054	0.101	0.042
1989	1,081	779	987	691	0.138	0.096	0.126	0.085
1990	1,219	1,183	1,114	1,087	0.146	0.137	0.133	0.126
1991	1,253	1,933	1,131	1,740	0.148	0.217	0.134	0.195
1992	909	1,896	823	1,799	0.095	0.192	0.086	0.182
1993	1,022	2,392	932	1,950	0.103	0.229	0.094	0.187
1994	1,137	2,574	1,061	2,161	0.102	0.223	0.096	0.187
1995	998	2,676	896	1,746	0.078	0.203	0.070	0.132
1996	1,044	1,820	950	1,660	0.069	0.116	0.062	0.106
1997	1,189	1,814	1,048	1,562	0.066	0.098	0.058	0.084
1998	1,467	2,224	1,283	1,914	0.070	0.104	0.062	0.090
1999	1,605	2,525	1,398	2,174	0.066	0.102	0.058	0.088
2000	2,328	2,766	2,022	2,320	0.084	0.099	0.073	0.083
2001	3,385	4,910	2,875	4,119	0.132	0.188	0.112	0.158
2002	2,959	5,650	2,551	4,922	0.123	0.229	0.106	0.200
2003	2,824	5,839	2,416	4,934	0.111	0.227	0.095	0.192
2004	2,833	5,028	2,420	4,101	0.094	0.164	0.080	0.134
2005	7,389	10,680	4,224	5,420	0.207	0.298	0.118	0.151
2006	8,252	11,014	4,123	4,322	0.203	0.269	0.101	0.106
2007	11,600	14,794	5,497	5,197	0.256	0.323	0.121	0.114
2008	22,257	31,539	12,326	17,127	0.509	0.714	0.282	0.388
2009	20,752	35,061	10,080	19,551	0.529	0.882	0.257	0.492
2010	19,003	32,441	8,046	16,082	0.442	0.746	0.187	0.370
2011	19,563	32,902	7,557	15,000	0.416	0.691	0.161	0.315
2012	20,304	32,326	7,408	13,450	0.387	0.609	0.141	0.253

Footnotes at end of figure.

returns with incomes of $200,000 or more as measured by both AGI and expanded income, of which, 17,462 returns had no U.S. income tax liability and 4,669 returns had no worldwide income tax.

Of the roughly 535,000 returns with an AGI over the inflation-adjusted high-income threshold, 2,297 returns had no U.S. income tax liability in 2012, down 1.3 percent from the previous year (lower panel of Figure D). Additionally, 535 returns showed no worldwide income tax liability, down 15.5 percent from 2011. Measured using expanded income, of the 545,246 returns above the inflation-adjusted threshold, 2,450 returns had no U.S. income tax liability, an 11.0-percent decrease from the number of returns for 2011. Additionally, 547 returns showed no worldwide income tax liability, down 38.1 percent from the previous year.

Moving from the nominal $200,000 threshold to an inflation-adjusted threshold does not generally change substantially the share of high-income returns that are nontaxable. Using AGI

Figure D—Continued

Nontaxable Returns With Income of $200,000 or More Measured in Current and Inflation-Adjusted Dollars, by Tax and Income Concept, Tax Years 1977–2012—Continued

Tax year	$200,000 inflation-adjusted income threshold [1]							
	Number of nontaxable returns with income of $200,000 or more				Percentage of all returns with income of $200,000 or more			
	Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept		Returns with no U.S. income tax, by income concept		Returns with no worldwide income tax, by income concept	
	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income	Adjusted gross income	Expanded income
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1977	54	75	32	56	0.118	0.127	0.070	0.095
1978	62	70	31	39	0.126	0.112	0.063	0.062
1979	38	71	15	39	0.068	0.093	0.027	0.051
1980	56	71	22	39	0.107	0.099	0.042	0.054
1981	53	87	21	55	0.104	0.122	0.041	0.077
1982	58	68	27	36	0.098	0.084	0.045	0.044
1983	138	135	113	108	0.205	0.144	0.168	0.115
1984	170	78	160	66	0.210	0.067	0.198	0.057
1985	190	155	137	99	0.198	0.115	0.143	0.073
1986	201	189	138	120	0.168	0.099	0.115	0.063
1987	312	126	271	85	0.193	0.074	0.168	0.050
1988	277	141	251	116	0.118	0.058	0.107	0.048
1989	293	128	269	106	0.135	0.056	0.124	0.046
1990	339	169	307	137	0.156	0.074	0.142	0.060
1991	301	305	273	277	0.164	0.156	0.149	0.142
1992	171	288	148	264	0.080	0.127	0.069	0.116
1993	180	323	160	300	0.089	0.152	0.080	0.141
1994	227	345	209	329	0.111	0.161	0.102	0.153
1995	202	281	174	252	0.085	0.113	0.073	0.102
1996	236	275	213	254	0.085	0.095	0.077	0.088
1997	256	247	222	214	0.076	0.071	0.066	0.062
1998	290	289	251	253	0.075	0.073	0.065	0.064
1999	351	343	296	293	0.080	0.077	0.068	0.066
2000	464	365	390	290	0.096	0.074	0.081	0.059
2001	694	648	567	519	0.177	0.162	0.145	0.129
2002	520	616	437	530	0.150	0.173	0.126	0.149
2003	407	567	339	485	0.114	0.154	0.095	0.132
2004	350	396	301	344	0.080	0.089	0.069	0.077
2005	1,166	1,236	625	624	0.225	0.234	0.120	0.118
2006	1,257	1,111	512	306	0.221	0.191	0.090	0.053
2007	1,524	1,369	565	314	0.251	0.221	0.093	0.051
2008	3,001	2,861	1,436	1,116	0.615	0.574	0.294	0.224
2009	2,268	2,841	874	1,252	0.609	0.741	0.235	0.327
2010	2,151	2,520	621	820	0.510	0.581	0.147	0.189
2011	2,327	2,754	633	884	0.541	0.625	0.147	0.201
2012	2,297	2,450	535	547	0.429	0.449	0.100	0.100

[1] Inflation-adjusted dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers using 1976 as the base year. See footnote 8 of this article for further details.

NOTES: This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of U.S. income tax and worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits were factored in to determine tax liability. In order to maintain historical comparability, Tax Years 2007 and 2008 data were recalculated using the new criteria. However, 2007 and 2008 tables, published earlier, do not reflect these changes. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income.

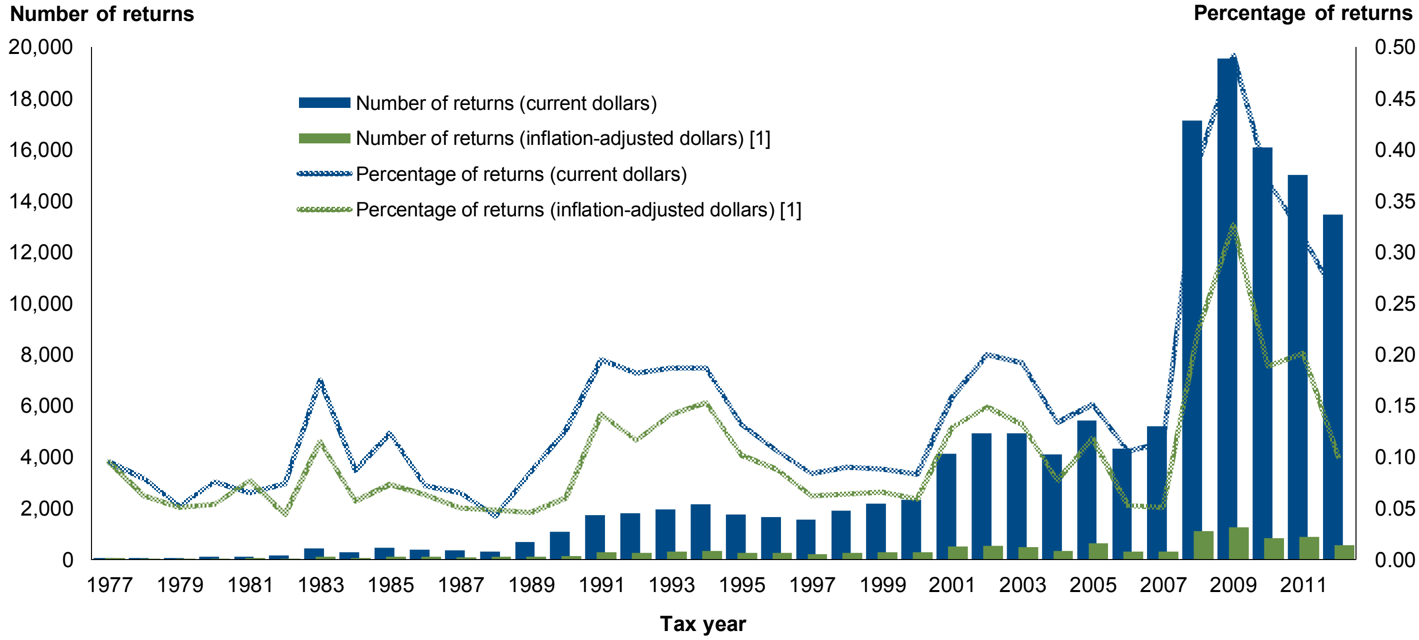
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

and both a nominal $200,000 threshold and an inflation-adjusted threshold, 0.4 percent of high-income returns had no U.S. income tax, and 0.1 percent had no worldwide income tax in 2012. When using expanded income with a nominal $200,000 threshold, 0.6 percent of high-income returns had no U.S. income tax, and 0.3 percent had no worldwide income tax in 2012, while an inflation-adjusted threshold showed that 0.4 percent had no U.S. income tax and 0.1 percent had no worldwide income tax.

Figure E shows the evolution of the number and share of returns with an expanded income of $200,000 or more with no worldwide income tax. The number of returns above the

Figure E

Returns With Expanded Income of $200,000 or More: Number and Percentage of Returns With No Worldwide Income Tax, Measured in Current and Inflation-Adjusted Dollars, Tax Years 1977–2012



[1] Inflation-adjusted dollars were calculated using the U.S. Bureau of Labor Statistics' consumer price index for urban consumers using 1976 as the base year. See footnote 8 of this article for further details.
NOTES: This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits were factored in to determine tax liability. In order to maintain historical comparability, Tax Years 2007 and 2008 data were recalculated using the new criteria. However, 2007 and 2008 tables, published earlier, do not reflect these changes. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect. See Appendix A: Income Concepts of this article for a discussion of expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

threshold is read off the left vertical axis, and the share of returns above the threshold is read off the right vertical axis. Two series are shown for each measure, one using a nominal $200,000 threshold and one using an inflation-adjusted threshold.

In this figure, the spread between the two shares was small for the late 1970s, showed an increase for the early 1980s, and then narrowed before widening again after 1988. The spread generally narrowed after 1993, but increased or stayed fairly consistent from 2002 to 2007. From 2007 to 2011, the spread widened considerably. The gap (more than 0.15 percentage points) for 2012 was still high compared with most of the years in this study.[10]

Reasons for Nontaxability

Taxpayers may have their tax liability reduced—possibly to zero or beyond—in a number of ways. These include claiming tax credits, which directly reduces an individual's tax liability; claiming various deductions, which reduce (weakly) taxable income; and receiving income that is excluded from the calculation of taxable income.

It is possible for certain itemized deductions and certain exclusions from income to lead to nontaxability by themselves, but high-income returns are more often nontaxable for a combination of reasons, none of which alone would result in nontaxability. Moreover, some items, either singly or in combination, may eliminate "regular tax" liability (i.e., income tax excluding the AMT), but cannot eliminate an AMT liability, since these items give rise to adjustments or preferences for AMT purposes.

Because they do not generate AMT adjustments or preferences, tax-exempt bond interest (not including private activity bonds), itemized deductions for interest expenses, miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor, casualty or theft losses, and medical expenses (exceeding 10 percent of AGI) could, by themselves, produce nontaxability.

Due to the AMT exemption of $78,750 on joint returns ($50,600 on single and head-of-household returns and $39,375 on returns of married taxpayers filing separately), a return could have been nontaxable even though it included some items that produced AMT adjustments or preferences.[11] Further, since the starting point for "alternative minimum taxable income" was

[10] Note that before 1991, the number of nontaxable returns with an expanded income of $200,000 or more was based on samples. Year-to-year differences in the number and percentages of nontaxable returns with an expanded income of $200,000 or more may have represented sampling variability in addition to actual changes in the number of such returns. Beginning with Tax Year 1991, nontaxable returns with an expanded incomes of $200,000 or more were sampled at higher rates, which reduced the sampling variability of these returns and, therefore, provided improved estimates. Thus, the data for returns prior to 1991 are not entirely comparable with data for more recent years.

[11] The AMT exclusion phases out above certain levels of "alternative minimum taxable income," based on filing status. But, since taxpayers will have some AMT liability in the phase-out range, the phase-out income is not relevant for nontaxable, high-income returns.

taxable income for regular tax purposes, a taxpayer could have adjustments and preferences exceeding the AMT exclusion without incurring AMT liability. This situation could occur if taxable income for regular tax purposes was sufficiently negative due to itemized deductions and personal exemptions exceeding AGI, such that the taxpayer's AMT adjustments and preferences are less than the sum of the AMT exclusion and the amount by which regular taxable income is below zero. Note that, because of the AMT, taxpayers may have found it beneficial to report additional deduction items on their tax returns, even if the items did not produce a benefit for regular tax purposes.

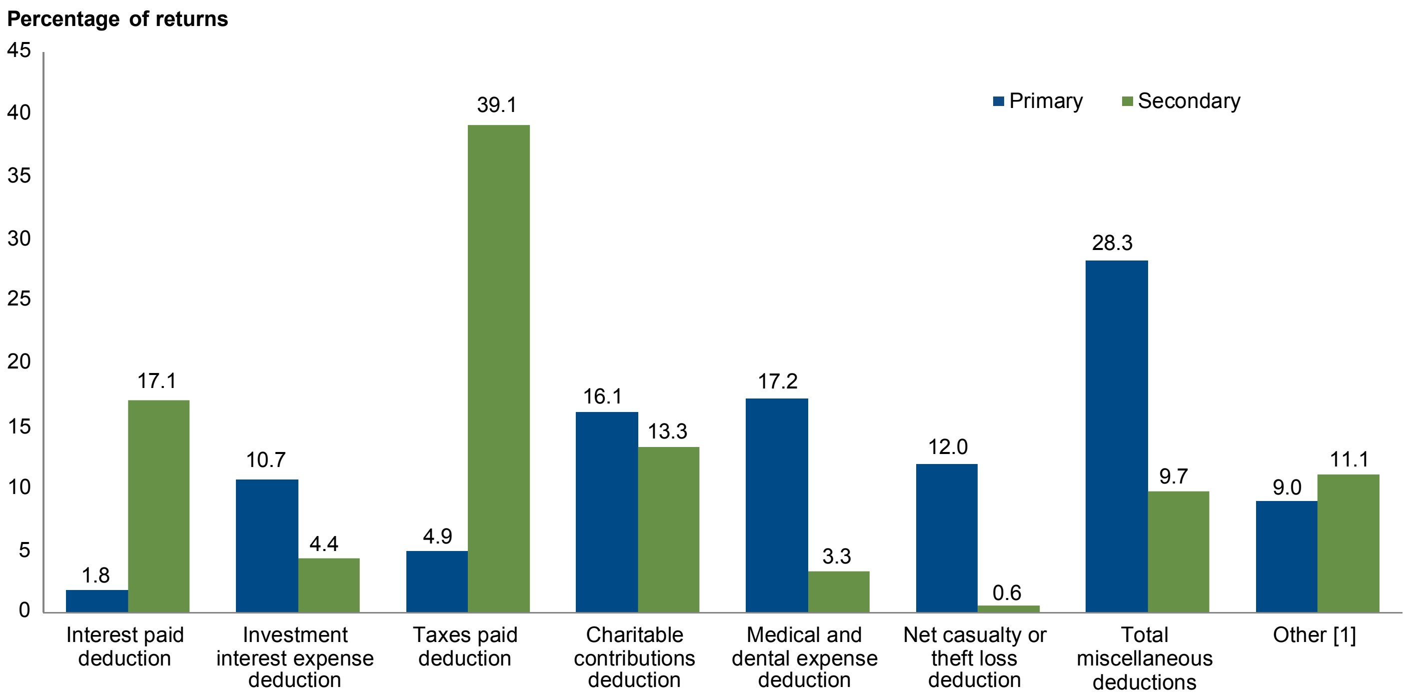
The most important item in eliminating tax on the 7,408 returns without any worldwide income tax and AGI of $200,000 or more was total miscellaneous deductions. This was the case in 28.3 percent (2,095 returns) of those returns (Figure F). The next three categories that most frequently had the largest effect in reducing taxes were: 1) medical and dental expense deduction (17.2 percent or 1,274 returns); 2) charitable contributions deduction (16.1 percent or 1,195 returns); and 3) net casualty or theft loss deduction (12.0 percent or 886 returns). The items that most frequently had the second largest effect in reducing regular tax liability for high-AGI returns with no worldwide income tax were the deduction for taxes paid (39.1 percent or 2,900 returns) and the interest paid deduction (17.1 percent or 1,263 returns).

Of the 13,450 returns without any worldwide income tax and expanded incomes of $200,000 or more, the most important item in eliminating tax, on 54.2 percent of returns, was the exclusion for interest income on State and local Government bonds ("tax-exempt interest") (Figure G). The next three categories that most frequently had the largest effect in reducing taxes were: 1) medical and dental expense deduction (14.2 percent or 1,906 returns); 2) charitable contributions deduction (9.0 percent or 1,216 returns); and 3) net casualty or theft loss deduction (6.7 percent or 906 returns). The most important items that most frequently had the second largest effect in reducing regular tax liability on high expanded-income returns with no worldwide income tax were the deduction for taxes paid (26.2 percent or 3,519 returns) and charitable contributions (13.3 percent or 1,789 returns).

Tables 7 and 8 in this article also classify tax returns by items having the largest and second largest effects in reducing or eliminating income tax. For returns on which each of the largest effects was identified, the tables show each of the second largest effects.[12] For example, Table 7 shows that on taxable returns with some U.S. income tax and expanded incomes of $200,000 or more, the taxes paid deduction was the most important item 60.0 percent of the time. Where this was the primary item, the interest paid deduction was the second most important item 59.3

Figure F

Returns With Adjusted Gross Income of $200,000 or More and With No Worldwide Income Tax: Primary and Secondary Reasons for No Income Tax Liability, Tax Year 2012

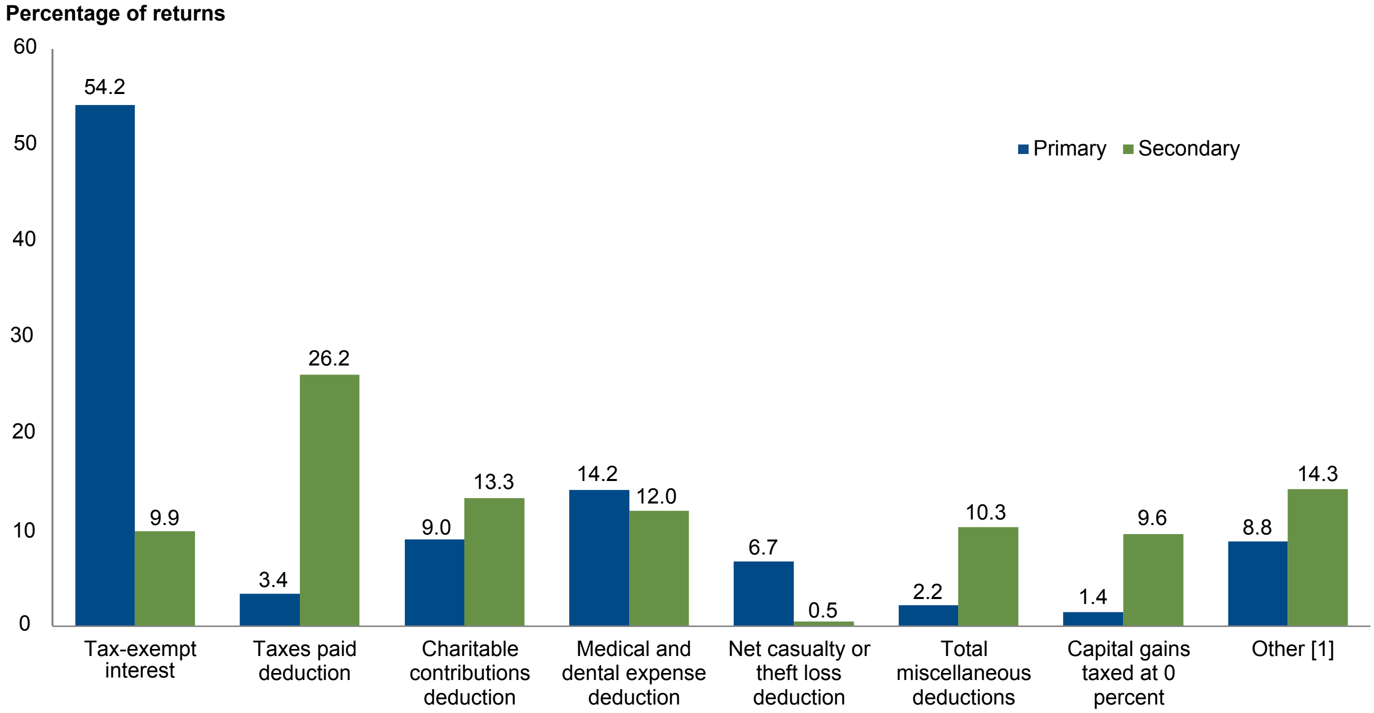


[1] Includes 4 returns where the primary reason for nontaxability was not identified by the data items selected for this article. Does not include returns where there was no secondary reason for nontaxibility.
NOTES: Detail may not add to 100 percent because of rounding.This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

[12] Tax-exempt interest and the foreign-earned income exclusion were not included in Tables 7 and 8 as possible tax effects before Tax Year 1994. Thus, caution should be exercised in making comparisons between data prior to 1994 and after 1993.

Figure G

Returns With Expanded Income of $200,000 or More With No Worldwide Income Tax: Primary and Secondary Reasons for No Income Tax Liability, Tax Year 2012



[1] Includes 3 returns where the primary reason for nontaxability was not identified by the data items selected for this article. Does not include returns where there was no secondary reason for nontaxibility.
NOTES: Detail may not add to 100 percent because of rounding.This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. See Appendix A: Income Concepts of this article for a discussion of expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

percent of the time, and the charitable contributions deduction was the second most important item 26.6 percent of the time. The foreign tax credit was the largest reason for nontaxability for both AGI (60.0 percent of the time) and expanded-income returns with no income tax (48.2 percent of the time). However, in determining worldwide tax, this no longer has an effect (by definition).

Figure H presents another way of illustrating the importance of selected tax provisions in reducing or eliminating income tax liability. It shows the number of high-expanded income tax returns with no worldwide income tax utilizing selected tax provisions by the percentage of income reduced. For example, the itemized deduction for medical and dental expenses reduced income by greater than 60 percent of expanded income on 1,305 returns (or 9.7 percent) of the 13,450 returns, but there were no medical and dental expense deductions on 6,382 returns or 47.4 percent. Conversely, the taxes paid deduction reduced income between 0 and 30 percent of expanded income on 11,616 returns (or 86.4 percent) of the 13,450 returns, but only reduced income greater than 60 percent on 225 returns. Tables 9 and 10 report the frequencies of returns in finer detail by the percentage of income reduced and include a more comprehensive list of itemized deductions, deduction equivalents of tax credits and tax preferences excluded from income.

Distribution of Tax Levels

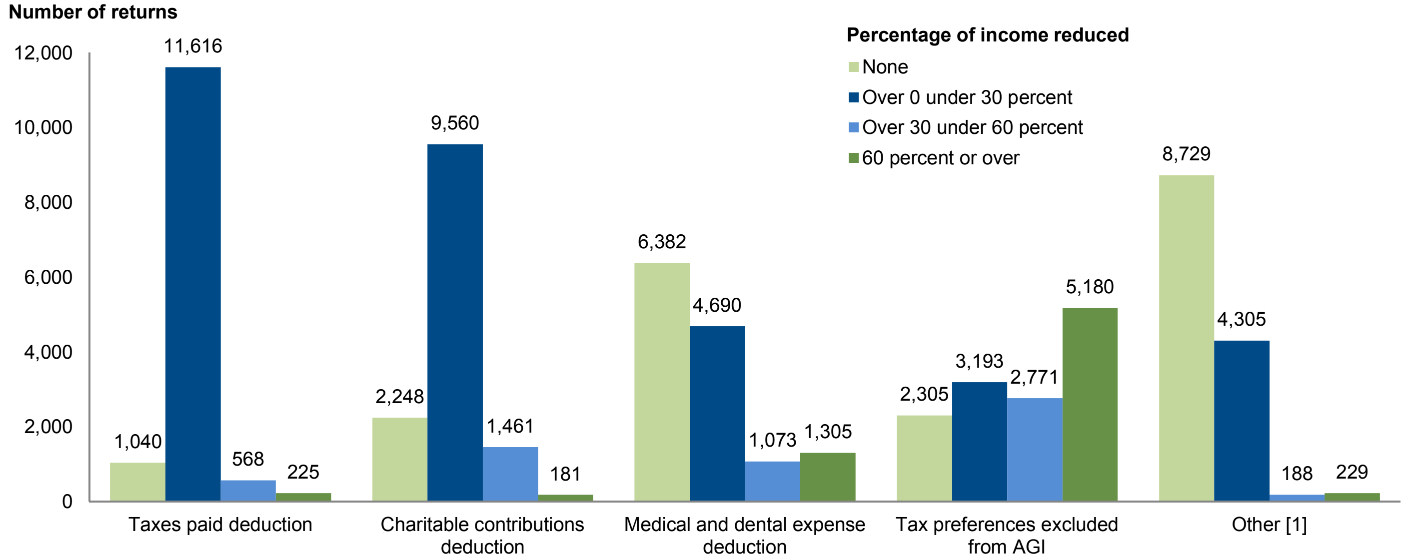
Figure I shows the distributions of high expanded-income returns with and without worldwide income tax by the ratio of "adjusted" taxable income to expanded income. Taxable income was adjusted for this figure by subtracting the deduction equivalents of tax credits and other items from taxable income.[13] Thus, the figure shows the extent to which expanded income is reduced before taxes are imposed on the remaining income. The figure illustrates three important facts about high-income tax returns:

- Only a small portion of all high-income taxpayers did not pay any worldwide income taxes (0.3 percent).
- Another group of high-income taxpayers—small, but larger than the nontaxable group—was able to offset a very substantial fraction of income before being subject to tax. This type of high-income taxpayer pays income tax equal

[13] See Appendix B for a description of how the deduction equivalent of credits was computed.

Figure H

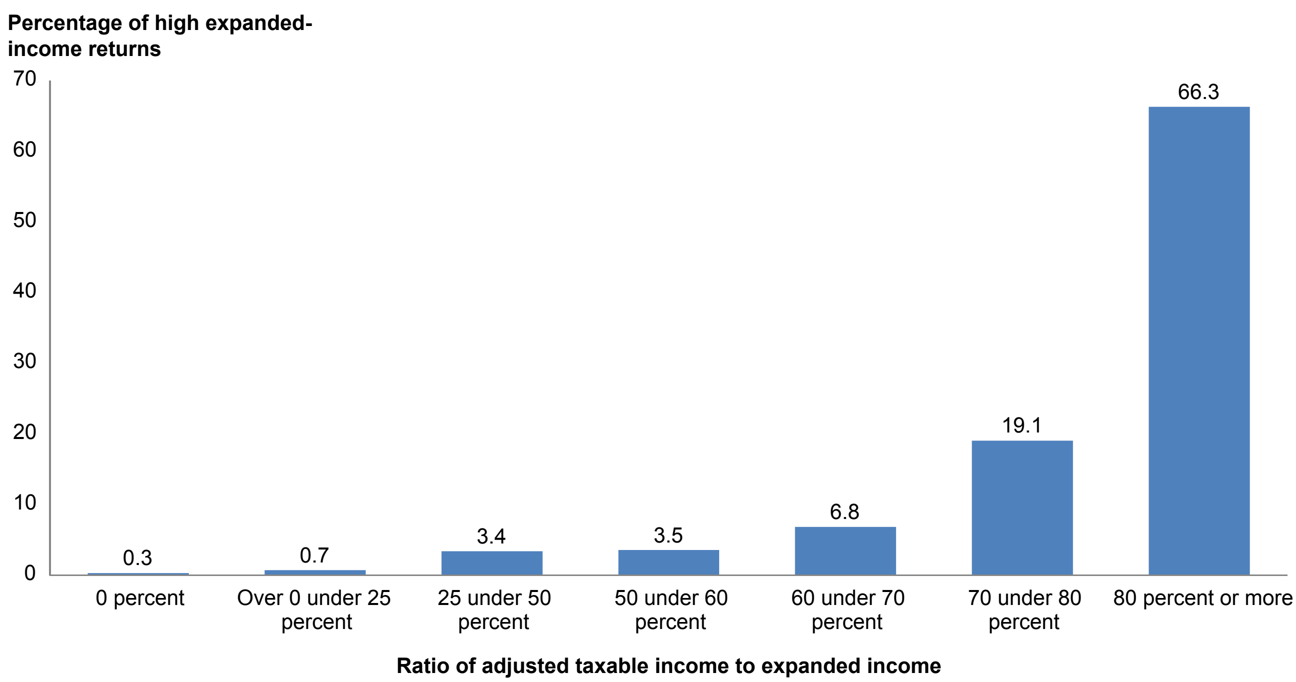
Returns With Expanded Income of $200,000 or More With No Worldwide Income Tax: Number of Returns Utilizing Selected Tax Provision by Percentage of Income Reduced



[1] Other represents the average number of returns on which all other deductions, credits and tax preferences reduced income.
NOTES: Detail may not add to total due to rounding. This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. See Appendix A: Income Concepts of this article for a discussion of expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Figure I

Distribution of Expanded Income Returns of $200,000 or More With and Without Worldwide Income Tax by Ratio of Adjusted Taxable Income to Expanded Income, Tax Year 2012



NOTES: Detail may not add to 100 percent because of rounding.This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

to only a small share of his or her income. Such taxpayers may be called "nearly nontaxable." About 0.7 percent of high expanded-income taxpayers who reported at least some worldwide tax liability were able to reduce their adjusted taxable income to less than 25 percent of their expanded income.

- Overall, most high-income taxpayers were subject to tax on a large share of their income and, consequently, reported very substantial amounts of tax (66.3 percent of high expanded-income taxpayers had adjusted taxable income equal to 80 percent or more of expanded income; and 95.7 percent had adjusted taxable income equal to 50 percent or more of expanded income).

Figure J shows the distributions of all expanded-income returns by worldwide income tax burden. It classifies tax returns by size of expanded income and effective tax rate, i.e., income tax as a percentage of expanded income. This figure illustrates the wide dispersion of effective tax rates for all returns. For example, while 3.1 percent of returns with expanded incomes of $200,000 or more had worldwide income tax of less than 10 percent of adjusted gross income, 19.2 percent had effective tax rates of 25 percent or more. Also, 30.4 percent had effective tax rates between 20 and 25 percent. In contrast, only 2.8 percent of taxpayers with an expanded income between $100,000 and $200,000 had effective tax rates of 20 percent or more, including 0.1 percent with effective tax rates of 25 percent or more.

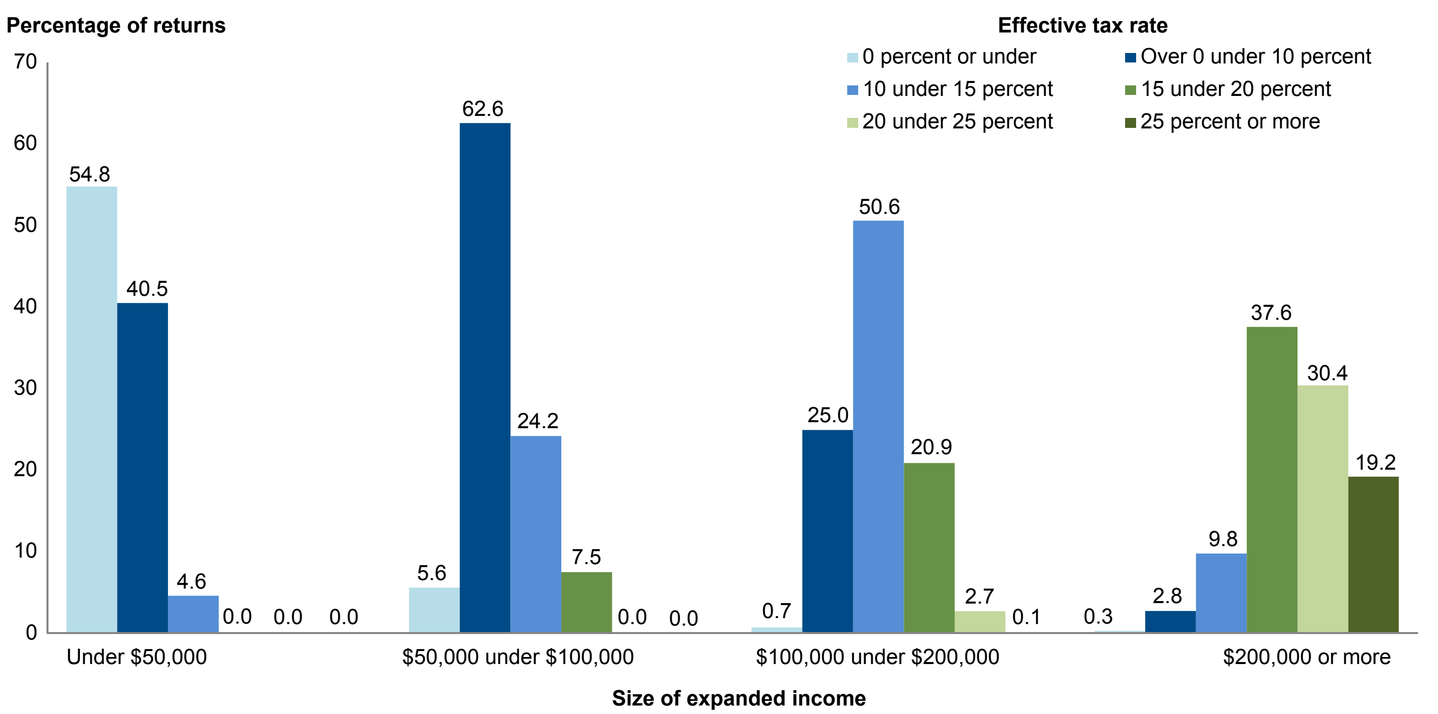
Characteristics of Tax Returns

By comparing nontaxable returns with taxable returns, some of the different characteristics of nontaxable returns can be deduced. For example, under the expanded-income concept, returns without worldwide income tax were much more likely (82.6 percent) than taxable returns (28.2 percent) to have tax-exempt interest, and when they did, the average amount for nontaxable returns ($230,057) was much higher than the average amount for all taxable returns ($30,885) (Figure K). Similarly, nontaxable returns (32.1 percent) were much less likely than high-income taxable returns (87.3 percent) to have income from salaries and wages. Tables 5 and 6 show the aggregate frequencies and amounts of all the types of income, the items of tax preference, and the various deductions, credits, and income taxes shown on high-income returns.

More Detailed Data for 2012

Tables 1 through 12 present data based on income tax returns for 2012, mainly those with income of $200,000 or more (measured in current-year dollars) of AGI or expanded income. Most of the data are shown for taxable and nontaxable returns, both separately and combined. In summary, the tables show:

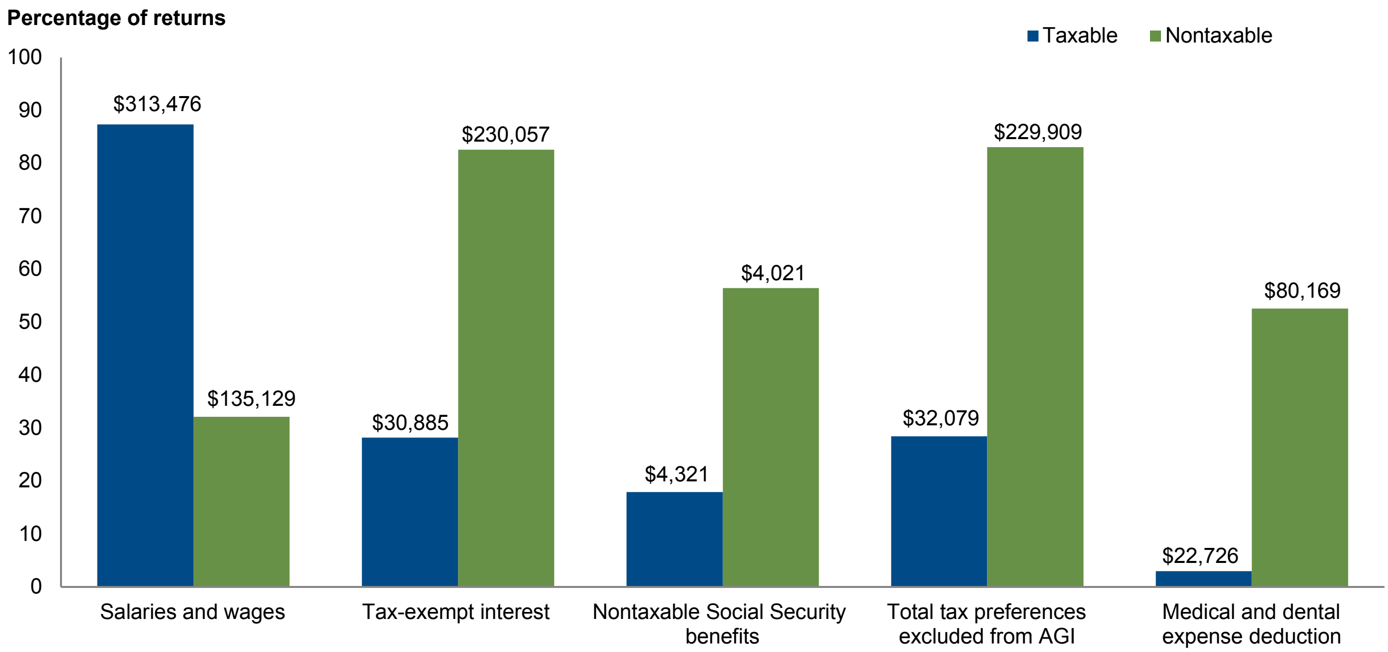
Figure J
Distribution of Effective Worldwide Income Tax Rate by Size of Expanded Income, Tax Year 2012



NOTES: Detail may not add to 100 percent because of rounding.This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Figure K

Percentage of Returns With Expanded Incomes of $200,000 or More With No Worldwide Income Tax, by Selected Tax Items, and Average Amount Reported, Tax Year 2012



NOTES: This figure is based on U.S. Individual Income Tax Returns. See Figure M for the derivation of worldwide income tax. See Appendix A: Income Concepts of this article for a discussion of expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

- The numbers of returns under the two tax concepts, cross-classified by broad AGI and expanded-income size classes (Tables 1 and 2);
- The distributions of taxable income as a percentage of AGI and expanded income (Tables 3 and 4);
- The frequencies and amounts of various sources of income, exclusions, deductions, taxes, and tax credits, as well as the relationship between the two income concepts (Tables 5 and 6);
- The frequencies with which various deductions and tax credits are the most important and second most important items in reducing (or eliminating) income tax (Tables 7 and 8);
- The frequencies with which various itemized deductions, tax credits, and tax preference items occur as certain percentages of income (Tables 9 and 10); and
- The distributions of effective tax rates, i.e., income tax under each definition as a percentage of income as well as the percentage of income that is subject to preferential tax rates, by broad income-size classes (Tables 11 and 12).

The odd-numbered tables use the U.S. income tax concept to classify returns as taxable or nontaxable, whereas the even-numbered tables use the worldwide income tax concept.

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Appendix A: Income Concepts

Congress wanted data on high-income taxpayers classified by an income concept that was more comprehensive than adjusted gross income (AGI), but that was based entirely on items already reported on income tax returns. To derive such an income concept, it was necessary to begin with a broad, inclusive concept of income. AGI must then be compared to this broad income concept, and the differences (both additions and subtractions) that can be determined from items reported on tax returns identified. This appendix begins by defining "Haig-Simons income," a very broad concept of income used by economists and others as a standard. AGI is then compared to Haig-Simons income, and the major differences between the two income concepts are listed. The next section defines "expanded income," a more comprehensive income measure than AGI, based entirely on tax return data, and the final section explains in some detail the adjustment to income for investment expenses.

Haig-Simons Income

The broadest measure of annual income generally used by economists and others is defined as the value of a household's consumption plus the change, if any, in its net worth. This income concept is referred to as Haig-Simons income, or H-S income, after the two economists who wrote extensively about it [A1]. The H-S income of a household that consumed $25,000 and saved $2,000 in a year would be $27,000. Alternatively, the H-S income of a household that consumed $25,000 and had no additions to savings, but had assets that declined in value by $1,000 in a year, would be $24,000.

H-S income consists of three broad components: labor income, capital income (income from assets), and income from transfer payments. The major elements of each of these three components are as follows:

Labor income—This includes all forms of employee compensation (including wages and salaries), employee fringe benefits (such as employer-provided health insurance and accrued pension benefits or contributions), and the employer share of payroll taxes (such as Social Security taxes). Labor income also includes the labor share of self-employment income. Expenses of earning labor income would be deducted in arriving at H-S income. Deferred labor income (such as pension benefits) would be counted in the year it was earned, rather than in the year it was received.

Capital income—This includes all income from assets, including interest, dividends, rents, royalties, accrued capital gains (whether or not realized), the capital income share of self-employment income, and the rental value of consumer durables (most importantly, the rental value of owner-occupied housing). Capital income is measured in real (inflation-adjusted) terms and is net of real, economic depreciation and all other expenses (which could exceed capital income).

Transfer payments—These include payments in cash such as Social Security benefits, workers' compensation, unemployment benefits, Aid to Families with Dependent Children (AFDC), and noncash benefits (such as Medicare, Medicaid, and the Supplemental Nutrition Assistance Program (SNAP)).

For purposes of tax analysis, H-S income should be measured on a pretax basis, the amount that would be earned if there were no Federal income tax in place. Most items of income are unaffected, or little affected, by the income tax and so these are reported on a pretax basis. However, certain income items from tax-preferred sources may be reduced because of their preferential treatment. An example is interest from tax-exempt State and local Government bonds. The interest rate on tax-exempt bonds is generally lower than the interest rate on taxable bonds of the same maturity and risk, with the difference approximately equal to the tax rate of the typical investor in tax-exempt bonds. Thus, investors in tax-exempt bonds are effectively paying a tax, referred to as an "implicit tax," and tax-exempt interest as reported is measured on an after tax, rather than a pretax, basis. Income from all tax-preferred sources should be "grossed up" by implicit taxes to measure H-S income properly.

Adjusted Gross Income

AGI is the statutory definition of income for Federal income tax purposes. AGI differs from H-S income by excluding some components of H-S income and by allowing accelerated business deductions and deductions unrelated to income, but also by disallowing or limiting certain expenses of earning income and certain losses. In addition, AGI is not "grossed up" for implicit taxes.

The components of H-S income excluded from AGI include most employee fringe benefits, the employer share of payroll taxes, accrued but deferred employee compensation, accrued but unrealized real capital gains, the rental value of consumer durables, nontaxable Social Security benefits, most other cash transfers, all noncash transfers, and the real income of borrowers due to inflation [A2].

Depreciation and certain other expenses allowed in determining AGI may be accelerated (relative to economic depreciation and other costs) in the early years of an investment, thus understating investment income. In later years, however, investment income in AGI will be overstated because depreciation and other accelerated expenses will then be understated. AGI also excludes some expenses not related to earning income, such as contributions to self-employed retirement (Keogh) plans, deductible contributions to Individual Retirement Arrangements (IRAs), the portion of Social Security contributions for self-employed workers that is analogous to the employer share of such contributions for employees, and contributions to medical savings accounts.

AGI generally exceeds H-S income to the extent that expenses of earning income and losses are limited or disallowed. Most of the expenses of earning income are deductible from AGI in calculating taxable income, but only if the taxpayer "itemizes" deductions and then, in some cases, only to the extent that the sum of all such items exceeds 2 percent of AGI. Expenses incurred in the production of income that are itemized deductions include certain expenses of employees (such as union dues; expenditures for items used on the job but not reimbursed by the employer; and the employees' travel, meal, and entertainment expenses); and expenses attributable to a taxpayer's (passive) investments (as opposed to active participation in a trade or business, for example), including, but not limited to, interest expense incurred in connection with investments in securities [A3]. Note that there are limits on certain types of deductible expenses. In particular, deductible meal and entertainment expenses are limited to 50 percent of total meal and entertainment expenses.

Although net capital losses reduce economic income, only the first $3,000 of net realized capital losses may be deducted in computing AGI. Any additional realized losses must be carried forward to future years. In a somewhat similar manner, passive losses (from investments in a trade or business in which the taxpayer does not materially participate) can also reduce economic income, but, in computing AGI, they can only be deducted from passive income from other, similar investments (although a larger amount may be deducted when the losses are from rental real estate activities).

AGI can also exceed H-S income because of differences in the timing of income between the two concepts. For example, a taxpayer may realize more capital gains in a year than he or she accrues in capital gains. Since AGI includes only realizations of capital gains, whereas H-S income includes only accruals, AGI in this circumstance would exceed H-S income.

Finally, just as AGI understates the income of borrowers due to inflation, it overstates the income of lenders, who include bond owners and owners of bank deposits.

Expanded Income

Expanded income is meant to be a measure of income that is conceptually closer to H-S income than AGI, but which is derived entirely from items already reported on income tax returns. Figure L shows the adjustments made to AGI to arrive at expanded income. Since the definition of AGI was changed by legislation several times since 1977, and certain reporting requirements also changed, the adjustments differ over the years, as indicated for each item [A4]. Most of these adjustments are

Figure L

Derivation of Expanded Income from Adjusted Gross Income, Tax Years 1977–2012

Adjusted gross income (AGI)

PLUS:
- o Excluded capital gains (tax years prior to 1987)
- o Tax-exempt interest (1987 and later tax years)
- o Nontaxable Social Security benefits (1987 and later tax years)
- o Tax preferences for alternative minimum tax purposes [A5]
- o Foreign-earned income exclusion (1990 and later tax years)

MINUS:
- o Unreimbursed employee business expenses [A4]
- o Nondeductible rental losses (Tax Year 1987)
- o Moving expense deduction (Tax Years 1987 through 1993) [A4]
- o Investment interest expense deduction to the extent it does not exceed investment income
- o Miscellaneous itemized deductions not subject to the 2-percent-of-AGI floor (1989 and later tax years)

EQUALS: o Expanded income

NOTE: Footnotes to this figure are included with the footnotes to Appendix A: Income Concepts, which also includes an explanation of adjusted gross income and expanded income.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

relatively straightforward, but the adjustment for investment requires some explanation.

Investment Expenses

In measuring H-S income, it generally would be appropriate to deduct all expenses incurred in the production of income, including those related to any income-producing investments, without limit. Investment expenses in excess of investment income would then represent net economic losses. However, such a liberal deduction for investment-related expenses is not necessarily correct when not all income items have been included currently. (Investment income includes interest, dividends, and capital gains.)

If all income has not been included currently, full deduction of investment expenses might represent a mismatching of receipts and expenses and might result in understating income. For example, if a taxpayer-borrowed funds to purchase securities, net income would be understated if the taxpayer deducted all interest payments on the loan, but did not include as income any accrued gains on the securities. A similar mismatching of income and expenses would occur if investment expenses that should properly be capitalized were deducted when paid. In these instances, a more accurate measure of income might be obtained by postponing the deduction of the expense until the income was recognized for tax purposes.

Additional problems are created when a person with a loan has both income-producing assets, such as securities, and non-income-producing assets, such as a vacation home or yacht. It is not possible to determine what portion of the interest expense should be attributed to taxable income-producing assets, and therefore, ought to be deductible against the gross receipts from such taxable assets. As a result of these problems, it has been necessary to set arbitrary limits on the amount of investment expenses that are deductible in calculating expanded income.

Investment expenses that have not been deducted in determining AGI generally can appear on a Federal individual income tax return in two places. Investment interest expense is taken into account in the calculation of the itemized deduction for interest paid. Deductible investment interest expense is a separate part of the total interest deduction. Other investment expenses, such as management fees, are included in the miscellaneous category of itemized deductions [A5]. Beginning with 1987, most types of income-producing expenses included as miscellaneous itemized deductions are only deductible to the extent that their total exceeds 2 percent of AGI. To determine expenses that should be deductible in calculating an approximation of H-S income, investment expenses have been defined as deductible investment interest expense. Other investment expenses could not be separated from the remainder of miscellaneous deductions. Hence, they have not been used in the adjustment for investment expenses.

To the extent that interest expenses do not exceed investment income, they are generally allowed as a deduction in the computation of deductible investment interest expense and thus expanded income. Investment interest expenses that exceed investment income are not deductible in calculating expanded income. One consequence of this definition is that investment expenses can never turn positive investment income into investment losses. Generally, allowing investment expenses to offset all investment income is generous and tends to understate broadly measured income. However, in some instances, limiting investment expenses to investment income may overstate income by disallowing genuine investment losses.

Notes to Appendix A

[A1] Haig, Robert M. (ed.), *The Federal Income Tax*, Columbia University Press, 1921, and Simons, Henry C., *Personal Income Taxation*, University of Chicago Press, 1938.

[A2] Borrowers receive income due to inflation because the real value of debt is reduced by inflation. Even though inflation may be anticipated and reflected in interest rates, tax deductions for nominal interest payments overstate interest costs because part of these payments represent a return of principal to the lender, rather than interest.

[A3] See references and footnote A4.

[A4] For 1977, about 50 percent of net long-term capital gains were included in AGI. During 1978, the inclusion ratio was changed to 40 percent. This inclusion ratio remained unchanged through 1986. Beginning with 1987, there was no exclusion allowed for capital gains in computing AGI, and, thus, this adjustment was not made in computing expanded income for returns for years after 1986.

Beginning in 1987, taxpayers were required to report on their Federal income tax returns the amount of their tax-exempt interest income from State and local Government bonds. Since 1987, tax-exempt interest has been included in expanded income.

Taxpayers are also required to report Social Security benefits. Since 1988, nontaxable Social Security benefits have been included in expanded income. However, if none of a particular taxpayer's Social Security benefits are taxable, then gross Social Security benefits are not required to be shown on the income tax return. In such instances, which generally only affect lower- and middle-income taxpayers, Social Security benefits are not included in expanded income.

The subtraction of unreimbursed employee business expense and the moving expense deduction is to make the concept of expanded income comparable to years prior to 1987. All current-year moving expenses beginning with Tax Year 1994 were deducted in the calculation of AGI as a statutory adjustment. Due to subtracting non-limited miscellaneous deductions and not subtracting the nondeductible rental loss for 1989, the expanded income concept for 1989 is not strictly comparable to expanded income for 1988. Nor is the expanded income concept for 1990 strictly comparable to expanded income for 1989 because of the addition of the foreign-earned income exclusion. Specific details on the definition of expanded income for any given year are available in the reports and publications found under the References section.

[A5] Some income deferrals and accelerated expense deductions may also be involved in income or losses from rental property, from royalties, from partnerships, and from S Corporations, only the net amounts of which are included in adjusted gross income.

Appendix B: Tax Concepts

This appendix discusses in more detail two tax concepts used in this article. The first section provides a brief summary of the U.S. taxation of worldwide income and the foreign tax credit. The two tax concepts used in this article are then defined in the next section. This section is followed by an explanation of deduction equivalent of credits and other items. A final section discusses the possible implications of the use of unaudited tax return data for this article.

U.S. Taxation of Worldwide Income and the Foreign Tax Credit

Citizens and residents of the United States, regardless of where they physically reside, must generally include in income for Federal income tax purposes income from all geographic sources. Thus, for example, dividends and interest received from a foreign corporation or income earned working abroad is subject to Federal income tax in the same manner as income received from sources inside the United States [B1]. Income from sources outside the United States may also be subject to tax by foreign governments.

To reduce, if not eliminate, the possibility of double taxation of the foreign-source income of U.S. citizens and residents, the Federal income tax allows a credit for income taxes paid to foreign governments. This foreign tax credit is generally limited to the amount of (precredit) U.S. tax liability attributable to foreign-source income. This limit prevents the foreign tax credit from offsetting the U.S. tax on U.S.-source income.

As a result of taxing citizens and residents on a worldwide basis but allowing a foreign tax credit, some Federal income tax returns may report substantial income but little or no U.S. tax liability after credits. This may occur, for example, if a taxpayer has income only from foreign sources, for example, the taxpayer may live abroad the entire year and have no income-producing assets in the United States. It may also occur if a taxpayer has foreign-source income that exceeds a net loss from U.S. sources and pays income taxes comparable to the U.S. tax to a foreign government [B2].

For taxpayers with income from foreign sources, these procedures understate the taxpayers' true worldwide income tax liabilities and effective income tax rates. For such taxpayers, it does not seem appropriate to classify U.S. income tax credits for foreign tax payments as reducing tax liabilities. This is particularly true for tax filers who appear to be nontaxable because they do not have any U.S. tax liability, but who have paid foreign income taxes. A more accurate measure of overall income tax burden, as well as the numbers of nontaxable returns, can be obtained by considering all income taxes—U.S. as well as foreign. Thus, a second tax concept, worldwide income tax, has been used in addition to the traditional U.S. income tax.

Two Tax Concepts

Two tax concepts are used in this article to classify tax returns as taxable (i.e., returns showing an income tax liability) or nontaxable (i.e., returns showing no income tax liability) and to measure the tax burdens on taxable returns: U.S. income tax and worldwide income tax. Worldwide income tax is defined for purposes of this article as U.S. income tax, *plus* the foreign tax credits reported on the U.S. income tax return and foreign taxes paid on excluded foreign-earned income (obtained from Form 1116, *Foreign Tax Credit*). The amount of the foreign tax credits and foreign taxes paid on excluded foreign-earned income is used as a proxy for foreign tax liabilities [B3]. The relationship of U.S. income tax to tax items reported on individual income tax returns, and to worldwide income tax, is shown in Figure M.

Figure M

Derivation of "U.S. Income Tax" and "Worldwide Income Tax," Tax Year 2012

Tax at regular rates (tax generated)	
PLUS:	Additional taxes (such as tax on accumulation distributions from qualified retirement plans, Form 4972)
PLUS:	Alternative minimum tax (Form 6251)
EQUALS:	Income tax before credits
MINUS:	Tax credits
EQUALS:	U.S. income tax
PLUS:	Foreign tax credit
PLUS:	Foreign taxes paid on excluded foreign-earned income (Form 1116)
EQUALS:	Worldwide income tax

NOTE: See Appendix B: Tax Concepts for further discussion of the information in this figure.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Comparing Exclusions, Deductions, Tax Credits, and Special Tax Computations

To compare the importance of various exclusions, deductions, tax credits, and special tax computations (such as the alternative minimum tax on tax preferences), the different types of items must be placed on the same basis. One way of doing so is to calculate the size of the deduction that would reduce (or increase) income tax by the same amount as a tax credit or special computation. This amount is called the "deduction equivalent" of the tax credit or special computation.

The deduction equivalent of a tax credit or a special tax computation is the difference between the taxable income that, using the ordinary tax rate schedules, would yield the actual tax before the provision in question is considered and the actual tax after the provision. For example, the "deduction equivalent of all tax credits" is equal to the difference between "taxable income that would yield income tax before credits" and "taxable income that would yield income tax after credits."

Using this method of equating the value of deductions, exclusions, credits, and special tax computations, the order in which the various credits and special tax computations are calculated may affect the value of their deduction equivalents. Because the tax rate schedules are progressive, with successive increments to income taxed at successively higher tax rates, the deduction equivalent of the credit converted last to a deduction equivalent will be larger (for the same amount of a credit) than the item converted first, unless all relevant taxable income amounts are within a single tax-rate bracket.

The deduction equivalents of tax credits shown in Tables 9 and 10 were computed by assuming that deductions and exclusions reduce taxes before credits. As a result, the deduction equivalent of tax credits may be overstated.

Unaudited Data

Tax return data used for Statistics of Income have been tabulated as they were reported on tax returns filed with the Internal Revenue Service (IRS). Certain obvious arithmetic errors have been corrected and certain adjustments have been made to achieve consistent statistical definitions. Otherwise, the data have not been altered. In particular, the data do not reflect any changes that either may have or could have been made because of IRS audits. While this is true of data throughout the entire Statistics of Income program, it is particularly relevant for high-income tax returns. Because of the greater complexity of these returns, there is a higher probability of error and more scope for disagreement about the proper interpretation of tax laws.

The fact that the data have been drawn from unaudited returns is of even greater importance for those high-income returns that are nontaxable. Almost any audit changes would make such returns taxable. Even where the tax consequences are minor, such returns could be reclassified from nontaxable to taxable, thereby changing the counts of nontaxable returns.

Notes to Appendix B

[B1] An exception is that certain income earned abroad may be excluded from AGI. Any foreign taxes paid on such income are not creditable against U.S. income tax. The tables in this article include such excluded income in expanded income. Foreign taxes paid on such income are reflected in worldwide income tax, as discussed later.

[B2] Although the foreign tax credit is an item of tax preference for AMT purposes, taxpayers below the AMT exclusion thresholds, or with preferences or deductions not subject to AMT, could completely offset precredit U.S. income tax liability with foreign tax credits.

[B3] Where foreign tax rates exceed U.S. rates, foreign tax credits will be less than foreign tax liabilities. In such cases, using foreign tax credits as a proxy for foreign tax liabilities understates worldwide income tax liability. In other cases, when foreign tax credits are for taxes paid on income from previous years, use of foreign tax credits as a proxy may overstate or understate worldwide taxes on current-year income.

Table 1. Returns With and Without U.S. Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2012

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under $50,000 [1]	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total	**144,928,472**	**92,940,570**	**31,089,262**	**15,646,648**	**5,251,992**
Under $50,000 [1]	90,550,444	89,812,197	725,114	8,857	4,276
$50,000 under $100,000	33,448,930	3,052,198	29,918,923	472,212	5,597
$100,000 under $200,000	15,620,227	72,361	438,118	15,024,159	85,588
$200,000 or more	5,308,871	3,813	7,107	141,421	5,156,531
Returns with U.S. income tax					
Total	**93,109,721**	**42,641,865**	**29,683,169**	**15,552,998**	**5,231,689**
Under $50,000 [1]	40,838,221	40,235,562	593,471	6,703	2,485
$50,000 under $100,000	31,515,992	2,376,303	28,665,135	469,280	5,273
$100,000 under $200,000	15,478,963	29,086	420,343	14,944,673	84,860
$200,000 or more	5,276,545	914	4,219	132,343	5,139,069
Returns without U.S. income tax					
Total	**51,818,751**	**50,298,705**	**1,406,093**	**93,650**	**20,304**
Under $50,000 [1]	49,712,223	49,576,635	131,643	2,154	1,791
$50,000 under $100,000	1,932,939	675,896	1,253,787	2,932	324
$100,000 under $200,000	141,264	43,275	17,775	79,486	727
$200,000 or more	32,326	2,899	2,888	9,078	17,462

[1] Includes returns with adjusted gross deficit or with negative expanded income.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 2. Returns With and Without Worldwide Income Tax: Number of Returns, by Size of Income Under Alternative Concepts, Tax Year 2012

[All figures are estimates based on samples]

Returns by tax status, size of expanded income	All returns	Returns by size of adjusted gross income			
		Under $50,000 [1]	$50,000 under $100,000	$100,000 under $200,000	$200,000 or more
	(1)	(2)	(3)	(4)	(5)
All returns					
Total	**144,928,472**	**92,940,570**	**31,089,262**	**15,646,648**	**5,251,992**
Under $50,000 [1]	90,550,444	89,812,197	725,114	8,857	4,276
$50,000 under $100,000	33,448,930	3,052,198	29,918,923	472,212	5,597
$100,000 under $200,000	15,620,227	72,361	438,118	15,024,159	85,588
$200,000 or more	5,308,871	3,813	7,107	141,421	5,156,531
Returns with worldwide income tax					
Total	**93,287,106**	**42,744,512**	**29,727,498**	**15,570,511**	**5,244,584**
Under $50,000 [1]	40,923,929	40,319,973	594,759	6,703	2,494
$50,000 under $100,000	31,561,984	2,385,355	28,702,049	469,292	5,287
$100,000 under $200,000	15,505,772	37,961	425,798	14,957,072	84,940
$200,000 or more	5,295,421	1,223	4,892	137,444	5,151,862
Returns without worldwide income tax					
Total	**51,641,366**	**50,196,058**	**1,361,764**	**76,137**	**7,408**
Under $50,000 [1]	49,626,515	49,492,224	130,355	2,154	1,782
$50,000 under $100,000	1,886,946	666,844	1,216,873	2,920	310
$100,000 under $200,000	114,455	34,400	12,321	67,087	647
$200,000 or more	13,450	2,590	2,215	3,976	4,669

[1] Includes returns with adjusted gross deficit or with negative expanded income.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 3. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept, Tax Year 2012

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**5,251,992**	**100.0**	**100.0**	**5,308,871**	**100.0**	**100.0**
Returns without U.S. income tax	**20,304**	**0.4**	**0.4**	**32,326**	**0.6**	**0.6**
Returns with U.S. income tax: Total	**5,231,689**	**99.6**	**N/A**	**5,276,545**	**99.4**	**N/A**
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent	12,361	0.2	0.2	15,826	0.3	0.3
5 under 10 percent	10,346	0.2	0.4	13,992	0.3	0.6
10 under 15 percent	9,719	0.2	0.6	12,306	0.2	0.8
15 under 20 percent	12,053	0.2	0.8	12,093	0.2	1.0
20 under 25 percent	10,426	0.2	1.0	17,052	0.3	1.3
25 under 30 percent	14,741	0.3	1.3	20,161	0.4	1.7
30 under 35 percent	18,319	0.3	1.7	25,707	0.5	2.2
35 under 40 percent	24,754	0.5	2.1	31,552	0.6	2.8
40 under 45 percent	40,149	0.8	2.9	53,986	1.0	3.8
45 under 50 percent	70,136	1.3	4.2	76,988	1.5	5.3
50 under 60 percent	177,554	3.4	7.6	200,690	3.8	9.0
60 under 70 percent	348,124	6.6	14.3	372,897	7.0	16.1
70 under 80 percent	1,039,525	19.8	34.0	1,019,965	19.2	35.3
80 percent or more	3,443,482	65.6	99.6	3,403,332	64.1	99.4

N/A—Not applicable.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 4. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Distribution of Returns by Ratio of Adjusted Taxable Income to Income Per Concept, Tax Year 2012

[All figures are estimates based on samples]

Tax status, ratio of adjusted taxable income to income per concept	Adjusted gross income concept			Expanded income concept		
	Number of returns	Percentage of total	Cumulative percentage of total	Number of returns	Percentage of total	Cumulative percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**5,251,992**	**100.0**	**100.0**	**5,308,871**	**100.0**	**100.0**
Returns without worldwide income tax	**7,408**	**0.1**	**0.1**	**13,450**	**0.3**	**0.3**
Returns with worldwide income tax: Total	**5,244,584**	**99.9**	**N/A**	**5,295,421**	**99.7**	**N/A**
Ratio of adjusted taxable income to income per concept:						
Over 0 under 5 percent	3,037	0.1	0.1	3,796	0.1	0.1
5 under 10 percent	3,900	0.1	0.1	4,882	0.1	0.2
10 under 15 percent	3,523	0.1	0.2	7,488	0.1	0.3
15 under 20 percent	6,463	0.1	0.3	5,486	0.1	0.4
20 under 25 percent	7,611	0.1	0.5	13,021	0.2	0.7
25 under 30 percent	9,237	0.2	0.6	13,240	0.2	0.9
30 under 35 percent	12,410	0.2	0.9	20,251	0.4	1.3
35 under 40 percent	20,414	0.4	1.3	26,150	0.5	1.8
40 under 45 percent	34,732	0.7	1.9	45,369	0.9	2.6
45 under 50 percent	64,420	1.2	3.2	73,083	1.4	4.0
50 under 60 percent	169,525	3.2	6.4	188,165	3.5	7.6
60 under 70 percent	336,310	6.4	12.8	362,069	6.8	14.4
70 under 80 percent	1,024,461	19.5	32.3	1,011,612	19.1	33.4
80 percent or more	3,548,541	67.6	99.9	3,520,811	66.3	99.7

N/A—Not applicable.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 5. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages	4,630,603	1,453,486,928	4,616,287	1,447,942,257	14,316	5,544,671
Business or profession:						
Net income	950,043	107,337,147	947,100	106,874,941	2,943	462,205
Net loss	332,749	7,745,131	331,413	7,552,993	1,336	192,138
Farm:						
Net income	50,676	6,772,074	50,502	6,754,452	174	17,622
Net loss	103,783	4,802,220	103,358	4,760,316	425	41,903
Partnership and S Corporation net income after Section 179 property deduction: [1]						
Net income	1,567,853	537,482,087	1,564,524	536,192,335	3,329	1,289,752
Net loss	463,240	43,006,669	459,665	41,665,893	3,575	1,340,776
Sales of capital assets:						
Net gain	1,996,723	564,404,027	1,990,084	561,842,357	6,639	2,561,670
Net loss	1,497,210	3,740,815	1,490,561	3,723,136	6,648	17,679
Sales of property other than capital assets:						
Net gain	257,884	13,439,055	256,628	13,349,306	1,256	89,749
Net loss	287,792	6,036,894	286,053	5,908,474	1,739	128,421
Taxable interest received	4,521,070	60,777,094	4,505,067	59,947,743	16,003	829,351
Tax-exempt interest	1,408,440	40,430,886	1,403,510	39,995,062	4,931	435,824
Dividends	3,650,440	169,775,859	3,637,227	168,142,783	13,212	1,633,076
Qualified dividends	3,484,552	142,188,028	3,472,761	140,936,395	11,791	1,251,633
Pensions and annuities in adjusted gross income	1,185,671	63,797,788	1,182,453	63,642,228	3,218	155,560
Rent:						
Net income	616,793	28,981,945	614,254	28,846,590	2,539	135,355
Net loss, total (deductible and nondeductible)	729,550	12,650,165	726,124	12,531,646	3,426	118,519
Nondeductible rental loss	585,627	8,779,928	582,752	8,710,218	2,875	69,710
Royalty:						
Net income	371,590	16,266,035	369,580	16,177,077	2,010	88,958
Net loss	16,086	120,568	15,983	118,282	103	2,286
Estate or trust:						
Net income	139,669	21,286,446	139,050	21,217,528	618	68,918
Net loss	16,476	1,548,708	16,285	1,516,959	191	31,750
State income tax refunds	1,768,535	8,980,871	1,765,943	8,935,675	2,591	45,196
Alimony received	9,575	1,288,375	9,540	1,282,032	35	6,343
Social Security benefits in adjusted gross income	876,022	21,245,963	872,079	21,155,236	3,943	90,727
Social Security benefits (nontaxable)	876,446	3,758,102	872,429	3,740,916	4,017	17,186
Unemployment compensation	160,831	1,207,791	160,638	1,205,813	193	1,977
Other income	699,973	20,730,928	696,444	20,478,672	3,529	252,256
Other loss	55,612	1,829,278	53,959	1,759,388	1,652	69,890
Foreign-earned income exclusion	48,597	4,191,434	43,523	3,686,872	5,074	504,561
Total income	5,251,992	3,090,698,001	5,231,689	3,079,106,747	20,304	11,591,254
Statutory adjustments, total	2,133,742	47,604,970	2,128,610	47,506,127	5,132	98,844
Payments to Individual Retirement Arrangements	132,783	1,146,009	132,413	1,143,065	370	2,944
Payments to self-employed retirement (Keogh) plans	426,365	14,455,984	426,040	14,443,819	325	12,164
Moving expenses adjustment	56,864	364,033	56,693	362,595	171	1,438
Adjusted gross income	**5,251,992**	**3,043,093,030**	**5,231,689**	**3,031,600,620**	**20,304**	**11,492,410**
Investment interest expense deduction	690,898	12,665,451	686,643	12,002,419	4,256	663,033
Total tax preferences excluded from adjusted gross income [2]	1,421,685	42,558,829	1,416,690	42,142,196	4,996	416,633
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds)	26,438	2,226,662	26,279	2,222,479	159	4,183

Footnotes at end of table.

Table 5. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012—Continued

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept—Continued						
Passive activity loss (alternative minimum tax adjustment)	658,259	514,555	655,780	556,807	2,479	-42,252
Expanded income	**5,251,841**	**3,061,872,513**	**5,231,689**	**3,051,754,065**	**20,153**	**10,118,447**
Exemption amount	5,248,778	57,943,162	5,228,526	57,749,646	20,253	193,516
Itemized deductions:						
Total per adjusted gross income concept	4,980,948	411,964,352	4,967,018	407,154,988	13,931	4,809,363
Charitable contributions deduction	4,617,091	96,829,656	4,606,496	96,174,008	10,595	655,647
Interest paid deduction:						
Total per adjusted gross income concept	4,069,707	76,845,119	4,059,536	75,971,075	10,170	874,043
Total home mortgage interest	3,864,405	63,746,802	3,855,842	63,536,707	8,562	210,095
Medical and dental expense deduction	136,019	3,490,596	133,727	3,151,869	2,291	338,727
Net casualty or theft loss deduction	13,480	1,648,378	12,531	1,182,010	949	466,368
Taxes paid deduction	4,976,744	203,437,148	4,964,025	202,888,906	12,719	548,242
Net limited miscellaneous deductions per adjusted gross income concept	760,610	17,438,087	756,127	17,149,097	4,483	288,990
Non-limited miscellaneous deductions	262,647	12,288,896	259,416	10,651,096	3,231	1,637,800
Excess of exemptions and deductions over adjusted gross income	7,539	2,085,473	3,036	891,198	4,503	1,194,274
Taxable income	5,244,431	2,572,104,282	5,228,650	2,564,481,236	15,782	7,623,045
Tax at regular rates	5,240,739	644,435,849	5,226,942	642,389,499	13,798	2,046,350
Alternative minimum tax (Form 6251)	3,447,020	30,803,938	3,446,223	30,792,218	797	11,720
Income tax before credits	5,245,632	675,333,707	5,231,689	673,275,422	13,944	2,058,284
Tax credits, total	2,491,191	20,605,017	2,477,247	18,546,733	13,944	2,058,284
Child care credit	460,168	248,701	459,945	248,619	223	82
Minimum tax credit	97,377	475,910	97,023	465,517	353	10,393
Foreign tax credit	1,826,959	17,010,249	1,813,793	15,005,886	13,166	2,004,363
General business credit	191,008	2,060,833	190,273	2,041,720	734	19,113
Refundable credits used to offset income tax before credits	168,008	391,615	167,687	374,529	321	17,085
U.S. total income tax	5,231,689	654,728,717	5,231,689	654,728,717	0	0
Taxable income which would yield:						
Income tax before credits	5,245,632	2,326,772,918	5,231,689	2,319,932,548	13,944	6,840,369
Income tax after credits	5,231,689	2,264,211,099	5,231,689	2,264,211,099	0	0
U.S. total income tax	5,231,689	2,264,211,299	5,231,689	2,264,211,299	0	0
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income	**5,251,992**	**3,043,093,030**	**5,231,689**	**3,031,600,620**	**20,304**	**11,492,410**
plus: Total tax preferences excluded from adjusted gross income [2]	1,421,685	42,558,829	1,416,690	42,142,196	4,996	416,633
Social Security benefits (nontaxable)	876,446	3,758,102	872,429	3,740,916	4,017	17,186
Foreign-earned income exclusion	48,597	4,191,434	43,523	3,686,872	5,074	504,561
minus: Investment interest expense deduction	690,898	12,665,451	686,643	12,002,419	4,256	663,033
Non-limited miscellaneous deductions	262,647	12,288,896	259,416	10,651,096	3,231	1,637,800
Unreimbursed employee business expenses	954,347	6,774,535	953,059	6,763,025	1,288	11,510
Equals: Expanded income	**5,251,841**	**3,061,872,513**	**5,231,689**	**3,051,754,065**	**20,153**	**10,118,447**
Expanded Income Concept						
Salaries and wages	4,628,162	1,450,047,026	4,607,317	1,443,118,285	20,845	6,928,741
Business or profession:						
Net income	957,084	107,683,743	953,354	107,169,423	3,730	514,320
Net loss	331,063	7,806,584	329,265	7,590,807	1,798	215,777
Farm:						
Net income	50,794	6,799,173	50,598	6,781,612	196	17,561
Net loss	103,270	4,759,072	102,747	4,703,972	523	55,100

Footnotes at end of table.

Table 5. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012—Continued

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

Income concept, item	Returns with income of $200,000 or more: Total: Number of returns	Total: Amount	Returns with U.S. income tax: Number of returns	Returns with U.S. income tax: Amount	Returns without U.S. income tax: Number of returns	Returns without U.S. income tax: Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept—Continued						
Partnership and S Corporation net income after Section 179 property deduction: [1]						
Net income	1,582,764	538,080,437	1,578,324	536,824,140	4,439	1,256,297
Net loss	475,085	43,245,904	469,417	41,811,257	5,667	1,434,647
Sales of capital assets:						
Net gain	2,033,747	565,548,044	2,023,642	563,130,873	10,106	2,417,171
Net loss	1,540,394	3,872,118	1,527,958	3,838,234	12,436	33,884
Sales of property other than capital assets:						
Net gain	261,588	13,419,852	259,696	13,342,376	1,892	77,477
Net loss	295,254	6,059,824	292,697	5,924,936	2,557	134,888
Taxable interest received	4,593,858	61,539,716	4,567,601	60,734,441	26,256	805,275
Tax-exempt interest	1,503,102	48,635,908	1,489,902	45,974,264	13,200	2,661,644
Dividends	3,731,094	173,108,753	3,708,128	171,065,495	22,966	2,043,259
Qualified dividends	3,561,825	144,745,236	3,541,278	143,191,348	20,547	1,553,887
Pensions and annuities in adjusted gross income	1,237,415	66,662,202	1,231,805	66,451,651	5,610	210,551
Rent:						
Net income	629,397	29,334,180	625,982	29,189,913	3,415	144,266
Net loss, total (deductible and nondeductible)	733,110	12,689,345	727,996	12,548,949	5,115	140,396
Nondeductible rental loss	586,116	8,788,012	582,409	8,709,024	3,707	78,989
Royalty:						
Net income	383,952	16,362,270	380,620	16,263,235	3,333	99,035
Net loss	18,186	121,815	18,011	120,083	175	1,732
Estate or trust:						
Net income	145,170	21,429,059	144,063	21,352,187	1,107	76,873
Net loss	16,544	1,563,404	16,255	1,530,453	289	32,952
State income tax refunds	1,765,061	8,990,294	1,761,268	8,940,652	3,793	49,642
Alimony received	9,584	1,288,521	9,542	1,282,208	42	6,313
Social Security benefits in adjusted gross income	955,391	23,335,252	946,900	23,143,926	8,491	191,325
Social Security benefits (nontaxable)	955,851	4,127,626	947,252	4,091,968	8,599	35,658
Unemployment compensation	156,932	1,196,334	156,719	1,194,051	213	2,283
Other income	711,744	20,945,598	706,713	20,696,420	5,031	249,177
Other loss	67,828	2,073,234	64,742	1,978,918	3,086	94,316
Foreign-earned income exclusion	78,965	7,285,420	67,762	6,053,624	11,204	1,231,796
Total income	5,308,871	3,092,477,670	5,276,545	3,080,944,209	32,326	11,533,461
Statutory adjustments, total	2,144,540	47,896,498	2,137,620	47,777,214	6,920	119,284
Payments to Individual Retirement Arrangements	134,821	1,160,129	134,211	1,155,387	610	4,742
Payments to self-employed retirement (Keogh) plans	431,165	14,603,516	430,753	14,588,921	412	14,596
Moving expenses adjustment	57,899	371,017	57,644	368,980	255	2,037
Adjusted gross income	**5,308,871**	**3,044,581,172**	**5,276,545**	**3,033,166,995**	**32,326**	**11,414,176**
Investment interest expense deduction	698,575	11,925,593	693,196	11,667,592	5,379	258,001
Total tax preferences excluded from adjusted gross income [2]	1,516,382	50,855,115	1,503,098	48,193,585	13,284	2,661,531
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds)	27,703	2,312,873	27,431	2,293,954	273	18,920
Passive activity loss (alternative minimum tax adjustment)	674,302	537,440	670,479	578,705	3,822	-41,265
Expanded income	**5,308,871**	**3,082,745,968**	**5,276,545**	**3,067,773,784**	**32,326**	**14,972,184**
Exemption amount	5,305,344	58,132,095	5,273,088	57,831,474	32,256	300,621
Itemized deductions:						
Total per adjusted gross income concept	5,005,163	406,301,781	4,984,179	402,768,731	20,984	3,533,051
Total per expanded income concept	5,004,371	384,823,885	4,983,450	381,649,369	20,921	3,174,516
Charitable contributions deduction	4,640,944	97,431,059	4,624,058	96,670,639	16,885	760,420

Footnotes at end of table.

Table 5. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012—Continued

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with U.S. income tax		Returns without U.S. income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept—Continued						
Interest paid deduction:						
Total per adjusted gross income concept	4,048,981	75,539,382	4,035,650	75,038,217	13,331	501,165
Total per expanded income concept	3,840,995	63,613,789	3,830,257	63,370,625	10,738	243,164
Total home mortgage interest	3,831,907	63,183,642	3,821,225	62,941,570	10,682	242,072
Medical and dental expense deduction	163,185	4,114,686	155,530	3,532,985	7,655	581,701
Net casualty or theft loss deduction	12,950	1,630,350	11,933	1,151,651	1,017	478,699
Taxes paid deduction	5,000,178	203,976,030	4,980,714	203,264,399	19,465	711,631
Net limited miscellaneous deductions per adjusted gross income concept	750,661	17,258,272	740,733	16,849,737	9,928	408,535
Non-limited miscellaneous deductions	236,251	6,365,446	234,316	6,274,168	1,935	91,278
Excess of exemptions and deductions over adjusted gross income	11,023	1,907,048	3,584	1,021,263	7,438	885,785
Taxable income	5,297,843	2,578,515,917	5,272,961	2,570,160,712	24,882	8,355,205
Tax at regular rates	5,290,447	645,692,113	5,270,458	643,466,578	19,988	2,225,535
Alternative minimum tax (Form 6251)	3,432,652	30,734,896	3,431,729	30,722,965	923	11,932
Income tax before credits	5,296,740	676,520,881	5,276,545	674,283,273	20,195	2,237,608
Tax credits, total	2,552,766	21,046,840	2,532,571	18,809,232	20,195	2,237,608
Child care credit	454,307	245,942	453,929	245,800	378	142
Minimum tax credit	100,622	482,805	100,130	472,582	493	10,223
Foreign tax credit	1,896,180	17,442,983	1,876,947	15,260,354	19,233	2,182,629
General business credit	192,397	2,060,029	191,609	2,041,367	788	18,662
Refundable credits used to offset income tax before credits	172,612	394,990	172,218	377,311	394	17,679
U.S. total income tax	5,276,545	655,474,069	5,276,545	655,474,069	0	0
Taxable income which would yield:						
Income tax before credits	5,296,740	2,332,407,886	5,276,545	2,324,737,157	20,195	7,670,730
Income tax after credits	5,276,545	2,267,975,425	5,276,545	2,267,975,425	0	0
U.S. total income tax	5,276,545	2,267,975,624	5,276,545	2,267,975,624	0	0
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income	**5,308,871**	**3,044,581,172**	**5,276,545**	**3,033,166,995**	**32,326**	**11,414,176**
plus: Total tax preferences excluded from adjusted gross income [2]	1,516,382	50,855,115	1,503,098	48,193,585	13,284	2,661,531
Social Security benefits (nontaxable)	955,851	4,127,626	947,252	4,091,968	8,599	35,658
Foreign-earned income exclusion	78,965	7,285,420	67,762	6,053,624	11,204	1,231,796
minus: Investment interest expense deduction	698,575	11,925,593	693,196	11,667,592	5,379	258,001
Non-limited miscellaneous deductions	236,251	6,365,446	234,316	6,274,168	1,935	91,278
Unreimbursed employee business expenses	900,927	5,797,994	899,146	5,785,726	1,781	12,268
Equals: Expanded income	**5,308,871**	**3,082,745,968**	**5,276,545**	**3,067,773,784**	**32,326**	**14,972,184**

[1] Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.

[2] Includes tax-exempt interest and tax preference items subject to alternative minimum tax.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 6. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept						
Salaries and wages	4,630,603	1,453,486,928	4,627,270	1,452,960,249	3,333	526,679
Business or profession:						
Net income	950,043	107,337,147	948,689	107,247,796	1,354	89,351
Net loss	332,749	7,745,131	331,978	7,586,599	771	158,532
Farm:						
Net income	50,676	6,772,074	50,550	6,756,715	126	15,359
Net loss	103,783	4,802,220	103,535	4,768,954	248	33,266
Partnership and S Corporation net income after Section 179 property deduction: [1]						
Net income	1,567,853	537,482,087	1,565,888	537,105,171	1,964	376,916
Net loss	463,240	43,006,669	460,840	42,001,015	2,400	1,005,654
Sales of capital assets:						
Net gain	1,996,723	564,404,027	1,993,203	563,113,757	3,520	1,290,270
Net loss	1,497,210	3,740,815	1,494,700	3,733,705	2,510	7,110
Sales of property other than capital assets:						
Net gain	257,884	13,439,055	256,952	13,367,498	932	71,557
Net loss	287,792	6,036,894	286,653	5,940,661	1,139	96,233
Taxable interest received	4,521,070	60,777,094	4,514,704	60,190,157	6,366	586,937
Tax-exempt interest	1,408,440	40,430,886	1,405,003	40,049,307	3,438	381,579
Dividends	3,650,440	169,775,859	3,645,027	169,152,187	5,413	623,672
Qualified dividends	3,484,552	142,188,028	3,479,330	141,738,049	5,222	449,978
Pensions and annuities in adjusted gross income	1,185,671	63,797,788	1,183,566	63,708,054	2,105	89,734
Rent:						
Net income	616,793	28,981,945	615,555	28,916,845	1,238	65,099
Net loss, total (deductible and nondeductible)	729,550	12,650,165	728,366	12,593,395	1,184	56,769
Nondeductible rental loss	585,627	8,779,928	584,662	8,750,706	966	29,222
Royalty:						
Net income	371,590	16,266,035	370,178	16,226,555	1,412	39,480
Net loss	16,086	120,568	16,025	119,433	61	1,135
Estate or trust:						
Net income	139,669	21,286,446	139,215	21,251,283	454	35,163
Net loss	16,476	1,548,708	16,317	1,521,713	159	26,995
State income tax refunds	1,768,535	8,980,871	1,766,987	8,951,728	1,548	29,142
Alimony received	9,575	1,288,375	9,561	1,286,814	14	1,561
Social Security benefits in adjusted gross income	876,022	21,245,963	872,722	21,168,621	3,300	77,342
Social Security benefits (nontaxable)	876,446	3,758,102	873,146	3,744,453	3,300	13,648
Unemployment compensation	160,831	1,207,791	160,703	1,206,602	128	1,188
Other income	699,973	20,730,928	698,192	20,664,485	1,781	66,443
Other loss	55,612	1,829,278	55,506	1,813,588	106	15,690
Foreign-earned income exclusion	48,597	4,191,434	48,587	4,190,693	10	741
Total income	5,251,992	3,090,698,001	5,244,584	3,087,284,220	7,408	3,413,780
Statutory adjustments, total	2,133,742	47,604,970	2,130,787	47,556,487	2,955	48,484
Payments to Individual Retirement Arrangements	132,783	1,146,009	132,664	1,145,011	119	998
Payments to self-employed retirement (Keogh) plans	426,365	14,455,984	426,199	14,450,497	166	5,487
Moving expenses adjustment	56,864	364,033	56,847	363,917	17	116
Adjusted gross income	**5,251,992**	**3,043,093,030**	**5,244,584**	**3,039,727,734**	**7,408**	**3,365,296**
Investment interest expense deduction	690,898	12,665,451	688,045	12,053,801	2,853	611,650
Total tax preferences excluded from adjusted gross income [2]	1,421,685	42,558,829	1,418,201	42,181,078	3,485	377,751
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds)	26,438	2,226,662	26,320	2,222,984	118	3,678

Footnotes at end of table.

Table 6. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012—Continued

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted Gross Income Concept—Continued						
Passive activity loss (alternative minimum tax adjustment)	658,259	514,555	656,679	566,091	1,580	-51,536
Expanded income	**5,251,841**	**3,061,872,513**	**5,244,584**	**3,060,352,682**	**7,257**	**1,519,830**
Exemption amount	5,248,778	57,943,162	5,241,386	57,876,394	7,393	66,767
Itemized deductions:						
Total per adjusted gross income concept	4,980,948	411,964,352	4,973,576	407,747,215	7,372	4,217,137
Charitable contributions deduction	4,617,091	96,829,656	4,611,022	96,388,489	6,069	441,166
Interest paid deduction:						
Total per adjusted gross income concept	4,069,707	76,845,119	4,064,644	76,114,506	5,062	730,613
Total home mortgage interest	3,864,405	63,746,802	3,860,320	63,628,401	4,085	118,400
Medical and dental expense deduction	136,019	3,490,596	133,984	3,161,785	2,034	328,812
Net casualty or theft loss deduction	13,480	1,648,378	12,547	1,185,116	933	463,262
Taxes paid deduction	4,976,744	203,437,148	4,969,487	203,043,809	7,257	393,339
Net limited miscellaneous deductions per adjusted gross income concept	760,610	17,438,087	757,333	17,199,088	3,277	238,999
Non-limited miscellaneous deductions	262,647	12,288,896	259,882	10,667,839	2,765	1,621,057
Excess of exemptions and deductions over adjusted gross income	7,539	2,085,473	3,039	891,482	4,500	1,193,990
Taxable income	5,244,431	2,572,104,282	5,241,542	2,571,830,217	2,889	274,064
Tax at regular rates	5,240,739	644,435,849	5,239,834	644,402,159	905	33,690
Alternative minimum tax (Form 6251)	3,447,020	30,803,938	3,446,505	30,795,189	516	8,748
Income tax before credits	5,245,632	675,333,707	5,244,582	675,291,262	1,050	42,445
Tax credits, total	2,491,191	20,605,017	2,490,141	20,562,572	1,050	42,445
Child care credit	460,168	248,701	460,143	248,686	25	15
Minimum tax credit	97,377	475,910	97,148	470,712	228	5,198
Foreign tax credit	0	0	0	0	0	0
General business credit	191,008	2,060,833	190,469	2,044,734	539	16,099
Refundable credits used to offset income tax before credits	168,008	391,615	167,703	374,912	305	16,703
Worldwide total income tax	5,244,584	672,626,681	5,244,584	672,626,681	0	0
Foreign taxes paid [3]	1,827,444	17,899,767	1,827,171	17,899,002	272	765
Foreign taxes paid on excluded foreign-earned income (Form 1116)	31,969	889,519	31,969	889,519	0	0
Taxable income which would yield:						
Income tax before credits	5,245,632	2,326,772,918	5,244,582	2,326,601,303	1,050	171,615
Income tax after credits [3]	5,244,857	2,318,488,613	5,244,584	2,318,485,308	272	3,305
Worldwide total income tax [3]	5,244,857	2,318,488,695	5,244,584	2,318,485,390	272	3,305
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income	**5,251,992**	**3,043,093,030**	**5,244,584**	**3,039,727,734**	**7,408**	**3,365,296**
plus: Total tax preferences excluded from adjusted gross income [2]	1,421,685	42,558,829	1,418,201	42,181,078	3,485	377,751
Social Security benefits (nontaxable)	876,446	3,758,102	873,146	3,744,453	3,300	13,648
Foreign-earned income exclusion	48,597	4,191,434	48,587	4,190,693	10	741
minus: Investment interest expense deduction	690,898	12,665,451	688,045	12,053,801	2,853	611,650
Non-limited miscellaneous deductions	262,647	12,288,896	259,882	10,667,839	2,765	1,621,057
Unreimbursed employee business expenses	954,347	6,774,535	953,705	6,769,636	642	4,899
Equals: Expanded income	**5,251,841**	**3,061,872,513**	**5,244,584**	**3,060,352,682**	**7,257**	**1,519,830**
Expanded Income Concept						
Salaries and wages	4,628,162	1,450,047,026	4,623,843	1,449,463,406	4,319	583,620
Business or profession:						
Net income	957,084	107,683,743	955,513	107,598,132	1,571	85,611
Net loss	331,063	7,806,584	329,987	7,626,637	1,076	179,946
Farm:						
Net income	50,794	6,799,173	50,653	6,783,912	141	15,262
Net loss	103,270	4,759,072	102,958	4,713,730	312	45,342

Footnotes at end of table.

Table 6. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012—Continued

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept—Continued						
Partnership and S Corporation net income after Section 179 property deduction: [1]						
Net income	1,582,764	538,080,437	1,579,916	537,748,589	2,848	331,848
Net loss	475,085	43,245,904	470,874	42,156,524	4,210	1,089,380
Sales of capital assets:						
Net gain	2,033,747	565,548,044	2,027,804	564,421,220	5,944	1,126,824
Net loss	1,540,394	3,872,118	1,533,695	3,852,783	6,698	19,335
Sales of property other than capital assets:						
Net gain	261,588	13,419,852	260,068	13,360,529	1,520	59,324
Net loss	295,254	6,059,824	293,424	5,961,116	1,830	98,708
Taxable interest received	4,593,858	61,539,716	4,581,046	60,988,643	12,812	551,073
Tax-exempt interest	1,503,102	48,635,908	1,491,994	46,080,435	11,108	2,555,473
Dividends	3,731,094	173,108,753	3,718,990	172,118,075	12,104	990,678
Qualified dividends	3,561,825	144,745,236	3,550,350	144,021,892	11,475	723,344
Pensions and annuities in adjusted gross income	1,237,415	66,662,202	1,233,299	66,529,952	4,116	132,250
Rent:						
Net income	629,397	29,334,180	627,729	29,266,418	1,668	67,761
Net loss, total (deductible and nondeductible)	733,110	12,689,345	731,301	12,626,309	1,810	63,036
Nondeductible rental loss	586,116	8,788,012	584,961	8,758,791	1,155	29,222
Royalty:						
Net income	383,952	16,362,270	381,376	16,313,660	2,577	48,610
Net loss	18,186	121,815	18,063	121,268	123	547
Estate or trust:						
Net income	145,170	21,429,059	144,273	21,387,212	896	41,847
Net loss	16,544	1,563,404	16,299	1,535,588	245	27,816
State income tax refunds	1,765,061	8,990,294	1,762,630	8,957,615	2,431	32,679
Alimony received	9,584	1,288,521	9,565	1,287,103	19	1,418
Social Security benefits in adjusted gross income	955,391	23,335,252	947,804	23,162,829	7,587	172,423
Social Security benefits (nontaxable)	955,851	4,127,626	948,261	4,097,110	7,590	30,516
Unemployment compensation	156,932	1,196,334	156,816	1,195,235	116	1,099
Other income	711,744	20,945,598	708,912	20,896,672	2,831	48,925
Other loss	67,828	2,073,234	67,513	2,061,023	315	12,211
Foreign-earned income exclusion	78,965	7,285,420	78,512	7,205,018	453	80,402
Total income	5,308,871	3,092,477,670	5,295,421	3,089,921,891	13,450	2,555,779
Statutory adjustments, total	2,144,540	47,896,498	2,140,575	47,839,432	3,965	57,066
Payments to Individual Retirement Arrangements	134,821	1,160,129	134,622	1,158,517	199	1,612
Payments to self-employed retirement (Keogh) plans	431,165	14,603,516	430,950	14,596,591	215	6,926
Moving expenses adjustment	57,899	371,017	57,884	370,920	15	97
Adjusted gross income	**5,308,871**	**3,044,581,172**	**5,295,421**	**3,042,082,459**	**13,450**	**2,498,713**
Investment interest expense deduction	698,575	11,925,593	694,818	11,709,803	3,758	215,790
Total tax preferences excluded from adjusted gross income [2]	1,516,382	50,855,115	1,505,209	48,286,347	11,173	2,568,769
Total alternative minimum tax preference items (excluding tax-exempt interest from private activity bonds)	27,703	2,312,873	27,483	2,294,516	221	18,357
Passive activity loss (alternative minimum tax adjustment)	674,302	537,440	671,627	588,087	2,675	-50,647
Expanded income	**5,308,871**	**3,082,745,968**	**5,295,421**	**3,077,877,795**	**13,450**	**4,868,173**
Exemption amount	5,305,344	58,132,095	5,291,929	58,018,460	13,415	113,635
Itemized deductions:						
Total per adjusted gross income concept	5,005,163	406,301,781	4,992,656	403,407,386	12,507	2,894,396
Total per expanded income concept	5,004,371	384,823,885	4,991,864	382,229,580	12,507	2,594,306
Charitable contributions deduction	4,640,944	97,431,059	4,629,733	96,897,257	11,211	533,802

Footnotes at end of table.

Table 6. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Income, Deductions, Credits, and Tax, Tax Year 2012—Continued

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

Income concept, item	Returns with income of $200,000 or more					
	Total		Returns with worldwide income tax		Returns without worldwide income tax	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Expanded Income Concept—Continued						
Interest paid deduction:						
Total per adjusted gross income concept	4,048,981	75,539,382	4,042,205	75,195,304	6,776	344,078
Total per expanded income concept	3,840,995	63,613,789	3,836,099	63,485,501	4,896	128,288
Total home mortgage interest	3,831,907	63,183,642	3,827,046	63,055,965	4,861	127,677
Medical and dental expense deduction	163,185	4,114,686	156,115	3,547,891	7,070	566,795
Net casualty or theft loss deduction	12,950	1,630,350	11,952	1,154,934	998	475,416
Taxes paid deduction	5,000,178	203,976,030	4,987,752	203,434,491	12,426	541,539
Net limited miscellaneous deductions per adjusted gross income concept	750,661	17,258,272	742,528	16,906,409	8,132	351,863
Non-limited miscellaneous deductions	236,251	6,365,446	234,805	6,284,516	1,446	80,930
Excess of exemptions and deductions over adjusted gross income	11,023	1,907,048	3,634	1,021,983	7,388	885,065
Taxable income	5,297,843	2,578,515,917	5,291,787	2,578,151,410	6,056	364,507
Tax at regular rates	5,290,447	645,692,113	5,289,287	645,658,428	1,159	33,685
Alternative minimum tax (Form 6251)	3,432,652	30,734,896	3,432,063	30,726,064	589	8,833
Income tax before credits	5,296,740	676,520,881	5,295,374	676,478,363	1,366	42,518
Tax credits, total	2,552,766	21,046,840	2,551,400	21,004,322	1,366	42,518
Child care credit	454,307	245,942	454,275	245,923	32	19
Minimum tax credit	100,622	482,805	100,345	477,810	278	4,996
Foreign tax credit	0	0	0	0	0	0
General business credit	192,397	2,060,029	191,874	2,044,817	523	15,213
Refundable tax credits used to offset income tax before credits	172,612	394,990	172,235	377,694	378	17,296
Worldwide total income tax	5,295,421	674,148,910	5,295,421	674,148,910	0	0
Foreign taxes paid [3]	1,896,709	18,676,705	1,896,306	18,675,912	403	793
Foreign taxes paid on excluded foreign-earned income (Form 1116)	44,181	1,233,722	44,181	1,233,722	0	0
Taxable income which would yield:						
Income tax before credits	5,296,740	2,332,407,886	5,295,374	2,332,232,632	1,366	175,254
Income tax after credits [3]	5,295,825	2,325,185,817	5,295,421	2,325,182,228	403	3,589
Worldwide total income tax [3]	5,295,825	2,325,185,899	5,295,421	2,325,182,310	403	3,589
Reconciliation of adjusted gross income and expanded income:						
Adjusted gross income	**5,308,871**	**3,044,581,172**	**5,295,421**	**3,042,082,459**	**13,450**	**2,498,713**
plus: Total tax preferences excluded from adjusted gross income [2]	1,516,382	50,855,115	1,505,209	48,286,347	11,173	2,568,769
Social Security benefits (nontaxable)	955,851	4,127,626	948,261	4,097,110	7,590	30,516
Foreign-earned income exclusion	78,965	7,285,420	78,512	7,205,018	453	80,402
minus: Investment interest expense deduction	698,575	11,925,593	694,818	11,709,803	3,758	215,790
Non-limited miscellaneous deductions	236,251	6,365,446	234,805	6,284,516	1,446	80,930
Unreimbursed employee business expenses	900,927	5,797,994	900,055	5,793,918	872	4,075
Equals: Expanded income	**5,308,871**	**3,082,745,968**	**5,295,421**	**3,077,877,795**	**13,450**	**4,868,173**

[1] Section 179 of the Internal Revenue Code permits certain taxpayers to elect to deduct all or part of the cost of certain qualifying property in the year they place it in service, instead of taking depreciation deductions over a specified recovery period.
[2] Includes tax-exempt interest and tax preference items subject to alternative minimum tax.
[3] For returns without worldwide income tax, refundable credits offset the amount of foreign taxes paid.
NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.
Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Total		Item with the largest tax effect: Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	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)
RETURNS WITH U.S. INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**5,079,039**	**100.0**	**887,301**	**17.5**	**27,906**	**0.5**	**3,222,909**	**63.5**
Interest paid deduction	2,015,159	39.7	0	0.0	4,033	14.5	1,864,617	57.9
Investment interest expense deduction [1]	51,198	1.0	4,218	0.5	0	0.0	36,264	1.1
Taxes paid deduction	1,365,366	26.9	810,404	91.3	14,679	52.6	0	0.0
Charitable contributions deduction	1,057,624	20.8	52,870	6.0	3,149	11.3	963,504	29.9
Medical and dental expense deduction	23,630	0.5	1,381	0.2	20	0.1	17,450	0.5
Net casualty or theft loss deduction	1,985	[3]	8	[3]	0	0.0	1,626	0.1
Total miscellaneous deductions	205,371	4.0	13,363	1.5	2,154	7.7	156,208	4.8
Foreign tax credit	89,774	1.8	985	0.1	698	2.5	69,376	2.2
General business credit	24,411	0.5	1,726	0.2	689	2.5	16,805	0.5
Refundable tax credits used to offset income tax before credits	9,749	0.2	63	[3]	22	0.1	8,255	0.3
All other tax credits	36,232	0.7	1,055	0.1	91	0.3	27,727	0.9
Capital gains taxed at 0 percent	47,821	0.9	1,228	0.1	2,232	8.0	18,392	0.6
No second largest item	150,719	3.0	0	0.0	139	0.5	42,685	1.3
Returns with expanded income of $200,000 or more								
Total	**5,169,155**	**100.0**	**880,212**	**17.0**	**0**	**0.0**	**3,103,152**	**60.0**
Interest paid deduction	1,976,385	38.2	0	0.0	0	0.0	1,838,931	59.3
Tax-exempt interest [2]	222,903	4.3	1,765	0.2	0	0.0	159,756	5.1
Taxes paid deduction	1,404,394	27.2	814,646	92.6	0	0.0	0	0.0
Charitable contributions deduction	938,313	18.2	54,331	6.2	0	0.0	824,782	26.6
Medical and dental expense deduction	24,598	0.5	1,815	0.2	0	0.0	15,264	0.5
Net casualty or theft loss deduction	1,632	[3]	8	[3]	0	0.0	1,440	[3]
Total miscellaneous deductions	82,616	1.6	1,232	0.1	0	0.0	47,104	1.5
Foreign tax credit	97,259	1.9	846	0.1	0	0.0	46,173	1.5
General business credit	23,699	0.5	1,782	0.2	0	0.0	15,481	0.5
Refundable tax credits used to offset income tax before credits	9,399	0.2	63	[3]	0	0.0	7,229	0.2
All other tax credits	34,359	0.7	1,098	0.1	0	0.0	25,240	0.8
Foreign-earned income exclusion [2]	29,657	0.6	** 12	** [3]	0	0.0	472	[3]
AMT tax preference [2]	2,949	0.1	**	**	0	0.0	2,167	0.1
Nontaxable Social Security benefits [2]	124,325	2.4	1,280	0.1	0	0.0	65,980	2.1
Capital gains taxed at 0 percent	55,918	1.1	1,334	0.2	0	0.0	14,222	0.5
No second largest item	140,748	2.7	0	0.0	0	0.0	38,912	1.3

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
RETURNS WITH U.S. INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**423,512**	**8.3**	**34,679**	**0.7**	**8,643**	**0.2**	**137,377**	**2.7**
Interest paid deduction	74,243	17.5	3,714	10.7	2,300	26.6	24,273	17.7
Investment interest expense deduction [1]	4,165	1.0	635	1.8	346	4.0	1,941	1.4
Taxes paid deduction	307,268	72.6	17,074	49.2	5,287	61.2	85,600	62.3
Charitable contributions deduction	0	0.0	3,740	10.8	514	6.0	13,637	9.9
Medical and dental expense deduction	1,600	0.4	0	0.0	0	0.0	1,963	1.4
Net casualty or theft loss deduction	43	[3]	0	0.0	0	0.0	299	0.2
Total miscellaneous deductions	16,875	4.0	4,187	12.1	17	0.2	0	0.0
Foreign tax credit	2,599	0.6	272	0.8	0	0.0	2,854	2.1
General business credit	3,012	0.7	39	0.1	0	0.0	448	0.3
Refundable tax credits used to offset income tax before credits	573	0.1	3	[3]	0	0.0	144	0.1
All other tax credits	1,449	0.3	0	0.0	**	**	55	[3]
Capital gains taxed at 0 percent	11,641	2.7	5,016	14.5	** 178	** 2.1	5,858	4.3
No second largest item	42	[3]	0	0.0	0	0.0	304	0.2
Returns with expanded income of $200,000 or more								
Total	**405,270**	**7.8**	**35,733**	**0.7**	**8,213**	**0.2**	**37,398**	**0.7**
Interest paid deduction	73,879	18.2	3,309	9.3	1,742	21.2	2,807	7.5
Tax-exempt interest [2]	18,813	4.6	5,072	14.2	228	2.8	6,571	17.6
Taxes paid deduction	286,323	70.6	14,743	41.3	5,285	64.3	18,387	49.2
Charitable contributions deduction	0	0.0	3,497	9.8	808	9.8	4,146	11.1
Medical and dental expense deduction	1,331	0.3	0	0.0	0	0.0	994	2.7
Net casualty or theft loss deduction	43	[3]	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	5,887	1.5	2,918	8.2	10	0.1	0	0.0
Foreign tax credit	1,401	0.3	0	0.0	0	0.0	860	2.3
General business credit	2,814	0.7	39	0.1	0	0.0	54	0.1
Refundable tax credits used to offset income tax before credits	508	0.1	3	[3]	**	**	**	**
All other tax credits	1,410	0.3	0	0.0	**	**	**	**
Foreign-earned income exclusion [2]	36	[3]	0	0.0	0	0.0	184	0.5
AMT tax preference [2]	216	0.1	0	0.0	0	0.0	35	0.1
Nontaxable Social Security benefits [2]	2,858	0.7	1,191	3.3	0	0.0	9	[3]
Capital gains taxed at 0 percent	9,752	2.4	4,960	13.9	** 139	** 1.7	** 3,350	** 9.0
No second largest item	0	0.0	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued					
	Foreign tax credit		General business credit		Refundable tax credits used to offset income tax before credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)
RETURNS WITH U.S. INCOME TAX						
Returns with adjusted gross income of $200,000 or more						
Total	**159,372**	**3.1**	**28,110**	**0.6**	**7,014**	**0.1**
Interest paid deduction	19,657	12.3	3,637	12.9	1,356	19.3
Investment interest expense deduction [1]	1,675	1.1	364	1.3	87	1.2
Taxes paid deduction	47,475	29.8	16,066	57.2	3,557	50.7
Charitable contributions deduction	6,051	3.8	2,622	9.3	387	5.5
Medical and dental expense deduction	4	[3]	9	[3]	8	0.1
Net casualty or theft loss deduction	8	[3]	0	0.0	0	0.0
Total miscellaneous deductions	3,751	2.4	180	0.6	83	1.2
Foreign tax credit	0	0.0	1,437	5.1	355	5.1
General business credit	328	0.2	0	0.0	18	0.3
Refundable tax credits used to offset income tax before credits	191	0.1	306	1.1	0	0.0
All other tax credits	4,364	2.7	439	1.6	**	**
Capital gains taxed at 0 percent	2,352	1.5	501	1.8	** 237	** 3.4
No second largest item	73,515	46.1	2,550	9.1	926	13.2
Returns with expanded income of $200,000 or more						
Total	**125,233**	**2.4**	**27,177**	**0.5**	**6,310**	**0.1**
Interest paid deduction	11,978	9.6	3,819	14.1	1,177	18.7
Tax-exempt interest [2]	5,136	4.1	1,194	4.4	27	0.4
Taxes paid deduction	35,757	28.6	14,859	54.7	3,187	50.5
Charitable contributions deduction	4,453	3.6	2,554	9.4	370	5.9
Medical and dental expense deduction	** 19	** [3]	9	[3]	8	0.1
Net casualty or theft loss deduction	**	**	0	0.0	0	0.0
Total miscellaneous deductions	827	0.7	151	0.6	22	0.4
Foreign tax credit	0	0.0	1,071	3.9	349	5.5
General business credit	90	0.1	0	0.0	19	0.3
Refundable tax credits used to offset income tax before credits	139	0.1	306	1.1	0	0.0
All other tax credits	1,416	1.1	296	1.1	9	0.1
Foreign-earned income exclusion [2]	28,814	23.0	** 4	** [3]	0	0.0
AMT tax preference [2]	13	[3]	**	**	125	2.0
Nontaxable Social Security benefits [2]	5,220	4.2	989	3.6	186	2.9
Capital gains taxed at 0 percent	1,758	1.4	414	1.5	91	1.4
No second largest item	29,612	23.6	1,509	5.6	738	11.7

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued					
	All other tax credits		Capital gains taxed at 0 percent		Foreign-earned income exclusion [2]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(23)	(24)	(25)	(26)	(27)	(28)
RETURNS WITH U.S. INCOME TAX						
Returns with adjusted gross income of $200,000 or more						
Total	**41,571**	**0.8**	**100,646**	**2.0**	**0**	**0.0**
Interest paid deduction	6,442	15.5	10,888	10.8	0	0.0
Investment interest expense deduction [1]	74	0.2	1,429	1.4	0	0.0
Taxes paid deduction	17,249	41.5	40,706	40.4	0	0.0
Charitable contributions deduction	1,414	3.4	9,737	9.7	0	0.0
Medical and dental expense deduction	0	0.0	1,194	1.2	0	0.0
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	77	0.2	8,476	8.4	0	0.0
Foreign tax credit	1,914	4.6	9,284	9.2	0	0.0
General business credit	547	1.3	797	0.8	0	0.0
Refundable tax credits used to offset income tax before credits	79	0.2	112	0.1	0	0.0
All other tax credits	0	0.0	1,042	1.0	0	0.0
Capital gains taxed at 0 percent	196	0.5	0	0.0	0	0.0
No second largest item	13,578	32.7	16,981	16.9	0	0.0
Returns with expanded income of $200,000 or more						
Total	**40,028**	**0.8**	**97,560**	**1.9**	**34,902**	**0.7**
Interest paid deduction	6,517	16.3	10,548	10.8	6,059	17.4
Tax-exempt interest [2]	1,832	4.6	9,698	9.9	821	2.4
Taxes paid deduction	15,331	38.3	34,747	35.6	5,593	16.0
Charitable contributions deduction	1,640	4.1	8,522	8.7	359	1.0
Medical and dental expense deduction	0	0.0	** 1,649	** 1.7	0	0.0
Net casualty or theft loss deduction	0	0.0	**	**	0	0.0
Total miscellaneous deductions	20	0.1	6,269	6.4	166	0.5
Foreign tax credit	1,633	4.1	3,827	3.9	15,724	45.1
General business credit	550	1.4	706	0.7	314	0.9
Refundable tax credits used to offset income tax before credits	39	0.1	240	0.2	0	0.0
All other tax credits	0	0.0	864	0.9	614	1.8
Foreign-earned income exclusion [2]	0	0.0	8	[3]	0	0.0
AMT tax preference [2]	59	0.1	298	0.3	0	0.0
Nontaxable Social Security benefits [2]	1,364	3.4	14,732	15.1	4	[3]
Capital gains taxed at 0 percent	176	0.4	0	0.0	1,253	3.6
No second largest item	10,865	27.1	5,451	5.6	3,995	11.4

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued					
	Tax-exempt interest [2]		AMT tax preference [2]		Nontaxable Social Security benefits [2]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(29)	(30)	(31)	(32)	(33)	(34)
RETURNS WITH U.S. INCOME TAX						
Returns with adjusted gross income of $200,000 or more						
Total	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Interest paid deduction	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1]	0	0.0	0	0.0	0	0.0
Taxes paid deduction	0	0.0	0	0.0	0	0.0
Charitable contributions deduction	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	0	0.0	0	0.0	0	0.0
Foreign tax credit	0	0.0	0	0.0	0	0.0
General business credit	0	0.0	0	0.0	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0
All other tax credits	0	0.0	0	0.0	0	0.0
Capital gains taxed at 0 percent	0	0.0	0	0.0	0	0.0
No second largest item	0	0.0	0	0.0	0	0.0
Returns with expanded income of $200,000 or more						
Total	**261,206**	**5.1**	**4,924**	**0.1**	**101,837**	**2.0**
Interest paid deduction	6,492	2.5	823	16.7	8,301	8.2
Tax-exempt interest [2]	0	0.0	182	3.7	11,808	11.6
Taxes paid deduction	125,103	47.9	2,927	59.4	27,504	27.0
Charitable contributions deduction	32,036	12.3	603	12.2	213	0.2
Medical and dental expense deduction	3,517	1.3	0	0.0	0	0.0
Net casualty or theft loss deduction	132	0.1	0	0.0	0	0.0
Total miscellaneous deductions	17,705	6.8	3	0.1	301	0.3
Foreign tax credit	15,742	6.0	7	0.1	9,627	9.5
General business credit	898	0.3	11	0.2	940	0.9
Refundable tax credits used to offset income tax before credits	532	0.2	9	0.2	327	0.3
All other tax credits	1,286	0.5	48	1.0	2,056	2.0
Foreign-earned income exclusion [2]	137	0.1	0	0.0	0	0.0
AMT tax preference [2]	17	[3]	0	0.0	8	[3]
Nontaxable Social Security benefits [2]	30,506	11.7	5	0.1	0	0.0
Capital gains taxed at 0 percent	18,058	6.9	154	3.1	281	0.3
No second largest item	9,045	3.5	152	3.1	40,470	39.7

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Total		Item with the largest tax effect: Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	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)
RETURNS WITHOUT U.S. INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**20,300**	**100.0**	**155**	**0.8**	**861**	**4.2**	**420**	**2.1**
Interest paid deduction	3,856	19.0	0	0.0	145	16.8	46	11.0
Investment interest expense deduction [1]	492	2.4	23	14.8	0	0.0	44	10.5
Taxes paid deduction	4,443	21.9	41	26.5	245	28.4	0	0.0
Charitable contributions deduction	2,069	10.2	22	14.2	189	22.0	156	37.3
Medical and dental expense deduction	302	1.5	9	5.8	25	2.9	19	4.5
Net casualty or theft loss deduction	44	0.2	**	**	3	0.3	4	1.0
Total miscellaneous deductions	1,127	5.6	** 12	** 7.7	110	12.8	75	17.9
Foreign tax credit	192	0.9	8	5.2	23	2.7	22	5.2
General business credit	140	0.7	9	5.8	18	2.1	17	4.1
Refundable tax credits used to offset income tax before credits	12	0.1	0	0.0	0	0.0	0	0.0
All other tax credits	214	1.1	4	2.6	7	0.8	9	2.1
Capital gains taxed at 0 percent	1,345	6.6	27	17.4	** 96	** 11.1	27	6.4
No second largest item	6,063	29.9	0	0.0	**	**	0	0.0
Returns with expanded income of $200,000 or more								
Total	**32,323**	**100.0**	**201**	**0.6**	**0**	**0.0**	**494**	**1.5**
Interest paid deduction	2,629	8.1	0	0.0	0	0.0	60	12.1
Tax-exempt interest [2]	1,599	4.9	22	10.9	0	0.0	112	22.7
Taxes paid deduction	4,694	14.5	57	28.4	0	0.0	0	0.0
Charitable contributions deduction	2,584	8.0	30	14.9	0	0.0	144	29.2
Medical and dental expense deduction	1,677	5.2	14	7.0	0	0.0	28	5.7
Net casualty or theft loss deduction	70	0.2	3	1.5	0	0.0	3	0.6
Total miscellaneous deductions	1,533	4.7	14	7.0	0	0.0	56	11.3
Foreign tax credit	2,315	7.2	9	4.5	0	0.0	20	4.0
General business credit	132	0.4	9	4.5	0	0.0	16	3.2
Refundable tax credits used to offset income tax before credits	57	0.2	0	0.0	0	0.0	0	0.0
All other tax credits	198	0.6	** 5	** 2.5	0	0.0	9	1.8
Foreign-earned income exclusion [2]	8,322	25.7	**	**	0	0.0	9	1.8
AMT tax preference [2]	17	0.1	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	686	2.1	5	2.5	0	0.0	4	0.8
Capital gains taxed at 0 percent	2,015	6.2	33	16.4	0	0.0	33	6.7
No second largest item	3,794	11.7	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
RETURNS WITHOUT U.S. INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**1,438**	**7.1**	**1,311**	**6.5**	**898**	**4.4**	**2,155**	**10.6**
Interest paid deduction	153	10.6	71	5.4	175	19.5	442	20.5
Investment interest expense deduction [1]	133	9.2	16	1.2	11	1.2	74	3.4
Taxes paid deduction	355	24.7	425	32.4	585	65.1	1,130	52.4
Charitable contributions deduction	0	0.0	273	20.8	47	5.2	253	11.7
Medical and dental expense deduction	130	9.0	0	0.0	10	1.1	45	2.1
Net casualty or theft loss deduction	3	0.2	9	0.7	0	0.0	18	0.8
Total miscellaneous deductions	211	14.7	294	22.4	42	4.7	0	0.0
Foreign tax credit	86	6.0	** 11	** 0.8	** 4	** 0.4	22	1.0
General business credit	32	2.2	**	**	**	**	25	1.2
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0	8	0.4
All other tax credits	27	1.9	**	**	**	**	14	0.6
Capital gains taxed at 0 percent	** 308	** 21.4	208	15.9	** 24	** 2.7	57	2.6
No second largest item	**	**	4	0.3	**	**	67	3.1
Returns with expanded income of $200,000 or more								
Total	**1,460**	**4.5**	**1,953**	**6.0**	**920**	**2.8**	**319**	**1.0**
Interest paid deduction	138	9.5	**	**	174	18.9	27	8.5
Tax-exempt interest [2]	224	15.3	** 819	** 41.9	84	9.1	100	31.4
Taxes paid deduction	331	22.7	317	16.2	554	60.2	66	20.7
Charitable contributions deduction	0	0.0	224	11.5	41	4.5	78	24.4
Medical and dental expense deduction	124	8.5	0	0.0	12	1.3	10	3.1
Net casualty or theft loss deduction	7	0.5	9	0.5	0	0.0	0	0.0
Total miscellaneous deductions	160	11.0	255	13.1	** 16	** 1.7	0	0.0
Foreign tax credit	78	5.4	5	0.3	**	**	7	2.2
General business credit	32	2.2	**	**	**	**	4	1.3
Refundable tax credits used to offset income tax before credits	3	0.2	0	0.0	0	0.0	0	0.0
All other tax credits	22	1.5	**	**	**	**	** 6	** 1.9
Foreign-earned income exclusion [2]	8	0.5	** 7	** 0.4	** 6	** 0.7	**	**
AMT tax preference [2]	3	0.2	0	0.0	0	0.0	**	**
Nontaxable Social Security benefits [2]	40	2.7	106	5.4	12	1.3	** 3	** 0.9
Capital gains taxed at 0 percent	286	19.6	** 211	** 10.8	** 21	** 2.3	** 18	** 5.6
No second largest item	3	0.2	**	**	**	**	**	**

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued					
	Foreign tax credit		General business credit		Refundable tax credits used to offset income tax before credits	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)
RETURNS WITHOUT U.S. INCOME TAX						
Returns with adjusted gross income of $200,000 or more						
Total	**12,184**	**60.0**	**334**	**1.6**	**111**	**0.5**
Interest paid deduction	2,546	20.9	192	57.5	0	0.0
Investment interest expense deduction [1]	156	1.3	8	2.4	0	0.0
Taxes paid deduction	1,443	11.8	41	12.3	83	75.2
Charitable contributions deduction	1,031	8.5	27	8.1	6	5.5
Medical and dental expense deduction	43	0.4	**	**	0	0.0
Net casualty or theft loss deduction	**	**	**	**	0	0.0
Total miscellaneous deductions	** 360	** 3.0	** 11	** 3.3	**	**
Foreign tax credit	0	0.0	**	**	** 9	** 8.3
General business credit	10	0.1	0	0.0	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	4	1.2	0	0.0
All other tax credits	125	1.0	5	1.5	0	0.0
Capital gains taxed at 0 percent	510	4.2	43	12.9	12	11.0
No second largest item	5,960	48.9	3	0.9	0	0.0
Returns with expanded income of $200,000 or more						
Total	**15,591**	**48.2**	**333**	**1.0**	**110**	**0.3**
Interest paid deduction	1,440	9.2	188	56.4	0	0.0
Tax-exempt interest [2]	174	1.1	7	2.1	3	2.7
Taxes paid deduction	1,044	6.7	43	12.9	80	73.2
Charitable contributions deduction	678	4.3	** 30	** 9.0	** 17	** 15.8
Medical and dental expense deduction	31	0.2	**	**	0	0.0
Net casualty or theft loss deduction	**	**	**	**	0	0.0
Total miscellaneous deductions	** 116	** 0.7	** 8	** 2.4	** 9	** 8.4
Foreign tax credit	0	0.0	**	**	**	**
General business credit	7	[3]	0	0.0	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	5	1.5	0	0.0
All other tax credits	62	0.4	6	1.8	0	0.0
Foreign-earned income exclusion [2]	8,285	53.1	0	0.0	0	0.0
AMT tax preference [2]	**	**	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	** 125	** 0.8	**	**	0	0.0
Capital gains taxed at 0 percent	404	2.6	** 46	** 13.8	**	**
No second largest item	3,224	20.7	**	** 0.6	0	0.0

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued					
	All other tax credits		Capital gains taxed at 0 percent		Foreign-earned income exclusion [2]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(23)	(24)	(25)	(26)	(27)	(28)
RETURNS WITHOUT U.S. INCOME TAX						
Returns with adjusted gross income of $200,000 or more						
Total	**224**	**1.1**	**208**	**1.0**	**0**	**0.0**
Interest paid deduction	53	23.7	33	15.9	0	0.0
Investment interest expense deduction [1]	7	3.1	20	9.6	0	0.0
Taxes paid deduction	74	33.0	20	9.6	0	0.0
Charitable contributions deduction	29	12.9	35	16.8	0	0.0
Medical and dental expense deduction	**	**	17	8.2	0	0.0
Net casualty or theft loss deduction	**	**	**	**	0	0.0
Total miscellaneous deductions	** 11	** 4.9	** 12	** 5.8	0	0.0
Foreign tax credit	** 6	** 2.7	11	5.3	0	0.0
General business credit	**	**	24	11.5	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0
All other tax credits	0	0.0	18	8.7	0	0.0
Capital gains taxed at 0 percent	37	16.5	0	0.0	0	0.0
No second largest item	7	3.1	18	8.7	0	0.0
Returns with expanded income of $200,000 or more						
Total	**224**	**0.7**	**303**	**0.9**	**2,723**	**8.4**
Interest paid deduction	55	24.6	37	12.2	120	4.4
Tax-exempt interest [2]	26	11.6	** 85	** 28.1	18	0.7
Taxes paid deduction	67	29.9	**	**	102	3.7
Charitable contributions deduction	** 27	** 12.1	50	16.5	18	0.7
Medical and dental expense deduction	**	**	24	7.9	24	0.9
Net casualty or theft loss deduction	**	**	10	3.3	**	**
Total miscellaneous deductions	** 9	** 4.0	17	5.6	** 9	** 0.3
Foreign tax credit	**	**	14	4.6	2,155	79.1
General business credit	**	**	25	8.3	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0
All other tax credits	0	0.0	** 18	** 5.9	13	0.5
Foreign-earned income exclusion [2]	0	0.0	**	**	0	0.0
AMT tax preference [2]	**	**	**	**	0	0.0
Nontaxable Social Security benefits [2]	**	**	** 10	** 3.3	**	**
Capital gains taxed at 0 percent	** 35	** 15.6	0	0.0	** 49	** 1.8
No second largest item	5	2.2	13	4.3	215	7.9

Footnotes at end of table.

Table 7. Returns With and Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued					
	Tax-exempt interest [2]		AMT tax preference [2]		Nontaxable Social Security benefits [2]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(29)	(30)	(31)	(32)	(33)	(34)
RETURNS WITHOUT U.S. INCOME TAX						
Returns with adjusted gross income of $200,000 or more						
Total	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Interest paid deduction	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1]	0	0.0	0	0.0	0	0.0
Taxes paid deduction	0	0.0	0	0.0	0	0.0
Charitable contributions deduction	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	0	0.0	0	0.0	0	0.0
Foreign tax credit	0	0.0	0	0.0	0	0.0
General business credit	0	0.0	0	0.0	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0
All other tax credits	0	0.0	0	0.0	0	0.0
Capital gains taxed at 0 percent	0	0.0	0	0.0	0	0.0
No second largest item	0	0.0	0	0.0	0	0.0
Returns with expanded income of $200,000 or more						
Total	**7,633**	**23.6**	**46**	**0.1**	**13**	**[3]**
Interest paid deduction	334	4.4	0	0.0	**	**
Tax-exempt interest [2]	0	0.0	** 5	** 10.8	** 7	** 53.8
Taxes paid deduction	2,010	26.3	0	0.0	**	**
Charitable contributions deduction	1,256	16.5	0	0.0	** 6	** 46.2
Medical and dental expense deduction	1,406	18.4	0	0.0	**	**
Net casualty or theft loss deduction	32	0.4	0	0.0	0	0.0
Total miscellaneous deductions	886	11.6	0	0.0	0	0.0
Foreign tax credit	14	0.2	0	0.0	0	0.0
General business credit	30	0.4	**	**	0	0.0
Refundable tax credits used to offset income tax before credits	7	0.1	41	89.2	0	0.0
All other tax credits	58	0.8	0	0.0	0	0.0
Foreign-earned income exclusion [2]	6	0.1	0	0.0	0	0.0
AMT tax preference [2]	9	0.1	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	381	5.0	0	0.0	0	0.0
Capital gains taxed at 0 percent	875	11.5	**	**	**	**
No second largest item	328	4.3	0	0.0	0	0.0

** Data combined to avoid disclosure of information for specific taxpayers.

[1] Investment interest expense deduction only has an effect when using the adjusted gross income concept.

[2] Tax-exempt interest, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits only have an effect when using the expanded income concept.

[3] Less than 0.05 percent.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Total		Item with the largest tax effect: Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	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)
RETURNS WITH WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**5,012,169**	**100.0**	**909,235**	**18.1**	**29,805**	**0.6**	**3,271,881**	**65.3**
Interest paid deduction	2,030,140	40.5	0	0.0	4,248	14.3	1,895,027	57.9
Investment interest expense deduction [1]	54,019	1.1	4,564	0.5	0	0.0	39,695	1.2
Taxes paid deduction	1,350,833	27.0	829,124	91.2	16,020	53.7	0	0.0
Charitable contributions deduction	1,105,948	22.1	54,345	6.0	3,603	12.1	1,014,584	31.0
Medical and dental expense deduction	24,063	0.5	1,532	0.2	31	0.1	17,480	0.5
Net casualty or theft loss deduction	1,977	[3]	8	[3]	0	0.0	1,626	[3]
Total miscellaneous deductions	211,703	4.2	14,515	1.6	2,542	8.5	162,964	5.0
General business credit	24,904	0.5	1,727	0.2	708	2.4	17,507	0.5
Refundable tax credits used to offset income tax before credits	10,265	0.2	63	[3]	22	0.1	8,932	0.3
All other tax credits	33,732	0.7	1,226	0.1	95	0.3	29,325	0.9
Capital gains taxed at 0 percent	48,733	1.0	1,424	0.2	2,311	7.8	20,093	0.6
No second largest item	115,854	2.3	706	0.1	226	0.8	64,647	2.0
Returns with expanded income of $200,000 or more								
Total	**5,155,195**	**100.0**	**893,656**	**17.3**	**0**	**0.0**	**3,139,994**	**60.9**
Interest paid deduction	2,003,004	38.9	0	0.0	0	0.0	1,863,827	59.4
Tax-exempt interest [2]	231,908	4.5	1,935	0.2	0	0.0	166,107	5.3
Taxes paid deduction	1,401,816	27.2	827,796	92.6	0	0.0	0	0.0
Charitable contributions deduction	964,890	18.7	54,644	6.1	0	0.0	852,547	27.2
Medical and dental expense deduction	25,176	0.5	** 1,828	** 0.2	0	0.0	15,278	0.5
Net casualty or theft loss deduction	1,624	[3]	**	**	0	0.0	1,440	[3]
Total miscellaneous deductions	85,860	1.7	1,323	0.1	0	0.0	48,831	1.6
General business credit	24,726	0.5	1,783	0.2	0	0.0	16,073	0.5
Refundable tax credits used to offset income tax before credits	9,575	0.2	63	[3]	0	0.0	7,456	0.2
All other tax credits	36,552	0.7	1,114	0.1	0	0.0	26,021	0.8
Foreign-earned income exclusion [2]	2,967	0.1	** 42	** [3]	0	0.0	2,055	0.1
AMT tax preference [2]	3,047	0.1	**	**	0	0.0	2,180	0.1
Nontaxable Social Security benefits [2]	124,654	2.4	1,290	0.1	0	0.0	67,869	2.2
Capital gains taxed at 0 percent	57,696	1.1	1,528	0.2	0	0.0	15,589	0.5
No second largest item	181,698	3.5	309	[3]	0	0.0	54,722	1.7

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
RETURNS WITH WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**430,836**	**8.6**	**34,763**	**0.7**	**8,666**	**0.2**	**141,546**	**2.8**
Interest paid deduction	75,728	17.6	3,724	10.7	2,302	26.6	25,317	17.9
Investment interest expense deduction [1]	4,487	1.0	637	1.8	346	4.0	2,299	1.6
Taxes paid deduction	312,779	72.6	17,095	49.2	5,307	61.2	89,492	63.2
Charitable contributions deduction	0	0.0	3,890	11.2	514	5.9	14,529	10.3
Medical and dental expense deduction	1,829	0.4	0	0.0	0	0.0	1,973	1.4
Net casualty or theft loss deduction	43	[3]	0	0.0	0	0.0	299	0.2
Total miscellaneous deductions	17,832	4.1	4,331	12.5	17	0.2	0	0.0
General business credit	3,074	0.7	40	0.1	0	0.0	458	0.3
Refundable tax credits used to offset income tax before credits	575	0.1	3	[3]	0	0.0	149	0.1
All other tax credits	1,473	0.3	0	0.0	**	**	**	**
Capital gains taxed at 0 percent	12,215	2.8	5,038	14.5	** 180	** 2.1	** 6,531	** 4.6
No second largest item	801	0.2	6	[3]	0	0.0	498	0.4
Returns with expanded income of $200,000 or more								
Total	**410,644**	**8.0**	**35,822**	**0.7**	**8,237**	**0.2**	**38,363**	**0.7**
Interest paid deduction	74,687	18.2	3,316	9.3	1,744	21.2	2,861	7.5
Tax-exempt interest [2]	19,161	4.7	5,083	14.2	228	2.8	6,810	17.8
Taxes paid deduction	290,181	70.7	14,762	41.2	5,304	64.4	19,309	50.3
Charitable contributions deduction	0	0.0	3,515	9.8	808	9.8	4,379	11.4
Medical and dental expense deduction	1,520	0.4	0	0.0	0	0.0	994	2.6
Net casualty or theft loss deduction	43	[3]	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	6,501	1.6	2,923	8.2	10	0.1	0	0.0
General business credit	2,867	0.7	42	0.1	0	0.0	57	0.1
Refundable tax credits used to offset income tax before credits	511	0.1	3	[3]	**	**	12	[3]
All other tax credits	1,428	0.3	0	0.0	** 4	** [3]	22	0.1
Foreign-earned income exclusion [2]	238	0.1	4	[3]	**	**	228	0.6
AMT tax preference [2]	216	0.1	0	0.0	0	0.0	37	0.1
Nontaxable Social Security benefits [2]	2,999	0.7	1,192	3.3	0	0.0	14	[3]
Capital gains taxed at 0 percent	10,031	2.4	** 4,981	** 13.9	138	1.7	** 3,638	** 9.5
No second largest item	261	0.1	**	**	0	0.0	**	**

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	General business credit		Refundable tax credits used to offset income tax before credits		All other tax credits		Capital gains taxed at 0 percent	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
RETURNS WITH WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**28,506**	**0.6**	**7,208**	**0.1**	**46,143**	**0.9**	**103,580**	**2.1**
Interest paid deduction	3,815	13.4	1,356	18.8	6,776	14.7	11,846	11.4
Investment interest expense deduction [1]	373	1.3	87	1.2	79	0.2	1,452	1.4
Taxes paid deduction	16,465	57.8	3,564	49.5	17,456	37.8	43,530	42.0
Charitable contributions deduction	2,666	9.4	** 401	** 5.6	** 1,434	** 3.1	9,991	9.6
Medical and dental expense deduction	9	[3]	**	**	**	**	1,200	1.2
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	204	0.7	83	1.1	97	0.2	9,119	8.8
General business credit	0	0.0	18	0.3	555	1.2	816	0.8
Refundable tax credits used to offset income tax before credits	309	1.1	0	0.0	79	0.2	132	0.1
All other tax credits	480	1.7	9	0.1	0	0.0	1,060	1.0
Capital gains taxed at 0 percent	561	2.0	229	3.2	215	0.5	0	0.0
No second largest item	3,625	12.7	1,461	20.3	19,451	42.2	24,433	23.6
Returns with expanded income of $200,000 or more								
Total	**27,340**	**0.5**	**6,452**	**0.1**	**41,590**	**0.8**	**99,829**	**1.9**
Interest paid deduction	3,853	14.1	1,177	18.2	6,714	16.1	10,757	10.8
Tax-exempt interest [2]	1,510	5.5	30	0.5	2,180	5.2	10,328	10.3
Taxes paid deduction	15,131	55.3	3,189	49.4	15,465	37.2	35,970	36.0
Charitable contributions deduction	2,603	9.5	** 385	** 6.0	1,655	4.0	8,756	8.8
Medical and dental expense deduction	9	[3]	**	**	0	0.0	** 1,655	** 1.7
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0	**	**
Total miscellaneous deductions	168	0.6	22	0.3	23	0.1	6,894	6.9
General business credit	0	0.0	19	0.3	552	1.3	726	0.7
Refundable tax credits used to offset income tax before credits	317	1.2	0	0.0	39	0.1	259	0.3
All other tax credits	297	1.1	9	0.1	0	0.0	881	0.9
Foreign-earned income exclusion [2]	** 5	** [3]	0	0.0	8	[3]	184	0.2
AMT tax preference [2]	**	**	125	1.9	60	0.1	303	0.3
Nontaxable Social Security benefits [2]	989	3.6	186	2.9	1,371	3.3	15,379	15.4
Capital gains taxed at 0 percent	475	1.7	91	1.4	192	0.5	0	0.0
No second largest item	1,981	7.2	1,217	18.9	13,331	32.1	7,737	7.7

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	Foreign-earned income exclusion [2]		Tax-exempt interest [2]		AMT tax preference [2]		Nontaxable Social Security benefits [2]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
RETURNS WITH WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Interest paid deduction	0	0.0	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1]	0	0.0	0	0.0	0	0.0	0	0.0
Taxes paid deduction	0	0.0	0	0.0	0	0.0	0	0.0
Charitable contributions deduction	0	0.0	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction	0	0.0	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	0	0.0	0	0.0	0	0.0	0	0.0
General business credit	0	0.0	0	0.0	0	0.0	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0	0	0.0
All other tax credits	0	0.0	0	0.0	0	0.0	0	0.0
Capital gains taxed at 0 percent	0	0.0	0	0.0	0	0.0	0	0.0
No second largest item	0	0.0	0	0.0	0	0.0	0	0.0
Returns with expanded income of $200,000 or more								
Total	**74,291**	**1.4**	**266,858**	**5.2**	**4,939**	**0.1**	**107,180**	**2.1**
Interest paid deduction	16,962	22.8	7,265	2.7	823	16.7	9,017	8.4
Tax-exempt interest [2]	5,007	6.7	0	0.0	182	3.7	13,346	12.5
Taxes paid deduction	14,260	19.2	128,550	48.2	2,941	59.5	28,959	27.0
Charitable contributions deduction	1,916	2.6	32,736	12.3	605	12.2	** 353	** 0.3
Medical and dental expense deduction	356	0.5	3,535	1.3	0	0.0	**	**
Net casualty or theft loss deduction	0	0.0	132	[3]	0	0.0	0	0.0
Total miscellaneous deductions	908	1.2	17,948	6.7	4	0.1	303	0.3
General business credit	668	0.9	986	0.4	11	0.2	940	0.9
Refundable tax credits used to offset income tax before credits	6	[3]	571	0.2	**	**	327	0.3
All other tax credits	2,320	3.1	1,705	0.6	** 61	** 1.2	2,704	2.5
Foreign-earned income exclusion [2]	0	0.0	207	0.1	**	**	0	0.0
AMT tax preference [2]	90	0.1	17	[3]	0	0.0	8	[3]
Nontaxable Social Security benefits [2]	451	0.6	32,908	12.3	5	0.1	0	0.0
Capital gains taxed at 0 percent	1,839	2.5	18,640	7.0	154	3.1	422	0.4
No second largest item	29,507	39.7	21,655	8.1	153	3.1	50,801	47.4

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Total		Item with the largest tax effect: Interest paid deduction		Investment interest expense deduction [1]		Taxes paid deduction	
	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)
RETURNS WITHOUT WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**7,404**	**100.0**	**134**	**1.8**	**794**	**10.7**	**365**	**4.9**
Interest paid deduction	1,263	17.1	0	0.0	144	18.1	44	12.0
Investment interest expense deduction [1]	324	4.4	22	16.4	0	0.0	43	11.8
Taxes paid deduction	2,900	39.2	39	29.1	237	29.8	0	0.0
Charitable contributions deduction	986	13.3	19	14.2	179	22.6	150	41.2
Medical and dental expense deduction	245	3.3	9	6.7	24	3.0	18	4.9
Net casualty or theft loss deduction	42	0.6	**	**	3	0.4	4	1.1
Total miscellaneous deductions	722	9.8	** 12	** 9.0	** 120	** 15.1	67	18.3
General business credit	99	1.3	9	6.7	**	**	16	4.4
Refundable tax credits used to offset income tax before credits	12	0.2	0	0.0	0	0.0	0	0.0
All other tax credits	54	0.7	3	2.2	5	0.6	4	1.1
Capital gains taxed at 0 percent	654	8.8	21	15.7	** 82	** 10.3	19	5.2
No second largest item	103	1.4	0	0.0	**	**	0	0.0
Returns with expanded income of $200,000 or more								
Total	**13,447**	**100.0**	**175**	**1.3**	**0**	**0.0**	**453**	**3.4**
Interest paid deduction	1,102	8.2	0	0.0	0	0.0	58	12.8
Tax-exempt interest [2]	1,327	9.9	20	11.4	0	0.0	112	24.7
Taxes paid deduction	3,519	26.2	55	31.4	0	0.0	0	0.0
Charitable contributions deduction	1,789	13.3	27	15.4	0	0.0	139	30.7
Medical and dental expense deduction	1,613	12.0	14	8.0	0	0.0	28	6.2
Net casualty or theft loss deduction	68	0.5	3	1.7	0	0.0	3	0.7
Total miscellaneous deductions	1,384	10.3	14	8.0	0	0.0	56	12.4
General business credit	81	0.6	9	5.1	0	0.0	15	3.3
Refundable tax credits used to offset income tax before credits	57	0.4	0	0.0	0	0.0	0	0.0
All other tax credits	79	0.6	**	**	0	0.0	4	0.9
Foreign-earned income exclusion [2]	20	0.1	** 3	** 1.7	0	0.0	7	1.5
AMT tax preference [2]	12	0.1	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	563	4.2	5	2.9	0	0.0	4	0.9
Capital gains taxed at 0 percent	1,287	9.6	25	14.3	0	0.0	27	6.0
No second largest item	544	4.0	0	0.0	0	0.0	0	0.0

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	Charitable contributions deduction		Medical and dental expense deduction		Net casualty or theft loss deduction		Total miscellaneous deductions	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
RETURNS WITHOUT WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**1,195**	**16.1**	**1,274**	**17.2**	**885**	**12.0**	**2,095**	**28.3**
Interest paid deduction	143	12.0	70	5.5	175	19.8	439	21.0
Investment interest expense deduction [1]	127	10.6	16	1.3	11	1.2	72	3.4
Taxes paid deduction	331	27.7	424	33.3	575	64.9	1,121	53.5
Charitable contributions deduction	0	0.0	269	21.1	47	5.3	251	12.0
Medical and dental expense deduction	122	10.2	0	0.0	10	1.1	45	2.1
Net casualty or theft loss deduction	3	0.3	9	0.7	0	0.0	18	0.9
Total miscellaneous deductions	194	16.2	** 293	** 23.0	** 43	** 4.9	0	0.0
General business credit	26	2.2	**	**	**	**	21	1.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0	8	0.4
All other tax credits	18	1.5	**	**	**	**	13	0.6
Capital gains taxed at 0 percent	** 231	** 19.3	** 189	** 14.8	** 24	** 2.7	40	1.9
No second largest item	**	**	4	0.3	**	**	67	3.2
Returns with expanded income of $200,000 or more								
Total	**1,216**	**9.0**	**1,906**	**14.2**	**906**	**6.7**	**296**	**2.2**
Interest paid deduction	127	10.4	52	2.7	174	19.2	27	9.1
Tax-exempt interest [2]	196	16.1	750	39.3	84	9.3	97	32.8
Taxes paid deduction	305	25.1	316	16.6	544	60.0	64	21.6
Charitable contributions deduction	0	0.0	221	11.6	41	4.5	76	25.7
Medical and dental expense deduction	115	9.5	0	0.0	12	1.3	10	3.4
Net casualty or theft loss deduction	7	0.6	9	0.5	0	0.0	0	0.0
Total miscellaneous deductions	149	12.3	254	13.3	14	1.5	0	0.0
General business credit	25	2.1	**	**	**	**	**	**
Refundable tax credits used to offset income tax before credits	3	0.3	0	0.0	0	0.0	0	0.0
All other tax credits	16	1.3	**	**	**	**	**	**
Foreign-earned income exclusion [2]	0	0.0	** 6	** 0.3	** 5	** 0.6	** 7	** 2.4
AMT tax preference [2]	3	0.2	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	40	3.3	106	5.6	12	1.3	**	**
Capital gains taxed at 0 percent	227	18.7	** 192	** 10.1	** 20	** 2.2	** 15	** 5.1
No second largest item	3	0.2	**	**	**	**	**	**

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	General business credit		Refundable tax credits used to offset income tax before credits		All other tax credits		Capital gains taxed at 0 percent	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
RETURNS WITHOUT WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**276**	**3.7**	**108**	**1.5**	**141**	**1.9**	**136**	**1.8**
Interest paid deduction	183	66.3	0	0.0	38	27.0	27	19.9
Investment interest expense deduction [1]	6	2.2	8	7.6	3	2.1	16	11.8
Taxes paid deduction	29	10.5	80	74.5	50	35.5	13	9.6
Charitable contributions deduction	**	**	**	**	20	14.2	25	18.4
Medical and dental expense deduction	**	**	0	0.0	**	**	14	10.3
Net casualty or theft loss deduction	**	**	0	0.0	**	**	**	**
Total miscellaneous deductions	** 22	** 8.0	** 7	** 6.5	** 4	** 2.8	** 8	** 5.9
General business credit	0	0.0	0	0.0	0	0.0	12	8.8
Refundable tax credits used to offset income tax before credits	4	1.4	0	0.0	0	0.0	0	0.0
All other tax credits	4	1.4	0	0.0	0	0.0	3	2.2
Capital gains taxed at 0 percent	25	9.1	12	11.3	19	13.5	0	0.0
No second largest item	3	1.1	0	0.0	7	5.0	18	13.2
Returns with expanded income of $200,000 or more								
Total	**268**	**2.0**	**107**	**0.8**	**140**	**1.0**	**195**	**1.5**
Interest paid deduction	** 180	** 67.2	0	0.0	39	27.9	26	13.3
Tax-exempt interest [2]	**	**	0	0.0	5	3.6	** 70	** 35.9
Taxes paid deduction	29	10.8	80	75.2	49	35.0	**	**
Charitable contributions deduction	** 19	** 7.1	5	4.8	** 21	** 15.0	35	17.9
Medical and dental expense deduction	**	**	0	0.0	**	**	20	10.3
Net casualty or theft loss deduction	**	**	0	0.0	**	**	10	5.1
Total miscellaneous deductions	**	**	9	8.6	**	**	9	4.6
General business credit	0	0.0	0	0.0	0	0.0	**	**
Refundable tax credits used to offset income tax before credits	5	1.9	0	0.0	0	0.0	0	0.0
All other tax credits	5	1.9	0	0.0	0	0.0	3	1.5
Foreign-earned income exclusion [2]	0	0.0	0	0.0	0	0.0	0	0.0
AMT tax preference [2]	0	0.0	0	0.0	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	**	**	0	0.0	**	**	9	4.6
Capital gains taxed at 0 percent	** 30	** 11.2	12	11.4	** 21	** 15.0	0	0.0
No second largest item	**	**	0	0.0	5	3.6	13	6.7

Footnotes at end of table.

Table 8. Returns With and Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns and Percentage Classified by Item With the Largest Tax Effect and by Item With the Second Largest Tax Effect, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, income concept, and item with the second largest tax effect	Item with the largest tax effect—continued							
	Foreign-earned income exclusion [2]		Tax-exempt interest [2]		AMT tax preference [2]		Nontaxable Social Security benefits [2]	
	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total	Number of returns	Percentage of total
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
RETURNS WITHOUT WORLDWIDE INCOME TAX								
Returns with adjusted gross income of $200,000 or more								
Total	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**
Interest paid deduction	0	0.0	0	0.0	0	0.0	0	0.0
Investment interest expense deduction [1]	0	0.0	0	0.0	0	0.0	0	0.0
Taxes paid deduction	0	0.0	0	0.0	0	0.0	0	0.0
Charitable contributions deduction	0	0.0	0	0.0	0	0.0	0	0.0
Medical and dental expense deduction	0	0.0	0	0.0	0	0.0	0	0.0
Net casualty or theft loss deduction	0	0.0	0	0.0	0	0.0	0	0.0
Total miscellaneous deductions	0	0.0	0	0.0	0	0.0	0	0.0
General business credit	0	0.0	0	0.0	0	0.0	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	0	0.0	0	0.0	0	0.0
All other tax credits	0	0.0	0	0.0	0	0.0	0	0.0
Capital gains taxed at 0 percent	0	0.0	0	0.0	0	0.0	0	0.0
No second largest item	0	0.0	0	0.0	0	0.0	0	0.0
Returns with expanded income of $200,000 or more								
Total	**433**	**3.2**	**7,292**	**54.2**	**46**	**0.3**	**13**	**0.1**
Interest paid deduction	95	21.9	324	4.4	0	0.0	**	**
Tax-exempt interest [2]	15	3.5	0	0.0	** 5	** 10.8	** 7	** 53.8
Taxes paid deduction	93	21.5	1,967	27.0	0	0.0	**	**
Charitable contributions deduction	6	1.4	1,197	16.4	0	0.0	** 6	** 46.2
Medical and dental expense deduction	18	4.2	1,392	19.1	0	0.0	**	**
Net casualty or theft loss deduction	**	**	32	0.4	0	0.0	0	0.0
Total miscellaneous deductions	**	**	871	11.9	0	0.0	0	0.0
General business credit	0	0.0	14	0.2	**	**	0	0.0
Refundable tax credits used to offset income tax before credits	0	0.0	7	0.1	41	89.2	0	0.0
All other tax credits	5	1.2	37	0.5	0	0.0	0	0.0
Foreign-earned income exclusion [2]	0	0.0	5	0.1	0	0.0	0	0.0
AMT tax preference [2]	0	0.0	9	0.1	0	0.0	0	0.0
Nontaxable Social Security benefits [2]	**	**	381	5.2	0	0.0	0	0.0
Capital gains taxed at 0 percent	** 12	** 2.8	727	10.0	**	**	**	**
No second largest item	189	43.6	328	4.5	0	0.0	0	0.0

** Data combined to avoid disclosure of information for specific taxpayers.

[1] Investment interest expense deduction only has an effect when using the adjusted gross income concept.

[2] Tax-exempt interest, foreign-earned income exclusion, AMT tax preference, and nontaxable Social Security benefits only have an effect when using the expanded income concept.

[3] Less than 0.05 percent.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 9. Returns Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2012

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions	20,304	6,373	3,710	1,859	515	320
Interest paid deduction:						
Total	20,304	10,134	6,777	1,540	536	253
Investment interest expense deduction per income concept	20,304	16,048	2,751	316	192	161
Taxes paid deduction	20,304	7,585	9,022	2,285	634	338
Charitable contributions deduction	20,304	9,708	7,554	710	339	414
Medical and dental expense deduction	20,304	18,012	613	168	102	105
Net casualty or theft loss deduction	20,304	19,355	7	5	20	17
Net limited miscellaneous deduction per income concept	20,304	15,821	2,688	883	399	191
Non-limited miscellaneous deduction	20,304	17,073	1,200	87	35	44
Deduction equivalent of:						
Total credits	20,304	6,360	378	240	231	290
Foreign tax credit	20,304	7,137	713	109	72	139
General business credit	20,304	19,569	180	63	76	79
Refundable tax credits used to offset income tax before credits	20,304	19,983	173	13	17	11
Tax preferences excluded from adjusted gross income	20,304	15,378	3,221	496	289	178
Nontaxable Social Security benefits	20,304	16,287	4,007	** 10	**	0
Capital gains taxed at 0 percent	20,304	16,766	1,376	1,102	809	250
Expanded income concept						
Total itemized deductions	32,326	11,677	5,612	3,945	2,081	1,552
Interest paid deduction:						
Total	32,326	21,646	8,212	1,852	439	103
Investment interest expense deduction per income concept	32,326	27,082	4,558	275	128	64
Taxes paid deduction	32,326	13,026	13,719	3,762	965	368
Charitable contributions deduction	32,326	15,610	12,244	1,672	893	699
Medical and dental expense deduction	32,326	24,678	3,981	784	458	412
Net casualty or theft loss deduction	32,326	31,309	32	18	31	16
Net limited miscellaneous deduction per income concept	32,326	22,896	6,206	1,919	697	292
Non-limited miscellaneous deduction	32,326	30,460	1,692	65	30	8
Deduction equivalent of:						
Total credits	32,326	12,131	989	449	477	668
Foreign tax credit	32,326	13,094	1,263	229	288	508
General business credit	32,326	31,538	221	85	79	68
Refundable tax credits used to offset income tax before credits	32,326	31,932	210	15	56	11
Tax preferences excluded from adjusted gross income	32,326	19,072	3,253	899	818	911
Nontaxable Social Security benefits	32,326	23,727	8,582	** 17	**	0
Capital gains taxed at 0 percent	32,326	24,720	3,842	2,182	1,245	337

Footnotes at end of table.

Table 9. Returns Without U.S. Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2012—Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income—continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions	196	274	498	2,733	3,824
Interest paid deduction:					
Total	182	181	124	350	227
Investment interest expense deduction per income concept	154	116	108	289	168
Taxes paid deduction	133	92	53	75	86
Charitable contributions deduction	340	** 1,179	**	7	52
Medical and dental expense deduction	105	137	182	575	304
Net casualty or theft loss deduction	24	33	54	338	451
Net limited miscellaneous deduction per income concept	108	62	36	57	58
Non-limited miscellaneous deduction	45	42	51	1,016	711
Deduction equivalent of:					
Total credits	559	644	527	7,606	3,467
Foreign tax credit	404	547	408	7,315	3,459
General business credit	85	63	169	14	5
Refundable tax credits used to offset income tax before credits	19	3	43	41	0
Tax preferences excluded from adjusted gross income	128	106	64	157	286
Nontaxable Social Security benefits	0	0	0	0	0
Capital gains taxed at 0 percent	0	0	0	0	0
Expanded income concept					
Total itemized deductions	1,261	1,103	1,002	2,221	1,871
Interest paid deduction:					
Total	24	10	8	21	11
Investment interest expense deduction per income concept	56	30	16	51	66
Taxes paid deduction	158	94	53	83	96
Charitable contributions deduction	731	293	47	80	57
Medical and dental expense deduction	337	366	342	678	290
Net casualty or theft loss deduction	28	44	52	344	452
Net limited miscellaneous deduction per income concept	118	52	47	51	48
Non-limited miscellaneous deduction	10	11	12	10	28
Deduction equivalent of:					
Total credits	1,152	1,671	3,210	11,555	23
Foreign tax credit	997	1,564	3,003	11,362	17
General business credit	86	203	30	11	5
Refundable tax credits used to offset income tax before credits	14	6	0	81	0
Tax preferences excluded from adjusted gross income	974	1,090	1,170	3,538	601
Nontaxable Social Security benefits	0	0	0	0	0
Capital gains taxed at 0 percent	0	0	0	0	0

** Data combined to avoid disclosure of information for specific taxpayers.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 10. Returns Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2012

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Total	No deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income			
			Under 10 percent	10 percent under 20 percent	20 percent under 30 percent	30 percent under 40 percent
	(1)	(2)	(3)	(4)	(5)	(6)
Adjusted gross income concept						
Total itemized deductions	7,408	36	32	250	72	120
Interest paid deduction:						
Total	7,408	2,345	2,450	982	420	210
Investment interest expense deduction per income concept	7,408	4,555	1,515	243	167	142
Taxes paid deduction	7,408	151	4,231	1,779	545	293
Charitable contributions deduction	7,408	1,339	3,711	398	243	335
Medical and dental expense deduction	7,408	5,373	436	141	85	95
Net casualty or theft loss deduction	7,408	6,475	6	4	19	17
Net limited miscellaneous deduction per income concept	7,408	4,131	1,744	711	343	169
Non-limited miscellaneous deduction	7,408	4,643	808	54	28	37
Deduction equivalent of:						
Total credits	7,408	6,359	217	123	85	98
Foreign tax credit	7,408	7,408	0	0	0	0
General business credit	7,408	6,869	111	44	44	58
Refundable tax credits used to offset income tax before credits	7,408	7,103	168	13	9	12
Tax preferences excluded from adjusted gross income	7,408	3,988	1,946	411	247	147
Nontaxable Social Security benefits	7,408	4,108	3,300	0	0	0
Capital gains taxed at 0 percent	7,408	5,071	848	731	591	166
Expanded income concept						
Total itemized deductions	13,450	960	786	1,921	1,541	1,315
Interest paid deduction:						
Total	13,450	8,558	3,202	1,184	352	86
Investment interest expense deduction per income concept	13,450	9,701	3,176	221	110	52
Taxes paid deduction	13,450	1,040	7,571	3,186	859	332
Charitable contributions deduction	13,450	2,248	7,503	1,298	759	599
Medical and dental expense deduction	13,450	6,382	3,520	737	433	395
Net casualty or theft loss deduction	13,450	12,452	29	17	30	16
Net limited miscellaneous deduction per income concept	13,450	5,484	5,010	1,715	656	278
Non-limited miscellaneous deduction	13,450	12,010	1,298	49	24	8
Deduction equivalent of:						
Total credits	13,450	12,099	504	118	127	87
Foreign tax credit	13,450	13,450	0	0	0	0
General business credit	13,450	12,927	119	42	41	44
Refundable tax credits used to offset income tax before credits	13,450	13,072	197	15	56	12
Tax preferences excluded from adjusted gross income	13,450	2,305	1,712	764	717	825
Nontaxable Social Security benefits	13,450	5,860	** 7,590	**	0	0
Capital gains taxed at 0 percent	13,450	7,918	2,714	1,617	964	236

Footnotes at end of table.

Table 10. Returns Without Worldwide Income Tax and With Income of $200,000 or More Under Alternative Concepts: Number of Returns With Itemized Deductions, Credits, and Tax Preferences, as Percentages of Income, Tax Year 2012—Continued

[All figures are estimates based on samples]

Income concept and type of deduction, credit, or tax preference	Number of returns on which income was reduced by percentages of income—continued				
	40 percent under 50 percent	50 percent under 60 percent	60 percent under 70 percent	70 percent under 100 percent	100 percent or more
	(7)	(8)	(9)	(10)	(11)
Adjusted gross income concept					
Total itemized deductions	68	116	353	2,538	3,822
Interest paid deduction:					
Total	159	166	113	335	227
Investment interest expense deduction per income concept	141	101	100	276	168
Taxes paid deduction	118	82	47	75	86
Charitable contributions deduction	286	** 1,037	**	7	52
Medical and dental expense deduction	100	127	174	572	304
Net casualty or theft loss deduction	23	31	48	334	451
Net limited miscellaneous deduction per income concept	99	59	36	57	58
Non-limited miscellaneous deduction	39	38	46	1,004	711
Deduction equivalent of:					
Total credits	106	63	227	125	3
Foreign tax credit	0	0	0	0	0
General business credit	60	43	165	11	3
Refundable tax credits used to offset income tax before credits	18	3	40	41	0
Tax preferences excluded from adjusted gross income	110	86	60	147	265
Nontaxable Social Security benefits	0	0	0	0	0
Capital gains taxed at 0 percent	0	0	0	0	0
Expanded income concept					
Total itemized deductions	1,066	955	906	2,132	1,868
Interest paid deduction:					
Total	19	9	8	21	11
Investment interest expense deduction per income concept	45	27	15	43	59
Taxes paid deduction	148	88	47	83	95
Charitable contributions deduction	621	241	46	79	56
Medical and dental expense deduction	322	356	338	677	290
Net casualty or theft loss deduction	27	40	47	340	452
Net limited miscellaneous deduction per income concept	113	50	46	50	48
Non-limited miscellaneous deduction	9	10	8	7	27
Deduction equivalent of:					
Total credits	95	70	185	161	3
Foreign tax credit	0	0	0	0	0
General business credit	59	182	26	7	3
Refundable tax credits used to offset income tax before credits	10	6	0	81	0
Tax preferences excluded from adjusted gross income	914	1,032	1,111	3,468	601
Nontaxable Social Security benefits	0	0	0	0	0
Capital gains taxed at 0 percent	0	0	0	0	0

** Data combined to avoid disclosure of information for specific taxpayers.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 11. Returns With and Without U.S. Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012

[All figures are estimates based on samples]

Tax status, effective tax rate	Total			Size of adjusted gross income: Under $50,000 [1]		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(1)	(2)	(3)	(4)	(5)	(6)
All returns	**144,928,472**	**100.0**	**8.0**	**92,940,570**	**100.0**	**0.8**
Returns without U.S. income tax	**51,818,751**	**35.8**	**1.7**	**50,298,705**	**54.1**	**0.8**
Effective tax rate:						
0 percent	18,578,706	12.8	19.3	18,263,836	19.7	37.0
Under 0 over -5 percent	7,600,676	5.2	0.9	6,537,987	7.0	0.2
-5 over -10 percent	6,958,607	4.8	0.2	6,823,963	7.3	0.1
-10 over -15 percent	3,692,017	2.5	0.1	3,684,618	4.0	0.0
-15 over -20 percent	2,134,459	1.5	0.1	2,134,074	2.3	0.0
-20 percent and under	12,854,285	8.9	0.1	12,854,227	13.8	0.1
Returns with U.S. income tax	**93,109,721**	**64.2**	**8.5**	**42,641,865**	**45.9**	**0.8**
Effective tax rate:						
Under 5 percent	25,773,359	17.8	3.4	19,939,196	21.5	1.4
5 under 10 percent	35,872,837	24.8	2.8	18,636,693	20.1	0.4
10 under 15 percent	20,715,318	14.3	10.5	3,997,331	4.3	0.4
15 under 20 percent	7,733,351	5.3	19.0	34,704	[2]	7.1
20 under 25 percent	2,016,636	1.4	10.4	16,477	[2]	2.6
25 under 30 percent	903,487	0.6	3.9	5,064	[2]	47.8
30 under 35 percent	83,462	0.1	1.8	4,064	[2]	0.4
35 under 40 percent	1,095	[2]	14.4	0	0.0	0.0
40 under 45 percent	483	[2]	10.3	6	[2]	0.0
45 under 50 percent	951	[2]	10.6	831	[2]	0.0
50 under 60 percent	520	[2]	22.3	6	[2]	0.0
60 under 70 percent	67	[2]	2.4	0	0.0	0.0
70 under 80 percent	138	[2]	1.4	39	[2]	0.0
80 percent or more	8,017	[2]	[3]	7,453	[2]	0.0

Footnotes at end of table.

Table 11. Returns With and Without U.S. Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of adjusted gross income—continued					
	$50,000 under $100,000			$100,000 under $200,000		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(7)	(8)	(9)	(10)	(11)	(12)
All returns	**31,089,262**	**100.0**	**1.5**	**15,646,648**	**100.0**	**2.6**
Returns without U.S. income tax	**1,406,093**	**4.5**	**3.6**	**93,650**	**0.6**	**12.5**
Effective tax rate:						
0 percent	238,849	0.8	13.1	56,786	0.4	11.9
Under 0 over -5 percent	1,026,543	3.3	1.6	35,362	0.2	13.8
-5 over -10 percent	133,984	0.4	0.5	475	[2]	30.4
-10 over -15 percent	** 6,694	** [2]	** 3.1	** 1,010	** [2]	** 0.1
-15 over -20 percent	**	**	**	**	**	**
-20 percent and under	23	[2]	2.2	16	[2]	6.7
Returns with U.S. income tax	**29,683,169**	**95.5**	**1.4**	**15,552,998**	**99.4**	**2.5**
Effective tax rate:						
Under 5 percent	5,246,786	16.9	3.0	523,394	3.3	10.4
5 under 10 percent	13,633,414	43.9	1.3	3,503,062	22.4	3.5
10 under 15 percent	8,346,840	26.8	1.0	7,872,893	50.3	2.2
15 under 20 percent	2,437,950	7.8	0.6	3,245,429	20.7	1.6
20 under 25 percent	15,539	[2]	1.6	401,502	2.6	0.9
25 under 30 percent	1,337	[2]	13.6	5,569	[2]	0.4
30 under 35 percent	1,022	[2]	0.0	366	[2]	25.1
35 under 40 percent	187	[2]	0.1	158	[2]	0.0
40 under 45 percent	13	[2]	0.4	20	[2]	33.3
45 under 50 percent	8	[2]	0.0	35	[2]	9.0
50 under 60 percent	** 51	** [2]	** 4.0	** 17	** [2]	** 20.2
60 under 70 percent	**	**	**	**	**	**
70 under 80 percent	0	0.0	0.0	47	[2]	0.8
80 percent or more	23	[2]	14.9	505	[2]	0.6

Footnotes at end of table.

Table 11. Returns With and Without U.S. Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of adjusted gross income—continued: $200,000 or more: Number of returns	Percentage of total	Percentage of income subject to preferential rates	Total: Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(13)	(14)	(15)	(16)	(17)	(18)
All returns	**5,251,992**	**100.0**	**20.5**	**144,928,472**	**100.0**	**7.7**
Returns without U.S. income tax	**20,304**	**0.4**	**16.2**	**51,818,751**	**35.8**	**1.4**
Effective tax rate:						
0 percent	19,236	0.4	16.2	18,578,706	12.8	4.6
Under 0 over -5 percent	784	[2]	8.3	7,977,974	5.5	0.8
-5 over -10 percent	185	[2]	30.3	6,766,105	4.7	0.2
-10 over -15 percent	66	[2]	50.8	3,787,476	2.6	0.1
-15 over -20 percent	13	[2]	51.4	2,204,984	1.5	0.0
-20 percent and under	19	[2]	67.8	12,503,506	8.6	0.1
Returns with U.S. income tax	**5,231,689**	**99.6**	**20.5**	**93,109,721**	**64.2**	**8.4**
Effective tax rate:						
Under 5 percent	63,982	1.2	19.3	26,643,120	18.4	3.3
5 under 10 percent	99,668	1.9	39.3	34,999,247	24.1	2.9
10 under 15 percent	498,255	9.5	60.0	20,714,589	14.3	10.7
15 under 20 percent	2,015,267	38.4	33.7	7,749,400	5.3	18.5
20 under 25 percent	1,583,118	30.1	11.2	2,019,688	1.4	9.9
25 under 30 percent	891,517	17.0	3.9	890,698	0.6	3.7
30 under 35 percent	78,009	1.5	1.8	80,400	0.1	1.7
35 under 40 percent	751	[2]	15.0	754	[2]	14.0
40 under 45 percent	443	[2]	10.1	1,136	[2]	17.5
45 under 50 percent	78	[2]	12.3	1,237	[2]	11.8
50 under 60 percent	457	[2]	22.5	256	[2]	11.1
60 under 70 percent	56	[2]	2.4	109	[2]	7.5
70 under 80 percent	51	[2]	1.5	61	[2]	4.9
80 percent or more	37	[2]	34.1	9,024	[2]	[3]

Footnotes at end of table.

Table 11. Returns With and Without U.S. Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of expanded income					
	Under $50,000 [1]			$50,000 under $100,000		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(19)	(20)	(21)	(22)	(23)	(24)
All returns	**90,550,444**	**100.0**	**0.6**	**33,448,930**	**100.0**	**1.4**
Returns without U.S. income tax	**49,712,223**	**54.9**	**0.5**	**1,932,939**	**5.8**	**3.2**
Effective tax rate:						
0 percent	17,664,225	19.5	2.6	786,766	2.4	5.8
Under 0 over -5 percent	6,935,529	7.7	0.2	998,455	3.0	1.6
-5 over -10 percent	6,627,352	7.3	0.1	138,038	0.4	0.4
-10 over -15 percent	3,777,755	4.2	0.0	9,647	[2]	2.0
-15 over -20 percent	2,203,902	2.4	0.0	14	[2]	17.6
-20 percent and under	12,503,459	13.8	0.1	18	[2]	5.4
Returns with U.S. income tax	**40,838,221**	**45.1**	**0.6**	**31,515,992**	**94.2**	**1.3**
Effective tax rate:						
Under 5 percent	19,034,640	21.0	1.0	7,004,336	20.9	2.7
5 under 10 percent	17,564,410	19.4	0.3	13,906,210	41.6	1.2
10 under 15 percent	4,169,779	4.6	0.3	8,090,036	24.2	0.9
15 under 20 percent	30,524	[2]	5.5	2,507,612	7.5	0.4
20 under 25 percent	14,424	[2]	3.3	4,482	[2]	1.6
25 under 30 percent	10,084	[2]	15.5	1,988	[2]	9.8
30 under 35 percent	4,008	[2]	0.0	1,062	[2]	0.0
35 under 40 percent	3	[2]	0.0	153	[2]	0.2
40 under 45 percent	1,024	[2]	0.0	13	[2]	8.0
45 under 50 percent	831	[2]	0.0	8	[2]	0.0
50 under 60 percent	6	[2]	0.0	9	[2]	13.7
60 under 70 percent	3	[2]	0.0	52	[2]	0.6
70 under 80 percent	3	[2]	0.0	0	0.0	0.0
80 percent or more	8,482	[2]	0.0	30	[2]	11.7

Footnotes at end of table.

Table 11. Returns With and Without U.S. Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of expanded income—continued					
	$100,000 under $200,000			$200,000 or more		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(25)	(26)	(27)	(28)	(29)	(30)
All returns	**15,620,227**	**100.0**	**2.6**	**5,308,871**	**100.0**	**20.4**
Returns without U.S. income tax	**141,264**	**0.9**	**9.4**	**32,326**	**0.6**	**13.3**
Effective tax rate:						
0 percent	97,770	0.6	8.1	29,944	0.6	13.5
Under 0 over -5 percent	41,922	0.3	12.6	2,067	[2]	6.5
-5 over -10 percent	491	[2]	26.9	224	[2]	27.6
-10 over -15 percent	24	[2]	2.0	50	[2]	49.2
-15 over -20 percent	1,046	[2]	0.0	21	[2]	74.2
-20 percent and under	9	[2]	2.3	20	[2]	66.3
Returns with U.S. income tax	**15,478,963**	**99.1**	**2.5**	**5,276,545**	**99.4**	**20.4**
Effective tax rate:						
Under 5 percent	521,739	3.3	12.8	82,406	1.6	20.0
5 under 10 percent	3,405,633	21.8	3.7	122,995	2.3	37.5
10 under 15 percent	7,908,889	50.6	2.1	545,885	10.3	57.9
15 under 20 percent	3,221,923	20.6	1.3	1,989,341	37.5	33.2
20 under 25 percent	413,273	2.6	0.6	1,587,508	29.9	10.7
25 under 30 percent	5,868	[2]	0.1	872,759	16.4	3.7
30 under 35 percent	706	[2]	17.7	74,623	1.4	1.7
35 under 40 percent	21	[2]	0.1	577	[2]	14.5
40 under 45 percent	11	[2]	0.0	89	[2]	23.9
45 under 50 percent	312	[2]	0.0	86	[2]	29.5
50 under 60 percent	49	[2]	29.2	192	[2]	10.2
60 under 70 percent	6	[2]	0.5	48	[2]	9.0
70 under 80 percent	45	[2]	0.8	12	[2]	9.0
80 percent or more	488	[2]	0.6	24	[2]	16.3

** Data combined to avoid disclosure of information for specific taxpayers.

[1] Includes returns with adjusted gross deficit or with negative expanded income.

[2] Less than 0.05 percent.

[3] Percentage not computed.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Income Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of U.S. income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012

[All figures are estimates based on samples]

Tax status, effective tax rate	Total			Size of adjusted gross income: Under $50,000 [1]		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(1)	(2)	(3)	(4)	(5)	(6)
All returns	**144,928,472**	**100.0**	**8.0**	**92,940,570**	**100.0**	**0.8**
Returns without worldwide income tax	**51,641,366**	**35.6**	**1.3**	**50,196,058**	**54.0**	**0.8**
Effective tax rate:						
0 percent	18,423,969	12.7	20.5	18,171,576	19.6	44.6
Under 0 over -5 percent	7,581,225	5.2	0.8	6,530,789	7.0	0.2
-5 over -10 percent	6,957,470	4.8	0.2	6,822,823	7.3	0.1
-10 over -15 percent	3,689,967	2.5	0.1	3,682,575	4.0	0.0
-15 over -20 percent	2,134,458	1.5	0.1	2,134,074	2.3	0.0
-20 percent and under	12,854,277	8.9	0.1	12,854,221	13.8	0.1
Returns with worldwide income tax	**93,287,106**	**64.4**	**8.5**	**42,744,512**	**46.0**	**0.8**
Effective tax rate:						
Under 5 percent	25,757,731	17.8	2.9	19,981,521	21.5	1.4
5 under 10 percent	35,891,792	24.8	2.6	18,673,442	20.1	0.5
10 under 15 percent	20,706,114	14.3	10.1	4,007,193	4.3	0.4
15 under 20 percent	7,784,112	5.4	19.8	39,870	[2]	10.8
20 under 25 percent	2,038,592	1.4	11.0	16,682	[2]	2.6
25 under 30 percent	948,157	0.7	4.1	6,128	[2]	29.1
30 under 35 percent	107,777	0.1	2.0	4,068	[2]	0.4
35 under 40 percent	17,354	[2]	2.5	3	[2]	1.4
40 under 45 percent	8,565	[2]	2.9	11	[2]	0.4
45 under 50 percent	4,081	[2]	3.5	837	[2]	0.0
50 under 60 percent	5,199	[2]	10.3	122	[2]	0.3
60 under 70 percent	1,396	[2]	1.2	17	[2]	2.0
70 under 80 percent	294	[2]	1.6	60	[2]	3.6
80 percent or more	15,944	[2]	[3]	14,558	[2]	0.0

Footnotes at end of table.

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of adjusted gross income—continued					
	$50,000 under $100,000			$100,000 under $200,000		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(7)	(8)	(9)	(10)	(11)	(12)
All returns	**31,089,262**	**100.0**	**1.5**	**15,646,648**	**100.0**	**2.6**
Returns without worldwide income tax	**1,361,764**	**4.4**	**3.2**	**76,137**	**0.5**	**12.2**
Effective tax rate:						
0 percent	205,503	0.7	12.4	40,373	0.3	12.2
Under 0 over -5 percent	1,015,561	3.3	1.6	34,263	0.2	12.4
-5 over -10 percent	133,983	0.4	0.5	475	[2]	30.4
-10 over -15 percent	** 6,695	** [2]	** 3.1	** 1,010	** [2]	** 0.1
-15 over -20 percent	**	**	**	**	**	**
-20 percent and under	22	[2]	2.4	16	[2]	6.7
Returns with worldwide income tax	**29,727,498**	**95.6**	**1.5**	**15,570,511**	**99.5**	**2.5**
Effective tax rate:						
Under 5 percent	5,241,649	16.9	3.0	504,325	3.2	10.6
5 under 10 percent	13,644,981	43.9	1.3	3,490,955	22.3	3.5
10 under 15 percent	8,357,263	26.9	1.0	7,862,468	50.3	2.2
15 under 20 percent	2,453,607	7.9	0.7	3,276,309	20.9	1.6
20 under 25 percent	16,300	0.1	4.2	413,674	2.6	1.0
25 under 30 percent	3,028	[2]	7.5	8,858	0.1	0.5
30 under 35 percent	2,106	[2]	0.1	3,554	[2]	13.9
35 under 40 percent	1,878	[2]	0.6	3,291	[2]	2.5
40 under 45 percent	2,511	[2]	5.6	2,480	[2]	1.2
45 under 50 percent	1,110	[2]	0.2	981	[2]	1.8
50 under 60 percent	1,802	[2]	0.4	2,219	[2]	2.1
60 under 70 percent	696	[2]	0.6	460	[2]	0.6
70 under 80 percent	79	[2]	1.8	93	[2]	0.7
80 percent or more	489	[2]	2.7	843	[2]	1.1

Footnotes at end of table.

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of adjusted gross income—continued			Total		
	$200,000 or more					
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(13)	(14)	(15)	(16)	(17)	(18)
All returns	**5,251,992**	**100.0**	**20.5**	**144,928,472**	**100.0**	**7.7**
Returns without worldwide income tax	**7,408**	**0.1**	**5.3**	**51,641,366**	**35.6**	**1.1**
Effective tax rate:						
0 percent	6,517	0.1	3.5	18,423,969	12.7	3.6
Under 0 over -5 percent	613	[2]	7.6	7,958,316	5.5	0.8
-5 over -10 percent	188	[2]	30.8	6,765,166	4.7	0.2
-10 over -15 percent	58	[2]	51.3	3,785,441	2.6	0.1
-15 over -20 percent	13	[2]	51.4	2,204,975	1.5	0.0
-20 percent and under	18	[2]	72.8	12,503,498	8.6	0.1
Returns with worldwide income tax	**5,244,584**	**99.9**	**20.5**	**93,287,106**	**64.4**	**8.4**
Effective tax rate:						
Under 5 percent	30,236	0.6	14.2	26,627,412	18.4	2.9
5 under 10 percent	82,414	1.6	41.9	35,019,068	24.2	2.7
10 under 15 percent	479,191	9.1	61.0	20,704,990	14.3	10.3
15 under 20 percent	2,014,326	38.4	35.2	7,812,543	5.4	19.3
20 under 25 percent	1,591,936	30.3	12.0	2,060,986	1.4	10.6
25 under 30 percent	930,142	17.7	4.1	944,410	0.7	3.8
30 under 35 percent	98,048	1.9	2.0	101,634	0.1	1.8
35 under 40 percent	12,182	0.2	2.5	2,747	[2]	3.5
40 under 45 percent	3,562	0.1	3.0	1,552	[2]	8.8
45 under 50 percent	1,153	[2]	4.8	1,607	[2]	7.2
50 under 60 percent	1,056	[2]	16.4	296	[2]	10.7
60 under 70 percent	222	[2]	1.8	425	[2]	2.4
70 under 80 percent	61	[2]	1.6	67	[2]	4.6
80 percent or more	55	[2]	30.9	9,370	[2]	[3]

Footnotes at end of table.

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of expanded income					
	Under $50,000 [1]			$50,000 under $100,000		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(19)	(20)	(21)	(22)	(23)	(24)
All returns	**90,550,444**	**100.0**	**0.6**	**33,448,930**	**100.0**	**1.4**
Returns without worldwide income tax	**49,626,515**	**54.8**	**0.5**	**1,886,946**	**5.6**	**2.9**
Effective tax rate:						
0 percent	17,588,702	19.4	2.5	751,754	2.2	5.3
Under 0 over -5 percent	6,928,331	7.7	0.2	987,476	3.0	1.5
-5 over -10 percent	6,626,416	7.3	0.1	138,037	0.4	0.4
-10 over -15 percent	3,775,712	4.2	0.0	9,647	[2]	2.0
-15 over -20 percent	2,203,902	2.4	0.0	14	[2]	17.6
-20 percent and under	12,503,453	13.8	0.1	18	[2]	5.4
Returns with worldwide income tax	**40,923,929**	**45.2**	**0.6**	**31,561,984**	**94.4**	**1.4**
Effective tax rate:						
Under 5 percent	19,070,253	21.1	1.0	7,007,330	20.9	2.7
5 under 10 percent	17,602,830	19.4	0.3	13,921,858	41.6	1.2
10 under 15 percent	4,178,408	4.6	0.3	8,103,604	24.2	0.9
15 under 20 percent	33,024	[2]	7.1	2,521,393	7.5	0.5
20 under 25 percent	14,425	[2]	3.3	4,485	[2]	1.6
25 under 30 percent	10,084	[2]	15.5	1,988	[2]	9.8
30 under 35 percent	4,008	[2]	0.0	1,062	[2]	0.0
35 under 40 percent	3	[2]	0.0	153	[2]	0.2
40 under 45 percent	1,024	[2]	0.0	13	[2]	8.0
45 under 50 percent	1,035	[2]	0.0	8	[2]	0.0
50 under 60 percent	6	[2]	0.0	9	[2]	13.7
60 under 70 percent	3	[2]	0.0	52	[2]	0.6
70 under 80 percent	3	[2]	0.0	0	0.0	0.0
80 percent or more	8,822	[2]	0.0	30	[2]	11.7

Footnotes at end of table.

Table 12. Returns With and Without Worldwide Income Tax: Number and Percentage of Returns by Effective Tax Rate, and by Size of Income Under Alternative Concepts, Tax Year 2012—Continued

[All figures are estimates based on samples]

Tax status, effective tax rate	Size of expanded income—continued					
	$100,000 under $200,000			$200,000 or more		
	Number of returns	Percentage of total	Percentage of income subject to preferential rates	Number of returns	Percentage of total	Percentage of income subject to preferential rates
	(25)	(26)	(27)	(28)	(29)	(30)
All returns	**15,620,227**	**100.0**	**2.6**	**5,308,871**	**100.0**	**20.4**
Returns without worldwide income tax	**114,455**	**0.7**	**9.1**	**13,450**	**0.3**	**5.5**
Effective tax rate:						
0 percent	72,230	0.5	7.9	11,284	0.2	4.3
Under 0 over -5 percent	40,654	0.3	11.5	1,855	[2]	5.6
-5 over -10 percent	492	[2]	26.8	221	[2]	27.4
-10 over -15 percent	24	[2]	2.0	58	[2]	49.5
-15 over -20 percent	1,045	[2]	0.0	13	[2]	76.7
-20 percent and under	9	[2]	2.3	19	[2]	71.1
Returns with worldwide income tax	**15,505,772**	**99.3**	**2.5**	**5,295,421**	**99.7**	**20.4**
Effective tax rate:						
Under 5 percent	506,512	3.2	13.3	43,317	0.8	20.3
5 under 10 percent	3,391,536	21.7	3.7	102,844	1.9	40.0
10 under 15 percent	7,900,822	50.6	2.1	522,156	9.8	59.2
15 under 20 percent	3,263,084	20.9	1.4	1,995,042	37.6	34.5
20 under 25 percent	429,466	2.7	0.6	1,612,610	30.4	11.5
25 under 30 percent	10,972	0.1	0.2	921,367	17.4	3.8
30 under 35 percent	2,400	[2]	6.6	94,164	1.8	1.8
35 under 40 percent	51	[2]	0.7	2,540	[2]	3.6
40 under 45 percent	16	[2]	0.4	499	[2]	10.0
45 under 50 percent	314	[2]	0.0	250	[2]	11.6
50 under 60 percent	59	[2]	23.0	222	[2]	10.0
60 under 70 percent	3	[2]	0.0	367	[2]	2.5
70 under 80 percent	48	[2]	0.8	15	[2]	8.2
80 percent or more	489	[2]	0.6	29	[2]	15.9

** Data combined to avoid disclosure of information for specific taxpayers.

[1] Includes returns with adjusted gross deficit or with negative expanded income.

[2] Less than 0.05 percent.

[3] Percentage not computed.

NOTES: Detail may not add to totals because of rounding. This table is based on U.S. Individual Tax Returns. See Appendix A: Income Concepts of this article for a discussion of adjusted gross income and expanded income. See also Appendix B: Tax Concepts for a discussion of worldwide income tax. Starting in 2009, the portion of refundable credits that offset income taxes before credits was factored in to determine tax liability. As a result, data may not be comparable to data in Tax Years 2007 and 2008 published tables. Prior to 2007, the portion of refundable credits used to offset income taxes had no effect.

Source: IRS, Statistics of Income Division, High-Income Tax Returns, May 2015.

SOI Migration Data: A New Approach

Methodological Improvements for SOI's United States Population Migration Data, Calendar Years 2011–2012

by Kevin Pierce

The IRS Statistics of Income Division (SOI), in collaboration with the U.S. Census Bureau, has released migration data for the United States for several decades. These data are an important source of information detailing the movement of individuals from one location to another. SOI bases these data on the year-to-year address changes reported on individual income tax returns filed with the IRS during two consecutive calendar years.

From the migration data's inception through Calendar Years 2009–2010, the Census Bureau produced the data for SOI. This process all changed beginning with data for 2011–2012 when SOI assumed the responsibility for the migration tabulations and introduced a number of enhancements intended to improve the data's overall quality. Furthermore, the new approach provided an additional series of information. This paper discusses those improvements and highlights some of the differences between the migration data for 2011–2012 and previous versions.[1] To date, SOI has made the following three major improvements:

- Migration data are now based on a full year of data, as opposed to a partial year of data.
- Overall, the improved year-to-year return matching has increased the number of matched records by 5 percent and the number of high-income returns by approximately 25 percent.
- New tabulations show migration flows at the State level, by size of adjusted gross income (AGI) and age of primary taxpayer.

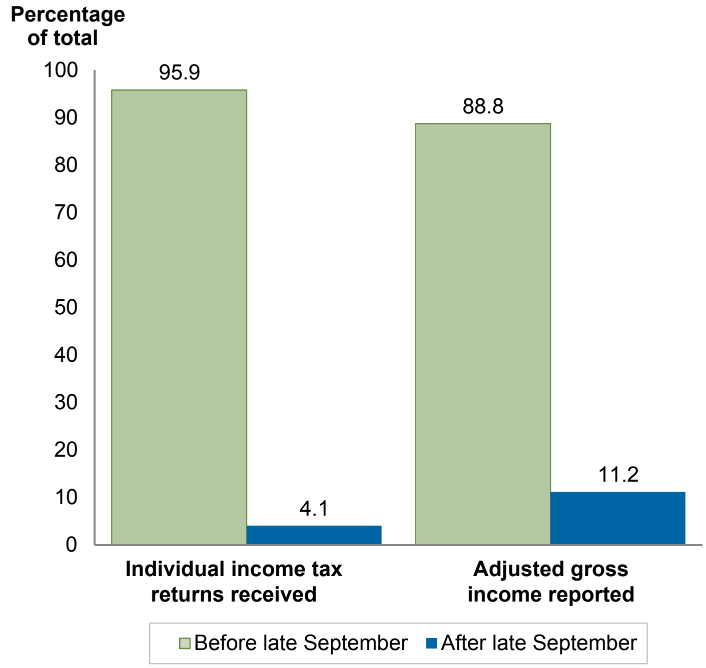
Full-Year Data

A major improvement made to the data was the switch from partial- to full-year data. Due to their internal production deadlines, migration data produced by Census for SOI only included individual income tax returns filed before the end of September. Since SOI is not bound by those same deadlines, it can construct the migration tabulations using all individual income tax returns received during the full calendar year (January 1 to December 31).[2]

For 2012, some 4 percent of the returns filed with the IRS were received after the September cutoff (Figure A). Also, the total adjusted gross income (AGI) reported for returns received after September was equal to 11 percent of the total AGI for 2012. To the extent that returns filed after September are somewhat different from those filed before September (more complex and with higher income, for instance), including them in the migration data removes a potential bias. Another way of stating this is that by including the returns received after late September, the new SOI migration data represent the migration patterns for the full filing population of current tax year returns.

Figure A

Percentages of Individual Income Tax Returns Received and Adjusted Gross Income Reported Before and After Late September, Calendar Year 2012



Source: IRS, Statistics of Income Division, Individual Master File, July 2015.

Improved Year-to-Year Return Matching

Prior to the 2011–2012 migration data, Census matched returns based on the primary filer's taxpayer identification number (TIN) only. One drawback to this is that the filing position for an individual can change over time. For instance, individuals may be listed as a dependent on a parent or guardian's return in Year 1, but file their own return as a primary filer in Year 2. Similarly, an individual listed as a secondary filer on, for example, a married-filing-joint return in Year 1 could become a single filer

[1] For a full description of the 2011–2012 migration data, see the Migration Data Users Guide available at http://www.irs.gov/uac/SOI-Tax-Stats-Migration-Data. For a description of the previous migration data, see Gross, Emily, "U.S. Population Migration Data: Strengths and Limitations," available on this Webpage.

[2] The new migration data include all individual income tax returns processed from January 1 to December 31 for the current tax year. A small percentage of the returns that the IRS receives (usually around 3 percent) are for prior tax years. For matching purposes, SOI excludes these returns from the migration data.

(primary taxpayer) in Year 2 due to divorce or death. Finally, some married couples switch their positions each year, the primary becoming the secondary and vice versa. Under the previous methodology, records from the migration data that had experienced such changes in taxpayers' filing positions were excluded.

To address this limitation, the matching process under the new methodology uses the TINs of the primary, secondary, and dependent filers. Using this method, approximately 5 percent of the total matched records occur through additional matching beyond the primary-to-primary matching (Figure B). Dependent filers (in Year 1) who matched to primary filers (in Year 2) comprised the largest source of these additional records (around 3 percent).

Despite these improvements, a number of records can still be excluded from the final migration data. A nonmatching return can occur if a TIN is recorded incorrectly between the two years; if a taxpayer switches from a temporary TIN to a permanent Social Security Number (SSN); or if a taxpayer filed a return in one year, but did not file a return timely in another year.[3] Overall, the additional merging of secondary and dependent filers increases the precision of the migration data by including a wider segment of the filing population.

Figure B

SOI Migration Data: New Matching Process for Individual Income Tax Returns

Year 1	Year 2	Percentage of the total matched returns
Primary filer	Primary filer	94.6
Primary filer	Secondary filer	0.8
Secondary filer	Primary filer	1.7
Secondary filer	Secondary filer	less than 0.1
Dependent filers	Primary filer	2.8
Dependent filers	Secondary filer	less than 0.1

IRS, Statistics of Income Division, Individual Master File, July 2015.

New Tabulations—The Gross Migration File

The last major improvement introduces a new tabulation that shows aggregate migration flows at the State level, by size of adjusted gross income (AGI) and age of the primary taxpayer. The Gross Migration File is a summary of the migration flows for each State, plus the District of Columbia, that shows the total number of matched returns, nonmigrant returns, outflow returns, inflow returns, and same-State returns.

Comparisons of the Old and New Methodologies

In general, SOI has made every effort to preserve the comparability and continuity of the new migration data with the previous years of data. The new migration data include the same set of files: State-to-State outflows and inflows and county-to-county outflows and inflows; as well as the same codes and definitions used in previous years. However, due to the methodological changes between the two, the data are not directly comparable.

Matched Returns by Size of Adjusted Gross Income

For the 2011–2012 migration data, SOI created a test file that mimicked the same procedures the Census Bureau employed to create the previous migration data.[4] This file resulted in a total match of 111.5 million returns (Figure C). Using the updated methodology, the new version of migration data had 116.8 million returns, a 4.7-percent increase, or 5.3 million returns from the previous version. Returns in the $200,000-or-more AGI category experienced the greatest increase, rising about 25 percent, from 3.6 million to 4.5 million matched individual income tax returns.

Figure C

SOI Migration Data: Total Number of Matched Individual Income Tax Returns, by Size of Adjusted Gross Income, Calendar Years 2011–2012

Size of adjusted gross income	Number of matched returns		
	Previous methodology	New methodology	Percentage change
Total	**111,505,981**	**116,764,589**	**4.7**
$1 under $10,000	10,380,065	10,846,031	4.5
$10,000 under $25,000	26,886,965	27,607,234	2.7
$25,000 under $50,000	29,804,233	30,755,044	3.2
$50,000 under $75,000	17,007,772	17,717,602	4.2
$75,000 under $100,000	10,723,397	11,253,887	4.9
$100,000 under $200,000	13,109,345	14,107,846	7.6
$200,000 or more	3,594,204	4,476,945	24.6

IRS, Statistics of Income Division, Individual Master File, July 2015.

Additional Matched Returns

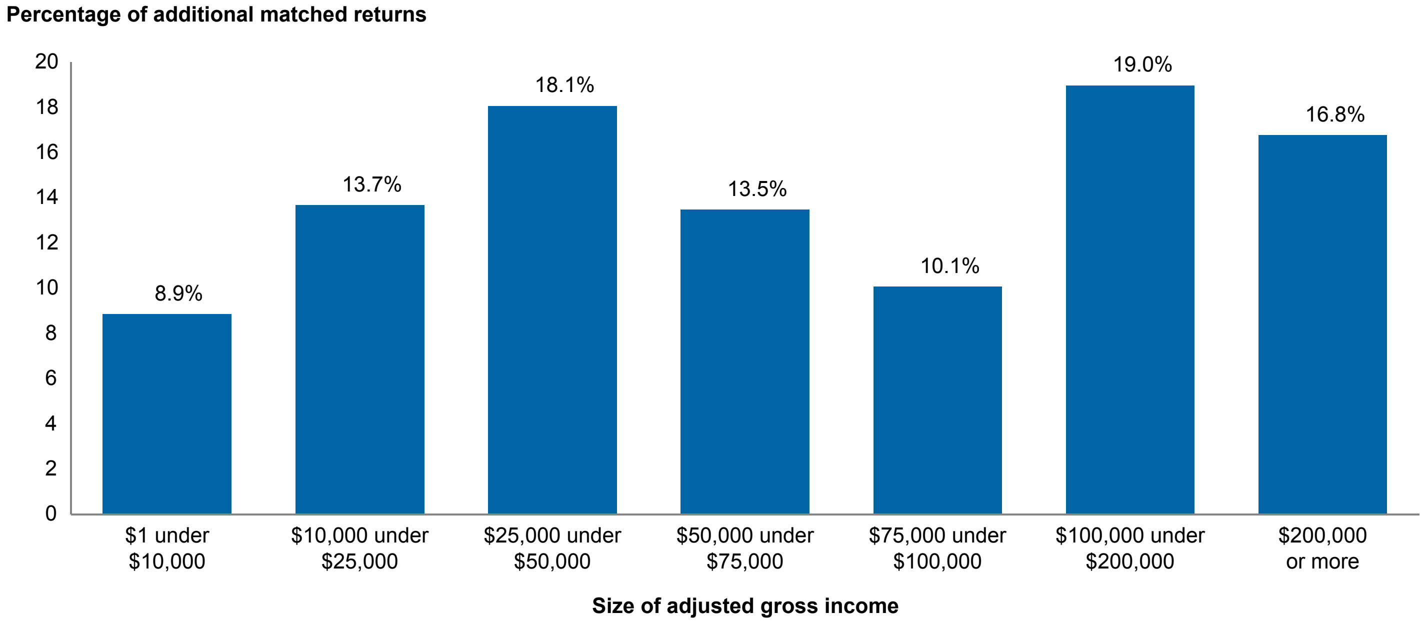
Of the 5.3 million records added to the migration data, over a third (35.8 percent) came from the top two income categories (Figure D). Matched returns in the $100,000-under-$200,000 category comprised 19 percent of the additional records, while returns in the $200,000-or-more category made up 16.8 percent.

[3] Individuals can apply to the IRS for an Individual Taxpayer Identification Number (ITIN) to file a valid U.S. Federal income tax return. An ITIN is a special 9-digit tax processing number, beginning with the number "9." There are instances where some individuals will receive a valid Social Security Number (SSN) in place of their ITIN and must file their individual return using the SSN. Excluded from the data are returns that switch between an ITIN and an SSN between migration years because of the nonmatching TINs.

[4] SOI created a test file to compare the previous methodology, data produced for Calendar Years 2009–2010 and earlier, to the new methodology, data produced for Calendar Years 2011–2012 and beyond. To avoid complementary disclosure, SOI is unable to release this file to the public.

Figure D

SOI Migration Data: Percentage of Additional Matched Individual Income Tax Returns, by Size of Adjusted Gross Income, Calendar Years 2011–2012



IRS, Statistics of Income Division, Individual Master File, July 2015.

As discussed earlier, by including full-year data, the new migration data represent to a greater degree the movement or nonmovement of high-income individuals and the income associated with those returns.

Distribution of Returns by Size of Adjusted Gross Income

In spite of the additional records, the distribution of returns by the size of adjusted gross income is fairly consistent between the test dataset and the new one (Figure E). The two largest AGI categories, in terms of the percentage of matched returns, decreased slightly in the new migration data relative to the data using the previous methodology. Matched returns in the $10,000-under-$25,000 category declined slightly from 24.1 percent to 23.6 percent. Returns in the $25,000-under-$50,000 category declined from 26.7 percent to 26.3 percent. In contrast, matched returns in the $100,000-under-$200,000 and $200,000-or-more categories experienced slight increases.

Net Migration Rates

An alternate method of comparing the previous methodology with the new methodology is by examining the net migration rate between the two. SOI calculates the net migration rates by subtracting the number of out-migrant returns from the number of in-migrant returns and dividing this net amount by the sum of the nonmigrant returns plus the out-migrant returns. Despite the differences between the old and new methodologies, a majority of States (86.2 percent) had a percentage difference of less than 5 percent (Figure F). A handful of States had modest differences between the old and new migration rates, and one State had a percentage difference that was greater than 10 percent.

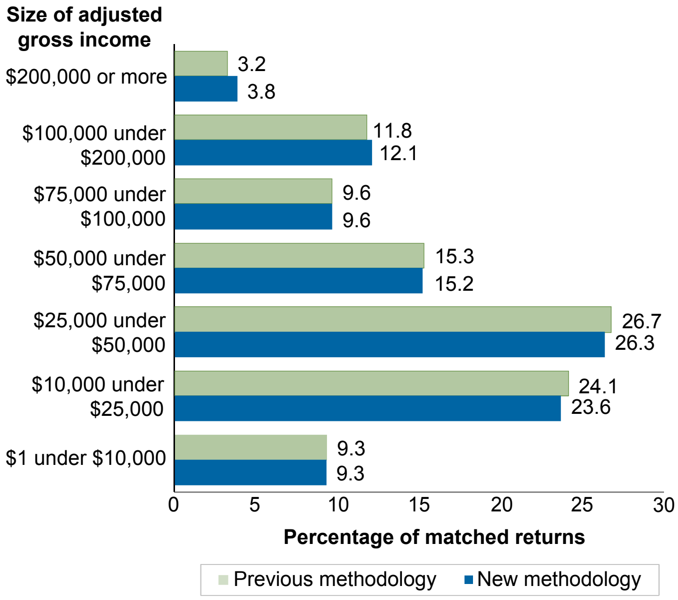
Wyoming had the largest percentage difference between the calculated net-migration rate of the previous methodology and the new version (Figure G). Wyoming's percentage difference of 27.6 percent was nearly three times as high as the second largest percentage difference of 9.4 percent for South Dakota.

Additional Information

SOI's migration data present migration patterns by State or by county for the entire United States and are available for inflows—the number of new residents who moved to a State or county and where they migrated from, and outflows—the number of residents leaving a State or county and where they went. The data are available at http://www.irs.gov/uac/SOI-Tax-Stats-Migration-Data.

Figure E

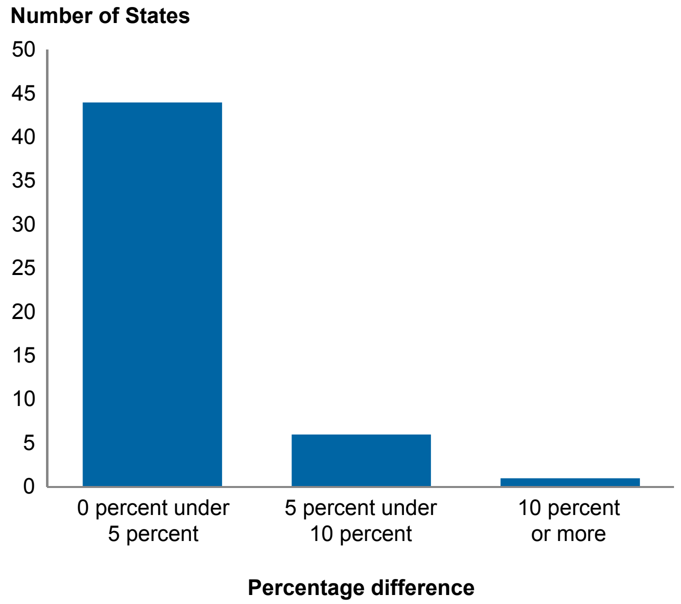
SOI Migration Data: Distribution of Matched Individual Income Tax Returns, by Size of Adjusted Gross Income, Calendar Years 2011–2012



IRS, Statistics of Income Division, Individual Master File, July 2015.

Figure F

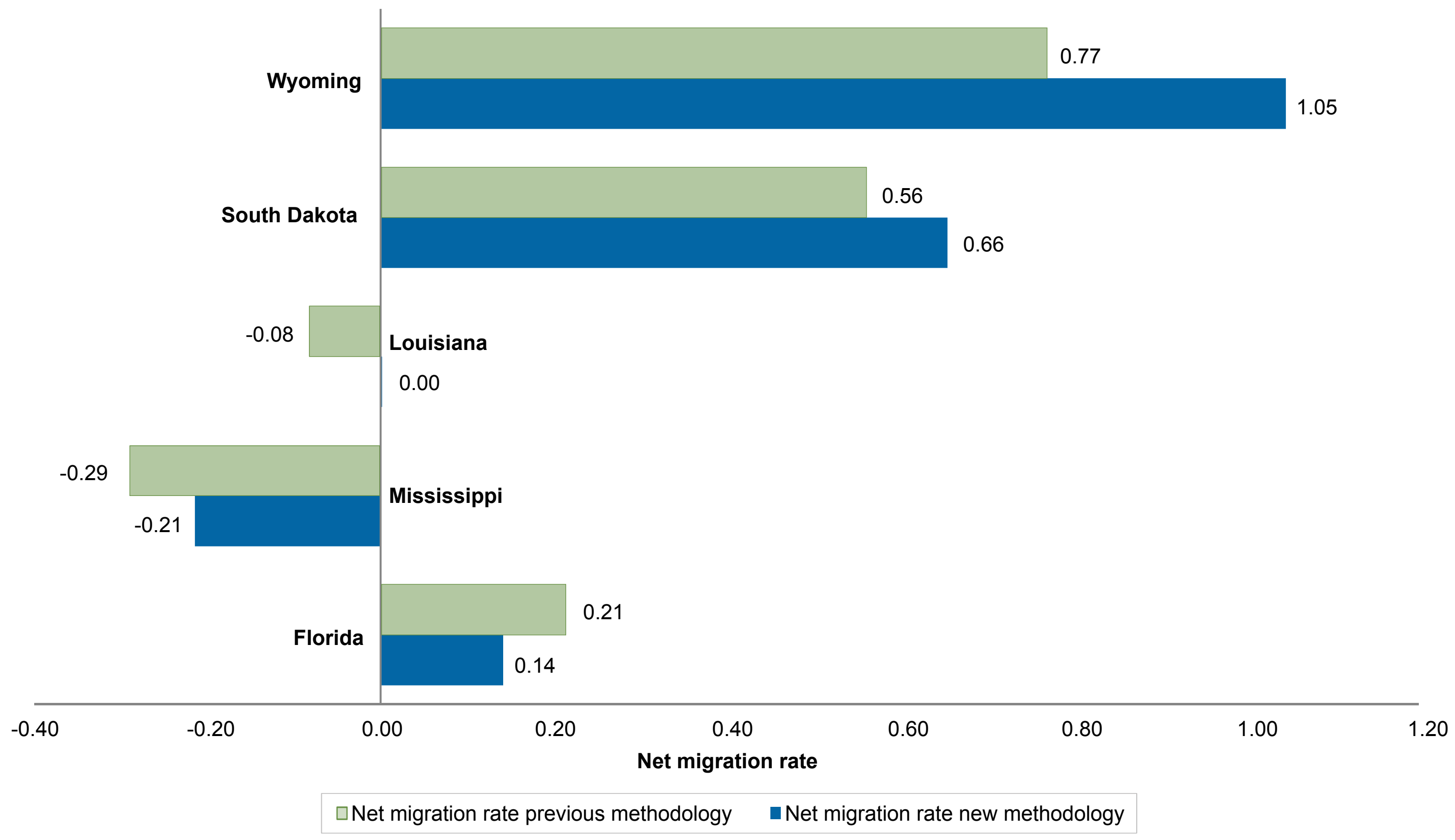
SOI Migration Data: Number of States, by Percentage Difference Between the Previous and New Methodologies' Net Migration Rates, Calendar Year 2011–2012



IRS. Statistics of Income Division. Individual Master File. July 2015.

Figure G

SOI Migration Data: Top 5 States with the Largest Net Migration Rate Differential, Calendar Years 2011–2012



IRS, Statistics of Income Division, Individual Master File, July 2015.

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